COCA-COLA EUROPEAN PARTNERS
THIRD-QUARTER 2018 EARNINGS CONFERENCE CALL

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EARNINGS ANNOUNCEMENT REMARKS

Sarah Willett, VP Investor Relations

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

Thank you all for joining us today.

Before we begin discussing our third quarter results for 2018, 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 afternoon'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, followed by Nik Jhangiani, our CFO.

Following those remarks, we will open the call for your questions. Following the call, a Q&A transcript will be made available as soon as possible on our website.

Also, before I hand over to Damian, we are, as of today, starting to publish our financial calendar on our website. So, I encourage you to sign up to news alerts to ensure these feed in to your calendar as

soon as they are released. Our reporting dates will no longer be announced via press release. Our next announcement will be our full year 2018 results on Valentine's Day, 14 February 2019 at 7am GMT followed by a conference call later in the day.

So, back to our third quarter results. I will now turn the call over to our CEO, Damian.

Damian Gammell, Chief Executive Officer

Thank you, Sarah. Again, I'd like to thank everybody for taking the time to join us today. We very much look forward to discussing our year-to-date and our third quarter 2018 results as well as our outlook for the full year 2018.

Overall, we are very pleased with our results so far this year. Importantly, the momentum in the business provides us with the license to continue to build for the future. We are continuing to make the right investments now in both our portfolio and in our core capabilities to support our long-term growth agenda. And this explains why we are not yet seeing more operational leverage in our P&L, and Nik will talk a little bit more about this later.
Driving value for our customers and our shareholders remains at the heart of our business, and we are fully committed to the midterm growth objectives, which we provided at a recent Capital Markets Day in Wiesbaden, Germany.

So now on to our results year-to-date. Our revenue increased 4.5% on a comparable and currency-neutral basis, led by a very healthy 5% increase in our revenue per unit case. Excluding the impact of incremental soft drinks taxes, our revenue per unit case increased by approximately 3% as we continue to benefit from our efforts and strategy to improve our price and mix over time.

On our year-to-date volumes, which were slightly down, the volume impacts of softer trading over the summer in France and Spain, new soft drink taxes and our strategic portfolio and pricing initiatives were almost fully offset by the favorable weather in Great Britain, Germany and Northern Europe that we enjoyed over the summer months. Very importantly, our transactions have continued to outpace volume year-to-date, and this remains a key metric for us, as we highlighted at our Capital Markets Day. Solid revenue growth and continued realization of post-merger synergy benefits have helped us to drive operating profit growth of 8% year-to-date on a comparable and currency-neutral basis.

Now I'd like to turn to performance by territory to share with you how we performed in the third quarter. In Iberia, our revenues were up 3.5%, led by strong volume growth in Portugal. Volumes in Spain suffered from weaker tourism trends over the peak summer months, particularly impacting the HoReCa channel. Growth in cans and our glass packages helped drive revenue per unit case in Iberia. Coca-Cola Zero Sugar, Nestea and Aquabona all performed well during the quarter, and we continue to gain distribution of our new premium mixer, Royal Bliss.

In Germany, our revenue increased 11.5%, driven by both strong volume and revenue per unit case growth. Ultimately, our volumes have benefited from excellent weather conditions throughout the summer, particularly during August, strong growth in glass and cans as well as the continued benefit from scaling back our large multipack PET promotions helped to drive a strong revenue per unit case gain during the third quarter. We saw solid volume growth from Coca-Cola Classic as well as continued momentum behind our Coca-Cola Zero Sugar brand. And in addition to that, we saw healthy growth from Fanta, Fuze Tea and our Vio water brand.

In Great Britain, we saw revenue growth of 21%. This reflects underlying gains in revenue per unit case as we continue to improve our promotional effectiveness as well as the impact of the soft drinks industry tax. Excluding the sugar tax, revenue in Great Britain increased by a very healthy 8.5% on a currency-neutral basis. Volume growth was strong during the quarter, helped by a record-breaking summer as well as the strong execution during the industry-wide shortage of CO2, which, I'd like to

call out, is a credit to our supply chain colleagues and all of those that helped us minimize any disruption to our business during that challenging period.

In terms of the soft drink industry tax, the prolonged period of unusually warm weather in GB continues to make it difficult to give a full assessment of the impact of the sugar tax. That said, I am pleased with the overall transactions for our Coke trademark brands year-to-date that are broadly stable versus last year, with growth in Diet Coke and Coke Zero offsetting the decline in Coke Classic. In fact, Coca-Cola Zero saw another quarter of over 50% volume growth in GB, and I'm very pleased that our Diet Coke brand grew over 10%, with promising results from the recently launched Diet Coke flavors. As we get better insight on the impact of the sugar tax in GB, we will also share that with you going forward.

Turning to France. Our revenue was up 10.5%, mainly driven by strong growth in revenue per unit case, owing to a positive package and brand mix as well as the impact of recent soft drinks tax changes. Our volumes grew modestly, partly helped by the recent resolution of customer disputes. However, transactions significantly outpaced volume during the third quarter, following the successful reset of our Coke trademark price and pack architecture. For example, we have now replaced the 1.5-liter and 2-liter Coke trademark PET bottles with a much more compelling 1.25- and 1.75-liter options as we focus on driving more profitable revenue growth for our customers and for our business in France over the longer term.

Finally, revenue in the north -- in our North European territories was up 12% in the quarter, again driven by strong volume gains driven by very favorable weather trends over the key summer months. Belgium and Luxembourg and The Netherlands in particular benefited from excellent summer trading additions. Overall, in Northern Europe, our Zero Sugar brand continued to perform well, and we're very pleased with the performance of the recently launched Fuze Tea brand in these territories.

Looking a little bit closer to our brand performance. From a volume perspective, our sparkling portfolio increased 5.5% during the quarter, with a 3.5% increase across our Coca-Cola trademark brands. Again, Coca-Cola Zero had another solid quarter with growth of over 18% while Coca-Cola Classic's volume declined slightly by approximately 1%. Our sparkling flavors, including energy, grew 9.5%, with that growth coming from a strong performance from Fanta, Schweppes and Sprite. Within this category, energy was up over 15% as we continue to execute successfully our multi-brand strategy. Monster brands had another very strong quarter, benefiting from the continued growth of the Punch, Ultra and Hydro ranges.

Our still brands grew by 4%. This was driven by a 9% increase in water volumes, again helped by the favorable weather I talked about earlier. The juices, isotonics and other categories declined slightly by 1%, reflecting portfolio decisions in the ready-to-drink tea category as well as decline in fruit drinks. Fuze Tea, Vio and smartwater all saw solid volume growth in the quarter.

So taking into account our performance for the first 9 months of 2018, we're very pleased to affirm our 2018 guidance today. We expect comparable diluted earnings per share in the EUR 2.27 to a EUR 2.29 range, including this currency translation at recent rates and an immaterial benefit from a share buyback of up to EUR 500 million this year.

So overall, we've got good solid momentum in the business, and we are excited about the growth opportunities that lie ahead. As you know, we have recently spent a lot of time talking about some of the long-term category and channel opportunities we see over the next 10 years at CCEP and how we would ensure that we capture at least, if not more than, our fair share of that growth. This means we must continue to make the right strategic investments today in areas such as digital, our route to market, our people and our portfolio innovation.

We are aligned with The Coca-Cola Company, and we want to continue to make sure we diversify our portfolio to become a bigger and better total beverage company in terms of both our product and our package mix. We are particularly pleased with the customer -- consumer reaction to Fuze Tea, which

is already the #2 ready-to-drink tea in most of our markets, and we are continuing to gain distribution. We've also rolled out AdeZ, Honest Coffee and expanded smartwater into new markets outside of Great Britain. And the Coca-Cola Company's recent acquisition plans for the Tropico brand in France are, again, another great opportunity for us to bring our Beverages for Life strategy to markets such as France.

On the packaging side, we will continue to focus on growing smaller packages and premiumizing our offerings against consumer preferences. For example, we've already seen the growth of over 30% in our small cans in the third quarter and a growth of over 7% in glass, both of which contribute extremely positively to our mix and to the consumer drinking experience.

We are leveraging the understanding of drinking occasions and starting to take a much more segmented approach when engaging with our customers. We believe this will allow us to provide even higher levels of service across the market and build our outstanding marketplace execution as we continue to offer our customers and consumers the right products in the right packs at the right time. No doubt, this is something we will continue to talk about as we move into 2019. We are starting already to see the positive impacts of the route-to-market changes that we've made since we created CCEP, most notably, through our ability to grow our away-from-home channel, which again has outpaced the growth in our home business year-to-date.

So finally, I'd like to share some closing thoughts on our year-to-date performance. Firstly, we are pleased with our performance in 2018, and this is a strong testament to the commitment, the motivation and the dedication of all of our employees at CCEP. However, we are not complacent, and we know that we've got a lot of work ahead of us to achieve and exceed our midterm goals.

Secondly, as we talked a lot about in Germany, we have an aligned vision with The Coca-Cola Company, and this sets us both to win. We have a clear and collaborative vision and strategy to drive sustainable long-term profitable growth for our shareholders.

Third, our commitment to driving our shareholder value remains as strong as ever. And we are on track to return up to EUR 500 million through our share buyback program this year as well as increasing our Q4 annualized dividend payout ratio to approximately 50%.

We will also continue to do what's right for all our stakeholders. We are hugely proud that CCEP has recently been listed on the Dow Jones Sustainability Index for the third year running. Our listing on this index demonstrates the continued progress we are making on sustainability across our business less than 1 year on from the launch of our sustainability action plan, This is Forward. And finally, you will have seen in our release today that we will be changing our ticker from CCE to CCEP. This will be effective from the 7th of November on all exchanges and better reflects our company's identity going forward.

So thank you very much for your time. I now will turn the call over to Nik for more detail on our financial results and our full year outlook. And I look forward to taking your questions later in the call. Nik?

Nik Jhangiani Coca-Cola European Partners plc - CFO & Senior VP

Thank you, Damian, and thank you to all of you joining us today. So let's go straight into the results in a bit more detail. So on a reported basis, year-to-date diluted earnings per share was EUR 1.58 or EUR 1.76 on a comparable basis. Currency translation has had a negligible impact on our earnings per share to date.

In the third quarter, revenue increased 11.5% on a comparable and currency-neutral basis. This was

driven by a 6% increase in our revenue per case or approximately 3% excluding the impact of the soft drink industry taxes, reflecting favorable price, promotions and package mix. Volumes grew by 5% in the quarter, reflecting an excellent summer across particularly Great Britain, Germany and Northern Europe. This was partially offset by softer trading in France and Spain. Volumes in France were mainly impacted by the recent pack size changes as well as the gradual rebuild of stock following the resolution of a recent customer dispute. Meanwhile, our volumes in Spain suffered from weaker tourism trends across the key summer months.

Third quarter cost of sales per unit case increased by 7% on a comparable and currency-neutral basis. Cost of sales per unit case increased by approximately 2%, excluding the impact of the incremental soft drinks industry taxes. This was partly driven by mix and higher volumes but also the continued year-over-year increases in key inputs, principally aluminum, PET and of course, concentrates, which is in line with our incidence agreement linked to our revenue growth. These factors were partially offset by lower sweetener cost and the continuation of the delivery of our synergies.

As you look at the third quarter then, our gross margin was down about 75 bps, but ex tax was up about 50. So all in all, a good result. If we look at the full year, we continue to anticipate broadly stable gross margin and in full year 2018 when including the impact of incremental industry taxes. We would see slight gross margin expansion when excluding these taxes.

Operating expenses were up 7.5% on a comparable and currency-neutral basis. This reflects the impact of volume growth, expense timing as well as select investments in areas including digital, our route to market and joint investment with The Coca-Cola Company on innovation and new products. These costs were partially offset by synergy benefits and a continued focus on managing operating expenses.

All these factors has contributed to operating profit growth of 11.5% on a comparable and currency-neutral basis in the third quarter. Also during the quarter, we realized another EUR 30 million in synergies, taking our year-to-date total to approximately EUR 90 million. Now on a pure math perspective, when excluding these synergies, operating profit growth year-to-date would have been broadly flat on a comparable and currency-neutral basis. This is mainly due to 4 key factors.

Firstly, we've stepped up our investment behind our new product development as part of the Beverages for Life strategy, aligned with The Coca-Cola Company for brands such as Honest, AdeZ and Fuze. While these investments are essential as we build our portfolio for the future, naturally, they do not deliver immediate return, as I've highlighted before.

Secondly, our results reflect some of the bold strategic decisions which we've spoken about previously. These include the removal of unprofitable SKUs in Germany, challenging customer negotiations in France and the reset of the attractive ready-to-drink category, with Fuze replacing Nestea in the majority of our markets.

Thirdly, as you all know, Spain in particular had a very difficult summer trading period, contrary to most of Northern Europe including GB, which has impacted our leverage from a country and a margin mix perspective. However, I'm pleased to say that trading in Spain has now improved, and in this instance, we can hope for an easier comp for the next year in this market.

And finally, our continued investments in key areas to ensure competitiveness for the future, as previously mentioned, digital, on route -- our route to market and our business capabilities program. Importantly, our free cash flow generation continues to be strong and was ahead of last year, driven by continued success in managing working capital and tight management of our restructuring

expenses.

Now turning to outlook for 2018. For the full year, we have reaffirmed our guidance for 2% to 2.5% revenue growth and operating profit at the top end of the 6% to 7% range. We continue to expect diluted earnings per share growth in the 7% to 8% range on a comparable and currency-neutral basis. When including a slight negative currency impact, we expect full year comparable diluted earnings per share in a range of EUR 2.27 to EUR 2.29. This also includes the impact of our share buyback program, which is negligible for 2018 given the late timing of the repurchases in the year. This will, of course, positively impact us in 2019.

As a reminder, our guidance excludes the impact of the incremental soft drinks industry tax. We continue to expect these taxes to add approximately 2% to 2.5% to revenue growth and approximately 3.5% to 4% on the cost of goods growth. We still expect underlying cost of sales per unit case growth to be at approximately 2.5% on a comparable and currency-neutral basis, excluding the impact of the soft drink taxes.

2018 free cash flow is expected to amount to approximately $1 billion, including a benefit from improved working capital of approximately $200 million. It's worth touching on a small modeling point relating to free cash flow. As you will have seen today, we have already reported year-to-date free cash flow just over EUR 1 billion. Please bear in mind that some of our capital expenditures for 2018 is back-end loaded, particularly CapEx related to our business capability program and certain supply chain initiatives to get us ready for the 2019 summer selling season.

We continue to expect 2018 CapEx to be at the top end of the EUR 525 million to EUR 575 million range. And year-to-date, we've spent just under EUR 300 million -- or approximately EUR 330 million. Therefore, as noted, you will see a step up in CapEx in the fourth quarter.

On synergies, we have now achieved total savings of approximately EUR 245 million, including EUR 30 million in the third quarter of 2018. We continue to expect to realize at least 80% of our target by the end of 2018 and a run rate of almost 100%.

So given these factors, currency exchange rates, the outlook for 2018 as well as the share buyback, we continue to expect year-end net debt to adjusted EBITDA for 2018 to be towards the low end of our target range of 2.5 to 3x and a ROC improvement of approximately 80 basis points, which, on top of 100 basis points improvement last year, is a great result.

In terms of our buyback program, we're on track to repurchase up to EUR 500 million by the end of the year. Our latest share buyback filing at the end of last week stated we had repurchased 5 million shares amounting to a cash outflow of just under EUR 200 million.

To close, let me highlight a few key areas. First, we're very pleased with our financial performance so far this year and remain committed to driving profitable revenue growth. This has meant making some difficult strategic choices relating to our brand, our pricing and our packaging, all of which will strengthen in our business going forward.

Second, we're continuing to invest in our employees and capabilities to capture the growth opportunities ahead of us, and we talked a lot about this at our Capital Markets Day in Germany. These investments are critical as we seek to expand our portfolio, strengthen our relationship with our customers and further widen outlet coverage.

Third and finally, we remain committed to the midterm annual growth objectives we laid out in Germany. In particular, free cash flow generation remains at the very core of our business, and

ultimately, our aim is to create long-term value for our share owners. This is evidenced by our share buyback program and yet another sizable increase in our quarterly interim dividend.

So thanks for your time today. And now Damian and I will be happy to take your questions. Operator?

QUESTIONS AND ANSWERS

Operator
(Operator Instructions) Your first question comes from the line of Dara Mohsenian with Morgan Stanley.

Dara Warren Mohsenian Morgan Stanley, Research Division - MD

Clearly, pretty impressive top line results in the quarter itself. But obviously, we also had very good weather and some industry pricing post the tax increases. And you guys clearly outlined your longer-term algorithm to us back in September, but I'm just hoping you could take a step back and just give us some perspective on -- if these short-term top line results in the quarter give you more confidence in the long-term algorithm. And specifically, I was focused on a couple of areas. Clearly, in the U.K, it looks like the volume demand elasticity has gone better than expected post the price increases, even if you adjust for the good weather. Does that impact the way you think about pricing in other geographies going forward or how you manage pricing holistically in markets where you don't have tax increases? Or is this more sort of specific to what happened in the U.K.? And then also, you continue to do well on the -- outside of carbonated soft drinks and see stronger growth there. So any perspective on increased confidence in the sustainability of that strength going forward? And again, as we look at these sort of 2 areas, do you think it has favorable longer-term implications as you look at where the results have been coming in more recently?

Damian Gammell, Chief Executive Officer

Thanks, Dara. I think you managed to get at least 5 questions into one, so apologies if myself or Nik miss one of the components. Maybe I'll just tackle the pricing question first. I think our GB pricing, obviously, we're pleased with what has landed in the market pretax and post tax. I think the team did a great job getting ready for the new tax. The packages are being well accepted by the trade, by our consumers. And as I mentioned in my remarks, it's probably hard to give any firm feedback on the impact of the tax because, clearly, we benefited from an amazing summer in GB. Having said that, we are looking at the learnings out of that for our other markets, but we will continue to price -- our pricing strategy will continue to be locally driven. And certainly, we've run elasticity models in each of our markets to see what we think our consumers will accept of our brands. I would say we are seeing, across all of our markets, strong uptake for our more premium pack sizes. So as we offer to consumer higher quality packaging like glass and cardboards, for example, in retail, we are seeing consumers willing to spend a little bit more on our brands. So I think that's something that gives us confidence for the long term, and we've reflected that in our capital going forward to make sure we've got the supply chain to deliver those premium packs. Overall, I think if you got a look at our year-to-date results, and going back to what we talked about in Germany, the category continues to be healthy across Europe. So that annual growth rate of 1%, 2% on revenue in the category continues to be there, and clearly, our expectation is that we would meet or exceed the category growth rate. So that confidence remains in our business and is reflected in our guidance. We're quite realistic about the bounce we got on weather. So as we look at our business, clearly, we got a benefit. And we did -- as Nik outlined, we did take the opportunity, on the back of a solid year, to continue to invest to make sure that '19 and '20 are also solid years. So I think that's something that we take advantage of. We saw the opportunity to deliver on our guidance in '18, but also to take the chance to do what's right for '19 and '20. And we're pleased we got that opportunity and that we've taken it. So overall, we see the growth algorithm remaining intact. We see more demand from more premium packaging that we think supports that. We believe our brands are getting stronger with the Coke company in terms of marketing and execution, and obviously, over time, that gives you a bit more pricing power. But we're also mindful that we operate in a very competitive category. So as I said, all our pricing decisions will be made local. So hopefully, that covers most of the questions. If I missed anything, Dara, please let me know.

Operator
Your next question comes from the line of Lauren Lieberman with Barclays.

Lauren Rae Lieberman Barclays Bank PLC, Research Division - MD & Senior Research Analyst
I was curious if you could talk a little bit -- I know, Nik and Damian, you both mentioned kind of continuing to invest ahead for the future, but I was curious about the process by which you go through at any given period of time when you have the kind of revenue upside that you did this quarter. So if there's a lot of, if you will, "extra profit dollars" floating around, how do you make the decision about where to invest and when? Sort of rank ordering priorities when you've got some extra flexibility in the P&L. It would be great to learn a little bit more about that process.

Damian Gammell, Chief Executive Officer
Yes, we -- Lauren, we'd always like more extra profit dollars floating around. So yes, I mean, I think one factor in our results, and we touched on it, is Spain is a fantastic business for us, and clearly, there was a mix impact in Spain in terms of our overall results. So while we did see a lot of incremental revenue, as Nik outlined, there were some elements that also impacted on our level of profitability. But we did get a chance to share with you in Wiesbaden some of the longer-term priorities. So we continue to sit with the Coke company and with our own BU leadership and look at areas that we feel we've got a winning proposition, whether that's on brands like Fuze Tea, and where we believe we can add sustainable profitability to the business. So when Nik and I sit down and look at our investment plans through '19 and '20, we'd look through the lens of what's going to be invested against a brand or a pack that we believe we've got a competitive advantage on and one that's going to, over time, generate the margins we require and the cash we require in the business. So it's pretty much a local decision, market by market. I mean, some of the initiatives that we've launched across Europe like Fuze Tea, smartwater, so those initiatives clearly are across more than one BU. I'd also have to say that, as we do take a view on investments much longer than a quarter, it is quite difficult in our business when you get the gift of weather to respond as quick as you may like to. So I think a lot of the investments -- we actually talked about them in Q1 and Q2, and they flew into -- they flow through to Q3. So it is done over an annual basis rather than by quarter, I suppose, would be the other point I'd make. Nik, do you want to...

Nik Jhangiani Coca-Cola European Partners plc - CFO & Senior VP
No, I -- the only point I would add to that is, clearly, as Damian said, we have a number of priority areas that we're focused in on. And there are some areas where we, as an executive leadership team, are meeting weekly, and depending on the outlook and how things are going, we might make some decisions to fast-track something that we have said, "Well, let's wait until we see how it's going." So Q3 is a good example of some of that fast-tracking that we did to actually help us in Q4 and 2019 in particular or '20. So there will be some areas -- but to Damian's point, when it's kind of revenue and brand related, you can't suddenly just do a big step up. But when you're making investments in capabilities, et cetera, you might choose to prioritize and fast-track some of that. So I hope that answers it, Lauren.

Lauren Rae Lieberman Barclays Bank PLC, Research Division - MD & Senior Research Analyst
Yes. And then turning -- like some of the things that you might have fast-tracked this quarter, what are areas where there were things that were giving you enough reason to say, "Let's put more money behind that now to fast-track whatever our plans were in Q4, into next year?"

Nik Jhangiani Coca-Cola European Partners plc - CFO & Senior VP
Digital is a great example of that.

Damian Gammell, Chief Executive Officer
Yes. I think also, as Nik said, we probably got a bit more confidence to build out some more of our cooler universe as well. We know, over time, that we need to continue to grow our cooler universe to give space to all the new products and brands we're bringing. So that's an example of where we could go just faster in the quarter and in the half year. Nik mentioned digital. And we also took the opportunity in some of our markets to support some of our brands a bit more in store. So that could be a few extra promotional features on these things. So it's quite varied opportunities that we look at market by market and case by case, but nothing that is outside of our medium- to long-term strategy, Lauren. So you may be -- you're looking at maybe bringing things forward a quarter or maybe a half year, but nothing that we weren't going to get to anyway. We just took the opportunity to get there a bit quicker. And obviously, that's something that helps our employees to stay motivated because, as they see our business performing mainly -- primarily due to their efforts and then they see us bringing forward investment, you do start to create momentum from a closer perspective, and that's something that we're very focused on with our people.

Operator
Your next question comes from the line of Judy Hong with 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 first question is on France. So I know -- I think you said revenue was up 10.5%. What was the underlying growth ex the tax impact? And then, Damian, I think you did talk a little bit about some of the impact you're seeing in the French market post the tax changes, so maybe a little bit more color on that front. And if we think about the volume trajectory, as you get back into the large retailer, would you expect a meaningful improvement on that front as well as we head into the fourth quarter?

Damian Gammell, Chief Executive Officer
Thanks, Judy. So our underlying growth is 6%, so it's very solid absent the tax impact. We've gone through a lot of changes in France this year, and we felt it was time to bring the category forward in terms of the level of pack/price maturity in the trade. I mean, France, as you know, has been a very single-focused business around 1.5 liter for many, many years. And as we looked at our business, actually, at the time we're creating CCEP, we identified that as a market where a more sophisticated pack offering could bring a lot more value for our customers and for our consumers. So we took the position to delist that pack, which was a big decision for the French team and move to 1.25 and 1.75. That 6% is really on the back of that move, so that is a very solid revenue growth. Clearly, underlying that was not all of our customers, let's say, enjoyed our strategy as much as we had hoped, and we did have significant business disruption in the second and third quarter in France. That has now ended. Thankfully, we're back trading with all of our customers. It's taken us a bit longer to get back in terms of distribution, but we're pleased that the third and fourth quarter will look better in France as we move into 2019. So -- but overall, I think what excites us about France is we've now created space in our packaging portfolio to allow us to bring into France some of the strategies that we've seen driving a lot of revenue and profit in markets like Belgium and even Germany. If you look at our Germany results, they're extremely solid. Both of those markets are probably a year ahead of where we are in France in terms of pack differentiation and segmentation. So it was important for us to get through that change in France, and it was difficult. And again, I want to call out our employees did an amazing job during that period. The new packs are in. I would probably feel more comfortable giving you specific data around household penetration levels or repurchase rates as we get into Q1, Judy. It's probably still a bit early, but obviously 6% is not a bad result. So I think we're pretty pleased with that coming out of France in particular. But over time, we'll share a bit more insight. But we think it was maybe a brave move, but it was a move that was made at the right time. And I think we're through it

now. We're all happy for that.

Judy Eunjoo Hong Goldman Sachs Group Inc., Research Division - MD, Senior Analyst & Co-Head of the GIR Asian Professionals Network
Got it, okay. And then just a quick clarification on share buyback. Nik, you said this year, that's obviously up to EUR 500 million. If we look at the run rate of EUR 200 million so far, it may be -- it's coming in a little bit ahead of that EUR 500 million. So is the EUR 500 million basically set in stone? Or can you actually go above that?

Nik Jhangiani Coca-Cola European Partners plc - CFO & Senior VP
Well, nothing is ever set in stone, Judy, but I think we're committed to doing the EUR 500 million. And I think if you just look at what we have modeled based on the trading liquidity, the fact that there will be holidays, Thanksgiving, Christmas, et cetera, in November and December, we feel that, that's a realistic number to achieve.

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

Bonnie Lee Herzog Wells Fargo Securities, LLC, Research Division - MD and Senior Beverage & Tobacco Analyst
I had a question on your guidance, specifically your full year currency-neutral revenue growth guidance, which implies a bit of a deceleration in revenue growth in Q4. So I guess I'm wondering what you guys see as the main headwinds, maybe other than lapping a little bit of a difficult comp. And then, in other words, maybe just touch on how conservative that might be. And I guess I'm wondering if some of the recent favorable weather trends, the gifts that you guys mentioned, might be masking what could be a slightly less favorable macro environment.

Damian Gammell, Chief Executive Officer
So on the -- maybe -- we don't see a less favorable macro environment. So I think we still remain confident. As we have -- we've been very careful to look through the weather impact and really have a solid view of the underlying performance of the business, and that gives us confidence as far as our '18 guidance and what we've talked about for '19. So nothing on the macro side. In reality, December is a very big month for us. And when we look at our Q4, we are cycling a solid quarter at the end of last year. So we're mindful that we've got a good comp, and we're also mindful that December is a big month, particularly in markets like Germany and in Spain. So -- and we've just reflected that into our full year guidance. So nothing beyond that. I suppose you could view it as -- we view it as being realistic rather than conservative, but I think there's nothing that would -- that we're seeing that would make us feel nervous about the quarter. Obviously, it's a big slowdown from Q3, but Q3 was just a breakout quarter on the back of great weather. But underlying, we still feel very confident. Nik, any answers?

Nik Jhangiani Coca-Cola European Partners plc - CFO & Senior VP
No. And I'd just remind you, to that point, the comp that we are cycling is 4% revenue growth, Q4 '17. So it is a big comp. And again, just remember, December is a big month for us, so more to come.

Bonnie Lee Herzog Wells Fargo Securities, LLC, Research Division - MD and Senior Beverage & Tobacco Analyst
Okay, that was helpful. And if I may just ask another quick question on your operating expense, which was up fairly significantly during the quarter, both year-over-year and then on a sequential basis. So

just wondering if you guys could give us a sense as to how much of that reflected expenses specifically associated with the strong volume that you saw during the quarter. And then how should we think about that in Q4 relative to what your expected comparable volume growth will be?

Nik Jhangiani Coca-Cola European Partners plc - CFO & Senior VP
Clearly, we did see a step up. Part of that is just some of the timing. Part of that is some of those investment choices that we made, particularly behind some of the NPDs. So we added Honest, Fuze et cetera. That have been going extremely well. I don't guide towards an OpEx number for Q4. I would just say it's kind of built into our guidance number, and the trends on the full year are very much in line with what we've indicated. So that's all I can say on that really.

Damian Gammell, Chief Executive Officer
Great progress really.

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
Just want to drill deeper onto CapEx, please. One is around those investments, Nik, that you're talking about and giving us some color on. Balancing fast track versus long term, where do you think we are on digital, route to market and those capabilities? How far along are we? I know you just started, but how long do you think you'll kind of be comfortable investing or you'll need to invest in each of those aspects? And how much do you think in total that would be? That's kind of one question. And then, the second question is just around the stills results. So water volumes clearly throwed back. They're up very, very strongly, and I understand the weather piece to it. But the other stills were down. I totally get the PET transition. Is that the big driver of it? Or are there others? Clearly, it's not juices were under pressure. Could you touch strategically about stills as well? That would be great.

Damian Gammell, Chief Executive Officer
So Ali, I'll maybe take the second question and then let Nik share some comment on the investments. I think overall, we're very pleased with our performance in stills. I mean, you're absolutely correct, the volumetric piece is the switch out of Nestea into Fuze. So that's something that we plan for. I think the great thing about our business now in that space is it gave us the opportunity to build the brand in a slightly different way. So if you look at our strategy, it's much more around small packs and less about large discounter packs. So we've taken the chance to reshape our tea business. Clearly, that's impacting our margins in a positive way, and it's allowing us to build a more profitable stills business. The bulk of our NPD in that space we're also pleased with because, at the company, we prioritize smaller packaging, immediate consumption, less big retail, less big PET packs. So again, that supports margin and cash flow over the short and longer term. So I think the stills business is ahead of where we thought we'd be this year, if we look at it from a strategic perspective. Volume-wise, it's better than we expected in terms of the switch out. So I think overall, that's a -- that is a positive part of our business, and it gives us confidence with the company, with our sales force to probably go a bit faster on the new initiatives coming down the track. And again, that kind of flows into that reinvestment strategy because, as we see the momentum, we see the margin on the cash, it does give us the confidence to go a bit faster. So maybe on that, Nik, just share some color on how that investment will play over the next periods.

Nik Jhangiani Coca-Cola European Partners plc - CFO & Senior VP
Yes. So Ali, this is a journey we started up on. It's not one that we see that it's a race to a finish. So I think I'd highlight 3 main areas for you. One is really around digital, and I talked about maybe even

fast-tracking some of that. But a lot of what we're doing, and we highlighted some of that at the Capital Markets Day, is about actually getting a lot of the basics right to help us move fast on that journey, which some might say, compared to some of the others, we're further along. Or others might even say that we're actually still pretty far behind where the industry is moving and how quickly we can move that. So a big part of that is our whole business capability of road map and plan around our IT infrastructure and systems as well. That's going to be at least a 3- to 4-year investment. But as we continue to do that, we are focused on the top line revenue-generating activities first, which hopefully will support the type of revenue growth that we've been seeing and support our long-term algorithm of that low single-digit revenue growth. So that's one. The other area is route to market, right? And I would say to you, even in a market like Iberia, Spain in particular, where we probably have a great market grip, we have opportunities in that market to continue to improve our route to market in certain regions and parts of Spain. So that's a big part of the investment, but that's actually going to follow then what's going to happen in other markets or some that's happening in parallel. We're working with wholesalers in a different way based on some of our digital capabilities. We demonstrated dash mode for instance, when we were together at Capital Markets Day. Every deal is sale based. That just gives us huge opportunities of how we need to position ourselves to be able to win with everyone of those outlets that we now are discovering more and more of, right, that we didn't have access to or even ability to think of servicing. So that's the second area that I would talk about. And then the third is going to continue being in capabilities that we need in our people, right, whether it's the sales force, whether it's finance capabilities. The world -- the markets are changing. Our commercial capabilities need to evolve. And that's an area that we will continue to invest heavily behind, our people and our capabilities. So I think, all of those, you're on a journey. You're -- we're not racing towards it, and it will continue at least over the next 2 to 3 years at an accelerated pace, I would say.

Damian Gammell, Chief Executive Officer

Just to add, Ali. We're very focused on EPS, profitability and free cash flow. So that's our -- that's what we are focused on and were very pleased that we can continue to deliver or exceed on those numbers, but also ensure that we build a business that's going to deliver great shareholder value over the medium term. And I think if you extrapolate -- and you guys are better at this than probably we are. If you extrapolate out the amount that we are reinvesting, it's also quite a reasonable amount. I mean, it's not impacting our ability to deliver on our EPS and our free cash flow. It's quite balanced and measured, and we will continue to look at it through that lens. But we are being realistic. When you look at the growth opportunities for this business in terms of profit and revenue, it would be crazy not to start investing in some of these areas because it will unlock a lot of great profitability and free cash flow over the medium to long term. So while Nik and I will continue to update you on a quarterly basis because we're realistic and pragmatic about the pace of that, we're very disciplined about where we do it. So again, we've got very clear IRR expectation around any investment in our business, and it will always remain balanced in terms of the total P&L deliveries. So I think that's something we've demonstrated since we traded CCEP. So that's something we're very happy to keep talking about. We think it's a good story. I think it's great to have a business that can deliver great short-term results and in doing that, also laid the foundations for great long-term results. And I think as a CEO, I think that's my primary responsibility.

Ali Dibadj Sanford C. Bernstein & Co., LLC., Research Division - SVP and Senior Analyst
Okay, that's actually -- that's really helpful. One more just more from a shorter-term perspective. You mentioned in the release that Coca-Cola Classic volumes were down for tax -- impacted by taxes. Is about just the tax size change? Or have you seen any shelf price differences actually or shelf space differences? Is it just the pack size change and that's the only thing?

Damian Gammell, Chief Executive Officer
Yes. I think there -- I mean, obviously, volume-wise, we downsized the packaging to keep the pricing what we see as good for our consumers, so that's in there. From a transaction perspective in GB, it's

obviously ahead of expectations, but again, we believe the weather played a big part on that. As well as -- the positive thing is, when the weather shines, still lots of people want to drink our classic. So for us, that underpins the strength of the brand. I think generally, across Europe, we're seeing our Coke Classic business perform better. We're seeing transactions hold up a lot more. We're seeing in some of our markets that brand return to revenue growth, so that's something that excites us. It's a big part of our business, and it is performing a lot better in '18 than it has done for many years in Europe. So that's encouraging. We'll be able to give a better read on the sugar tax impact in GB as we get into Q1 and Q2. We did suffer -- certainly, in GB, retailers did take the opportunity with the sugar tax to over space Coke Zero and Diet Coke. And again, that's benefited us in those brands. We are very conscious that, that shouldn't come at the expense of Coke Classic, so that's something our sales team are very focused on. But overall, I think that brand has continued to prove its resilience. And also, its consumer loyalty is phenomenal, so it's great.

Operator
Your next question comes from the line of Steve Powers with Deutsche Bank.

Stephen Robert R. Powers Deutsche Bank AG, Research Division - Research Analyst
I realize this is maybe a little bit premature just because the Costa Coffee deal with -- for Coke has not yet closed, but I was wondering if you could just talk a little bit about how you're thinking about that asset and how you're thinking it might have evolved since the Capital Markets Day. And I'm specifically thinking about this from 3 perspectives. First, I don't think those doors are CCEP doors today, those Costa Coffee outlets, just from a sales perspective. So hoping you can just confirm that and think about -- because I think that's an incremental business that lies ahead. Second, I'm curious what role you think CCE might play specifically in Costa's convenience and vending business and just to what extent that is appealing to you, at least in principle. And then third, Costa as a potential incubator. As that comes into the Coke system, I would think that would be potentially a place where you could place new products before they're in wider distribution to see what kind of consumer response might be. I just want to test whether or not you agree with that.

Damian Gammell, Chief Executive Officer
Thanks, Steve. I mean, obviously, we're not a party to that deal, so all of my comments are based on an outsider's perspective. But I'm happy to share my own personal views on the deal. I mean, overall, I think, it's very exciting. And obviously, the deal hasn't closed yet, but if it does close, I think it's a great move for Coke company to build scale in a category that's extremely exciting globally. So I fully can see the logic behind KO's move. And I think for the bottling system, it's great that they're looking at big asset acquisitions that can transform our presence in the big categories, so no debate there. You're absolutely right, within GB, there's about 2,700 outlets today that don't sell our products within Costa. It's actually the only coffee shop of scale that we're not partnering with. That business is something that we, as you would expect, on an ongoing basis, absent this deal, were competing for any way. So we believe our brands in Costa is good for Costa before this deal, and obviously, after this deal, we feel even stronger about it. So there is potentially, but again, that's going to be an arm's-length commercial decision with the Costa management that we would -- we believe we can get into those outlets over time. We have a big vending business. So clearly, across our markets, particularly Germany, Belgium, Nordics, we have got a lot of coffee business already within CCEP. So clearly, beyond the ready-to-drink opportunity with Costa, we would look at being able to bring a more premium brand into those -- into that universe, which is exciting. And yes, I mean, back to the first point, if, over time, KO acquires that business and you have got 2,700 outlets in fantastic high street locations, airports, transportations, so they exactly fit in an environment that would give you a great opportunity to bring new brands and experiences to consumers quite quickly. So we're very excited about that, for sure. And I think that's something -- obviously, we'll wait with patience for the deal to take its course, and hopefully, it's successful. And then obviously, we're sitting with KO, looking at what could it mean for CCEP. But as you've highlighted, across 3 areas, and there may be even more that we haven't explored yet, it's an exciting deal potentially for CCEP.

Stephen Robert R. Powers Deutsche Bank AG, Research Division - Research Analyst
All right. Great. And then if I could just follow up with a separate question on the HoReCa channel, which you called out at the Capital Markets Day as a big focus for you guys going forward. I was hoping you could just talk a little bit more specifically about what steps are you taking to improve your standing there even further. And really specifically, as we think about the next 12 months, where should we be looking for the most immediate incremental benefits? Will -- are they widespread? Or should we expect improvement to be focused on one geography or one market more than in other? That would help.

Damian Gammell, Chief Executive Officer
Yes. So Steve, no, I mean, that's a journey where we've got opportunity across all our markets. So this is a pan-CCEP route-to-market strategy. And the first step, as we've talked about, is we're increasing our coverage. So we're visiting more outlets. We're talking to more customers. We're working with different routes to markets with our wholesalers and -- to make sure that we can get our products there efficiently. We're doing some innovative approaches like our joint venture in Germany with a couple of the large brewers to see if that unlocks more growth in that channel. So really, it's across all of our markets, and it starts with coverage and then execution and then obviously, an efficient delivery system. You will see that and you're already seeing that coming through consistently in our results. So I mean, clearly, that drives smaller package growth. It drives our stills portfolio because, generally, that's an area where we don't participate as well in, and you'll see it in our channel mix as well. So the good thing is that's something that will sustain our growth over a number of years, and we're excited about it. I think some markets, for example, like Spain are probably ahead with the level of market grip that they have. On other markets, for example, like France, as we've unlocked the package mix in France in retail, it's made us more competitive in away from home. So some of our retail strategies were clearly chosen to help us be more competitive in away from home, and you'll see markets like France probably accelerating a bit faster going forward. So it's across the business. It's a multiyear journey. It's incremental, so it's great. And it's something that I think builds profitability for the long term. It's a slow burn. I mean, as you look to build your coverage, it is about people, it's about relationships. So those take time, but the good news in our business is, when you do it, it also sticks for a long time. And you just got to look at our margins in Spain at a point or 2. When you get this right, the mix and profitability your business can achieve is very exciting.

Operator
Your next question comes from the line of Sanjeet Aujla with Crédit Suisse.

Sanjeet Aujla Crédit Suisse AG, Research Division - European Beverages Analyst
Just looking to get your thoughts on where you think you are with the -- some of the resets you've done on the price architecture across a few of your markets for the last couple of years. Are we largely at the end of that process? Or is there a couple of more things to do there?

Damian Gammell, Chief Executive Officer
Sanjeet, I think, on the big ones, I think we've taken -- I want to just bring everybody back to -- end of 2016, 2017. We started off with the promotional price changes, so they're largely behind us. So we reset our promo price pack in Germany, Belgium, France, GB, so I think that's something that we feel good about. So that's behind us. I think France was the last big market where we felt we needed to take a big step in terms of our packaging in retail, and so we did that in 2018. We've talked about that earlier. So I would say, broadly, we're at the end of the big, I suppose, structural changes that we wanted to make. We're now much more focused on mix. So as we've got the new packaging in place, our ability to improve our mix going forward is obviously a lot clearer. So I think you're going to see a lot more around mix rather than big, big changes in price promo strategy. I think that's -- and again,

that's subject to what happens with our competitors and our retailers. But from our perspective, we feel pretty pleased that we -- over the last 2 years, we executed probably a bit faster than we originally thought the bigger moves. So I think in '19, we're forecasting a more stable pack/price environment going forward.

Sanjeet Aujla Crédit Suisse AG, Research Division - European Beverages Analyst
Got it. And just a follow-up on input costs. Any thoughts on how 2019 is shaping up?

Nik Jhangiani Coca-Cola European Partners plc - CFO & Senior VP
Well, early days. But I think there's enough out there that you all are probably reading about in terms of pressures particularly on the oil front, which clearly has a correlation and an impact on our PET prices. So if I look at the full year estimates right now for 2019 that I alluded to earlier, ex tax, we're looking net-net at about 2.5% COGS per case increase. In that number, commodities have been roughly kind of flattish, right? Because we -- while we've seen some ups and downs, and particularly more back end weighted because of the moves in PET and aluminum, that's been flat. If you now look at that going into '19, estimates at this point are probably that you're looking at circa -- somewhere around a 2.5% to 3% inflation on the commodities piece. Now again, to remind you, commodities is about 30% of our total COGS. Then you've got the elements around concentrate, which is very much linked to our incidence models. So what we can realize in terms of pricing will have an impact on our concentrate, and that's another 45% of our COGS. And then the last element that I would call out, which is kind of linked to what Damian was just talking about, is in the mix element, right? Because as we want to continue moving towards smaller packs, small premium packs, that clearly has a positive impact on revenue but has an impact on our COGS as well, net-net for our margin improvement opportunity, but you will see that coming through as well. So that should give you some color in terms of some of the challenges that we'll be facing as we go into '19. But early days still, and we're still continuing to work on our plans so more on that in February.

Operator
And your final question will come from the line of Chris Pitcher with Redburn Partners.

Chris Pitcher Redburn (Europe) Limited, Research Division - Partner of Beverages Research
I guess I have 2, hopefully, quick questions. I'm just following on from the COGS question. You didn't mention sugar. Given the changing shape of the portfolio, could you give us an idea of how much you think sugar will be as a percentage of your COGS going into 2019? And are you able to lock in these much lower prices? And I appreciate there's a lot of uncertainty, but how does -- how do you see sugar purchasing for GB in 2019 playing out with Brexit? And then, secondly, on the volume side, I appreciate Q3 was heavily distorted by weather. Forgive me if I missed this on the call, but are you able to give us sort of a shape of the volume through the quarter? Because I'd imagine September would have had less of a weather impact certainly in a market like GB. Just give us an idea of where you exited the quarter.

Nik Jhangiani Coca-Cola European Partners plc - CFO & Senior VP
Yes. Just on the second question real quick, clearly, July and August, we had much more favorable volume trend versus September. So I wouldn't go into detail month by month, but there was definitely a much slowing down of that trajectory in September versus July and August, which were very, very solid. In terms of your question around COGS, we don't break out each of the elements within the commodities, so I wouldn't go into more details around that other than that guidance that I've given you. If I look at the split of those, not from a percentage perspective but where the pressure is going to be, I think you're going to see the pressure more on PET and our can. On the sweetener piece, I would expect today, based on what we know, outside of Brexit implications, sweeteners should be roughly flattish because we've actually enjoyed some very good pricing contracts that we put into

place towards the end of '17 that have benefited us in '18 and will do so in '19 as well. But you're not going to see a year-on-year further improvement based on where we are today. Again, I would caution that we just -- none of us know where Brexit is going to come out and what's that going to mean, so I'll keep that out of the equation for now. But overall, the commodities is at 2.5% to 3% that I referenced to earlier.

Damian Gammell, Chief Executive Officer
Thanks, Chris. Again, on behalf of Nik, Sarah and myself, we want to thank you for taking the time today to join us as we talked about our results. Well, Nik and I are very happy with the results that we shared with you today, and we'd like to echo that we continue to share these results on behalf of all the employees of CCEP who continue to do a great job. So thank you everybody, and we hope you have a great day.

Operator
Thank you to everyone for attending today. This will conclude today's call, and you may now disconnect.