

COCA-COLA ENTERPRISES, INC.

Form 10-Q

October 23, 2014

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR  
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 26, 2014

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR  
15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 001-34874

(Exact name of registrant as specified in its charter)

Delaware

27-2197395

(State of incorporation)

(I.R.S. Employer Identification No.)

2500 Windy Ridge Parkway

Atlanta, Georgia 30339

(Address of principal executive offices, including zip code)

678-260-3000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

241,734,401 Shares of \$0.01 Par Value Common Stock as of September 26, 2014

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FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 26, 2014  
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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## COCA-COLA ENTERPRISES, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited; in millions, except per share data)

	Third Quarter		First Nine Months	
	2014	2013	2014	2013
Net sales	\$2,136	\$2,174	\$6,339	\$6,180
Cost of sales	1,328	1,387	4,035	4,006
Gross profit	808	787	2,304	2,174
Selling, delivery, and administrative expenses	463	473	1,480	1,477
Operating income	345	314	824	697
Interest expense, net	31	26	89	75
Other nonoperating income (expense)	—	1	—	(3)
Income before income taxes	314	289	735	619
Income tax expense	76	—	184	87
Net income	\$238	\$289	\$551	\$532
Basic earnings per share	\$0.97	\$1.09	\$2.21	\$1.96
Diluted earnings per share	\$0.96	\$1.07	\$2.17	\$1.92
Dividends declared per share	\$0.25	\$0.20	\$0.75	\$0.60
Basic weighted average shares outstanding	244	264	249	271
Diluted weighted average shares outstanding	248	269	254	277

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

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## COCA-COLA ENTERPRISES, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited; in millions)

	Third Quarter		First Nine Months		
	2014	2013	2014	2013	
Net income	\$238	\$289	\$551	\$532	
Components of other comprehensive income:					
Currency translations					
Pretax activity, net	(279	) 204	(255	) 14	
Tax effect	—	—	—	—	
Currency translations, net of tax	(279	) 204	(255	) 14	
Net investment hedges					
Pretax activity, net	153	(52	) 169	(34	)
Tax effect	(54	) 18	(59	) 12	)
Net investment hedges, net of tax	99	(34	) 110	(22	)
Cash flow hedges					
Pretax activity, net	(9	) (10	) (15	) 18	)
Tax effect	2	3	3	(5	)
Cash flow hedges, net of tax	(7	) (7	) (12	) 13	)
Pension plan adjustments					
Pretax activity, net	7	8	20	20	)
Tax effect	(1	) (2	) (4	) (4	)
Pension plan adjustments, net of tax	6	6	16	16	)
Other comprehensive (loss) income, net of tax	(181	) 169	(141	) 21	)
Comprehensive income	\$57	\$458	\$410	\$553	)

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

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COCA-COLA ENTERPRISES, INC.  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (Unaudited; in millions, except share data)

	September 26, 2014	December 31, 2013
<b>ASSETS</b>		
Current:		
Cash and cash equivalents	\$218	\$343
Trade accounts receivable, less allowances of \$19 and \$16, respectively	1,800	1,515
Amounts receivable from The Coca-Cola Company	95	89
Inventories	410	452
Other current assets	305	169
Total current assets	2,828	2,568
Property, plant, and equipment, net	2,167	2,353
Franchise license intangible assets, net	3,824	4,004
Goodwill	115	124
Other noncurrent assets	352	476
Total assets	\$9,286	\$9,525
<b>LIABILITIES</b>		
Current:		
Accounts payable and accrued expenses	\$1,994	\$1,939
Amounts payable to The Coca-Cola Company	124	145
Current portion of debt	729	111
Total current liabilities	2,847	2,195
Debt, less current portion	3,419	3,726
Other noncurrent liabilities	183	221
Noncurrent deferred income tax liabilities	1,107	1,103
Total liabilities	7,556	7,245
<b>SHAREOWNERS' EQUITY</b>		
Common stock, \$0.01 par value – Authorized – 1,000,000,000 shares; Issued – 354,167,172 and 352,374,063 shares, respectively	4	3
Additional paid-in capital	3,940	3,899
Reinvested earnings	1,940	1,577
Accumulated other comprehensive loss	(472)	(331)
Common stock in treasury, at cost – 112,432,771 and 94,776,979 shares, respectively	(3,682)	(2,868)
Total shareowners' equity	1,730	2,280
Total liabilities and shareowners' equity	\$9,286	\$9,525

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

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COCA-COLA ENTERPRISES, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited; in millions)

	First Nine Months	
	2014	2013
Cash Flows from Operating Activities:		
Net income	\$551	\$532
Adjustments to reconcile net income to net cash derived from operating activities:		
Depreciation and amortization	231	231
Share-based compensation expense	21	24
Deferred income tax expense (benefit)	60	(66)
Pension expense less than contributions	(5)	(3)
Net changes in assets and liabilities	(267)	(121)
Net cash derived from operating activities	591	597
Cash Flows from Investing Activities:		
Capital asset investments	(239)	(220)
Capital asset disposals	27	—
Settlement of net investment hedges	21	—
Net cash used in investing activities	(191)	(220)
Cash Flows from Financing Activities:		
Net change in commercial paper	242	182
Issuances of debt	347	459
Payments on debt	(111)	(220)
Shares repurchased under share repurchase programs	(800)	(888)
Dividend payments on common stock	(185)	(161)
Other financing activities, net	(1)	8
Net cash used in financing activities	(508)	(620)
Net effect of currency exchange rate changes on cash and cash equivalents	(17)	10
Net Change in Cash and Cash Equivalents	(125)	(233)
Cash and Cash Equivalents at Beginning of Period	343	721
Cash and Cash Equivalents at End of Period	\$218	\$488

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these statements.

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## COCA-COLA ENTERPRISES, INC.

## Notes to Condensed Consolidated Financial Statements

## NOTE 1—BUSINESS AND REPORTING POLICIES

## Business

Coca-Cola Enterprises, Inc. ("CCE," "we," "our," or "us") is a marketer, producer, and distributor of nonalcoholic beverages. We market, produce, and distribute our products to customers and consumers through licensed territory agreements in Belgium, continental France, Great Britain, Luxembourg, Monaco, the Netherlands, Norway, and Sweden. We operate in the highly competitive beverage industry and face strong competition from other general and specialty beverage companies. Our financial results are affected by a number of factors including, but not limited to, consumer preferences, cost to manufacture and distribute products, foreign currency exchange rates, general economic conditions, local and national laws and regulations, raw material availability, and weather patterns.

Sales of our products tend to be seasonal, with the second and third quarters accounting for higher unit sales of our products than the first and fourth quarters. In a typical year, we earn more than 60 percent of our annual operating income during the second and third quarters. The seasonality of our sales volume, combined with the accounting for fixed costs, such as depreciation, amortization, rent, and interest expense, impacts our results on an interim period basis. Additionally, year-over-year shifts in holidays and selling days can impact our results on an interim period. Accordingly, our results for the third quarter and first nine months of 2014 may not necessarily be indicative of the results that may be expected for the full year ending December 31, 2014.

## Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial reporting and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals and expense allocations) considered necessary for fair presentation have been included. The Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and accompanying Notes contained in our Annual Report on Form 10-K for the year ended December 31, 2013 (Form 10-K).

Our Condensed Consolidated Financial Statements include all entities that we control by ownership of a majority voting interest. All significant intercompany accounts and transactions are eliminated in consolidation.

For reporting convenience, our first three quarters close on the Friday closest to the end of the quarterly calendar period. Our fiscal year ends on December 31st. The following table summarizes the number of selling days for the periods presented (based on a standard five-day selling week):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2014	63	65	65	68	261
2013	64	65	65	67	261
Change	(1	) —	—	1	—

## NOTE 2—INVENTORIES

We value our inventories at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method. The following table summarizes our inventories as of the dates presented (in millions):

	September 26, 2014	December 31, 2013
Finished goods	\$259	\$260
Raw materials and supplies	151	192
Total inventories	\$410	\$452





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COCA-COLA ENTERPRISES, INC.

Notes to Condensed Consolidated Financial Statements

## NOTE 3—PROPERTY, PLANT, AND EQUIPMENT

The following table summarizes our property, plant, and equipment as of the dates presented (in millions):

	September 26, 2014	December 31, 2013
Land	\$155	\$166
Building and improvements	998	1,024
Machinery, equipment, and containers	1,704	1,773
Cold drink equipment	1,604	1,721
Vehicle fleet	94	110
Furniture, office equipment, and software	440	431
Property, plant, and equipment	4,995	5,225
Accumulated depreciation and amortization	(2,946)	(3,050)
	2,049	2,175
Construction in process	118	178
Property, plant, and equipment, net	\$2,167	\$2,353

## NOTE 4—ACCOUNTS PAYABLE AND ACCRUED EXPENSES

The following table summarizes our accounts payable and accrued expenses as of the dates presented (in millions):

	September 26, 2014	December 31, 2013
Trade accounts payable	\$552	\$486
Accrued customer marketing costs	733	625
Accrued compensation and benefits	233	321
Accrued taxes	214	229
Accrued deposits	65	72
Other accrued expenses	197	206
Accounts payable and accrued expenses	\$1,994	\$1,939

## NOTE 5—RELATED PARTY TRANSACTIONS

Transactions with The Coca-Cola Company (TCCC)

We are a marketer, producer, and distributor principally of products of TCCC, with greater than 90 percent of our sales volume consisting of sales of TCCC products. Our license arrangements with TCCC are governed by product licensing agreements. From time to time, the terms and conditions of these agreements with TCCC are modified. The following table summarizes the transactions with TCCC that directly affected our Condensed Consolidated Statements of Income for the periods presented (in millions):

	Third Quarter		First Nine Months	
	2014	2013	2014	2013
Amounts affecting net sales:				
Fountain syrup and packaged product sales	\$4	\$5	\$13	\$13
Amounts affecting cost of sales:				
Purchases of concentrate, syrup, mineral water, and juice	\$(522)	\$(568)	\$(1,722)	\$(1,735)
Purchases of finished products	(15)	(15)	(39)	(43)
Marketing support funding earned	56	52	163	148
Total	\$(481)	\$(531)	\$(1,598)	\$(1,630)

For additional information about our relationship with TCCC, refer to Note 3 of the Notes to Consolidated Financial Statements in our Form 10-K.

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COCA-COLA ENTERPRISES, INC.

Notes to Condensed Consolidated Financial Statements

NOTE 6—DERIVATIVE FINANCIAL INSTRUMENTS

We utilize derivative financial instruments to mitigate our exposure to certain market risks associated with our ongoing operations. The primary risks that we seek to manage through the use of derivative financial instruments include currency exchange risk, commodity price risk, and interest rate risk. All derivative financial instruments are recorded at fair value on our Condensed Consolidated Balance Sheets. We do not use derivative financial instruments for trading or speculative purposes. While certain of our derivative instruments are designated as hedging instruments, we also enter into derivative instruments that are designed to hedge a risk, but are not designated as hedging instruments (referred to as an “economic hedge” or “non-designated hedge”). Changes in the fair value of these non-designated hedging instruments are recognized in each reporting period in the expense line item on our Condensed Consolidated Statements of Income that is consistent with the nature of the hedged risk. We are exposed to counterparty credit risk on all of our derivative financial instruments. We have established and maintain strict counterparty credit guidelines and enter into hedges only with financial institutions that are investment grade or better. We continuously monitor our counterparty credit risk and utilize numerous counterparties to minimize our exposure to potential defaults. We do not require collateral under these agreements.

The fair value of our derivative contracts (including forwards, options, cross currency swaps, and interest rate swaps) is determined using standard valuation models. The significant inputs used in these models are readily available in public markets or can be derived from observable market transactions and, therefore, our derivative contracts have been classified as Level 2. Inputs used in these standard valuation models include the applicable spot, forward, and discount rates which are current as of the valuation date. The standard valuation model for our option contracts also includes implied volatility which is specific to individual options and is based on rates quoted from a widely used third-party resource. Refer to Note 16.

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## COCA-COLA ENTERPRISES, INC.

## Notes to Condensed Consolidated Financial Statements

The following table summarizes the fair value of our assets and liabilities related to derivative financial instruments and the respective line items in which they were recorded on our Condensed Consolidated Balance Sheets as of the dates presented (in millions):

Hedging Instruments	Location – Balance Sheets	September 2014	December 31, 2013
Assets:			
Derivatives designated as hedging instruments:			
Foreign currency contracts <sup>(A)</sup>	Other current assets	\$35	\$ 11
Foreign currency contracts	Other noncurrent assets	2	—
Total		37	11
Derivatives not designated as hedging instruments:			
Foreign currency contracts	Other current assets	3	—
Commodity contracts	Other current assets	3	1
Foreign currency contracts	Other noncurrent assets	3	7
Commodity contracts	Other noncurrent assets	1	—
Total		10	8
Total Assets		\$47	\$ 19
Liabilities:			
Derivatives designated as hedging instruments:			
Foreign currency contracts <sup>(A)</sup>	Accounts payable and accrued expenses	\$37	\$ 29
Foreign currency contracts	Other noncurrent liabilities	28	43
Total		65	72
Derivatives not designated as hedging instruments:			
Commodity contracts	Accounts payable and accrued expenses	2	12
Foreign currency contracts	Other noncurrent liabilities	3	7
Commodity contracts	Other noncurrent liabilities	—	1
Total		5	20
Total Liabilities		\$70	\$ 92

<sup>(A)</sup> Amounts include the gross interest receivable or payable on our cross currency swap agreements.

**Cash Flow Hedges**

We use cash flow hedges to mitigate our exposure to changes in cash flows attributable to currency fluctuations associated with certain forecasted transactions, including purchases of raw materials and services denominated in non-functional currencies, the receipt of interest and principal on intercompany loans denominated in non-functional currencies, and the payment of interest and principal on debt issuances in a non-functional currency. Effective changes in the fair value of these cash flow hedging instruments are recognized in accumulated other comprehensive income (loss) (AOCI) on our Condensed Consolidated Balance Sheets. The effective changes are then recognized in the period that the forecasted purchases or payments impact earnings in the expense line item on our Condensed Consolidated Statements of Income that is consistent with the nature of the underlying hedged item. Any changes in the fair value of these cash flow hedges that are the result of ineffectiveness are recognized immediately in the expense line item on our Condensed Consolidated Statements of Income that is consistent with the nature of the underlying hedged item.

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The following table summarizes our outstanding cash flow hedges as of the dates presented (all contracts denominated in a foreign currency have been converted into U.S. dollars using the period end spot rate):

Type	September 26, 2014		December 31, 2013	
	Notional Amount	Latest Maturity	Notional Amount	Latest Maturity
Foreign currency contracts	USD 1.6 billion	June 2021	USD 1.6 billion	June 2021

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COCA-COLA ENTERPRISES, INC.

Notes to Condensed Consolidated Financial Statements

The following tables summarize the effect of our derivative financial instruments, net of tax, designated as cash flow hedges on our AOCI and Condensed Consolidated Statements of Income for the periods presented (in millions):

		Amount of Gain (Loss) Recognized in AOCI on Derivative Instruments <sup>(A)</sup>			
		Third Quarter		First Nine Months	
		2014	2013	2014	2013
Cash Flow Hedging Instruments					
Foreign currency contracts		\$38	\$(41)	\$13	\$9

  

		Amount of Gain (Loss) Reclassified from AOCI into Earnings <sup>(B)</sup>			
		Third Quarter		First Nine Months	
		2014	2013	2014	2013
Cash Flow Hedging Instruments	Location - Statements of Income				
Foreign currency contracts	Cost of sales	\$(1)	\$1	\$1	\$2
Foreign currency contracts <sup>(C)</sup>	Other nonoperating income (expense)	46	(35)	24	(6)
Total		\$45	\$(34)	\$25	\$(4)

<sup>(A)</sup> The amount of ineffectiveness associated with these hedging instruments was not material.

Over the next 12 months, deferred losses totaling \$9 million are expected to be reclassified from AOCI as the

<sup>(B)</sup> forecasted transactions occur. The amounts will be recorded on our Condensed Consolidated Statements of Income in the expense line item that is consistent with the nature of the underlying hedged item.

The gain (loss) recognized on these currency contracts is offset by the gain (loss) recognized on the remeasurement

<sup>(C)</sup> of the underlying debt instruments; therefore, there is a minimal consolidated net effect in other nonoperating income (expense) on our Condensed Consolidated Statements of Income.

**Economic (Non-designated) Hedges**

We periodically enter into derivative instruments that are designed to hedge various risks, but are not designated as hedging instruments. These hedged risks include those related to commodity price fluctuations associated with forecasted purchases of aluminum, sugar, and vehicle fuel. At times, we also enter into other short-term non-designated hedges to mitigate our exposure to changes in cash flows attributable to currency fluctuations associated with short-term intercompany loans and certain cash equivalents denominated in non-functional currencies. The following table summarizes our outstanding economic hedges as of the dates presented (all contracts denominated in a foreign currency have been converted into U.S. dollars using the period end spot rate):

Type	September 26, 2014		December 31, 2013	
	Notional Amount	Latest Maturity	Notional Amount	Latest Maturity
Foreign currency contracts	USD 256 million	October 2014	USD 55 million	January 2014
Commodity contracts	USD 112 million	December 2015	USD 129 million	December 2015

Changes in the fair value of outstanding economic hedges are recognized each reporting period in the expense line item on our Condensed Consolidated Statements of Income that is consistent with the nature of the hedged risk.

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## COCA-COLA ENTERPRISES, INC.

## Notes to Condensed Consolidated Financial Statements

The following table summarizes the gains (losses) recognized from our non-designated derivative financial instruments on our Condensed Consolidated Statements of Income for the periods presented (in millions):

Non-Designated Hedging Instruments	Location - Statements of Income	Third Quarter		First Nine Months	
		2014	2013	2014	2013
Commodity contracts	Cost of sales	\$6	\$(3 )	\$4	\$(16 )
Commodity contracts	Selling, delivery, and administrative expenses	(1 )	—	(1 )	—
Foreign currency contracts	Other nonoperating income (expense) <sup>(A)</sup>	4	(6 )	4	1
	Total	\$9	\$(9 )	\$7	\$(15 )

The gain (loss) recognized on these currency contracts is offset by the gain (loss) recognized on the  
<sup>(A)</sup> remeasurement of the underlying hedged items; therefore, there is a minimal consolidated net effect in other nonoperating income (expense) on our Condensed Consolidated Statements of Income.

Mark-to-market gains/(losses) related to our non-designated commodity hedges are recognized in the earnings of our Corporate segment until such time as the underlying hedged transaction affects the earnings of our Europe operating segment. In the period the underlying hedged transaction occurs, the accumulated mark-to-market gains/(losses) related to the hedged transaction are reclassified from the earnings of our Corporate segment into the earnings of our Europe operating segment. This treatment allows our Europe operating segment to reflect the true economic effects of the underlying hedged transaction in the period the hedged transaction occurs without experiencing the mark-to-market volatility associated with these non-designated commodity hedges.

As of September 26, 2014, our Corporate segment earnings included net mark-to-market gains on non-designated commodity hedges totaling \$2 million. These amounts will be reclassified into the earnings of our Europe operating segment when the underlying hedged transactions occur. For additional information about our segment reporting, refer to Note 12.

The following table summarizes the deferred gain (loss) activity in our Corporate segment during the period presented (in millions):

Gains (Losses) Deferred at Corporate Segment	Cost of Sales	SD&A	Total
Balance at December 31, 2013	\$ (12 )	\$—	\$(12 )
Amounts recognized during the period and recorded in our Corporate segment, net	4	—	4
Amounts transferred from our Corporate segment to our Europe operating segment, net	10	—	10
Balance at September 26, 2014	\$ 2	\$—	\$2

**Net Investment Hedges**  
We have entered into currency forwards, options, and foreign currency denominated borrowings designated as net investment hedges of our foreign subsidiaries. Changes in the fair value of these hedges resulting from currency exchange rate changes are recognized in AOCI on our Condensed Consolidated Balance Sheets to offset the change in the carrying value of the net investment being hedged. Any changes in the fair value of these hedges that are the result of ineffectiveness are recognized immediately in other nonoperating income (expense) on our Condensed Consolidated Statements of Income. During the third quarter of 2014, we settled our November 2014 net investment hedges prior to maturity. We received \$21 million upon settlement of these hedges.





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## COCA-COLA ENTERPRISES, INC.

## Notes to Condensed Consolidated Financial Statements

The following table summarizes our outstanding instruments designated as net investment hedges as of the dates presented:

Type	September 26, 2014		December 31, 2013	
	Notional Amount	Latest Maturity	Notional Amount	Latest Maturity
Foreign currency contracts	USD 75 million	November 2015	USD 190 million	November 2014
Foreign currency denominated debt	USD 1.6 billion	May 2026	USD 1.4 billion	May 2025

The following table summarizes the effect of our derivative financial instruments, net of tax, designated as net investment hedges on our AOCI for the periods presented (in millions):

	Amount of Gain (Loss) Recognized in AOCI on Derivative Instruments <sup>(A)</sup>			
	Third Quarter		First Nine Months	
	2014	2013	2014	2013
Net Investment Hedging Instruments				
Foreign currency contracts	\$18	\$(11)	\$19	\$(5)
Foreign currency denominated debt	81	(23)	91	(17)
Total	\$99	\$(34)	\$110	\$(22)

<sup>(A)</sup> The amount of ineffectiveness associated with these hedging instruments was not material.

## NOTE 7—DEBT

The following table summarizes our debt as of the dates presented (in millions, except rates):

	September 26, 2014		December 31, 2013		
	Principal Balance	Rates <sup>(A)</sup>	Principal Balance	Rates <sup>(A)</sup>	
U.S. dollar commercial paper	\$242	0.2	% \$—	—	%
U.S. dollar notes due 2015-2021 <sup>(B)</sup>	1,793	3.1	1,891	2.9	
Euro notes due 2017-2026 <sup>(C)</sup>	2,083	2.6	1,915	2.5	
Capital lease obligations <sup>(D)</sup>	30	n/a	31	n/a	
Total debt <sup>(E)</sup>	4,148		3,837		
Current portion of debt <sup>(F)</sup>	(729)	)	(111)	)	
Debt, less current portion	\$3,419		\$3,726		

<sup>(A)</sup> These rates represent the weighted average interest rates or effective interest rates on the balances outstanding, as adjusted for the effects of interest rate swap agreements, if applicable.

<sup>(B)</sup> In February 2014, we repaid \$100 million floating rate notes at maturity.

<sup>(C)</sup> In May 2014, we issued €250 million, 2.8 percent notes due 2026.

<sup>(D)</sup> These amounts represent the present value of our minimum capital lease payments.

<sup>(E)</sup> The total fair value of our outstanding debt, excluding capital lease obligations, was \$4.3 billion and \$3.8 billion at

September 26, 2014 and December 31, 2013, respectively. The fair value of our debt is determined using quoted market prices for publicly traded instruments (Level 1).

<sup>(F)</sup> In the third quarter of 2014, our \$475 million, 2.1 percent notes due September 2015 became current.

## Credit Facilities

We have amounts available to us for borrowing under a \$1 billion multi-currency credit facility with a syndicate of eight banks. This credit facility matures in 2017 and is for general corporate purposes, including serving as a backstop

to our commercial paper program and supporting our working capital needs. At September 26, 2014, our availability under this credit facility was \$1 billion. Based on information currently available to us, we have no indication that the financial institutions syndicated under this facility would be unable to fulfill their commitments to us as of the date of the filing of this report.

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COCA-COLA ENTERPRISES, INC.

Notes to Condensed Consolidated Financial Statements

## Covenants

Our credit facility and outstanding notes contain various provisions that, among other things, require limitation of the incurrence of certain liens or encumbrances in excess of defined amounts. Additionally, our credit facility requires that our net debt to total capital ratio does not exceed a defined amount. We were in compliance with these requirements as of September 26, 2014. These requirements currently are not, nor is it anticipated that they will become, restrictive to our liquidity or capital resources.

## NOTE 8—COMMITMENTS AND CONTINGENCIES

## Tax Audits

Our tax filings are subjected to audit by tax authorities in most jurisdictions in which we do business. These audits may result in assessments of additional taxes that are subsequently resolved with the authorities or potentially through the courts. We believe that we have adequately provided for any assessments that could result from those proceedings where it is more likely than not that we will pay some amount.

## Indemnifications

In the normal course of business, we enter into agreements that provide general indemnifications. We have not made significant indemnification payments under such agreements in the past, and we believe the likelihood of incurring such a payment obligation in the future is remote. Furthermore, we cannot reasonably estimate future potential payment obligations because we cannot predict when and under what circumstances they may be incurred. As a result, we have not recorded a liability in our Condensed Consolidated Financial Statements with respect to these general indemnifications.

We have certain indemnity obligations to TCCC resulting from the merger with TCCC that occurred on October 2, 2010 (the Merger). For additional information regarding the Merger, including our remaining indemnity obligations to TCCC, refer to Note 8 of the Notes to Consolidated Financial Statements in our Form 10-K.

## NOTE 9—EMPLOYEE BENEFIT PLANS

## Pension Plans

We sponsor a number of defined benefit pension plans. The following table summarizes the net periodic benefit costs of our pension plans for the periods presented (in millions):

	Third Quarter		First Nine Months	
	2014	2013	2014	2013
Components of net periodic benefit costs:				
Service cost	\$13	\$14	\$40	\$43
Interest cost	16	14	48	42
Expected return on plan assets	(24)	(22)	(73)	(64)
Amortization of net prior service cost	1	2	2	4
Amortization of actuarial loss	6	6	18	16
Net periodic benefit cost	12	14	35	41
Other <sup>(A)</sup>	—	—	—	2
Total costs	\$12	\$14	\$35	\$43

<sup>(A)</sup> During the first nine months of 2013, we recorded additional pension expense related to our restructuring activities (refer to Note 13).

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## COCA-COLA ENTERPRISES, INC.

## Notes to Condensed Consolidated Financial Statements

## Contributions

Contributions to our pension plans totaled \$40 million and \$46 million during the first nine months of 2014 and 2013, respectively. The following table summarizes our projected contributions for the full year ending December 31, 2014, as well as actual contributions for the year ended December 31, 2013 (in millions):

	Projected <sup>(A)</sup> 2014	Actual <sup>(A)</sup> 2013
Total pension contributions	\$60	\$72

(A) These amounts represent only contributions made by CCE. During 2013, we contributed an incremental \$15 million to our Great Britain defined benefit pension plan to improve the funded status of the plan. For additional information about the funded status of our defined benefit pension plans, refer to Note 9 of the Notes to Consolidated Financial Statements in our Form 10-K.

## NOTE 10—TAXES

Our effective tax rate was approximately 25 percent and 14 percent for the first nine months of 2014 and 2013, respectively. The following table provides a reconciliation of our income tax expense at the statutory U.S. federal rate to our actual income tax expense for the periods presented (in millions):

	First Nine Months	
	2014	2013
U.S. federal statutory expense	\$257	\$217
Taxation of foreign operations, net <sup>(A)</sup>	(138)	(115)
U.S. taxation of foreign earnings, net of tax credits	60	57
Nondeductible items	12	(4)
Rate and law change benefit, net <sup>(B)(C)</sup>	(1)	(71)
Other, net	(6)	3
Total provision for income taxes	\$184	\$87

(A) Our effective tax rate reflects the benefit of having all of our operations outside of the U.S., most of which are taxed at statutory rates lower than the statutory U.S. rate, and the benefit of some income being fully or partially exempt from income taxes due to various operating and financing activities.

(B) During the third quarter of 2014, France extended the temporary corporate income tax surcharge of 10.7 percent to the year 2015. As a result, we recognized a deferred tax benefit of approximately \$1 million during the third quarter of 2014 related to net deferred tax assets that are expected to be realized in 2015.

(C) During the third quarter of 2013, the United Kingdom enacted a corporate income tax rate reduction of 3 percentage points of which 2 percentage points were effective April 1, 2014 and 1 percentage point will be effective April 1, 2015. As a result, we recognized a deferred tax benefit of approximately \$71 million during the third quarter of 2013 to reflect the impact of this change.

## Repatriation of Current Year Foreign Earnings to the U.S.

During the third quarter of 2014, we repatriated to the U.S. \$450 million of our 2014 foreign earnings for the payment of dividends, share repurchases, interest on U.S.-issued debt, salaries for U.S.-based employees, and other corporate-level operations in the U.S. Our historical foreign earnings, including our 2014 foreign earnings that were not repatriated in 2014, will remain permanently reinvested, and, if we do not generate sufficient current year foreign earnings to repatriate to the U.S. in any future given year, we expect to have adequate access to capital in the U.S. to allow us to satisfy our U.S.-based cash flow needs in that year. Therefore, historical foreign earnings and future foreign earnings that are not repatriated to the U.S. will remain permanently reinvested and will be used to service our

foreign operations, non-U.S. debt, and to fund future acquisitions. For additional information about our undistributed foreign earnings, refer to Note 10 of the Notes to Consolidated Financial Statements in our Form 10-K.

**NOTE 11—EARNINGS PER SHARE**

We calculate our basic earnings per share by dividing net income by the weighted average number of shares and participating securities outstanding during the period. Our diluted earnings per share are calculated in a similar manner, but include the effect

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## COCA-COLA ENTERPRISES, INC.

## Notes to Condensed Consolidated Financial Statements

of dilutive securities. To the extent these securities are antidilutive, they are excluded from the calculation of diluted earnings per share.

The following table summarizes our basic and diluted earnings per share calculations for the periods presented (in millions, except per share data; per share data is calculated prior to rounding):

	Third Quarter		First Nine Months	
	2014	2013	2014	2013
Net income	\$238	\$289	\$551	\$532
Basic weighted average shares outstanding	244	264	249	271
Effect of dilutive securities <sup>(A)</sup>	4	5	5	6
Diluted weighted average shares outstanding	248	269	254	277
Basic earnings per share	\$0.97	\$1.09	\$2.21	\$1.96
Diluted earnings per share	\$0.96	\$1.07	\$2.17	\$1.92

Options to purchase 7.7 million and 8.0 million shares were outstanding as of September 26, 2014 and September 27, 2013, respectively. During the first nine months of 2014, options to purchase 0.1 million shares<sup>(A)</sup> were not included in the computation of diluted earnings per share because the effect of including these options in the computation would have been antidilutive. The dilutive impact of the remaining options outstanding in each period was included in the effect of dilutive securities.

Under our share repurchase program, during the third quarter and first nine months of 2014, we repurchased 4.2 million and 17.3 million shares, respectively, and during the third quarter and first nine months of 2013, we repurchased 7.9 million and 24.6 million shares, respectively. Refer to Note 15.

During the first nine months of 2014, we issued an aggregate of 0.8 million shares of common stock in connection with the exercise of share options with a total intrinsic value of \$24.9 million.

Dividend payments on our common stock totaled \$185 million and \$161 million during the first nine months of 2014 and 2013, respectively. In February 2014, our Board of Directors approved a \$0.05 per share increase in our quarterly dividend from \$0.20 per share to \$0.25 per share beginning in the first quarter of 2014.

**NOTE 12—OPERATING SEGMENT**

We operate in one industry and have one operating segment. This segment derives its revenues from marketing, producing, and distributing nonalcoholic beverages. No single customer accounted for more than 10 percent of our net sales during the first nine months of 2014 or 2013.

Our segment operating income includes the segment's revenue less substantially all the segment's cost of production, distribution, and administration. We evaluate the segment's performance based on several factors, of which net sales and operating income are the primary financial measures.

Mark-to-market gains (losses) related to our non-designated commodity hedges are recognized in the earnings of our Corporate segment until such time as the underlying hedged transaction affects the earnings of our Europe operating segment. In the period the underlying hedged transaction occurs, the accumulated mark-to-market gains (losses) related to the hedged transaction are reclassified from the earnings of our Corporate segment into the earnings of our Europe operating segment. This treatment allows our Europe operating segment to reflect the true economic effects of the underlying hedged transaction in the period the hedged transaction occurs without experiencing the mark-to-market volatility associated with these non-designated commodity hedges. For additional information about our non-designated hedges, refer to Note 6.

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COCA-COLA ENTERPRISES, INC.

Notes to Condensed Consolidated Financial Statements

The following table summarizes selected segment financial information for the periods presented (in millions):

	Europe	Corporate	Consolidated
Third Quarter 2014:			
Net sales	\$2,136	\$—	\$ 2,136
Operating income (loss)	366	(21)	) 345
Third Quarter 2013:			
Net sales	\$2,174	\$—	\$ 2,174
Operating income (loss)	350	(36)	) 314
First Nine Months 2014:			
Net sales <sup>(A)</sup>	\$6,339	\$—	\$ 6,339
Operating income (loss) <sup>(B)</sup>	911	(87)	) 824
First Nine Months 2013:			
Net sales <sup>(A)</sup>	\$6,180	\$—	\$ 6,180
Operating income (loss) <sup>(B)</sup>	804	(107)	) 697

<sup>(A)</sup> The following table summarizes the contribution of total net sales by country as a percentage of total net sales for the periods presented:

	First Nine Months		
	2014	2013	
Net sales:			
Great Britain	34	% 33	%
France	30	30	
Belgium	15	15	
The Netherlands	8	8	
Norway	7	8	
Sweden	6	6	
Total	100	% 100	%

Our Corporate segment earnings include net mark-to-market gains on our non-designated commodity hedges totaling \$14 million for the first nine months of 2014, and net mark-to-market losses of \$8 million for the first nine months of 2013. As of September 26, 2014, our Corporate segment earnings included net mark-to-market gains on non-designated commodity hedges totaling \$2 million. These amounts will be reclassified into the earnings of our Europe operating segment when the underlying hedged transactions occur. For additional information about our non-designated hedges, refer to Note 6.

**NOTE 13—RESTRUCTURING ACTIVITIES**

The following table summarizes our restructuring costs for the periods presented (in millions):

	Third Quarter		First Nine Months	
	2014	2013	2014	2013
Europe <sup>(A)</sup>	\$1	\$7	\$63	\$109
Corporate	—	—	—	—
Total	\$1	\$7	\$63	\$109

<sup>(A)</sup> All restructuring expenses recorded during the third quarter and first nine months of 2014 related to our Business Transformation Program. During the third quarter and first nine months of 2013, we recorded restructuring expense



of \$6 million and \$87 million, respectively, related to our Business Transformation Program and \$1 million and \$22 million, respectively, related to our Norway Business Optimization which concluded at the end of 2013.

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## COCA-COLA ENTERPRISES, INC.

## Notes to Condensed Consolidated Financial Statements

**Business Transformation Program**

In 2012, we announced a business transformation program designed to improve our operating model and create a platform for driving sustainable future growth. Through this program we intend to: (1) streamline and reduce the cost structure of our finance support function, including the establishment of a new centralized shared services center; (2) restructure our sales and marketing organization to better align central and field sales, and to deploy standardized channel-focused organizations within each of our territories; and (3) improve the efficiency and effectiveness of certain aspects of our operations, including activities related to our cold drink equipment.

We expect to be substantially complete with this program by the end of 2014 and anticipate nonrecurring restructuring charges of approximately \$240 million, including severance, transition, consulting, accelerated depreciation, and lease termination costs. Approximately \$20 million of this amount is expected to be non-cash. During the third quarter and first nine months of 2014, we recorded nonrecurring restructuring charges under this program totaling \$1 million and \$63 million, respectively. During the third quarter and first nine months of 2013, we recorded nonrecurring restructuring charges under this program totaling \$6 million and \$87 million, respectively. To date, we have recorded nonrecurring restructuring charges totaling \$208 million under this program. Substantially all nonrecurring restructuring charges related to this program are included in selling, delivery, and administrative expenses (SD&A) on our Condensed Consolidated Statements of Income.

The following table summarizes these restructuring charges for the periods presented (in millions):

	Severance Pay and Benefits	Accelerated Depreciation <sup>(B)</sup>	Other <sup>(C)</sup>	Total
Balance at January 1, 2012 <sup>(A)</sup>	\$ —	\$ —	\$—	\$—
Provision	41	2	3	46
Cash payments	—	—	(2	) (2
Noncash items	—	(2	) —	(2
Balance at December 31, 2012 <sup>(A)</sup>	41	—	1	42
Provision	67	5	27	99
Cash payments	(78	) —	(17	) (95
Noncash items	—	(5	) 1	(4
Balance at December 31, 2013 <sup>(A)</sup>	30	—	12	42
Provision	10	6	47	63
Cash payments	(26	) —	(54	) (80
Noncash items	—	(6	) —	(6
Balance at September 26, 2014 <sup>(A)</sup>	\$ 14	\$ —	\$5	\$19

<sup>(A)</sup> Substantially all of the amounts are included in accounts payable and accrued expenses on our Condensed Consolidated Balance Sheets.

<sup>(B)</sup> Accelerated depreciation represents the difference between the depreciation expense of the asset using the original useful life and the depreciation expense of the asset under the reduced useful life due to the restructuring activity.

<sup>(C)</sup> In 2012 and 2013, these charges primarily related to program management and consulting costs. During the first nine months of 2014, these charges primarily related to costs incurred regarding our cold-drink operations, including social and other transition costs associated with the transfer of certain employees and assets to a third party.

**NOTE 14—ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)**

AOCI is comprised of net income and other adjustments, including foreign currency translation adjustments, hedges of our net investments in our foreign subsidiaries, changes in the fair value of certain derivative financial instruments

qualifying as cash flow hedges, and pension plan adjustments. We do not provide income taxes on currency translation adjustments (CTA), as the historical earnings from our foreign subsidiaries are considered to be permanently reinvested. If current year earnings are repatriated, the amount to be repatriated is determined in U.S. dollars and converted to the equivalent amount of foreign currency at the time of repatriation; therefore, the repatriation of current year earnings does not have an impact on the CTA component of our AOCI balance.

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## COCA-COLA ENTERPRISES, INC.

## Notes to Condensed Consolidated Financial Statements

The following table summarizes the change in the components of our AOCI balance for the periods presented (in millions; all amounts are presented net of tax):

	Currency Translations	Net Investment Hedges	Cash Flow Hedges <sup>(A)</sup>	Pension Plan Adjustments <sup>(B)</sup>	Total
Balance at January 1, 2013	\$ (41 )	\$ (14 )	\$ (22 )	\$ (353 )	\$ (430 )
Other comprehensive income (loss) before reclassifications	82	(40 )	(6 )	21	57
Amounts reclassified from AOCI	—	—	21	21	42
Net change in other comprehensive income (loss)	82	(40 )	15	42	99
Balance at December 31, 2013	41	(54 )	(7 )	(311 )	(331 )
Other comprehensive (loss) income before reclassifications	(255 )	110	13	—	(132 )
Amounts reclassified from AOCI	—	—	(25 )	16	(9 )
Net change in other comprehensive (loss) income	(255 )	110	(12 )	16	(141 )
Balance at September 26, 2014	\$ (214 )	\$ 56	\$ (19 )	\$ (295 )	\$ (472 )

<sup>(A)</sup> For additional information about our cash flow hedges, refer to Note 6.

<sup>(B)</sup> For additional information about our pension plans, refer to Note 9.

**NOTE 15—SHARE REPURCHASE PROGRAM**

In December 2012, our Board of Directors authorized share repurchases for an aggregate price of not more than \$1.5 billion, as part of a publicly announced program. Share repurchases under this authorization were completed during the second quarter of 2014. In December 2013, our Board of Directors authorized additional share repurchases for an aggregate price of not more than \$1.0 billion. Share repurchase activity under this authorization commenced during the second quarter of 2014 when the share repurchases under the previous authorization were completed. We can repurchase shares in the open market and in privately negotiated transactions. Repurchased shares are added to treasury stock and are available for general corporate purposes, including acquisition financing and the funding of various employee benefit and compensation plans. When we evaluate share repurchases, we consider market conditions and alternative uses of cash and/or debt, balance sheet ratios, and shareholder returns. For additional information about our share repurchase program, refer to Note 15 of the Notes to Consolidated Financial Statements in our Form 10-K.

The following table summarizes the share repurchase activity for the periods presented (in millions, except per share data):

	Third Quarter		First Nine Months	
	2014	2013	2014	2013
Number of shares repurchased	4.2	7.9	17.3	24.6
Weighted average purchase price per share	\$47.43	\$37.89	\$46.11	\$36.53
Amount of share repurchases <sup>(A)</sup>	\$200	\$300	\$800	\$900

<sup>(A)</sup> Total cash paid in the first nine months of 2013 for these share repurchases totaled \$888 million due to the timing of settlement.



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COCA-COLA ENTERPRISES, INC.

Notes to Condensed Consolidated Financial Statements

## NOTE 16—FAIR VALUE MEASUREMENTS

The following tables summarize our non-pension financial assets and liabilities recorded at fair value on a recurring basis (at least annually) as of the dates presented (in millions):

	September 26, 2014	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative assets <sup>(A)</sup>	\$47	\$—	\$47	\$—
Derivative liabilities <sup>(A)</sup>	\$70	\$—	\$70	\$—
	December 31, 2013	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative assets <sup>(A)</sup>	\$19	\$—	\$19	\$—
Derivative liabilities <sup>(A)</sup>	\$92	\$—	\$92	\$—

We are required to report our derivative instruments at fair value. We calculate our derivative asset and liability values using a variety of valuation techniques, depending on the specific characteristics of the hedging instrument, taking into account credit risk. The fair value of our derivative contracts (including forwards, options, cross currency swaps, and interest rate swaps) is determined using standard valuation models. The significant inputs used in these models are readily available in public markets or can be derived from observable market transactions and, therefore, our derivative contracts have been classified as Level 2. Inputs used in these standard valuation models include the applicable spot, forward, and discount rates which are current as of the valuation date. The standard valuation model for our option contracts also includes implied volatility which is specific to individual options and is based on rates quoted from a widely used third-party resource.

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COCA-COLA ENTERPRISES, INC.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

## Overview

## Business and Basis of Presentation

Coca-Cola Enterprises, Inc. ("CCE," "we," "our," or "us") is a marketer, producer, and distributor of nonalcoholic beverages. We market, produce, and distribute our products to customers and consumers through licensed territory agreements in Belgium, continental France, Great Britain, Luxembourg, Monaco, the Netherlands, Norway, and Sweden. We operate in the highly competitive beverage industry and face strong competition from other general and specialty beverage companies. Our financial results are affected by a number of factors including, but not limited to, consumer preferences, cost to manufacture and distribute products, foreign currency exchange rates, general economic conditions, local and national laws and regulations, raw material availability, and weather patterns.

Sales of our products tend to be seasonal, with the second and third quarters accounting for higher unit sales of our products than the first and fourth quarters. In a typical year, we earn more than 60 percent of our annual operating income during the second and third quarters. The seasonality of our sales volume, combined with the accounting for fixed costs, such as depreciation, amortization, rent, and interest expense, impacts our results on a quarterly basis. Additionally, year-over-year shifts in holidays and selling days can impact our results on an interim period basis. Accordingly, our results for the third quarter and first nine months of 2014 may not necessarily be indicative of the results that may be expected for the full year ending December 31, 2014.

For reporting convenience, our first three quarters close on the Friday closest to the end of the quarterly calendar period. Our fiscal year ends on December 31st. There was one less selling day in the first quarter of 2014 versus the first quarter of 2013, and there will be one additional selling day in the fourth quarter of 2014 versus the fourth quarter of 2013 (based upon a standard five-day selling week).

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2014	63	65	65	68	261
2013	64	65	65	67	261
Change	(1	) —	—	1	—

## Relationship with The Coca-Cola Company (TCCC)

We are a marketer, producer, and distributor principally of products of TCCC with greater than 90 percent of our sales volume consisting of sales of TCCC products. Our license arrangements with TCCC are governed by product licensing agreements. From time to time, the terms and conditions of these agreements with TCCC are modified. Our financial results are greatly impacted by our relationship with TCCC. For additional information about our transactions with TCCC, refer to Note 5 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q.

## Financial Results

Our net income in the third quarter of 2014 was \$238 million, or \$0.96 per diluted share, compared to net income of \$289 million, or \$1.07 per diluted share, in the third quarter of 2013. The following items included in our reported results affect the comparability of our year-over-year financial performance (the items listed below are based on defined terms and thresholds and represent all material items management considered for year-over-year comparability):

## Third Quarter 2014

Restructuring charges totaling \$1 million (\$1 million net of tax) related to our Business Transformation Program;  
 Net mark-to-market gains totaling \$8 million (\$6 million net of tax, or \$0.02 per diluted share) related to non-designated commodity hedges associated with underlying transactions that relate to a different reporting period;  
 and

Net tax items totaling \$6 million (\$0.02 per diluted share) principally related to the tax impact of both changes in underlying rates and cumulative nonrecurring items on the quarter.

Third Quarter 2013

• Restructuring charges totaling \$7 million (\$4 million net of tax, or \$0.01 per diluted share) related to our Business Transformation Program and Norway Business Optimization;

• Net mark-to-market gains totaling \$1 million (\$1 million net of tax) related to non-designated commodity hedges associated with underlying transactions that relate to a different reporting period; and

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COCA-COLA ENTERPRISES, INC.

A deferred tax benefit of \$71 million (\$0.26 per diluted share) due to the enactment of a United Kingdom tax rate change that reduced the corporate income tax rate by 3 percentage points of which 2 percentage points were effective April 1, 2014 and 1 percentage point will be effective April 1, 2015.

Financial Summary

Our financial performance during the third quarter of 2014 reflects the impact of the following significant factors:

- Year-over-year volume decrease of 4.0 percent driven by sustained macroeconomic softness, a difficult retail environment, poor weather early in the quarter, and strong prior year volume comparisons;
- Flat year-over-year bottle and can net price per case reflecting the impact of planned promotional activity and challenging operating conditions;
- Year-over-year bottle and can cost of sales per case decline of 1.0 percent due to mix-shifts into lower cost packages and the impact of favorable cost trends in certain key commodities; and
- Lower underlying operating expenses resulting from reduced volume, strong expense control, and the realized savings associated with our Business Transformation Program.

Our operating and financial performance during the third quarter of 2014 was impacted by challenging marketplace conditions, including persistent macroeconomic softness, a difficult retail environment, and poor weather early in the quarter, particularly in France. Third quarter volume declined 4.0 percent year-over-year driven by declines in both sparkling and still beverage brands. Our bottle and can net price per case was flat versus prior year reflecting planned promotional activities and mix-shifts to lower priced packages.

During the third quarter of 2014, volume declined 5.0 percent in our continental European territories and 2.5 percent in Great Britain. This volume performance was primarily driven by declines in Coca-Cola trademark and other sparkling beverage brands versus strong prior year volume comparisons. Despite these decreases, we continued to see overall growth in Coca-Cola Zero and energy drinks.

During the third quarter of 2014, we continued our brand and product initiatives with the Share a Coke promotion as well as the launch of two new products, Coca-Cola Life in Great Britain and Sweden, and smartwater in Great Britain. Furthermore, Finley, an adult sparkling non-alcoholic beverage introduced in France earlier this year and recently expanded into Belgium, continues to receive a positive consumer response. We remain committed to expanding our offerings through further portfolio innovation to create value for our customers and consumers.

Bottle and can cost of sales per case declined 1.0 percent during the third quarter of 2014, reflecting mix-shifts into lower cost packages, and benefits from favorable cost trends in some of our key commodities, principally sugar.

Despite these recent favorable trends, the cost environment remains volatile. As such, we continue to seek opportunities to mitigate our exposure to commodity price volatility through the use of supplier agreements and hedging instruments.

Our underlying operating expenses declined during the third quarter of 2014 as a result of lower volume levels, strong operating expense controls, and the realization of cost savings associated with efforts under our Business Transformation Program as we approach its completion.

Our diluted earnings per share benefited from operating income growth and the impact of share repurchase activity, which increased diluted earnings per share in the third quarter of 2014 by approximately \$0.07. During 2014, we repurchased approximately \$800 million of our shares under our share repurchase program.

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## COCA-COLA ENTERPRISES, INC.

## Operations Review

The following table summarizes our Condensed Consolidated Statements of Income as a percentage of net sales for the periods presented:

	Third Quarter		First Nine Months		
	2014	2013	2014	2013	
Net sales	100.0	% 100.0	% 100.0	% 100.0	%
Cost of sales	62.2	63.8	63.7	64.8	
Gross profit	37.8	36.2	36.3	35.2	
Selling, delivery, and administrative expenses	21.6	21.8	23.3	23.9	
Operating income	16.2	14.4	13.0	11.3	
Interest expense, net	1.5	1.1	1.4	1.3	
Other nonoperating income (expense)	—	—	—	—	
Income before income taxes	14.7	13.3	11.6	10.0	
Income tax expense <sup>(A)</sup>	3.6	—	2.9	1.4	
Net income	11.1	% 13.3	% 8.7	% 8.6	%

(A) During the third quarter and first nine months of 2013, income tax expense reflects the enactment of the United Kingdom corporate income tax rate reduction.

## Operating Income

The following table summarizes our operating income by segment for the periods presented (in millions; percentages rounded to the nearest 0.5 percent):

	Third Quarter				First Nine Months			
	2014		2013		2014		2013	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Europe	\$366	106.0 %	\$350	111.5 %	\$911	110.5 %	\$804	115.5 %
Corporate	(21 )	(6.0 )	(36 )	(11.5 )	(87 )	(10.5 )	(107 )	(15.5 )
Consolidated	\$345	100.0 %	\$314	100.0 %	\$824	100.0 %	\$697	100.0 %

During the third quarter and first nine months of 2014, we generated operating income of \$345 million and \$824 million, respectively, compared to \$314 million and \$697 million in the same periods of 2013. The following table summarizes the significant components of the year-over-year change in our operating income for the periods presented (in millions; percentages rounded to the nearest 0.5 percent):

	Third Quarter 2014			First Nine Months 2014		
	Amount	Change Percent of Total		Amount	Change Percent of Total	
Changes in operating income:						
Impact of bottle and can price-mix on gross profit	\$(2 )	(0.5 )%		\$13	2.0 %	
Impact of bottle and can cost-mix on gross profit	12	4.0		25	3.5	
Impact of bottle and can volume on gross profit	(31 )	(10.0 )		(14 )	(2.0 )	
Impact of bottle and can selling day shift on gross profit	—	—		(9 )	(1.5 )	
Impact of post-mix, non-trade, and other on gross profit	3	1.0		—	—	
Net mark-to-market gains related to non-designated commodity hedges	7	2.5		21	3.0	
Net impact of restructuring charges	6	2.0		46	6.5	
Other selling, delivery, and administrative expenses	13	4.0		3	0.5	
Currency exchange rate changes	10	3.0		41	6.0	

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Other changes	13	4.0	1	—	
Change in operating income	\$31	10.0	%	\$127	18.0 %

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## COCA-COLA ENTERPRISES, INC.

## Net Sales

Net sales decreased 1.5 percent in the third quarter of 2014 to \$2.1 billion, and increased 2.5 percent in the first nine months of 2014 to \$6.3 billion. These changes include currency exchange rate increases of 2.0 percent and 4.0 percent when compared to the third quarter and first nine months of 2013, respectively.

Net sales per case increased 2.5 percent in the third quarter of 2014 when compared to the third quarter of 2013, and also increased 3.5 percent in the first nine months of 2014 when compared to the first nine months of 2013. The following table summarizes the significant components of the year-over-year change in our net sales per case for the periods presented (rounded to the nearest 0.5 percent and based on wholesale physical case volume):

	Third Quarter 2014		First Nine Months 2014	
Changes in net sales per case:				
Bottle and can net price per case	—	% —		%
Bottle and can currency exchange rate changes	2.0		4.0	
Post-mix, non-trade, and other	0.5		(0.5)	)
Change in net sales per case	2.5	% 3.5		%

During the third quarter of 2014, our bottle and can sales accounted for approximately 94 percent of our total net sales. Bottle and can net price per case is based on the invoice price charged to customers reduced by promotional allowances and is impacted by the price charged per package or brand, the volume generated by each package or brand, and the channels in which those packages or brands are sold. To the extent we are able to increase volume in higher-margin packages or brands that are sold through higher-margin channels, our bottle and can net pricing per case will increase without an actual increase in wholesale pricing. Our bottle and can net price per case was flat versus prior year as a result of planned promotional activities and negative mix-shifts to lower priced packages.

## Volume

The following table summarizes the year-over-year change in our bottle and can volume for the periods presented, as adjusted to reflect the impact of one less selling day in the first nine months of 2014 when compared to the first nine months of 2013 (selling days are the same in the third quarter of 2014 and 2013; rounded to the nearest 0.5 percent):

	Third Quarter 2014		First Nine Months 2014	
Change in volume	(4.0	)%	(1.0	)%
Impact of selling day shift <sup>(A)</sup>	—		0.5	
Change in volume, adjusted for selling day shift	(4.0	)%	(0.5	)%

<sup>(A)</sup> Represents the impact of changes in selling days between periods (based upon a standard five-day selling week).

## Brands

The following table summarizes our bottle and can volume results by major brand category for the periods presented, with the percentage change adjusted to reflect the impact of one less selling day in the first nine months of 2014 when compared to the first nine months of 2013 (selling days are the same in the third quarter of 2014 and 2013; rounded to the nearest 0.5 percent):

	Third Quarter			First Nine Months		
	Change	2014 Percent of Total	2013 Percent of Total	Change	2014 Percent of Total	2013 Percent of Total
Coca-Cola trademark	(3.5 )%	67.5	% 67.0	% —	% 68.5	% 68.0
Sparkling flavors and energy	(6.5 )	18.0	18.5	(2.5 )	17.5	18.0
Juices, isotonic, and other	(4.5 )	11.0	11.0	(1.0 )	10.5	10.5
Water	(2.5 )	3.5	3.5	3.5	3.5	3.5
Total	(4.0 )%	100.0	% 100.0	% (0.5 )%	100.0	% 100.0

During the third quarter of 2014, volume declined 4.0 percent when compared to the third quarter of 2013. This decline reflects the impact of persistent macroeconomic softness, a difficult retail environment, strong prior year volume comparisons, and poor weather early in the quarter, particularly in France. Our volume performance during the third quarter of 2014 included a 4.0 percent decrease in the sale of both our sparkling and still beverage brands. Volume in continental Europe decreased 5.0 percent during

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## COCA-COLA ENTERPRISES, INC.

the quarter, primarily driven by France. Great Britain experienced an overall volume decrease of 2.5 percent, driven by declines in both our sparkling and still beverage brands.

In the third quarter of 2014, our Coca-Cola trademark beverage brand sales decreased 3.5 percent when compared to strong volume performance in the prior year. This decline was primarily attributable to a 4.0 percent decrease in Coca-Cola Classic sales and 9.0 percent decrease in Diet Coke/Coca-Cola light, offset by Coca-Cola Zero growth of 2.0 percent. Our sparkling flavors and energy category volume decreased 6.5 percent during the third quarter of 2014, driven by declines in sparkling brands, including Sprite and Fanta, offset partially by increases in our energy portfolio. Juices, isotonic, and other volume declined 4.5 percent in the third quarter of 2014 driven by declines in our juice and sports drinks brands, offset partially by growth in Nestea. Sales volume of our water brands decreased 2.5 percent in the third quarter of 2014, reflecting declines in Chaudfontaine in continental Europe and Schweppes Abbey Well in Great Britain.

During the third quarter of 2014, we continued our brand and product initiatives with the Share a Coke promotion as well as the launch of two new products, Coca-Cola Life in Great Britain and Sweden, and smartwater in Great Britain. Furthermore, Finley, an adult sparkling non-alcoholic beverage introduced in France earlier this year and recently expanded into Belgium, continues to receive a positive consumer response. We remain committed to expanding our offerings through further portfolio innovation to create value for our customers and consumers.

**Consumption**

The following table summarizes our volume by consumption type for the periods presented, with the percentage change adjusted to reflect the impact of one less selling day in the first nine months of 2014 when compared to the first nine months of 2013 (selling days are the same in the third quarter of 2014 and 2013; rounded to the nearest 0.5 percent):

	Third Quarter			First Nine Months			
	Change	2014 Percent of Total	2013 Percent of Total	Change	2014 Percent of Total	2013 Percent of Total	
Multi-serve <sup>(A)</sup>	(4.5 )%	63.0	% 57.0	% (1.0 )%	64.0	% 58.0	%
Single-serve <sup>(B)</sup>	(3.0 )	37.0	43.0	—	36.0	42.0	
Total	(4.0 )%	100.0	% 100.0	% (0.5 )%	100.0	% 100.0	%

(A) Multi-serve packages include containers that are typically greater than one liter, purchased by consumers in multi-packs in take-home channels at ambient temperatures, and are intended for consumption in the future.

(B) Single-serve packages include containers that are typically one liter or less, purchased by consumers as a single bottle or can in cold drink channels at chilled temperatures, and are intended for consumption shortly after purchase.

**Packages**

The following table summarizes our volume by package type for the periods presented, with the percentage change adjusted to reflect the impact of one less selling day in the first nine months of 2014 when compared to the first nine months of 2013 (selling days are the same in the third quarter of 2014 and 2013; rounded to the nearest 0.5 percent):

	Third Quarter			First Nine Months			
	Change	2014 Percent of Total	2013 Percent of Total	Change	2014 Percent of Total	2013 Percent of Total	
PET (plastic)	(3.5 )%	43.5	% 43.0	% (3.5 )%	43.0	% 44.0	%
Cans	(5.0 )	40.5	41.0	1.5	41.0	40.0	
Glass and other	(2.0 )	16.0	16.0	1.0	16.0	16.0	
Total	(4.0 )%	100.0	% 100.0	% (0.5 )%	100.0	% 100.0	%
Cost of Sales							

Cost of sales totaled \$1.3 billion and \$4.0 billion during the third quarter and first nine months of 2014, respectively, representing a decrease of 4.5 percent and an increase of 0.5 percent when compared to the third quarter and first nine months of 2013, respectively. These changes include a currency exchange rate increase of 1.5 percent and 3.5 percent when compared to the third quarter and first nine months of 2013, respectively.

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## COCA-COLA ENTERPRISES, INC.

Cost of sales per case decreased 0.5 percent and increased 2.0 percent in the third quarter and first nine months of 2014 when compared to the third quarter and first nine months of 2013, respectively. The following table summarizes the significant components of the year-over-year change in our cost of sales per case for the periods presented (rounded to the nearest 0.5 percent and based on wholesale physical case volume):

	Third Quarter 2014		First Nine Months 2014	
Changes in cost of sales per case:				
Bottle and can ingredient and packaging costs	(1.0	)%	(0.5	)%
Bottle and can currency exchange rate changes	1.5		3.5	
Post mix, non-trade, and other	(1.0	)	(1.0	)
Change in cost of sales per case	(0.5	)%	2.0	%

Bottle and can cost of sales per case declined 1.0 percent during the third quarter of 2014, reflecting mix-shifts into lower cost packages and benefits from favorable cost trends in some of our key commodities, principally sugar. Despite these recent favorable trends, the cost environment remains volatile. As such, we continue to seek opportunities to mitigate our exposure to commodity price volatility through the use of supplier agreements and hedging instruments.

**Selling, Delivery, and Administrative Expenses**

Selling, delivery, and administrative (SD&A) expenses decreased \$10 million, or 2.0 percent, in the third quarter of 2014, and increased \$3 million, in the first nine months of 2014. These changes include currency exchange rate increases of 2.0 percent and 3.5 percent when compared to the third quarter and first nine months of 2013, respectively.

The following table summarizes the significant components of the year-over-year change in our SD&A expenses for the periods presented (in millions; percentages rounded to the nearest 0.5 percent):

	Third Quarter 2014			First Nine Months 2014		
	Amount	Change Percent of Total		Amount	Change Percent of Total	
Changes in SD&A expenses:						
General and administrative expenses	\$(4	) (1.0	)%	\$25	1.5	%
Selling and marketing expenses	(7	) (1.5	)	(6	) (0.5	)
Delivery and merchandising expenses	(2	) (0.5	)	(4	) —	
Warehousing expenses	(2	) (0.5	)	(12	) (1.0	)
Depreciation and amortization expenses	(1	) —		(5	) (0.5	)
Net mark-to-market gains related to non-designated commodity hedges	1	—		1	—	
Net impact of restructuring charges	(6	) (1.0	)	(42	) (3.0	)
Currency exchange rate changes	8	2.0		47	3.5	
Other	3	0.5		(1	) —	
Change in SD&A expenses	\$(10	) (2.0	)%	\$3	—	%

SD&A expenses as a percentage of net sales was 21.6 percent and 21.8 percent in the third quarter of 2014 and 2013, respectively, and 23.3 percent and 23.9 percent in the first nine months of 2014 and 2013, respectively. Our underlying operating expenses declined during the third quarter of 2014 as a result of lower volume levels, strong expense control, and the realization of cost savings associated with efforts under our Business Transformation Program as we approach its completion.

**Business Transformation Program**

In 2012, we announced a business transformation program designed to improve our operating model and create a platform for driving sustainable future growth. Through this program we intend to: (1) streamline and reduce the cost



structure of our finance support function, including the establishment of a new centralized shared services center; (2) restructure our sales and marketing organization to better align central and field sales, and to deploy standardized channel-focused organizations within each of our territories; and (3) improve the efficiency and effectiveness of certain aspects of our operations, including activities related to our cold drink equipment.

We expect to be substantially complete with this program by the end of 2014 and anticipate nonrecurring restructuring charges of approximately \$240 million, including severance, transition, consulting, accelerated depreciation, and lease termination costs.

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## COCA-COLA ENTERPRISES, INC.

Approximately \$20 million of this amount is expected to be non-cash. During the third quarter and first nine months of 2014, we recorded nonrecurring restructuring charges under this program totaling \$1 million and \$63 million, respectively. During the third quarter and first nine months of 2013, we recorded nonrecurring restructuring charges under this program totaling \$6 million and \$87 million, respectively. To date, we have recorded nonrecurring restructuring charges totaling \$208 million under this program. Substantially all nonrecurring restructuring charges related to this program are included in selling, delivery, and administrative expenses (SD&A) on our Condensed Consolidated Statements of Income.

**Interest Expense, Net**

Interest expense, net increased \$5 million in the third quarter of 2014 to \$31 million. This is primarily due to the issuance of €350 million notes in November 2013 and €250 million notes in May 2014. The following table summarizes the primary items that impacted our interest expense, net for the periods presented (in millions, except percentages):

	Third Quarter		First Nine Months		
	2014	2013	2014	2013	
Average outstanding debt balance	\$4,566	\$3,820	\$4,284	\$3,618	
Weighted average cost of debt	2.7	% 2.7	% 2.8	% 2.7	%
Fixed-rate debt (% of portfolio)	94	% 83	% 94	% 83	%
Floating-rate debt (% of portfolio)	6	% 17	% 6	% 17	%

**Other Nonoperating Income (Expense)**

Other nonoperating income totaled \$1 million in the third quarter of 2013. Other nonoperating expense totaled \$3 million for the first nine months of 2013. Our other nonoperating income (expense) principally includes gains and losses on transactions denominated in a currency other than the functional currency of a particular legal entity.

**Income Tax Expense**

Our effective tax rate was approximately 25 percent and 14 percent for the first nine months of 2014 and 2013, respectively. This change in our effective tax rate reflects the impact of the United Kingdom corporate income tax rate reduction enacted in the third quarter of 2013. Refer to Note 10 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for additional details of the United Kingdom corporate income tax rate change and a reconciliation of our income tax provision to the U.S. statutory rate for the first nine months of 2014 and 2013.

**Cash Flow and Liquidity Review****Liquidity and Capital Resources**

Our sources of capital include, but are not limited to, cash flows from operations, public and private issuances of debt and equity securities, and bank borrowings. We believe that our operating cash flow, cash on hand, and available short-term and long-term capital resources are sufficient to fund our working capital requirements, scheduled debt payments, interest payments, capital expenditures, benefit plan contributions, income tax obligations, dividends to our shareowners, any contemplated acquisitions, and share repurchases for the foreseeable future. We continually assess the counterparties and instruments we use to hold our cash and cash equivalents, with a focus on preservation of capital and liquidity. Based on information currently available, we do not believe that we are at significant risk of default by our counterparties.

We have amounts available to us for borrowing under a \$1 billion multi-currency credit facility with a syndicate of eight banks. This credit facility matures in 2017 and is for general corporate purposes, including serving as a backstop to our commercial paper program and supporting our working capital needs. At September 26, 2014, our availability under this credit facility was \$1 billion. Based on information currently available to us, we have no indication that the financial institutions syndicated under this facility would be unable to fulfill their commitments to us as of the date of the filing of this report.

We satisfy seasonal working capital needs and other financing requirements with operating cash flow, cash on hand, short-term borrowings under our commercial paper program, bank borrowings, and our line of credit. At September 26, 2014, we had \$729 million in debt maturities in the next 12 months, including \$242 million in

commercial paper. In addition to using operating cash flow and cash on hand, we may repay our short-term obligations by issuing more debt, which may take the form of commercial paper and/or long-term debt.

In December 2012, our Board of Directors authorized share repurchases for an aggregate price of not more than \$1.5 billion, as part of a publicly announced program. Share repurchases under this authorization were completed during the second quarter of 2014. In December 2013, our Board of Directors authorized additional share repurchases for an aggregate price of not more than \$1.0 billion. Share repurchase activity under this authorization commenced during the second quarter of 2014 when the share

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COCA-COLA ENTERPRISES, INC.

repurchases under the previous authorization were completed. During the third quarter and first nine months of 2014, we repurchased \$200 million and \$800 million in outstanding shares, respectively. When we evaluate share repurchases, we consider market conditions and alternative uses of cash and/or debt, balance sheet ratios, and shareholder returns. For additional information about our share repurchase program, refer to Note 15 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q.

During the third quarter of 2014, we repatriated to the U.S. \$450 million of our 2014 foreign earnings for the payment of dividends, share repurchases, interest on U.S.-issued debt, salaries for U.S.-based employees, and other corporate-level operations in the U.S. Our historical foreign earnings, including our 2014 foreign earnings that were not repatriated in 2014, will remain permanently reinvested and if we do not generate sufficient current year foreign earnings to repatriate to the U.S. in any future given year, we expect to have adequate access to capital in the U.S. to allow us to satisfy our U.S.-based cash flow needs in that year. Therefore, historical foreign earnings and future foreign earnings that are not repatriated to the U.S. will remain permanently reinvested and will be used to service our foreign operations, non-U.S. debt, and to fund future acquisitions. During 2015, we expect to repatriate a portion of our 2015 foreign earnings to satisfy our 2015 U.S.-based cash flow needs. The amount to be repatriated to the U.S. will depend on, among other things, our actual 2015 foreign earnings and our actual 2015 U.S.-based cash flow needs. For additional information about our repatriation of foreign earnings, refer to Note 10 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q.

At September 26, 2014, substantially all of the cash and cash equivalents recorded on our Condensed Consolidated Balance Sheets was held by consolidated entities that are located outside of the U.S. Our disclosure of cash and cash equivalents held by consolidated entities located outside of the U.S. is not meant to imply the cash will be repatriated to the U.S. at a future date. Any future repatriation of foreign earnings to the U.S. will be based on actual U.S.-based cash flow needs and actual foreign entity cash available at the time of the repatriation.

Dividend payments on our common stock totaled \$185 million and \$161 million during the first nine months of 2014 and 2013, respectively. In February 2014, our Board of Directors approved a \$0.05 per share increase in our quarterly dividend from \$0.20 per share to \$0.25 per share beginning in the first quarter of 2014.

**Credit Ratings and Covenants**

Our credit ratings are periodically reviewed by rating agencies. Currently, our long-term ratings from Moody's, Standard and Poor's (S&P), and Fitch are A3, BBB+, and BBB+, respectively. Our ratings outlook from Moody's and Fitch are stable and S&P is negative. Changes in our operating results, cash flows, or financial position could impact the ratings assigned by the various rating agencies. Our credit rating can be materially influenced by a number of factors including, but not limited to, acquisitions, investment decisions, and capital management activities of TCCC and/or changes in the credit rating of TCCC. Should our credit ratings be adjusted downward, we may incur higher costs to borrow, which could have a material impact on our financial condition and results of operations.

Our credit facility and outstanding notes contain various provisions that, among other things, require us to limit the incurrence of certain liens or encumbrances in excess of defined amounts. Additionally, our credit facility requires that our net debt to total capital ratio does not exceed a defined amount. We were in compliance with these requirements as of September 26, 2014. These requirements currently are not, nor is it anticipated that they will become, restrictive to our liquidity or capital resources.

**Summary of Cash Activities**

During the first nine months of 2014, our primary sources of cash included: (1) \$591 million from operating activities, net of cash payments related to restructuring programs of \$80 million and contributions to our defined benefit pension plans of \$40 million; (2) proceeds of \$347 million on issuances of debt; and (3) net issuances of commercial paper of \$242 million. Our primary uses of cash included: (1) cash payments totaling \$800 million for shares repurchased under our share repurchase program; (2) capital asset investments of \$239 million; (3) dividend payments on common stock of \$185 million; and (4) payments on debt of \$111 million, primarily resulting from the maturing of \$100 million notes.

During the first nine months of 2013, our primary sources of cash included: (1) \$597 million from operating activities, net of cash payments related to restructuring programs of \$67 million and contributions to our defined benefit pension plans of \$46 million; (2) proceeds of \$459 million on issuances of debt; and (3) net issuances of commercial paper of \$182 million. Our primary uses of cash included: (1) cash payments totaling \$888 million for shares repurchased under our share repurchase program; (2) payments on debt of \$220 million, primarily resulting from the maturing of our Swiss franc 200 million notes; (3) capital asset investments of \$220 million; and (4) dividend payments on common stock of \$161 million.

#### Operating Activities

Our net cash derived from operating activities totaled \$591 million and \$597 million in the first nine months of 2014 and 2013, respectively. This decrease was driven by the timing of customer cash payments, offset partially by our improved year-over-year operating income performance.

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## COCA-COLA ENTERPRISES, INC.

## Investing Activities

Our capital asset investments represent the principal use of cash for our investing activities. During 2014, we expect our capital expenditures to be approximately \$325 million and to be invested in a similar proportion of asset categories as those listed in the table below.

The following table summarizes our capital asset investments for the periods presented (in millions):

	First Nine Months	
	2014	2013
Supply chain infrastructure improvements	\$125	\$126
Cold drink equipment	81	57
Information technology	26	26
Fleet and other	7	11
Total capital asset investments	\$239	\$220

Our investing activities during the first nine months of 2014 included \$27 million in capital asset disposals, driven, in part, by our Business Transformation Program.

Additionally, investing activities during the first nine months of 2014 includes the receipt of \$21 million from the settlement of net investment hedges.

## Financing Activities

Our net cash used in financing activities totaled \$508 million during the first nine months of 2014 compared to \$620 million during the first nine months of 2013. The following table summarizes our financing activities related to issuances of and payments on debt for the periods presented (in millions):

	Maturity Date	Rate	First Nine Months	
			2014	2013
Issuances of debt				
€250 million notes	May 2026	2.8%	\$347	\$—
€350 million notes	May 2025	2.4%	—	459
Total issuances of debt, excluding commercial paper			347	459
Net issuances of commercial paper			242	182
Total issuances of debt			\$589	\$641
	Maturity Date	Rate <sup>(A)</sup>	First Nine Months	
			2014	2013
Payments on debt				
\$100 million notes	February 2014	—	\$(100)	—
CHF 200 million notes	March 2013	3.8%	—	(211)
Other payments, net	—	—	(11)	(9)
Total payments on debt			\$(111)	\$(220)

<sup>(A)</sup> The \$100 million notes carried a variable interest rate at three-month USD Libor plus 30 basis points. At maturity the effective rate on these notes was 0.5 percent.

Our financing activities included cash payments of \$800 million and \$888 million during the first nine months of 2014 and 2013, respectively, for share repurchases, as well as dividend payments on common stock of \$185 million and \$161 million during the first nine months of 2014 and 2013, respectively.

## Financial Position

## Assets

Trade accounts receivable increased \$285 million, or 19.0 percent, to \$1.8 billion at September 26, 2014 from \$1.5 billion at December 31, 2013. This increase was primarily attributable to the seasonality of our business and the timing of our fiscal month-end relative to the calendar month-end, offset partially by a decrease in currency exchange rates.



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## COCA-COLA ENTERPRISES, INC.

Inventories decreased \$42 million, or 9.5 percent, to \$410 million at September 26, 2014 from \$452 million at December 31, 2013. This decrease was driven by a decrease in currency exchange rates and the impact of timing of certain raw material purchases, partially offset by an increase in finished product inventory resulting from lower volume.

Other current assets increased \$136 million, or 80.5 percent, to \$305 million at September 26, 2014 from \$169 million at December 31, 2013. This change was primarily driven by an increase in current deferred income tax assets and an increase in certain derivative assets.

Other noncurrent assets decreased \$124 million, or 26.0 percent, to \$352 million at September 26, 2014 from \$476 million at December 31, 2013. This change was primarily driven by a decline in noncurrent deferred income tax assets and currency exchange rate changes, partially offset by increases in our noncurrent assets related to our defined benefit pension plans.

**Liabilities and Equity**

Accounts payable and accrued expenses increased \$55 million, or 3.0 percent, to \$2.0 billion at September 26, 2014 from \$1.9 billion at December 31, 2013. The increase in accounts payable and accrued expenses was primarily related to the seasonality of our business and an increase in accruals related to our customer marketing agreements in Great Britain, primarily resulting from changes in program levels and timing of payments. These increases were partially offset by a decrease in accrued compensation due to the timing of certain severance payments under our Business Transformation Program, the payment of certain incentive compensation amounts, as well as currency exchange rate decreases. For additional information about our accounts payable and accrued expenses, refer to Note 4 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q.

Current portion of debt increased \$618 million to \$729 million at September 26, 2014 from \$111 million at December 31, 2013. This increase was primarily driven by our \$475 million, 2.1 percent notes due September 2015, which became current during the third quarter of 2014 and net issuances of commercial paper of \$242 million. These increases were partially offset by the repayment of our \$100 million floating rate notes at maturity in February 2014. Debt, less current portion decreased \$307 million to \$3.4 billion at September 26, 2014 from \$3.7 billion at December 31, 2013. This decrease was primarily driven by our \$475 million, 2.1 percent notes due September 2015 which became current during the third quarter of 2014, as well as currency exchange rate changes. These decreases were partially offset by the issuance in May 2014 of €250 million, 2.8 percent notes due 2026. For additional information about our debt, refer to Note 7 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q.

Common stock in treasury, at cost increased \$814 million, or 28.5 percent, to \$3.7 billion at September 26, 2014 from \$2.9 billion at December 31, 2013. This increase was primarily driven by our repurchase of \$800 million in outstanding shares during the first nine months of 2014 under our share repurchase program.

**Defined Benefit Plan Contributions**

Contributions to our pension plans totaled \$40 million and \$46 million during the first nine months of 2014 and 2013, respectively. The following table summarizes our projected contributions for the full year ending December 31, 2014, as well as our actual contributions for the year ended December 31, 2013 (in millions):

	Projected <sup>(A)</sup> 2014	Actual <sup>(A)</sup> 2013
Total pension contributions	\$60	\$72

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These amounts represent only contributions made by CCE. For additional information about the funded status of (A) our defined benefit pension plans, refer to Note 9 of the Notes to Consolidated Financial Statements in our Form 10-K.

**Contingencies**

For information about our contingencies, refer to Note 8 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q.





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COCA-COLA ENTERPRISES, INC.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rates

Interest rate risk is present with both our fixed-rate and floating-rate debt. Interest rate swap agreements and other risk management instruments are used, at times, to manage our fixed/floating debt portfolio. At September 26, 2014, approximately 94 percent of our debt portfolio was comprised of fixed-rate debt, and 6 percent was floating-rate debt. We estimate that a 1 percent change in market interest rates as of September 26, 2014 would change the fair value of our fixed-rate debt outstanding as of September 26, 2014 by approximately \$610 million.

We also estimate that a 1 percent change in the interest costs of floating-rate debt outstanding as of September 26, 2014 would change interest expense on an annual basis by less than \$5 million. This amount is determined by calculating the effect of a hypothetical interest rate change on our floating-rate debt after giving consideration to our interest rate swap agreements and other risk management instruments. This estimate does not include the effects of other actions to mitigate this risk or changes in our financial structure.

Currency Exchange Rates

Our operations are in Western Europe. As such, we are exposed to translation risk because our operations are in local currency and must be translated into U.S. dollars. As currency exchange rates fluctuate, translation of our Statements of Income into U.S. dollars affects the comparability of revenues, expenses, operating income, and diluted earnings per share between years. We estimate that a 10 percent unidirectional change in currency exchange rates would have changed our operating income for the third quarter of 2014 by approximately \$40 million.

Commodity Price Risk

The competitive marketplace in which we operate may limit our ability to recover increased costs through higher sales prices. As such, we are subject to market risk with respect to commodity price fluctuations, principally related to our purchases of aluminum, PET (plastic), steel, sugar, and vehicle fuel. When possible, we manage our exposure to this risk primarily through the use of supplier pricing agreements that enable us to establish the purchase prices for certain commodities. We also, at times, use derivative financial instruments to manage our exposure to this risk. Including the effect of pricing agreements and other hedging instruments entered into to date, we estimate that a 10 percent increase in the market prices of these commodities over the current market prices would cumulatively increase our cost of sales during the next 12 months by approximately \$20 million. This amount does not include the potential impact of changes in the conversion costs associated with these commodities.

Certain of our suppliers restrict our ability to hedge prices through supplier agreements. As a result, at times, we enter into non-designated commodity hedging programs. Based on the fair value of our non-designated commodity hedges outstanding as of September 26, 2014, we estimate that a 10 percent change in market prices would change the fair value of our non-designated commodity hedges by approximately \$10 million. For additional information about our derivative financial instruments, refer to Note 6 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q.

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COCA-COLA ENTERPRISES, INC.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management evaluated, under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, the effectiveness of our “disclosure controls and procedures” (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the “Exchange Act”)) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and (2) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the third quarter of 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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COCA-COLA ENTERPRISES, INC.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Not applicable.

Item 1A. Risk Factors

There have been no changes to the risk factors disclosed in Item 1A of Part 1, "Risk Factors," in our Form 10-K for the year ended December 31, 2013.

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## COCA-COLA ENTERPRISES, INC.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table presents information about repurchases of Coca-Cola Enterprises, Inc. common stock made by us during the third quarter of 2014 (in millions, except average price per share):

Period	Total Number of Shares (or Units) Purchased <sup>(A)</sup>	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased As Part of Publicly Announced Plans or Programs <sup>(B)</sup>	Maximum Number or Approximate Dollar Value of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs <sup>(B)</sup>
June 28, 2014 through July 25, 2014	2.1	\$48.28	2.1	\$ 794.0
July 26, 2014 through August 22, 2014	2.1	46.61	2.1	694.0
August 23, 2014 through September 26, 2014	—	—	—	694.0
Total	4.2	\$47.43	4.2	\$ 694.0

(A) Shares repurchased were primarily attributable to shares purchased under our publicly announced share repurchase program and were purchased in open-market transactions.

(B) In December 2012, our Board of Directors authorized share repurchases for an aggregate price of not more than \$1.5 billion, as part of a publicly announced program. Share repurchases under this authorization were completed during the second quarter of 2014. In December 2013, our Board of Directors authorized additional share repurchases for an aggregate price of not more than \$1.0 billion. Share repurchase activity under this authorization commenced during the second quarter of 2014 when the share repurchases under the previous authorization were completed. We can repurchase shares in the open market and in privately negotiated transactions as part of our share repurchase program. Repurchased shares are added to treasury stock and are available for general corporate purposes, including acquisition financing and the funding of various employee benefit and compensation plans.

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Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On October 21, 2014, the Company's Board of Directors approved an amendment to the employment agreement of our Chief Executive Officer, John F. Brock, to extend the term of his agreement through December 29, 2016, one year past the current agreement's specified term. The Human Resources and Compensation Committee also approved amending Mr. Brock's agreement to reflect the continuation of his current level of annual compensation throughout the term of the agreement. The amendment to Mr. Brock's agreement, which is effective October 21, 2014, is set forth as Exhibit 10.1 to this Quarterly Report (Mr. Brock's current employment agreement was filed as Exhibit 10.1 to our Quarterly Report on Form 10-Q, filed October 24, 2013).

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## COCA-COLA ENTERPRISES, INC.

## Item 6. Exhibits

(a) Exhibit (numbered in accordance with Item 601 of Regulation S-K):

Exhibit Number	Description	Incorporated by Reference or Filed Herewith
10.1	Amendment to the Employment Agreement between John F. Brock and Coca-Cola Enterprises, Inc. (Effective October 21, 2014).*	Filed herewith.
12	Ratio of Earnings to Fixed Charges.	Filed herewith.
31.1	Certification of John F. Brock, Chairman and Chief Executive Officer of Coca-Cola Enterprises, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of Manik H. Jhangiani, Senior Vice President and Chief Financial Officer of Coca-Cola Enterprises, Inc., pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32.1	Certification of John F. Brock, Chairman and Chief Executive Officer of Coca-Cola Enterprises, Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32.2	Certification of Manik H. Jhangiani, Senior Vice President and Chief Financial Officer of Coca-Cola Enterprises, Inc., pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
101.INS	XBRL Instance Document.	Filed herewith.
101.SCH	XBRL Taxonomy Extension Schema Document.	Filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	Filed herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	Filed herewith.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	Filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	Filed herewith.

\* Management contracts and compensatory plans or arrangements required to be filed as exhibits to this form, pursuant to Item 15(b).

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COCA-COLA ENTERPRISES, INC.

(Registrant)

Date: October 23, 2014

/s/ Manik H. Jhangiani

Manik H. Jhangiani

Senior Vice President and Chief Financial Officer

Date: October 23, 2014

/s/ Suzanne D. Patterson

Suzanne D. Patterson

Vice President, Controller and Chief Accounting Officer