

COCA-COLA ENTERPRISES, INC.

Form 10-Q

October 24, 2013

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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 27, 2013

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.

259,642,510 Shares of \$0.01 Par Value Common Stock as of September 27, 2013

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 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 27, 2013  
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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	
	2013	2012	2013	2012
Net sales	\$2,174	\$2,070	\$6,180	\$6,146
Cost of sales	1,387	1,295	4,006	3,908
Gross profit	787	775	2,174	2,238
Selling, delivery, and administrative expenses	473	469	1,477	1,460
Operating income	314	306	697	778
Interest expense, net	26	23	75	69
Other nonoperating income (expense)	1	1	(3	) 4
Income before income taxes	289	284	619	713
Income tax expense	—	21	87	136
Net income	\$289	\$263	\$532	\$577
Basic earnings per share	\$1.09	\$0.91	\$1.96	\$1.94
Diluted earnings per share	\$1.07	\$0.89	\$1.92	\$1.90
Dividends declared per share	\$0.20	\$0.16	\$0.60	\$0.48
Basic weighted average shares outstanding	264	291	271	297
Diluted weighted average shares outstanding	269	297	277	304

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	
	2013	2012	2013	2012
Net income	\$289	\$263	\$532	\$577
Components of other comprehensive income:				
Currency translations				
Pretax activity, net	204	127	14	119
Tax effect	—	—	—	—
Currency translations, net of tax	204	127	14	119
Net investment hedges				
Pretax activity, net	(52	) (31	) (34	) (18
Tax effect	18	9	12	4
Net investment hedges, net of tax	(34	) (22	) (22	) (14
Cash flow hedges				
Pretax activity, net	(10	) (15	) 18	(18
Tax effect	3	4	(5	) 4
Cash flow hedges, net of tax	(7	) (11	) 13	(14
Pension plan adjustments				
Pretax activity, net	8	4	20	13
Tax effect	(2	) (1	) (4	) (3
Pension plan adjustments, net of tax	6	3	16	10
Other comprehensive income, net of tax	169	97	21	101
Comprehensive income	\$458	\$360	\$553	\$678

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 27, 2013	December 31, 2012
<b>ASSETS</b>		
Current:		
Cash and cash equivalents	\$488	\$721
Trade accounts receivable, less allowances of \$16 and \$17, respectively	1,689	1,432
Amounts receivable from The Coca-Cola Company	80	66
Inventories	442	386
Other current assets	230	157
Total current assets	2,929	2,762
Property, plant, and equipment, net	2,282	2,322
Franchise license intangible assets, net	3,927	3,923
Goodwill	125	132
Other noncurrent assets	429	371
Total assets	\$9,692	\$9,510
<b>LIABILITIES</b>		
Current:		
Accounts payable and accrued expenses	\$2,060	\$1,844
Amounts payable to The Coca-Cola Company	140	103
Current portion of debt	594	632
Total current liabilities	2,794	2,579
Debt, less current portion	3,321	2,834
Other noncurrent liabilities	249	276
Noncurrent deferred income tax liabilities	1,119	1,128
Total liabilities	7,483	6,817
<b>SHAREOWNERS' EQUITY</b>		
Common stock, \$0.01 par value – Authorized – 1,000,000,000 shares; Issued – 351,788,230 and 348,760,432 shares, respectively	3	3
Additional paid-in capital	3,881	3,825
Reinvested earnings	1,494	1,126
Accumulated other comprehensive loss	(409)	(430)
Common stock in treasury, at cost – 92,145,720 and 66,724,738 shares, respectively	(2,760)	(1,831)
Total shareowners' equity	2,209	2,693
Total liabilities and shareowners' equity	\$9,692	\$9,510

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	
	2013	2012
Cash Flows from Operating Activities:		
Net income	\$532	\$577
Adjustments to reconcile net income to net cash derived from operating activities:		
Depreciation and amortization	231	252
Share-based compensation expense	24	27
Deferred income tax benefit	(66)	(72)
Pension expense less than contributions	(3)	(52)
Net changes in assets and liabilities	(121)	(49)
Net cash derived from operating activities	597	683
Cash Flows from Investing Activities:		
Capital asset investments	(220)	(254)
Capital asset disposals	—	13
Net cash used in investing activities	(220)	(241)
Cash Flows from Financing Activities:		
Net change in commercial paper	182	—
Issuances of debt	459	430
Payments on debt	(220)	(13)
Shares repurchased under share repurchase programs	(888)	(600)
Dividend payments on common stock	(161)	(142)
Other financing activities, net	8	(5)
Net cash used in financing activities	(620)	(330)
Net effect of currency exchange rate changes on cash and cash equivalents	10	7
Net Change in Cash and Cash Equivalents	(233)	119
Cash and Cash Equivalents at Beginning of Period	721	684
Cash and Cash Equivalents at End of Period	\$488	\$803

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 2013 may not necessarily be indicative of the results that may be expected for the full year ending December 31, 2013.

## 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, 2012 (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
2013	64	65	65	67	261
2012	65	65	65	66	261
Change	(1	) —	—	1	—

## Recently Adopted Accounting Standards

In February 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" (ASU 2013-02). Under ASU 2013-02, an entity is required to provide information about the amounts reclassified out of accumulated other comprehensive income (AOCI) by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. ASU 2013-02 did not change the requirements for reporting net income or other comprehensive income in the financial statements. ASU 2013-02 was effective for us on January 1, 2013. Refer to Note 14.



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## 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 27, 2013	December 31, 2012
Finished goods	\$278	\$220
Raw materials and supplies	164	166
Total inventories	\$442	\$386

## NOTE 3—PROPERTY, PLANT, AND EQUIPMENT

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

	September 27, 2013	December 31, 2012
Land	\$163	\$161
Building and improvements	1,007	948
Machinery, equipment, and containers	1,737	1,625
Cold drink equipment	1,666	1,602
Vehicle fleet	116	122
Furniture, office equipment, and software	406	379
Property, plant, and equipment	5,095	4,837
Accumulated depreciation and amortization	(2,956)	(2,756)
	2,139	2,081
Construction in process	143	241
Property, plant, and equipment, net	\$2,282	\$2,322

## 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 27, 2013	December 31, 2012
Trade accounts payable	\$573	\$462
Accrued customer marketing costs	607	555
Accrued compensation and benefits	338	288
Accrued taxes	246	262
Accrued deposits	74	87
Other accrued expenses	222	190
Accounts payable and accrued expenses	\$2,060	\$1,844

## 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 programs with TCCC are modified.

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COCA-COLA ENTERPRISES, INC.

Notes to Condensed Consolidated Financial Statements

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	
	2013	2012	2013	2012
Amounts affecting net sales:				
Fountain syrup and packaged product sales	\$5	\$4	\$13	\$10
Amounts affecting cost of sales:				
Purchases of concentrate, syrup, mineral water, and juice	\$(568)	\$(525)	\$(1,735)	\$(1,678)
Purchases of finished products	(15)	(16)	(43)	(46)
Marketing support funding earned	52	59	148	165
Total	\$(531)	\$(482)	\$(1,630)	\$(1,559)

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

**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 hedges”). 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 27, 2013	December 31, 2012
Assets:			
Derivatives designated as hedging instruments:			
Foreign currency contracts <sup>(A)</sup>	Other current assets	\$ 17	\$ 31
Interest rate swap agreements <sup>(B)</sup>	Other current assets	2	2
Foreign currency contracts	Other noncurrent assets	1	3
Total		20	36
Derivatives not designated as hedging instruments:			
Commodity contracts	Other current assets	—	1
Commodity contracts	Other noncurrent assets	—	1
Total		—	2
Total Assets		\$ 20	\$ 38
Liabilities:			
Derivatives designated as hedging instruments:			
Foreign currency contracts <sup>(A)</sup>	Accounts payable and accrued expenses	\$ 49	\$ 41
Foreign currency contracts	Other noncurrent liabilities	28	33
Total		77	74
Derivatives not designated as hedging instruments:			
Foreign currency contracts	Accounts payable and accrued expenses	—	1
Commodity contracts	Accounts payable and accrued expenses	11	6
Commodity contracts	Other noncurrent liabilities	2	—
Total		13	7
Total Liabilities		\$ 90	\$ 81

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

<sup>(B)</sup> Amount includes the gross interest receivable on our interest rate swap agreements.

Fair Value Hedges

We utilize certain interest rate swap agreements designated as fair value hedges to mitigate our exposure to changes in the fair value of fixed-rate debt resulting from fluctuations in interest rates. The gain or loss on the derivative and the offsetting gain or loss on the hedged item attributable to the hedged risk are recognized immediately in interest expense, net on our Condensed Consolidated Statements of Income.

The following table summarizes our outstanding interest rate swap agreements designated as fair value hedges as of the dates presented:

Type	September 27, 2013		December 31, 2012	
	Notional Amount	Latest Maturity	Notional Amount	Latest Maturity
Fixed-to-floating interest rate swap	USD 400 million	November 2013	USD 400 million	November 2013
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 AOCI on our Condensed Consolidated Balance Sheets. The effective changes are then recognized in the period

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## COCA-COLA ENTERPRISES, INC.

## Notes to Condensed Consolidated Financial Statements

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. 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 27, 2013		December 31, 2012	
	Notional Amount	Latest Maturity	Notional Amount	Latest Maturity
Foreign currency contracts	USD 1.7 billion	June 2021	USD 1.8 billion	June 2021

The following tables summarize the net of tax effect of our derivative financial instruments 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	
	2013	2012	2013	2012
Cash Flow Hedging Instruments				
Foreign currency contracts	\$(41 )	\$(30 )	\$9	\$(35 )

	Location - Statements of Income	Amount of Gain (Loss) Reclassified from AOCI into Earnings			
		Third Quarter		First Nine Months	
		2013	2012	2013	2012
Cash Flow Hedging Instruments					
Foreign currency contracts	Cost of sales	\$1	\$(4 )	\$2	\$(10 )
Foreign currency contracts <sup>(B)</sup>	Other nonoperating income (expense)	(35 )	(15 )	(6 )	(11 )
Total		\$(34 )	\$(19 )	\$(4 )	\$(21 )

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

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

<sup>(B)</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 27, 2013		December 31, 2012	
	Notional Amount	Latest Maturity	Notional Amount	Latest Maturity
Foreign currency contracts	n/a	n/a	USD 85 million	March 2013
Commodity contracts	USD 148 million	December 2015	USD 171 million	December 2014

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	
		2013	2012	2013	2012
Commodity contracts	Cost of sales	\$(3 )	\$8	\$(16 )	\$3
Commodity contracts	Selling, delivery, and administrative expenses	—	4	—	3
Foreign currency contracts	Other nonoperating income (expense) <sup>(A)</sup>	(6 )	(16 )	1	(21 )
	Total	\$(9 )	\$(4 )	\$(15 )	\$(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 27, 2013, our Corporate segment earnings included net mark-to-market losses on non-designated commodity hedges totaling \$13 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 <sup>(A)</sup>	Cost of Sales	SD&A	Total
Balance at December 31, 2012	\$ (5 )	\$—	\$(5 )
Amounts recognized during the period and recorded in our Corporate segment, net	(15 )	—	(15 )
Amounts transferred from our Corporate segment to our Europe operating segment, net	7	—	7
Balance at September 27, 2013	\$ (13 )	\$—	\$(13 )

<sup>(A)</sup> Over the next 12 months, deferred losses totaling \$11 million are expected to be reclassified from our Corporate segment earnings into the earnings of our Europe operating segment as the underlying hedged transactions occur.

**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.

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

Type	September 27, 2013		December 31, 2012	
	Notional Amount	Latest Maturity	Notional Amount	Latest Maturity
Foreign currency contracts	USD 450 million	November 2014	USD 360 million	December 2013
Foreign currency denominated debt	USD 947 million	May 2025	USD 462 million	December 2019

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## COCA-COLA ENTERPRISES, INC.

## Notes to Condensed Consolidated Financial Statements

The following table summarizes the net of tax effect of our derivative financial instruments 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	
	2013	2012	2013	2012
Net Investment Hedging Instruments				
Foreign currency contracts	\$(11 )	\$(22 )	\$(5 )	\$(14 )
Foreign currency denominated debt	(23 )	—	(17 )	—
Total	\$(34 )	\$(22 )	\$(22 )	\$(14 )

<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 27, 2013			December 31, 2012		
	Principal Balance	Rates <sup>(A)</sup>		Principal Balance	Rates <sup>(A)</sup>	
U.S. dollar commercial paper	\$182	0.2	%	\$—	—	%
U.S. dollar notes due 2013-2021	2,291	2.6		2,291	2.6	
Euro notes due 2017-2025 <sup>(B)</sup>	1,411	2.5		918	2.6	
Swiss franc notes due 2013 <sup>(C)</sup>	—	—		218	3.8	
Capital lease obligations <sup>(D)</sup>	31	n/a		39	n/a	
Total debt <sup>(E)</sup>	3,915			3,466		
Current portion of debt	(594	)		(632	)	
Debt, less current portion	\$3,321			\$2,834		

<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 May 2013, we issued €350 million, 2.4 percent notes due 2025.

<sup>(C)</sup> In March 2013, CHF 200 million (\$211 million), 3.8 percent notes matured.

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

The total fair value of our outstanding debt, excluding capital lease obligations, was \$3.9 billion and \$3.6 billion at

<sup>(E)</sup> September 27, 2013 and December 31, 2012, respectively. The fair value of our debt is determined using quoted market prices for publicly traded instruments (Level 1).

## 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 27, 2013, 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.

## 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 27, 2013. These requirements currently are not, nor is it anticipated that they will become, restrictive to our liquidity or capital resources.

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COCA-COLA ENTERPRISES, INC.

Notes to Condensed Consolidated Financial Statements

## 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 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	
	2013	2012	2013	2012
Components of net periodic benefit costs:				
Service cost	\$ 14	\$ 13	\$ 43	\$ 39
Interest cost	14	14	42	42
Expected return on plan assets	(22	) (20	) (64	) (60
Amortization of net prior service cost	2	1	4	4
Amortization of actuarial loss	6	3	16	9
Net periodic benefit cost	14	11	41	34
Other <sup>(A)</sup>	—	—	2	—
Total costs	\$ 14	\$ 11	\$ 43	\$ 34

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

## Contributions

Contributions to our pension plans totaled \$46 million and \$86 million during the first nine months of 2013 and 2012, respectively. The following table summarizes our projected contributions for the full year ending December 31, 2013, as well as actual contributions for the year ended December 31, 2012 (in millions):

	Projected <sup>(A)</sup>	Actual <sup>(A)</sup>
	2013	2012
Total pension contributions	\$65	\$121

<sup>(A)</sup>

These amounts represent only contributions made by CCE. During 2012, we contributed an incremental \$65 million to our Great Britain defined benefit pension plan to improve the funded status of the plan, of which \$40 million was contributed during the first nine months of 2012. 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.

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COCA-COLA ENTERPRISES, INC.

Notes to Condensed Consolidated Financial Statements

## NOTE 10—TAXES

Our effective tax rate was approximately 14 percent and 19 percent for the first nine months of 2013 and 2012, 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	
	2013	2012
U.S. federal statutory expense	\$217	\$250
Taxation of foreign operations, net <sup>(A)</sup>	(115)	(121)
U.S. taxation of foreign earnings, net of tax credits	57	46
Nondeductible items	(4)	8
Rate and law change benefit, net <sup>(B)(C)</sup>	(71)	(50)
Other, net	3	3
Total provision for income taxes	\$87	\$136

Our effective tax rate reflects the benefit of having all of our operations outside of the U.S., which are taxed at  
<sup>(A)</sup> 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.

During the third quarter of 2013, the United Kingdom enacted a corporate income tax rate reduction of 3  
<sup>(B)</sup> percentage points, 2 percentage points effective April 1, 2014, and 1 percentage point 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.

During the third quarter of 2012, the United Kingdom enacted a corporate income tax rate reduction of 2  
<sup>(C)</sup> percentage points, 1 percentage point retroactive to April 1, 2012, and 1 percentage point effective April 1, 2013. As a result, we recognized a deferred tax benefit of \$50 million during the third quarter of 2012 to reflect the impact of this change.

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

During the fourth quarter of 2013, we expect to repatriate to the U.S. a portion of our 2013 foreign earnings to satisfy our 2013 U.S.-based cash flow needs. The amount to be repatriated to the U.S. will depend on, among other things, our actual 2013 foreign earnings and our actual 2013 U.S.-based cash flow needs. Our historical earnings will continue to remain permanently reinvested outside of the U.S. and, if we do not generate sufficient current year foreign earnings to repatriate to the U.S., we expect to have adequate access to capital in the U.S. to allow us to satisfy our U.S.-based cash flow needs. 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 foreign operations, foreign 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.

## Tax Sharing Agreement with TCCC

As part of the Merger, we entered into a Tax Sharing Agreement (TSA) with TCCC. Under the TSA, we agreed to indemnify TCCC and its affiliates from and against certain taxes, the responsibility for which the parties have specifically agreed to allocate to us, generally related to periods prior to October 2, 2010, as well as any taxes and losses by reason of or arising from certain breaches by CCE of representations, covenants, or obligations under the Agreement or the TSA. Some of these indemnifications extend through 2014. As of September 27, 2013, the remaining liability related to these indemnifications was \$16 million, of which \$15 million is recorded in accounts payable and accrued expenses on our Condensed Consolidated Balance Sheets, and \$1 million is recorded in other noncurrent liabilities on our Condensed Consolidated Balance Sheets.

In the future, there could be additional tax items related to the Merger that require cash settlements under the TSA as tax audits are resolved and refund claims are pursued by both us and TCCC. For additional information about the TSA and related accruals, 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 of dilutive securities. To the extent these securities are antidilutive, they are excluded from the calculation of diluted earnings per share.

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COCA-COLA ENTERPRISES, INC.

Notes to Condensed Consolidated Financial Statements

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	
	2013	2012	2013	2012
Net income	\$289	\$263	\$532	\$577
Basic weighted average shares outstanding	264	291	271	297
Effect of dilutive securities <sup>(A)</sup>	5	6	6	7
Diluted weighted average shares outstanding	269	297	277	304
Basic earnings per share	\$1.09	\$0.91	\$1.96	\$1.94
Diluted earnings per share	\$1.07	\$0.89	\$1.92	\$1.90

Options to purchase 8.0 million and 8.1 million shares were outstanding as of September 27, 2013 and September 28, 2012, respectively. During both the third quarter and first nine months of 2012, options to purchase <sup>(A)</sup> 1.2 million shares 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 of 2013 and 2012, we repurchased 7.9 million and 7.7 million shares, respectively, and during the first nine months of 2013 and 2012 we repurchased 24.6 million and 21.3 million shares, respectively. Refer to Note 15.

During the first nine months of 2013, we issued an aggregate of 0.9 million shares of common stock from the exercise of share options with a total intrinsic value of \$17 million.

Dividend payments on our common stock totaled \$161 million and \$142 million during the first nine months of 2013 and 2012, respectively. In February 2013, our Board of Directors approved a \$0.04 per share increase in our quarterly dividend from \$0.16 per share to \$0.20 per share beginning in the first quarter of 2013.

**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 2013 or 2012.

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 2013:			
Net sales	\$2,174	\$—	\$2,174
Operating income (loss)	350	(36)	) 314
Third Quarter 2012:			
Net sales	\$2,070	\$—	\$2,070
Operating income (loss)	322	(16)	) 306
First Nine Months 2013:			
Net sales <sup>(A)</sup>	\$6,180	\$—	\$6,180
Operating income (loss) <sup>(B)</sup>	804	(107)	) 697
First Nine Months 2012:			
Net sales <sup>(A)</sup>	\$6,146	\$—	\$6,146
Operating income (loss) <sup>(B)</sup>	879	(101)	) 778

(A) 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			
	2013	2012		
Net sales:				
Great Britain	33	% 34		%
France	30	30		
Belgium	15	15		
The Netherlands	8	8		
Norway	8	7		
Sweden	6	6		
Total	100	% 100		%

Our Corporate segment earnings include net mark-to-market losses on our non-designated commodity hedges totaling \$8 million for the first nine months of 2013, and net mark-to-market gains of \$3 million for the first nine months of 2012. As of September 27, 2013, our Corporate segment earnings included net mark-to-market losses on non-designated commodity hedges totaling \$13 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	
	2013	2012	2013	2012
Europe	\$7	\$12	\$109	\$34
Corporate	—	—	—	—
Total	\$7	\$12	\$109	\$34

**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 service activities related

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## COCA-COLA ENTERPRISES, INC.

## Notes to Condensed Consolidated Financial Statements

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 \$200 million, including severance, transition, consulting, accelerated depreciation, and lease termination costs. Approximately \$10 million of this amount is expected to be non-cash. 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. During both the third quarter and first nine months of 2012, we recorded nonrecurring restructuring charges under this program totaling \$2 million. 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 period presented (in millions):

	Severance Pay and Benefits	Other <sup>(B)</sup>	Total
Balance at December 31, 2011	\$—	\$—	\$—
Provision	41	5	46
Cash payments	—	(2	) (2
Noncash items	—	(2	) (2
Balance at December 31, 2012 <sup>(A)</sup>	41	1	42
Provision	63	24	87
Cash payments	(35	) (9	) (44
Noncash items	—	(6	) (6
Balance at September 27, 2013 <sup>(A)</sup>	\$69	\$10	\$79

<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> These charges primarily relate to program management and consulting costs.

#### Norway Business Optimization

During 2012, we launched a project in Norway to restructure and optimize certain aspects of our operations. This project includes changing our principal route to market from delivering our products directly to retailers to distributing our products to our customers' central warehouses. Additionally, we are transitioning from the production and sale of refillable bottles to the production and sale of recyclable, non-refillable bottles. These efforts are designed to increase our packaging flexibility, improve variety and convenience for customers and consumers, and enhance operational efficiency. The transition has resulted in (1) accelerated depreciation for certain machinery and equipment, plastic crates, and refillable bottles; (2) costs for replacing current production lines; (3) transition and outplacement costs; and (4) external warehousing costs and operational inefficiencies during the transition period. This project is scheduled to be completed by the end of 2013, and will result in approximately \$60 million in capital expenditures and approximately \$60 million in nonrecurring restructuring charges. During the third quarter and first nine months of 2013, we recorded restructuring charges of \$1 million and \$22 million, respectively, under this program. During the third quarter and first nine months of 2012, we recorded restructuring charges of \$10 million and \$32 million, respectively, under this program. As of September 27, 2013, we had invested \$52 million in cumulative capital expenditures under this program. Substantially all of the nonrecurring restructuring charges are included in SD&A expenses on our Condensed Consolidated Statements of Income.

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## COCA-COLA ENTERPRISES, INC.

## Notes to Condensed Consolidated Financial Statements

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

	Severance Pay and Benefits	Accelerated Depreciation <sup>(A)</sup>	Other <sup>(B)</sup>	Total
Balance at December 31, 2011	\$—	\$—	\$—	\$—
Provision	5	18	16	39
Cash payments	(2	) —	(12	) (14
Noncash items	—	(18	) —	(18
Balance at December 31, 2012 <sup>(C)</sup>	3	—	4	7
Provision	2	5	15	22
Cash payments	(5	) —	(18	) (23
Noncash items	—	(5	) —	(5
Balance at September 27, 2013 <sup>(C)</sup>	\$—	\$—	\$1	\$1

(A) 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.

(B) These charges primarily relate to program management and consulting costs, as well as costs related to external warehousing and operational inefficiencies during the transition period.

(C) Amounts are included in accounts payable and accrued expenses on our Condensed Consolidated Balance Sheets.

**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.

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 December 31, 2012	\$ (41	) \$ (14	) \$ (22	) \$ (353	) \$(430
Other comprehensive income (loss) before reclassifications	14	(22	) 9	—	1
Amounts reclassified from AOCI	—	—	4	16	20
Net change in other comprehensive income (loss)	14	(22	) 13	16	21
Balance at September 27, 2013	\$ (27	) \$ (36	) \$ (9	) \$ (337	) \$(409

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

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

**NOTE 15—SHARE REPURCHASE PROGRAM**

In December 2012, our Board of Directors approved a resolution to authorize additional share repurchases for an aggregate price of not more than \$1.5 billion. 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. During the third quarter and first nine months of 2013, we repurchased \$300 million and \$900 million, respectively, in outstanding shares, representing 7.9 million and 24.6 million shares, respectively, at an average price of \$37.89 and \$36.53 per share, respectively. Total cash paid during the first nine months of 2013 for these share repurchases totaled \$888 million due to the timing of settlement. We currently plan to repurchase at least \$100 million in additional outstanding shares during the fourth quarter of 2013 under this program, subject to economic, operating, and other factors, including acquisition opportunities. In addition to market conditions, we consider alternative uses of cash and/or debt, balance sheet ratios,

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and shareowner returns when evaluating share repurchases. For additional information about our share repurchase program, refer to Note 15 of the Notes to Consolidated Financial Statements in our Form 10-K.

**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 27, 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>	\$20	\$—	\$20	\$—
Derivative liabilities <sup>(A)</sup>	\$90	\$—	\$90	\$—
	December 31, 2012	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>	\$38	\$—	\$38	\$—
Derivative liabilities <sup>(A)</sup>	\$81	\$—	\$81	\$—

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 2013 may not necessarily be indicative of the results that may be expected for the full year ending December 31, 2013.

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 2013 versus the first quarter of 2012 (based upon a standard five-day selling week). There will be one additional selling day in the fourth quarter of 2013 versus the fourth quarter of 2012.

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 programs 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 2013 was \$289 million, or \$1.07 per diluted share, compared to net income of \$263 million, or \$0.89 per diluted share, in the third quarter of 2012. The following items included in our reported results affect the comparability of our year-over-year financial results (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 2013

- Charges totaling \$7 million (\$4 million net of tax, or \$0.01 per diluted common share) related to restructuring activities;

- 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

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

Third Quarter 2012

- Charges totaling \$12 million (\$8 million net of tax, or \$0.03 per diluted common share) related to restructuring activities;

- Net mark-to-market gains totaling \$12 million (\$7 million net of tax, or \$0.02 per diluted common share) related to non-designated commodity hedges associated with underlying transactions that related to a different reporting period;

and

A deferred tax benefit of \$50 million (\$0.17 per diluted common share) due to the enactment of a United Kingdom tax rate change that reduced the corporate income tax rate by 2 percentage points, 1 percentage point retroactive to April 1, 2012 and 1 percentage point effective April 1, 2013.

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COCA-COLA ENTERPRISES, INC.

Financial Summary

Our financial performance during the third quarter of 2013 reflects the impact of the following significant factors: Year-over-year volume growth of 2.5 percent, attributable to the successful execution of our key summer marketing activities, namely our "Share a Coke" campaign, and improved weather conditions during the quarter, including an exceptionally warm July;

- Strong growth in sales of our sparkling beverage portfolio, led by our Coca-Cola trademark beverage brands, offset partially by lower volume for our still beverage portfolio;

Bottle and can net price per case growth of 0.5 percent reflecting a more modest approach to pricing in light of current marketplace conditions;

A decrease in our underlying operating expenses resulting from our continued commitment to operating expense control, and lower marketing spend when compared to the London Olympics-related marketing spend in 2012; and The continuation of our share repurchase program, which increased diluted earnings per share in the third quarter of 2013 by approximately 10.0 percent (\$0.10 per diluted share) when compared to the third quarter of 2012.

During the third quarter of 2013, we delivered solid operating results driven by the successful execution of our summer marketing activities and improved weather conditions, including an exceptionally warm July. Despite the continued impact of persistent marketplace challenges and sustained macroeconomic headwinds, we achieved volume growth of 2.5 percent during the quarter. Our bottle and can net price per case grew 0.5 percent during the quarter reflecting modest year-over-year rate increases, partially offset by negative mix-shifts into multi-serve packages. Volume in our continental European territories (including Norway and Sweden) increased 2.5 percent during the quarter, reflecting sales growth of our sparkling beverage brands. Volume in Great Britain increased 3.0 percent for the quarter, primarily driven by strong growth in our Coca-Cola trademark portfolio. Across our territories, Coca-Cola Classic achieved a volume gain of 4.0 percent, and Coca-Cola Zero continued its strong performance, growing 23.0 percent during the quarter. These results were partially offset by lower volume for our still beverage portfolio, particularly Capri-Sun which had double-digit growth in the prior year.

Our summer marketing initiatives played a key role in our performance during the third quarter of 2013. Our "Share a Coke" campaign and "Coke with Meals" initiative have increased levels of engagement with consumers and boosted our success with customers. We continue to focus on product and package innovation by expanding our options in the marketplace. For example, we have launched a new 250-ML slimline can, which offers consumers a smaller, lower price single-serve option. These initiatives have contributed to the performance of our core Coca-Cola trademark brands.

Our bottle and can cost of sales per case grew 1.5 percent during the third quarter of 2013. While cost trends have continued to moderate for many of our key commodities, the overall cost environment remains volatile. As such, we continue to seek and execute opportunities to mitigate our exposure to price volatility through the use of supplier agreements and hedging instruments.

During the third quarter of 2013, we experienced a currency neutral decrease in operating expenses primarily resulting from continued strong operating expense control, and lower marketing spend when compared to the London Olympics-related marketing spend in 2012.

Our earnings per share also benefited from our share repurchases, which increased earnings per diluted share during the third quarter of 2013 by approximately \$0.10 when compared to the third quarter of 2012. We plan to continue our share repurchases during the remainder of 2013 and expect to repurchase at least \$1 billion of our shares during the current year.

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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		
	2013	2012	2013	2012	
Net sales	100.0	% 100.0	% 100.0	% 100.0	%
Cost of sales	63.8	62.6	64.8	63.6	
Gross profit	36.2	37.4	35.2	36.4	
Selling, delivery, and administrative expenses	21.8	22.6	23.9	23.7	
Operating income	14.4	14.8	11.3	12.7	
Interest expense, net	1.1	1.1	1.3	1.1	
Other nonoperating income (expense)	—	—	—	—	
Income before income taxes	13.3	13.7	10.0	11.6	
Income tax expense	—	1.0	1.4	2.2	
Net income	13.3	% 12.7	% 8.6	% 9.4	%

## 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			
	2013		2012		2013		2012	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Europe	\$350	111.5 %	\$322	105.0 %	\$804	115.5 %	\$879	113.0 %
Corporate	(36 )	(11.5 )	(16 )	(5.0 )	(107 )	(15.5 )	(101 )	(13.0 )
Consolidated	\$314	100.0 %	\$306	100.0 %	\$697	100.0 %	\$778	100.0 %

During the third quarter and first nine months of 2013, we had operating income of \$314 million and \$697 million, respectively, compared to \$306 million and \$778 million in the third quarter and first nine months of 2012, respectively. 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 2013			First Nine Months 2013		
	Amount	Change Percent of Total		Amount	Change Percent of Total	
Changes in operating income:						
Impact of bottle and can price-mix on gross profit	\$1	0.5 %		\$23	3.0 %	
Impact of bottle and can cost-mix on gross profit	(16 )	(5.5 )		(79 )	(10.5 )	
Impact of bottle and can volume on gross profit	18	6.0		(9 )	(1.5 )	
Impact of bottle and can selling day shift on gross profit	—	—		(8 )	(1.0 )	
Impact of post-mix, non-trade, and other on gross profit	(4 )	(1.5 )		(1 )	—	
Net mark-to-market gains related to non-designated commodity hedges	(11 )	(3.5 )		(11 )	(1.5 )	
Net impact of restructuring charges	5	1.5		(75 )	(9.5 )	
Other selling, delivery, and administrative expenses	6	2.0		69	9.0	
Currency exchange rate changes	9	3.0		11	1.5	
Other changes	—	—		(1 )	—	
Change in operating income	\$8	2.5 %		\$(81 )	(10.5 )%	



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## COCA-COLA ENTERPRISES, INC.

## Net Sales

Net sales increased 5.0 percent in the third quarter of 2013 to \$2.2 billion, and increased 0.5 percent in the first nine months of 2013 to \$6.2 billion. These changes include currency exchange rate increases of 2.5 percent and 1.0 percent for the third quarter and first nine months of 2013, respectively.

Net sales per case increased 3.0 percent in the third quarter of 2013 versus the third quarter of 2012, and increased 1.5 percent in the first nine months of 2013 versus the first nine months of 2012. 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 2013	First Nine Months 2013
Changes in net sales per case:		
Bottle and can net price per case	0.5	% 0.5
Bottle and can currency exchange rate changes	2.5	1.0
Change in net sales per case	3.0	% 1.5

During the third quarter of 2013, 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 increased 0.5 percent during the third quarter of 2013, reflecting a more modest approach to pricing in light of current marketplace challenges, and negative mix-shifts into multi-serve 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 2013 versus the first nine months of 2012 (selling days are the same in the third quarter of 2013 and 2012; rounded to the nearest 0.5 percent):

	Third Quarter 2013	First Nine Months 2013
Change in volume	2.5	% (1.0)
Impact of selling day shift <sup>(A)</sup>	—	0.5
Change in volume, adjusted for selling day shift	2.5	% (0.5)

<sup>(A)</sup> Represents the impact of changes in selling dates 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, as adjusted to reflect the impact of one less selling day in the first nine months of 2013 versus the first nine months of 2012 (selling days are the same in the third quarter of 2013 and 2012; rounded to the nearest 0.5 percent):

	Third Quarter			First Nine Months		
	Change	2013 Percent of Total	2012 Percent of Total	Change	2013 Percent of Total	2012 Percent of Total
Coca-Cola trademark	5.0	% 67.0	% 66.0	% —	% 68.0	% 68.0
Sparkling flavors and energy	1.0	18.5	18.5	(0.5)	18.0	18.0
Juices, isotonic, and other	(5.0)	) 11.0	11.5	(2.0)	) 10.5	10.5
Water	(6.0)	) 3.5	4.0	(4.5)	) 3.5	3.5
Total	2.5	% 100.0	% 100.0	% (0.5)	% 100.0	% 100.0

During the third quarter of 2013, volume increased 2.5 percent versus the third quarter of 2012. Our volume performance during the third quarter of 2013 included a 4.0 percent increase in the sale of sparkling beverage brands

and a 5.0 percent decline in the sales of still beverage brands. Volume in continental Europe (including our Norway and Sweden territories) increased 2.5 percent during the quarter, while volume in Great Britain grew 3.0 percent. The volume performance in both continental Europe and Great Britain reflects the strong growth in our Coca-Cola trademark beverages, partially offset by softness in our still beverage portfolio when compared to double-digit growth in the prior year.

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## COCA-COLA ENTERPRISES, INC.

Our Coca-Cola trademark beverage brand volume increased 5.0 percent in the third quarter of 2013 when compared to the third quarter of 2012. This increase was primarily attributable to strong growth in Coca-Cola Classic sales of 4.0 percent, and the continued success of Coca-Cola Zero across our territories. Sales of other Coca-Cola flavors, such as Cherry Coke Zero and Vanilla Coke, also increased nearly 10.0 percent over prior year. Sparkling flavors and energy volume grew 1.0 percent during the third quarter of 2013, driven by increases in the sales of Fanta and Schweppes, as well as continued growth in our energy portfolio, including Monster and Relentless. Juices, isotonic, and other volume decreased 5.0 percent in the third quarter of 2013 versus strong prior year growth, reflecting declines in Capri-Sun, Ocean Spray, and Powerade. Sales volume of our water brands decreased 6.0 percent in the third quarter of 2013, driven by a decline in Schweppes Abbey Well in Great Britain, which was the official water of the 2012 London Olympic Games.

Our summer marketing initiatives played a key role in our performance during the third quarter of 2013. Our "Share a Coke" campaign and "Coke with Meals" initiative have increased levels of engagement with consumers and boosted our success with customers. We continue to focus on product and package innovation by expanding our options in the marketplace. For example, we have launched a new 250-ML slimline can, which offers consumers a smaller, lower price single-serve option. These initiatives have contributed to the performance of our core Coca-Cola trademark brands.

**Consumption**

The following table summarizes our volume by consumption type for the periods presented, as adjusted to reflect the impact of one less selling day in the first nine months of 2013 versus the first nine months of 2012 (selling days are the same in the third quarter of 2013 and 2012; rounded to the nearest 0.5 percent):

	Third Quarter			First Nine Months		
	Change	2013 Percent of Total	2012 Percent of Total	Change	2013 Percent of Total	2012 Percent of Total
Multi-serve <sup>(A)</sup>	5.0	% 57.0	% 55.5	% 2.0	% 58.0	% 56.5
Single-serve <sup>(B)</sup>	(0.5)	) 43.0	44.5	(3.5)	) 42.0	43.5
Total	2.5	% 100.0	% 100.0	% (0.5)	%) 100.0	% 100.0

<sup>(A)</sup> 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.

Single-serve packages include containers that are typically one liter or less, purchased by consumers as a single

<sup>(B)</sup> 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, as adjusted to reflect the impact of one less selling day in the first nine months of 2013 versus the first nine months of 2012 (selling days are the same in the third quarter of 2013 and 2012; rounded to the nearest 0.5 percent):

	Third Quarter			First Nine Months		
	Change	2013 Percent of Total	2012 Percent of Total	Change	2013 Percent of Total	2012 Percent of Total
PET (plastic)	1.5	% 43.0	% 43.5	% —	% 44.0	% 44.0
Cans	6.5	41.0	39.5	—	40.0	40.0
Glass and other	(4.5)	) 16.0	17.0	(2.0)	) 16.0	16.0
Total	2.5	% 100.0	% 100.0	% (0.5)	%) 100.0	% 100.0

**Cost of Sales**

Cost of sales increased 7.0 percent and 2.5 percent to \$1.4 billion and \$4.0 billion during the third quarter and first nine months of 2013, respectively, versus the third quarter and first nine months of 2012. These amounts include currency exchange rate increases of 2.5 percent and 1.0 percent for the third quarter and first nine months of 2013,

respectively.

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## COCA-COLA ENTERPRISES, INC.

Cost of sales per case increased 4.5 percent in the third quarter of 2013 versus the third quarter of 2012, and increased 3.5 percent in the first nine months of 2013 versus the first nine months of 2012. 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 2013		First Nine Months 2013	
Changes in cost of sales per case:				
Bottle and can ingredient and packaging costs	1.5	%	2.0	%
Bottle and can currency exchange rate changes	2.5		1.0	
Post mix, non-trade, and other	0.5		0.5	
Change in cost of sales per case	4.5	%	3.5	%

Our bottle and can cost of sales per case grew 1.5 percent during the third quarter of 2013. While cost trends have continued to moderate for many of our key commodities, the overall cost environment remains volatile. As such, we continue to seek and execute opportunities to mitigate our exposure to price volatility through the use of supplier agreements and hedging instruments.

**Selling, Delivery, and Administrative Expenses**

Selling, delivery, and administrative (SD&A) expenses increased \$4 million, or 1.0 percent, in the third quarter of 2013 to \$473 million from \$469 million in the third quarter of 2012, and increased \$17 million, or 1.0 percent during the first nine months of 2013 to \$1.5 billion. These changes include currency exchange rate increases of 2.5 percent and 1.0 percent for 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 2013			First Nine Months 2013		
	Change			Change		
	Amount	Percent of Total		Amount	Percent of Total	
Changes in SD&A expenses:						
General and administrative expenses	\$6	1.5 %		\$(6 )	(0.5 )	%
Selling and marketing expenses	(1 )	(0.5 )		(26 )	(2.0 )	
Delivery and merchandising expenses	(4 )	(1.0 )		(15 )	(1.0 )	
Warehousing expenses	(5 )	(1.0 )		(14 )	(1.0 )	
Depreciation and amortization expenses	(2 )	(0.5 )		(9 )	(0.5 )	
Net mark-to-market gains related to non-designated commodity hedges	4	1.0		—	—	
Net impact of restructuring charges	(5 )	(1.0 )		71	5.0	
Currency exchange rate changes	11	2.5		15	1.0	
Other	—	—		1	—	
Change in SD&A expenses	\$4	1.0 %		\$17	1.0 %	

SD&A expenses as a percentage of net sales was 21.8 percent and 22.6 percent in the third quarter of 2013 and 2012, respectively, and 23.9 percent and 23.7 percent in the first nine months of 2013 and 2012, respectively. During the third quarter of 2013, we experienced a decrease in operating expenses on a currency neutral basis, primarily resulting from our continued focus on operating expense control, and lower marketing spend when compared to the London Olympics-related marketing spend in 2012.

**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 functions, 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 service 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 \$200 million, including severance, transition, consulting, accelerated depreciation, and lease termination costs.

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## COCA-COLA ENTERPRISES, INC.

Approximately \$10 million of this amount is expected to be non-cash. 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. During both the third quarter and first nine months of 2012, we recorded nonrecurring restructuring charges under this program totaling \$2 million. Substantially all nonrecurring restructuring charges related to this program are included in SD&A on our Condensed Consolidated Statements of Income. For additional information about our business transformation program, refer to Note 13 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q.

**Norway Business Optimization**

During 2012, we launched a project in Norway to restructure and optimize certain aspects of our operations. This project is scheduled to be completed by the end of 2013, and will result in approximately \$60 million in capital expenditures and approximately \$60 million in nonrecurring restructuring charges. During the third quarter and first nine months of 2013, we recorded restructuring charges of \$1 million and \$22 million, respectively, under this program. During the third quarter and first nine months of 2012, we recorded restructuring charges of \$10 million and \$32 million, respectively, under this program. For additional information about Norway business optimization, refer to Note 13 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q.

**Interest Expense, Net**

Interest expense, net increased \$3 million in the third quarter of 2013 to \$26 million from \$23 million in the third quarter of 2012. Interest expense, net increased \$6 million in the first nine months of 2013 to \$75 million from \$69 million in the first nine months of 2012. The following table summarizes the primary items that impacted our interest expense, net for the periods presented (\$ in millions):

	Third Quarter		First Nine Months		
	2013	2012	2013	2012	
Average outstanding debt balance	\$3,820	\$3,364	\$3,618	\$3,146	
Weighted average cost of debt	2.7	% 2.8	% 2.7	% 2.9	%
Fixed-rate debt (% of portfolio)	83	% 85	% 83	% 85	%
Floating-rate debt (% of portfolio)	17	% 15	% 17	% 15	%

**Other Nonoperating Income (Expense)**

Other nonoperating income totaled \$1 million for both the third quarter of 2013 and 2012. Other nonoperating expense totaled \$3 million during the first nine months of 2013, versus other nonoperating income of \$4 million during the first nine months of 2012. 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 14 percent and 19 percent for the first nine months of 2013 and 2012. We expect our underlying full year 2013 effective tax rate to be approximately 26 percent to 27 percent. Refer to Note 10 of the Notes to Condensed Consolidated Financial Statements in this Form 10-Q for a reconciliation of our income tax provision to the U.S. statutory rate for the first nine months of 2013 and 2012.

During the third quarter of 2013, the United Kingdom enacted a corporate income tax rate reduction of 3 percentage points, 2 percentage points effective April 1, 2014, and 1 percentage point 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.

During the third quarter of 2012, the United Kingdom enacted a corporate income tax rate reduction of 2 percentage points, 1 percentage point retroactive to April 1, 2012, and 1 percentage point effective April 1, 2013. As a result, we recognized a deferred tax benefit of \$50 million during the third quarter of 2012 to reflect the impact of this change.

**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

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COCA-COLA ENTERPRISES, INC.

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 27, 2013, 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 27, 2013, we had \$594 million in debt maturities in the next 12 months, including \$182 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 approved a resolution to authorize additional share repurchases for an aggregate price of not more than \$1.5 billion. During the third quarter and first nine months of 2013, we repurchased \$300 million and \$900 million, respectively, in outstanding shares, resulting in a cash outflow of \$888 million during the first nine months of 2013 due to the timing of settlement. We currently plan to repurchase at least \$100 million in additional outstanding shares during the fourth quarter of 2013 under this program, subject to economic, operating, and other factors, including acquisition opportunities. In addition to market conditions, we consider alternative uses of cash and/or debt, balance sheet ratios, and shareowner returns when evaluating share repurchases. 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 fourth quarter of 2013, we expect to repatriate a portion of our 2013 foreign earnings to satisfy our 2013 U.S.-based cash flow needs. The amount to be repatriated to the U.S. will depend on, among other things, our actual 2013 foreign earnings and our actual 2013 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 27, 2013, 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 the amount of cash and cash equivalents held by consolidated entities located outside of the U.S. is not meant to imply the amount 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 \$161 million and \$142 million during the first nine months of 2013 and 2012, respectively. In February 2013, our Board of Directors approved a \$0.04 per share increase in our quarterly dividend from \$0.16 per share to \$0.20 per share beginning in the first quarter of 2013.

**Expiration of German Bottler Purchase Right**

As part of the Merger, we received a right to acquire TCCC's interest in TCCC's German bottling operations for fair value between 18 and 39 months after the date of the Merger, on terms to be agreed. This right expired by its terms on May 25, 2013.

**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. During the second quarter of 2013, our ratings outlook from S&P was revised from stable to negative and has remained as such through the third quarter of 2013. Changes in our operating results, cash flows, or financial position could impact the ratings assigned by the various rating agencies. Our debt 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 debt 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 27, 2013. These requirements currently are not, nor is it anticipated that they will become, restrictive to our liquidity or capital resources.

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## COCA-COLA ENTERPRISES, INC.

## Summary of Cash Activities

During the first nine months of 2013, our primary sources of cash included: (1) \$597 million from operating activities (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; (4) dividend payments on common stock of \$161 million; (5) cash payments related to our restructuring programs of \$67 million; and (6) contributions to our defined benefit pension plans of \$46 million.

During the first nine months of 2012, our primary sources of cash included: (1) \$683 million from operating activities; and (2) \$430 million from third-party debt issuances. Our primary uses of cash included: (1) the repurchase of \$600 million of shares under our share repurchase program; (2) capital asset investments of \$254 million; (3) dividend payments on common stock of \$142 million; and (4) contributions to our defined benefit pension plans of \$86 million.

## Operating Activities

Our net cash derived from operating activities totaled \$597 million and \$683 million in the first nine months of 2013 and 2012, respectively. This decrease was primarily driven by year-over-year increase in cash payments made under our restructuring programs, offset partially by a decrease in the amount of contributions made to our defined benefit plans. For additional information about other changes in our assets and liabilities, refer to the Financial Position discussion below.

## Investing Activities

Our capital asset investments represent the principal use of cash for our investing activities. The following table summarizes our capital asset investments for the periods presented (in millions):

	First Nine Months	
	2013	2012
Supply chain infrastructure improvements	\$126	\$123
Cold drink equipment	57	89
Information technology	26	29
Fleet and other	11	13
Total capital asset investments	\$220	\$254

During 2013, we expect our capital expenditures to be approximately \$300 million to \$325 million and to be invested in a similar proportion of asset categories as those listed in the previous table.

## Financing Activities

Our net cash used in financing activities totaled \$620 million during the first nine months of 2013 versus \$330 million during the first nine months of 2012. The following table summarizes our financing activities related to issuances of and payments on debt for the periods presented (in millions):

			First Nine Months	
			2013	2012
Issuances of debt	Maturity Date	Rate		
€350 million notes	December 2019	2.0%	\$—	\$430
€350 million notes	May 2025	2.4%	459	—
Total issuances of debt, excluding commercial paper			459	430
Net issuances of commercial paper			182	—
Total issuances of debt			\$641	\$430

			First Nine Months	
			2013	2012
Payments on debt	Maturity Date	Rate		
CHF 200 notes	March 2013	3.8%	\$(211)	) \$—
Other payments, net	—	—	(9	) (13
Total payments on debt			\$(220)	) \$(13

During the first nine months of 2013, our financing activities also included cash payments of \$888 million for share repurchases under our share repurchase program and dividend payments on common stock of \$161 million.

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## COCA-COLA ENTERPRISES, INC.

During the first nine months of 2012, our financing activities also included the repurchase of \$600 million of shares under our share repurchase program and dividend payments on common stock of \$142 million.

**Financial Position****Assets**

Trade accounts receivable increased \$257 million, or 18.0 percent, to \$1.7 billion at September 27, 2013 from \$1.4 billion at December 31, 2012. This increase was primarily attributable to the seasonality of our business and currency exchange rate changes.

Inventories increased \$56 million, or 14.5 percent, to \$442 million at September 27, 2013 from \$386 million at December 31, 2012. This increase was primarily driven by the seasonality of our business and currency exchange rate changes.

Other current assets increased \$73 million, or 46.5 percent, to \$230 million at September 27, 2013 from \$157 million at December 31, 2012. This increase was primarily driven by an increase in certain current deferred income tax assets and an increase in prepaid expenses.

Other noncurrent assets increased \$58 million, or 15.5 percent, to \$429 million at September 27, 2013 from \$371 million at December 31, 2012. This increase was primarily driven by an increase in our noncurrent assets related to our defined benefit pension plans as well as an increase in certain noncurrent deferred income tax assets.

**Liabilities and Equity**

Accounts payable and accrued expenses increased \$216 million, or 11.5 percent, to \$2.1 billion as of September 27, 2013 from \$1.8 billion. The increase in accounts payable was primarily driven by the seasonality of our business and timing of payments. The increase in our accrued expenses reflects an increase in employee compensation related to severance accruals under our business transformation program and an increase in our customer marketing programs due, in part, to the Norway business optimization program that resulted in the transition of certain customer discounts from on-invoice deductions to off-invoice customer marketing programs. These changes were partially offset by a decrease in our accrued taxes payable. 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 decreased \$38 million to \$594 million at September 27, 2013 from \$632 million at December 31, 2012. This decrease was primarily driven by the maturity of our Swiss franc notes in March 2013, partially offset by net issuances of commercial paper of \$182 million.

Debt, less current portion increased \$487 million to \$3.3 billion at September 27, 2013 from \$2.8 billion at December 31, 2012. This increase was driven by the issuance in May 2013 of our €350 million notes, 2.4 percent notes due 2025.

Other noncurrent liabilities decreased \$27 million, or 10.0 percent, to \$249 million at September 27, 2013 from \$276 million at December 31, 2012. This decrease was primarily attributable to certain incentive compensation amounts which became current during the third quarter of 2013.

Common stock in treasury, at cost increased \$929 million, or 50.5 percent, to \$2.8 billion at September 27, 2013 from \$1.8 billion at December 31, 2012. This increase was primarily driven by our repurchase of \$900 million in outstanding shares during the first nine months of 2013 under our share repurchase program. The remaining difference represents shares withheld for the payment of taxes upon the vesting of share-based payment awards.

**Defined Benefit Plan Contributions**

Contributions to our pension plans totaled \$46 million and \$86 million during the first nine months of 2013 and 2012, respectively. The following table summarizes our projected contributions for the full year ending December 31, 2013, as well as our actual contributions for the year ended December 31, 2012 (in millions):

	Projected <sup>(A)</sup>	Actual <sup>(A)</sup>
	2013	2012
Total pension contributions	\$65	\$121

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(A)

These amounts represent only contributions made by CCE. During 2012, we contributed an incremental \$65 million to our Great Britain defined benefit pension plan to improve the funded status of this plan, of which \$40 million was contributed during the first nine months of 2012. 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.

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COCA-COLA ENTERPRISES, INC.

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 27, 2013, approximately 83 percent of our debt portfolio was comprised of fixed-rate debt, and 17 percent was floating-rate debt. We estimate that a 1 percent change in market interest rates as of September 27, 2013 would change the fair value of our fixed-rate debt outstanding as of September 27, 2013 by approximately \$200 million.

We also estimate that a 1 percent change in the interest costs of floating-rate debt outstanding as of September 27, 2013 would change interest expense on an annual basis by approximately \$7 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 2013 by approximately \$30 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 \$30 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 27, 2013, we estimate that a 10 percent change in market prices would change the fair value of our non-designated commodity hedges by approximately \$15 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

Disclosure Controls and Procedures

Coca-Cola Enterprises, Inc., under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, evaluated 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 Securities and Exchange Commission’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.

Internal Control Over Financial Reporting

There has been no change to the effectiveness of our internal control over financial reporting during the third quarter and first nine months of 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. However, to streamline and reduce the cost structure of our finance support function we have established a new centralized shared services center. During 2013, certain transaction processing activities were transitioned to our new centralized shared services center. We do not expect this transition 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, 2012.

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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 2013 (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 29, 2013 through July 26, 2013	2.7	\$36.54	2.7	\$ 800.0
July 27, 2013 through August 23, 2013	2.6	37.93	2.6	700.0
August 24, 2013 through September 27, 2013	2.6	39.33	2.6	600.0
Total	7.9	\$37.90	7.9	\$ 600.0

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

<sup>(B)</sup> In December 2012, our Board of Directors approved a resolution to authorize share repurchases for an aggregate price of not more than \$1.5 billion. 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.

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COCA-COLA ENTERPRISES, INC.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On October 22, 2013, 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, 2015, 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 November 1, 2013, is set forth as Exhibit 10.1 to this Quarterly Report (Mr. Brock's current employment agreement was filed as Exhibit 10.2 to our Quarterly Report on Form 10-Q, filed October 26, 2012).

On October 22, 2013, the Company's Board of Directors elected Manik Jhangiani, currently Vice President, Finance, to serve as Senior Vice President, Chief Financial Officer, effective November 1, 2013. The Human Resources and Compensation Committee also approved a restatement of Mr. Jhangiani's current employment agreement, effective November 1, 2013, which is set forth as Exhibit 10.2 to this Quarterly Report.

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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 November 1, 2013).*	Filed herewith.
10.2	Employment Agreement between Manik Jhangiani and Coca-Cola Enterprises, Ltd. (Effective November 1, 2013).*	Filed herewith.
10.3	Employment Agreement between Pamela Kimmet and Coca-Cola Enterprises, Inc.*	Filed herewith.
10.4	Employment Agreement between Esat Sezer and Coca-Cola Enterprises, Inc.*	Filed herewith.
10.5	Employment Agreement between Laura Brightwell and Coca-Cola Enterprises, Ltd.*	Filed herewith.
10.6	2012 Special Restricted Stock Unit Award Agreement to Manik Jhangiani in connection with the 2010 Coca-Cola Enterprises, Inc. Incentive Award Plan (As Amended Effective February 7, 2012).*	Filed herewith.
10.7	2012 Annual Restricted Stock Unit Award Agreement to Manik Jhangiani in connection with the 2010 Coca-Cola Enterprises, Inc. Incentive Award Plan (As Amended Effective February 7, 2012).*	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 William W. Douglas III, Executive 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 William W. Douglas III, Executive 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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COCA-COLA ENTERPRISES, INC.

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 24, 2013

/s/ William W. Douglas III

William W. Douglas III

Executive Vice President and Chief Financial Officer

Date: October 24, 2013

/s/ Suzanne D. Patterson

Suzanne D. Patterson

Vice President, Controller, and Chief Accounting Officer