

COCA COLA CO
Form 10-Q
April 25, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 29, 2019

OR

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

For the transition period from _____ to _____

Commission File Number 001-02217

(Exact name of Registrant as specified in its charter)

Delaware 58-0628465

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

One Coca-Cola Plaza 30313

Atlanta, Georgia (Zip Code)

(Address of principal executive offices)

Registrant's telephone number, including area code: (404) 676-2121

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 every Interactive Data File required to be submitted 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 such files). Yes No

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

Large

accelerated filer

accelerated filer

Non-accelerated

smaller reporting company

Emerging

growth

company

If an emerging growth

company, indicate by check

mark if the Registrant has

elected not to use the extended

transition period for

complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

o

Indicate by check mark if 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.

Class of Common Stock Outstanding as of April 22, 2019

\$0.25 Par Value 4,266,115,111 Shares

THE COCA-COLA COMPANY AND SUBSIDIARIES

Table of Contents

	Page
<u>Forward-Looking Statements</u>	<u>1</u>
<u>Part I. Financial Information</u>	
Item 1. <u>Financial Statements (Unaudited)</u>	<u>2</u>
<u>Condensed Consolidated Statements of Income</u> <u>Three Months Ended March 29, 2019 and March 30, 2018</u>	<u>2</u>
<u>Condensed Consolidated Statements of Comprehensive Income</u> <u>Three Months Ended March 29, 2019 and March 30, 2018</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets</u> <u>March 29, 2019 and December 31, 2018</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows</u> <u>Three Months Ended March 29, 2019 and March 30, 2018</u>	<u>5</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>6</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>36</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>57</u>
Item 4. <u>Controls and Procedures</u>	<u>57</u>
<u>Part II. Other Information</u>	
Item 1. <u>Legal Proceedings</u>	<u>57</u>
Item 1A. <u>Risk Factors</u>	<u>58</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>59</u>
Item 6. <u>Exhibits</u>	<u>59</u>
<u>Signatures</u>	<u>62</u>

FORWARD-LOOKING STATEMENTS

This report contains information that may constitute "forward-looking statements." Generally, the words "believe," "expect," "intend," "estimate," "anticipate," "project," "will" and similar expressions identify forward-looking statements, which generally are not historical in nature. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future — including statements relating to volume growth, share of sales and earnings per share growth, and statements expressing general views about future operating results — are forward-looking statements. Management believes that these forward-looking statements are reasonable as and when made. However, caution should be taken not to place undue reliance on any such forward-looking statements because such statements speak only as of the date when made. Our Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our Company's historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described in Part II, "Item 1A. Risk Factors" and elsewhere in this report and in our Annual Report on Form 10-K for the year ended December 31, 2018, and those described from time to time in our future reports filed with the Securities and Exchange Commission.

Part I. Financial Information

Item 1. Financial Statements (Unaudited)

THE COCA-COLA COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(In millions except per share data)

	Three Months Ended	
	March 29, 2019	March 30, 2018
NET OPERATING REVENUES	\$8,020	\$ 7,626
Cost of goods sold	2,990	2,738
GROSS PROFIT	5,030	4,888
Selling, general and administrative expenses	2,567	2,541
Other operating charges	127	536
OPERATING INCOME	2,336	1,811
Interest income	129	165
Interest expense	232	230
Equity income (loss) — net	133	142
Other income (loss) — net	(234)	(55)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	2,132	1,833
Income taxes from continuing operations	486	506
NET INCOME FROM CONTINUING OPERATIONS	1,646	1,327
Income from discontinued operations (net of income taxes of \$36 and \$40, respectively)	57	73
CONSOLIDATED NET INCOME	1,703	1,400
Less: Net income attributable to noncontrolling interests	25	32
NET INCOME ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY	\$1,678	\$ 1,368
Basic net income per share from continuing operations ¹	\$0.39	\$ 0.31
Basic net income per share from discontinued operations ²	0.01	0.01
BASIC NET INCOME PER SHARE ³	\$0.39	\$ 0.32
Diluted net income per share from continuing operations ¹	\$0.38	\$ 0.31
Diluted net income per share from discontinued operations ²	0.01	0.01
DILUTED NET INCOME PER SHARE	\$0.39	\$ 0.32
AVERAGE SHARES OUTSTANDING — BASIC	4,271	4,265
Effect of dilutive securities	35	41
AVERAGE SHARES OUTSTANDING — DILUTED	4,306	4,306

¹ Calculated based on net income from continuing operations less net income from continuing operations attributable to noncontrolling interests.

² Calculated based on net income from discontinued operations less net income from discontinued operations attributable to noncontrolling interests.

³ Per share amounts may not add due to rounding.

Refer to Notes to Condensed Consolidated Financial Statements.

THE COCA-COLA COMPANY AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (UNAUDITED)
 (In millions)

	Three Months Ended	
	March 29, 2019	March 30, 2018
CONSOLIDATED NET INCOME	\$1,703	\$1,400
Other comprehensive income:		
Net foreign currency translation adjustments	926	728
Net gains (losses) on derivatives	8	(16)
Net unrealized gain (loss) on available-for-sale securities	15	(11)
Net change in pension and other benefit liabilities	31	34
TOTAL COMPREHENSIVE INCOME	2,683	2,135
Less: Comprehensive income (loss) attributable to noncontrolling interests	(3)	91
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY	\$2,686	\$2,044

Refer to Notes to Condensed Consolidated Financial Statements.

THE COCA-COLA COMPANY AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (UNAUDITED)

(In millions except par value)

	March 29, 2019	December 31, 2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,645	\$ 8,926
Short-term investments	1,538	2,025
TOTAL CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS	7,183	10,951
Marketable securities	4,765	5,013
Trade accounts receivable, less allowances of \$492 and \$489, respectively	3,852	3,396
Inventories	3,178	2,766
Prepaid expenses and other assets	2,935	1,962
Assets held for sale — discontinued operations	6,627	6,546
TOTAL CURRENT ASSETS	28,540	30,634
EQUITY METHOD INVESTMENTS	19,283	19,407
OTHER INVESTMENTS	915	867
OTHER ASSETS	5,382	4,139
DEFERRED INCOME TAX ASSETS	2,617	2,667
PROPERTY, PLANT AND EQUIPMENT, less accumulated depreciation of \$8,032 and \$8,013, respectively	8,866	8,232
TRADEMARKS WITH INDEFINITE LIVES	9,351	6,682
BOTTLERS' FRANCHISE RIGHTS WITH INDEFINITE LIVES	111	51
GOODWILL	12,964	10,263
OTHER INTANGIBLE ASSETS	318	274
TOTAL ASSETS	\$ 88,347	\$ 83,216
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 10,986	\$ 8,932
Loans and notes payable	11,570	13,194
Current maturities of long-term debt	3,297	4,997
Accrued income taxes	255	378
Liabilities held for sale — discontinued operations	1,835	1,722
TOTAL CURRENT LIABILITIES	27,943	29,223
LONG-TERM DEBT	29,400	25,364
OTHER LIABILITIES	8,598	7,638
DEFERRED INCOME TAX LIABILITIES	2,602	1,933
THE COCA-COLA COMPANY SHAREOWNERS' EQUITY		
Common stock, \$0.25 par value; Authorized — 11,200 shares; Issued — 7,040 and 7,040 shares, respectively	1,760	1,760
Capital surplus	16,577	16,520
Reinvested earnings	63,704	63,234
Accumulated other comprehensive income (loss)	(12,325)	(12,814)
Treasury stock, at cost — 2,772 and 2,772 shares, respectively	(51,981)	(51,719)
EQUITY ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY	17,735	16,981
EQUITY ATTRIBUTABLE TO NONCONTROLLING INTERESTS	2,069	2,077
TOTAL EQUITY	19,804	19,058

TOTAL LIABILITIES AND EQUITY

\$88,347 \$ 83,216

Refer to Notes to Condensed Consolidated Financial Statements.

4

THE COCA-COLA COMPANY AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (UNAUDITED)
 (In millions)

	Three Months Ended	
	March 29, 2019	March 30, 2018
OPERATING ACTIVITIES		
Consolidated net income	\$1,703	\$1,400
(Income) loss from discontinued operations	(57)	(73)
Net income from continuing operations	1,646	1,327
Depreciation and amortization	275	270
Stock-based compensation expense	40	72
Deferred income taxes	110	(199)
Equity (income) loss — net of dividends	(119)	(43)
Foreign currency adjustments	(39)	(19)
Significant (gains) losses — net	87	34
Other operating charges	55	510
Other items	122	(27)
Net change in operating assets and liabilities	(1,478)	(1,312)
Net cash provided by operating activities	699	613
INVESTING ACTIVITIES		
Purchases of investments	(1,062)	(2,669)
Proceeds from disposals of investments	1,994	4,379
Acquisitions of businesses, equity method investments and nonmarketable securities	(5,201)	(183)
Proceeds from disposals of businesses, equity method investments and nonmarketable securities	261	3
Purchases of property, plant and equipment	(364)	(274)
Proceeds from disposals of property, plant and equipment	26	43
Other investing activities	31	22
Net cash provided by (used in) investing activities	(4,315)	1,321
FINANCING ACTIVITIES		
Issuances of debt	10,119	9,576
Payments of debt	(9,656)	(8,770)
Issuances of stock	190	477
Purchases of stock for treasury	(397)	(927)
Other financing activities	29	(72)
Net cash provided by financing activities	285	284
CASH FLOWS FROM DISCONTINUED OPERATIONS		
Net cash provided by (used in) operating activities from discontinued operations	89	46
Net cash provided by (used in) investing activities from discontinued operations	(144)	(24)
Net cash provided by (used in) financing activities from discontinued operations	136	40
Net cash provided by discontinued operations	81	62
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS, RESTRICTED		
	56	95
CASH AND RESTRICTED CASH EQUIVALENTS		
CASH, CASH EQUIVALENTS, RESTRICTED CASH AND RESTRICTED CASH EQUIVALENTS		
	(3,194)	2,375

Edgar Filing: COCA COLA CO - Form 10-Q

Net increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents during the period

Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of period	9,318	6,373
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	6,124	8,748
Less: Restricted cash and restricted cash equivalents at end of period	479	457
Cash and cash equivalents at end of period	\$5,645	\$ 8,291

Refer to Notes to Condensed Consolidated Financial Statements.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all information and notes required by U.S. GAAP for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the Notes to Consolidated Financial Statements included in the Annual Report on Form 10-K of The Coca-Cola Company for the year ended December 31, 2018.

When used in these notes, the terms "The Coca-Cola Company," "Company," "we," "us" and "our" mean The Coca-Cola Company and all entities included in our condensed consolidated financial statements. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 29, 2019 are not necessarily indicative of the results that may be expected for the year ending December 31, 2019. Sales of our nonalcoholic ready-to-drink beverages are somewhat seasonal, with the second and third calendar quarters accounting for the highest sales volumes. The volume of sales in the beverage business may be affected by weather conditions.

Each of our interim reporting periods, other than the fourth interim reporting period, ends on the Friday closest to the last day of the corresponding quarterly calendar period. The first quarter of 2019 and the first quarter of 2018 ended on March 29, 2019 and March 30, 2018, respectively. Our fourth interim reporting period and our fiscal year end on December 31 regardless of the day of the week on which December 31 falls.

Operating Segments

In January 2019, we established a new operating segment, Global Ventures, which includes the results of Costa Limited ("Costa"), which we acquired in January 2019, and the results of our innocent and doğadan businesses as well as fees earned pursuant to distribution coordination agreements between the Company and Monster Beverage Corporation ("Monster"). Accordingly, all prior period operating segment and Corporate information presented herein has been adjusted to reflect this change in our organizational structure. Refer to Note 17.

As of March 29, 2019, our organizational structure consisted of the following operating segments: Europe, Middle East and Africa; Latin America; North America; Asia Pacific; Global Ventures; and Bottling Investments. Our operating structure also included Corporate, which consists of two components: (1) a center focused on strategic initiatives, policy and governance, and (2) an enabling services organization focused on both simplifying and standardizing key transactional processes and providing support to business units through global centers of excellence.

Advertising Costs

The Company's accounting policy related to advertising costs for annual reporting purposes is to expense production costs of print, radio, television and other advertisements as of the first date the advertisements take place. All other marketing expenditures are expensed in the annual period in which the expenditure is incurred.

For interim reporting purposes, we allocate our estimated full year marketing expenditures that benefit multiple interim periods to each of our interim reporting periods. We use the proportion of each interim period's actual unit case volume to the estimated full year unit case volume as the basis for the allocation. This methodology results in our marketing expenditures being recognized at a standard rate per unit case. At the end of each interim reporting period, we review our estimated full year unit case volume and our estimated full year marketing expenditures that benefit multiple interim periods in order to evaluate if a change in estimate is necessary. The impact of any changes in these full year estimates is recognized in the interim period in which the change in estimate occurs. Our full year marketing expenditures are not impacted by this interim accounting policy.

Shipping and Handling Costs

Shipping and handling costs related to the movement of goods from our manufacturing locations to our sales distribution centers are included in the line item cost of goods sold in our consolidated statement of income. Shipping and handling costs incurred to move goods from our manufacturing locations or sales distribution centers to our customers are also included in the line item cost of goods sold in our consolidated statement of income, except for costs incurred to distribute goods sold by our Company-owned bottlers to our customers, which are included in the line item selling, general and administrative expenses. Our customers generally do not pay us separately for shipping and handling costs. Effective January 1, 2018, we adopted Accounting Standards Codification 606, Revenue from Contracts with Customers ("ASC 606"). Upon adoption, we made a policy election to recognize the cost of shipping and handling activities that are performed after a customer obtains control of the goods as costs to fulfill our promise to provide goods to the customer. As a result of this election, the Company does not evaluate whether shipping and handling activities are services promised to customers. If revenue is recognized for the related goods before the shipping and handling activities occur, the related costs of those shipping and handling activities are accrued. Refer to Note 3 for additional information regarding revenue recognition.

Sales, Use, Value-Added and Excise Taxes

The Company collects taxes imposed directly on its customers related to sales, use, value-added, excise and other similar taxes. The Company then remits such taxes on behalf of its customers to the applicable governmental authorities. Upon adoption of ASC 606, we made a policy election to exclude from net operating revenues the tax amounts imposed on revenue-producing transactions that were collected from our customers to be remitted to governmental authorities. Accordingly, such tax amounts are recorded in the line item trade accounts receivable in our consolidated balance sheet when collection of taxes from the customer has not yet occurred and are recorded in the line item accounts payable and accrued expenses in our consolidated balance sheet until they are remitted to the applicable governmental authorities. Taxes imposed directly on the Company, whether based on receipts from sales, inventory procurement costs or manufacturing activities, are recorded in the line item cost of goods sold in our consolidated statement of income. Refer to Note 3 for additional information regarding revenue recognition.

Leases

Effective January 1, 2019, we adopted Accounting Standards Codification 842, Leases ("ASC 842"). We determine if an arrangement contains a lease at inception based on whether or not the Company has the right to control the asset during the contract period and other facts and circumstances.

Lessee

We are the lessee in a lease contract when we obtain the right to control the asset. Operating leases are included in the line items other assets, accounts payable and accrued expenses, and other liabilities in our consolidated balance sheet. Operating lease right-of-use ("ROU") assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease, both of which are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. Leases with a lease term of 12 months or less at inception are not recorded on our consolidated balance sheet and are expensed on a straight-line basis over the lease term in our consolidated statement of income. We determine the lease term by assuming the exercise of renewal options that are reasonably certain. As most of our leases do not provide an implicit interest rate, we use our local incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. When our contracts contain lease and non-lease components, we account for both components as a single lease component. Refer to Note 8 for further discussion.

Lessor

We have various arrangements for certain fountain equipment under which we are the lessor. These leases meet the criteria for operating lease classification. Lease income associated with these leases is not material.

Net Income

The following table presents information related to net income from continuing operations and net income from discontinued operations (in millions):

	Three Months Ended	
	March 29, 2019	March 30, 2018
CONTINUING OPERATIONS		
Net income from continuing operations	\$ 1,646	\$ 1,327
Less: Net income from continuing operations attributable to noncontrolling interests	1	2
Net income from continuing operations attributable to shareowners of The Coca-Cola Company	\$ 1,645	\$ 1,325
DISCONTINUED OPERATIONS		
Net income from discontinued operations	\$ 57	\$ 73
Less: Net income from discontinued operations attributable to noncontrolling interests	24	30
Net income from discontinued operations attributable to shareowners of The Coca-Cola Company	\$ 33	\$ 43
CONSOLIDATED		
Consolidated net income	\$ 1,703	\$ 1,400
Less: Net income attributable to noncontrolling interests	25	32
Net income attributable to shareowners of The Coca-Cola Company	\$ 1,678	\$ 1,368

Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents

We classify time deposits and other investments that are highly liquid and have maturities of three months or less at the date of

purchase as cash equivalents or restricted cash equivalents, as applicable. Restricted cash and restricted cash equivalents

generally consist of amounts held by our captive insurance companies, which are included in the line item other assets on our

consolidated balance sheet, and amounts classified in assets held for sale and assets held for sale — discontinued operations.

We manage our exposure to counterparty credit risk through specific minimum credit standards, diversification of counterparties and procedures to monitor our concentrations of credit risk.

The following table provides a summary of cash, cash equivalents, restricted cash and restricted cash equivalents that constitute the total amounts shown in the condensed consolidated statements of cash flows (in millions):

	March 29, December 31, 2019 2018	
Cash and cash equivalents	\$ 5,645	\$ 8,926
Cash and cash equivalents included in assets held for sale — discontinued operations	203	151
Cash and cash equivalents included in other assets ¹	276	241
Cash, cash equivalents, restricted cash and restricted cash equivalents	\$ 6,124	\$ 9,318
	March 30, December 31, 2018 2017	
Cash and cash equivalents	\$ 8,291	\$ 6,006
Cash and cash equivalents included in assets held for sale	7	13
Cash and cash equivalents included in assets held for sale — discontinued operations	169	97
Cash and cash equivalents included in other assets ¹	281	257
Cash, cash equivalents, restricted cash and restricted cash equivalents	\$ 8,748	\$ 6,373

¹ Amounts represent cash and cash equivalents in our solvency capital portfolio set aside primarily to cover pension obligations in certain of our European and Canadian pension plans. Refer to Note 4.

Recently Adopted Accounting Guidance

ASC 842 requires lessees to recognize operating lease ROU assets, representing their right to use the underlying asset for the lease term, and lease liabilities on the balance sheet for all leases with lease terms greater than 12 months. The guidance also requires qualitative and quantitative disclosures designed to assess the amount, timing and uncertainty of cash flows arising from leases. We adopted ASC 842 using the modified retrospective method and utilized the optional transition method under

8

which we continue to apply the legacy guidance in ASC 840, Leases, including its disclosure requirements, in the comparative period presented. In addition, we elected the package of practical expedients permitted under the transition guidance which permits us to carry forward the historical lease classification, among other things. As a result of the adoption, our operating lease ROU assets and operating lease liabilities were \$1,242 million and \$1,268 million, respectively, as of March 29, 2019, which include preliminary amounts recorded resulting from the acquisition of Costa in January 2019. The adoption of this standard did not impact our consolidated statement of income or our consolidated statement of cash flows. Refer to Note 8 for further discussion.

In August 2017, the Financial Accounting Standards Board ("FASB") issued ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities, which eliminates the requirement to separately measure and report hedge ineffectiveness and requires companies to recognize all elements of hedge accounting that impact earnings in the same line item in the statement of income where the hedged item resides. The amendments in this update include new alternatives for measuring the hedged item for fair value hedges of interest rate risk and ease the requirements for effectiveness testing, hedge documentation and applying the critical terms match method. We adopted ASU 2017-12 effective January 1, 2019 using the modified retrospective method. We recognized a cumulative effect adjustment to decrease the opening balance of reinvested earnings as of January 1, 2019 by \$12 million, net of tax. Refer to Note 6 for additional disclosures required by this ASU.

In February 2018, the FASB issued ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which permits entities to reclassify the disproportionate income tax effects of the Tax Cuts and Jobs Act of 2017 (the "Tax Reform Act") on items within accumulated other comprehensive income (loss) ("AOCI") to reinvested earnings. These disproportionate income tax effect items are referred to as "stranded tax effects." The amendments in this update only relate to the reclassification of the income tax effects of the Tax Reform Act. Other accounting guidance that requires the effect of changes in tax laws or rates to be included in net income from continuing operations is not affected by this update. We adopted ASU 2018-02 effective January 1, 2019. We recognized a cumulative effect adjustment to increase the opening balance of reinvested earnings as of January 1, 2019 by \$513 million.

NOTE 2: ACQUISITIONS AND DIVESTITURES

Acquisitions

During the three months ended March 29, 2019, our Company's acquisitions of businesses, equity method investments and nonmarketable securities totaled \$5,201 million, which included the acquisition of Costa and the remaining equity ownership interest in C.H.I. Limited ("CHI"), a Nigerian producer of value-added dairy and juice beverages and iced tea.

During the three months ended March 30, 2018, our Company's acquisitions of businesses, equity method investments and nonmarketable securities totaled \$183 million, which primarily related to the acquisition of additional interests in the Company's franchise bottlers in the United Arab Emirates and in Oman, both of which were previously equity method investees of the Company. As a result of the additional interest acquired in the Oman bottler, we obtained a controlling interest, resulting in its consolidation.

Costa Limited

In January 2019, the Company acquired Costa in exchange for \$4.9 billion of cash, net of cash acquired. Costa is a coffee company with retail outlets in over 30 countries, the Costa Express vending system and a state-of-the-art roastery. We believe this acquisition will allow us to increase our presence in the hot beverage market as Costa has a scalable platform across multiple formats and channels, including opportunities to introduce ready-to-drink products. As of March 29, 2019, \$2.4 billion of the purchase price was preliminarily allocated to the Costa trademark and \$2.5 billion was preliminarily allocated to goodwill. The goodwill recognized as part of this acquisition is primarily related to synergistic value created from the opportunity for additional expansion as well as our ability to market and distribute Costa in ready-to-drink form throughout our bottling system. It also includes certain other intangible assets that do not qualify for separate recognition, such as an assembled workforce. The goodwill is not tax deductible and has been assigned to the Global Ventures operating segment. The preliminary allocation of the purchase price is subject to refinement when valuations are finalized. As of March 29, 2019, the valuations that have not been finalized primarily relate to intangible assets, operating lease ROU assets and operating lease liabilities and certain fixed assets.

The final purchase price allocation will be completed as soon as possible, but no later than the first quarter of 2020.
CHI Limited

In January 2019, the Company acquired the remaining 60 percent interest in CHI in exchange for \$260 million of cash, net of cash acquired, under the terms of the agreement for our original investment in CHI. Upon consolidation, we recognized a net charge of \$121 million, which included the remeasurement of our previously held equity interest in CHI to fair value and the reversal of the related cumulative translation adjustments. The fair value of our previously held equity investment was determined using a discounted cash flow model based on Level 3 inputs. The net charge was recorded in the line item other income (loss) — net in our condensed consolidated statement of income.

Divestitures

During the three months ended March 29, 2019, proceeds from disposals of businesses, equity method investments and nonmarketable securities totaled \$261 million, which primarily related to the sale of a portion of our equity method investment in Embotelladora Andina S.A. ("Andina"). We recognized a gain of \$39 million as a result of the sale, which was recorded in the line item other income (loss) — net in our condensed consolidated statement of income. We continue to account for our remaining interest in Andina as an equity method investment as a result of our representation on Andina's Board of Directors and other governance rights.

During the three months ended March 30, 2018, proceeds from disposals of businesses, equity method investments and nonmarketable securities totaled \$3 million, which related to the proceeds from the refranchising of our U.S. Virgin Islands bottling territories.

North America Refranchising — United States

In conjunction with implementing a new beverage partnership model in North America, in 2018 the Company completed the refranchising of all of our bottling territories in the United States that were previously managed by Coca-Cola Refreshments

("CCR") to certain of our unconsolidated bottling partners. We recognized net charges of \$4 million and \$2 million during the three months ended March 29, 2019 and March 30, 2018, respectively. These net charges were included in the line item other income (loss) — net in our condensed consolidated statements of income, and were primarily related to post-closing adjustments as contemplated by the related agreements.

During the three months ended March 29, 2019 and March 30, 2018, the Company recorded charges of \$4 million and \$19 million, respectively, primarily related to payments made to certain of our unconsolidated bottling partners in order to convert the bottling agreements for their legacy territories and any previously refranchised territories to a single form of comprehensive beverage agreement ("CBA") with additional requirements. The additional requirements generally include a binding national governance model, mandatory incidence pricing and additional core performance requirements, among other things. As a result of these conversions, the legacy territories and any previously refranchised territories for each of the related bottling partners will be governed under similar CBAs, which will provide consistency across each such bottler's respective territory, as well as consistency with other U.S. bottlers that have been granted or converted to this form of CBA. The charges related to these payments were included in the line item other income (loss) — net in our condensed consolidated statements of income.

Refer to Note 17 for the impact these items had on our operating segments and Corporate.

Discontinued Operations

We present the financial position and results of operations of Coca-Cola Beverages Africa Proprietary Limited ("CCBA") as discontinued operations in the accompanying condensed consolidated financial statements because CCBA met the criteria to be classified as held for sale upon acquisition. Since CCBA met the criteria to be classified as held for sale, we were required to record their assets and liabilities at the lower of carrying value or fair value less any costs to sell and present the related assets and liabilities as separate line items in our condensed consolidated balance sheets. We anticipate that we will divest a portion of our ownership interest in 2019, which will result in the Company no longer having a controlling interest in CCBA.

The following table presents information related to the major classes of assets and liabilities of CCBA that were classified as held for sale — discontinued operations in our condensed consolidated balance sheets (in millions):

	March 29, 2019	December 31, 2018
Cash, cash equivalents and short-term investments	\$203	\$ 151
Trade accounts receivable, less allowances	257	289
Inventories	283	305
Prepaid expenses and other assets	103	97
Equity method investments	5	5
Other assets	26	¹ 15
Property, plant and equipment — net	1,626	1,587
Goodwill	3,875	3,847
Other intangible assets	790	796
Allowance for reduction of assets held for sale	(541)	(546)
Assets held for sale — discontinued operations	\$6,627	\$ 6,546
Accounts payable and accrued expenses	\$530	² \$ 602
Loans and notes payable	784	641
Current maturities of long-term debt	6	6
Accrued income taxes	54	32
Long-term debt	9	12
Other liabilities	13	³ 8
Deferred income taxes	439	421
Liabilities held for sale — discontinued operations	\$1,835	\$ 1,722

¹ Includes \$10 million of operating lease ROU assets as a result of our adoption of ASC 842.

² Includes \$4 million of the current portion of operating lease liabilities as a result of our adoption of ASC 842.

³ Includes \$6 million of the noncurrent portion of operating lease liabilities as a result of our adoption of ASC 842.

NOTE 3: REVENUE RECOGNITION

Our Company markets, manufactures and sells:

- beverage concentrates, sometimes referred to as "beverage bases," and syrups, including fountain syrups (we refer to this part of our business as our "concentrate business" or "concentrate operations"); and
- finished sparkling soft drinks and other nonalcoholic beverages (we refer to this part of our business as our "finished product business" or "finished product operations").

Generally, finished product operations generate higher net operating revenues but lower gross profit margins than concentrate operations.

In our domestic and international concentrate operations, we typically generate net operating revenues by selling concentrates, syrups and certain finished beverages to authorized bottling operations (which we typically refer to as our "bottlers" or our "bottling partners"). Our bottling partners either combine the concentrates with sweeteners (depending on the product), still water and/or sparkling water, or combine the syrups with sparkling water to produce finished beverages. The finished beverages are packaged in authorized containers, such as cans and refillable and nonrefillable glass and plastic bottles, bearing our trademarks or trademarks licensed to us and are then sold to retailers directly or, in some cases, through wholesalers or other bottlers. In addition, outside the United States, our bottling partners are typically authorized to manufacture fountain syrups, using our concentrate, which they sell to fountain retailers for use in producing beverages for immediate consumption, or to authorized fountain wholesalers who in turn sell and distribute the fountain syrups to fountain retailers. Our concentrate operations are included in our geographic operating segments.

Our finished product operations generate net operating revenues by selling sparkling soft drinks and a variety of other finished nonalcoholic beverages, such as water, enhanced water and sports drinks; juice, dairy and plant-based beverages; tea and coffee; and energy drinks, to retailers or to distributors and wholesalers who distribute them to

retailers or Company-owned Costa retail outlets. These operations consist primarily of Company-owned or -controlled bottling, sales and distribution operations, which are included in our Bottling Investments operating segment. In certain markets, the Company also operates non-bottling finished product operations in which we sell finished beverages to distributors and wholesalers that are generally not one of the Company's bottling partners. These operations are generally included in one of our geographic operating

segments or our Global Ventures operating segment. In the United States, we manufacture fountain syrups and sell them to fountain retailers, who use the fountain syrups to produce beverages for immediate consumption, or to authorized fountain wholesalers or bottling partners who resell the fountain syrups to fountain retailers. These fountain syrup sales are included in our North America operating segment. Generally, finished product operations produce higher net operating revenues but lower gross profit margins compared to concentrate operations. We adopted ASC 606 effective January 1, 2018, using the modified retrospective method. We have applied this standard to all contracts at the effective date and contracts entered into thereafter. Revenue is recognized when performance obligations under the terms of the contracts with our customers are satisfied. Our performance obligation generally consists of the promise to sell concentrates or finished products to our bottling partners, wholesalers, distributors or retailers. Control of the concentrates or finished products is transferred upon shipment to, or receipt at, our customers' locations, as determined by the specific terms of the contract. Once control is transferred to the customer, we have completed our performance obligation, and revenue is recognized. Our sales terms generally do not allow for a right of return except for matters related to any manufacturing defects on our part. After completion of our performance obligation, we have an unconditional right to consideration as outlined in the contract. Our receivables will generally be collected in less than six months, in accordance with the underlying payment terms. All of our performance obligations under the terms of contracts with our customers have an original duration of one year or less. Our customers and bottling partners may be entitled to cash discounts, funds for promotional and marketing activities, volume-based incentive programs, support for infrastructure programs and other similar programs. In some markets, in an effort to allow our Company and our bottling partners to grow together through shared value, aligned financial objectives and the flexibility necessary to meet consumers' always changing needs and tastes, we work with our bottling partners to develop and implement an incidence-based concentrate pricing model. Under this model, the price we charge bottlers for concentrate they use to prepare and package finished products is impacted by a number of factors, including, but not limited to, the prices charged by the bottlers for such finished products, the channels in which they are sold and package mix. The amounts associated with the arrangements described above are defined as variable consideration under ASC 606 and an estimate of which is included in the transaction price as a component of net operating revenues in our consolidated statement of income upon completion of our performance obligations. The total revenue recorded, including any variable consideration, cannot exceed the amount for which it is probable that a significant reversal will not occur when uncertainties related to variability are resolved. As a result, we are recognizing revenue based on our faithful depiction of the consideration that we expect to receive. In making our estimates of variable consideration, we consider past results and make significant assumptions related to: (1) customer sales volumes; (2) customer ending inventories; (3) customer selling price per unit; (4) selling channels; and (5) discount rates, rebates and other pricing allowances, as applicable. In gathering data to estimate our variable consideration, we generally calculate our estimates using a portfolio approach at the country and product line level rather than at the individual contract level. The result of making these estimates will impact the line items trade accounts receivable and accounts payable and accrued expenses in our consolidated balance sheet. The actual amounts ultimately paid and/or received may be different from our estimates. The change in the amount of variable consideration recognized during the three months ended March 29, 2019 related to performance obligations satisfied in prior periods was immaterial.

The following table presents net operating revenues disaggregated between the United States and International and further by line of business (in millions):

	United States	International	Total
Three Months Ended March 29, 2019			
Concentrate operations	\$1,186	\$ 3,724	\$4,910
Finished product operations	1,460	1,650	3,110
Total	\$2,646	\$ 5,374	\$8,020
Three Months Ended March 30, 2018			
Concentrate operations	\$1,116	\$ 3,779	\$4,895
Finished product operations	1,472	1,259	2,731

Total \$2,588 \$ 5,038 \$7,626

Refer to Note 17 for additional revenue disclosures by operating segment and Corporate.

NOTE 4: INVESTMENTS

We measure all equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in earnings. We use quoted market prices to determine the fair value of equity securities with readily determinable fair values. For equity securities without readily determinable fair values, we have elected the measurement alternative under which we measure these investments at cost minus impairment, if any, plus or minus changes

resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Management assesses each of these investments on an individual basis.

Our investments in debt securities are classified as trading, available-for-sale or held-to-maturity and carried at either amortized cost or fair value. The cost basis is determined by the specific identification method. Investments in debt securities that the Company has the positive intent and ability to hold to maturity are carried at amortized cost and classified as held-to-maturity. Investments in debt securities that are not classified as held-to-maturity are carried at fair value and classified as either trading or available-for-sale. Realized and unrealized gains and losses on debt securities classified as trading securities are included in net income. For debt securities classified as available-for-sale, realized gains and losses are included in net income. Unrealized gains and losses, net of tax, on available-for-sale debt securities are recognized in AOCI, except for the change in fair value attributable to the currency risk being hedged, if applicable, which is included in net income. Refer to Note 6 for additional information related to the Company's fair value hedges of available-for-sale debt securities.

Equity securities with readily determinable fair values that are not accounted for under the equity method and debt securities classified as trading are not assessed for impairment, since they are carried at fair value with the change in fair value included in net income. Equity method investments, equity securities without readily determinable fair values and debt securities classified as available-for-sale or held-to-maturity are reviewed each reporting period to determine whether a significant event or change in circumstances has occurred that may have an adverse effect on the fair value of each investment. When such events or changes occur, we evaluate the fair value compared to our cost basis in the investment. We also perform this evaluation every reporting period for each investment for which our cost basis has exceeded the fair value. The fair values of most of our Company's investments in publicly traded companies are often readily available based on quoted market prices. For investments in nonpublicly traded companies, management's assessment of fair value is based on valuation methodologies including discounted cash flows, estimates of sales proceeds and appraisals, as appropriate. We consider the assumptions that we believe hypothetical marketplace participants would use in evaluating estimated future cash flows when employing the discounted cash flow or estimates of sales proceeds valuation methodologies. The ability to accurately predict future cash flows, especially in emerging and developing markets, may impact the determination of fair value. In the event the fair value of an investment declines below our cost basis, management is required to determine if the decline in fair value is other than temporary. If management determines the decline is other than temporary, an impairment charge is recorded. Management's assessment as to the nature of a decline in fair value is based on, among other things, the length of time and the extent to which the market value has been less than our cost basis; the financial condition and near-term prospects of the issuer; and our intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value.

Equity Securities

The carrying values of our equity securities were included in the following line items in our condensed consolidated balance sheets (in millions):

	Fair Value with Changes Recognized in Income	Measurement Alternative — No Readily Determinable Fair Value
March 29, 2019		
Marketable securities	\$ 302	\$ —
Other investments	835	80
Other assets	965	—
Total equity securities	\$ 2,102	\$ 80
December 31, 2018		
Marketable securities	\$ 278	\$ —
Other investments	787	80
Other assets	869	—

Total equity securities \$ 1,934 \$ 80

13

The calculation of net unrealized gains and losses recognized during the period related to equity securities still held at the end of the period is as follows (in millions):

	Three Months Ended	
	March 29, 2019	March 30, 2018
Net gains (losses) recognized during the period related to equity securities	\$147	\$ (79)
Less: Net gains (losses) recognized during the period related to equity securities sold during the period	7	3
Net unrealized gains (losses) recognized during the period related to equity securities still held at the end of the period	\$140	\$ (82)

Debt Securities

Our debt securities consisted of the following (in millions):

	Cost	Gross Unrealized Gains	Estimated Fair Value
March 29, 2019			
Trading securities	\$42	\$—	\$ 42
Available-for-sale securities	4,631	128 (14)	4,745
Total debt securities	\$4,673	\$128\$ (14)	\$ 4,787
December 31, 2018			
Trading securities	\$45	\$—	\$ (1) \$ 44
Available-for-sale securities	4,901	119 (27)	4,993
Total debt securities	\$4,946	\$119\$ (28)	\$ 5,037

The fair values of our debt securities were included in the following line items in our condensed consolidated balance sheets (in millions):

	March 29, 2019		December 31, 2018	
	Trading Securities	Available-for-Sale Securities	Trading Securities	Available-for-Sale Securities
Cash and cash equivalents	\$—	\$ 7	\$—	\$ —
Marketable securities	42	4,421	44	4,691
Other assets	—	317	—	302
Total debt securities	\$42	\$ 4,745	\$44	\$ 4,993

The contractual maturities of these available-for-sale debt securities as of March 29, 2019 were as follows (in millions):

	Cost	Estimated Fair Value
Within 1 year	\$925	\$ 921
After 1 year through 5 years	3,383	3,474
After 5 years through 10 years	101	121
After 10 years	222	229
Total	\$4,631	\$ 4,745

The Company expects that actual maturities may differ from the contractual maturities above because borrowers have the right to call or prepay certain obligations.

The sale and/or maturity of available-for-sale debt securities resulted in the following realized activity (in millions):

	Three Months Ended March 29, 2019	March 30, 2018
Gross gains	\$ 5	\$ —
Gross losses	(3)	(5)
Proceeds	722	3,087

Captive Insurance Companies

In accordance with local insurance regulations, our captive insurance companies are required to meet and maintain minimum solvency capital requirements. The Company elected to invest a majority of its solvency capital in a portfolio of marketable equity and debt securities. These securities are included in the disclosures above. The Company uses one of its consolidated captive insurance companies to reinsure group annuity insurance contracts that cover the pension obligations of certain of our European and Canadian pension plans. This captive's solvency capital funds included equity and debt securities of \$1,158 million as of March 29, 2019 and \$1,056 million as of December 31, 2018, which are classified in the line item other assets in our condensed consolidated balance sheets because the assets are not available to satisfy our current obligations.

NOTE 5: INVENTORIES

Inventories consist primarily of raw materials and packaging (which include ingredients and supplies) and finished goods (which include concentrates and syrups in our concentrate operations and finished beverages in our finished product operations). Inventories are valued at the lower of cost or net realizable value. We determine cost on the basis of the average cost or first-in, first-out methods. Inventories consisted of the following (in millions):

	March 29, 2019	December 31, 2018
Raw materials and packaging	\$ 2,050	\$ 1,862
Finished goods	852	692
Other	276	212
Total inventories	\$ 3,178	\$ 2,766

NOTE 6: HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS

The Company is directly and indirectly affected by changes in certain market conditions. These changes in market conditions may adversely impact the Company's financial performance and are referred to as "market risks." When deemed appropriate, our Company uses derivatives as a risk management tool to mitigate the potential impact of certain market risks. The primary market risks managed by the Company through the use of derivative and non-derivative financial instruments are foreign currency exchange rate risk, commodity price risk and interest rate risk.

The Company uses various types of derivative instruments including, but not limited to, forward contracts, commodity futures contracts, option contracts, collars and swaps. Forward contracts and commodity futures contracts are agreements to buy or sell a quantity of a currency or commodity at a predetermined future date and at a predetermined rate or price. An option contract is an agreement that conveys the purchaser the right, but not the obligation, to buy or sell a quantity of a currency or commodity at a predetermined rate or price during a period or at a time in the future. A collar is a strategy that uses a combination of options to limit the range of possible positive or negative returns on an underlying asset or liability to a specific range, or to protect expected future cash flows. To do this, an investor simultaneously buys a put option and sells (writes) a call option, or alternatively buys a call option and sells (writes) a put option. A swap agreement is a contract between two parties to exchange cash flows based on specified underlying notional amounts, assets and/or indices. We do not enter into derivative financial instruments for trading purposes. The Company may also designate certain non-derivative instruments, such as our foreign-denominated third-party debt, in hedging relationships.

All derivative instruments are carried at fair value in our condensed consolidated balance sheet, primarily in the following line items, as applicable: prepaid expenses and other assets; other assets; accounts payable and accrued expenses; and other liabilities. The carrying values of the derivatives reflect the impact of legally enforceable master netting agreements and cash collateral held or placed with the same counterparties, as applicable. These master netting agreements allow the Company to net settle positive and negative positions (assets and liabilities) arising from different transactions with the same counterparty.

The accounting for gains and losses that result from changes in the fair values of derivative instruments depends on whether the derivatives have been designated and qualify as hedging instruments and the type of hedging relationships. Derivatives can be designated as fair value hedges, cash flow hedges or hedges of net investments in foreign operations. The changes in the fair

values of derivatives that have been designated and qualify for fair value hedge accounting are recorded in the same line item in our condensed consolidated statement of income as the changes in the fair values of the hedged items attributable to the risk being hedged. The changes in the fair values of derivatives that have been designated and qualify as cash flow hedges or hedges of net investments in foreign operations are recorded in AOCI and are reclassified into the line item in our condensed consolidated statement of income in which the hedged items are recorded in the same period the hedged items affect earnings. Due to the high degree of effectiveness between the hedging instruments and the underlying exposures being hedged, fluctuations in the values of the derivative instruments are generally offset by changes in the fair values or cash flows of the underlying exposures being hedged. The changes in the fair values of derivatives that were not designated and/or did not qualify as hedging instruments are immediately recognized into earnings.

For derivatives that will be accounted for as hedging instruments, the Company formally designates and documents, at inception, the financial instrument as a hedge of a specific underlying exposure, the risk management objective and the strategy for undertaking the hedge transaction. In addition, the Company formally assesses, both at the inception and at least quarterly thereafter, whether the financial instruments used in hedging transactions are effective at offsetting changes in either the fair values or cash flows of the related underlying exposures.

The Company determines the fair values of its derivatives based on quoted market prices or pricing models using current market rates. Refer to Note 16. The notional amounts of the derivative financial instruments do not necessarily represent amounts exchanged by the parties and, therefore, are not a direct measure of our exposure to the financial risks described above. The amounts exchanged are calculated by reference to the notional amounts and by other terms of the derivatives, such as interest rates, foreign currency exchange rates, commodity rates or other financial indices. The Company does not view the fair values of its derivatives in isolation but rather in relation to the fair values or cash flows of the underlying hedged transactions or other exposures. Virtually all of our derivatives are straightforward over-the-counter instruments with liquid markets.

On January 1, 2019, we adopted ASU 2017-12. For highly effective cash flow hedges, this ASU requires the entire change in fair value of the hedging instrument included in the assessment of hedge effectiveness to be recorded in other comprehensive income. No components of the Company's hedging instruments were excluded from the assessment of hedge effectiveness. To reflect the adoption of the new hedging standard on our cash flow hedging relationships at January 1, 2019, we recorded a \$6 million increase, net of taxes, to the opening balance of reinvested earnings and a corresponding decrease to AOCI. For fair value hedges of interest rate risk, this ASU allows entities to elect to use the benchmark interest rate component of the contractual coupon cash flows to calculate the change in fair value of the hedged item attributable to changes in the benchmark interest rate. As a result of applying the new hedging standard to our fair value hedges on January 1, 2019, we recorded a \$24 million increase to our hedged long-term debt balances, with a corresponding decrease to the opening balance of reinvested earnings of \$18 million, net of taxes.

The following table presents the fair values of the Company's derivative instruments that were designated and qualified as part of a hedging relationship (in millions):

Derivatives Designated as Hedging Instruments	Balance Sheet Location ¹	Fair Value ^{1,2}	
		March 2019	December 31, 2018
Assets:			
Foreign currency contracts	Prepaid expenses and other assets	\$53	\$ 43
Foreign currency contracts	Other assets	113	114
Interest rate contracts	Other assets	287	88
Total assets		\$453	\$ 245
Liabilities:			
Foreign currency contracts	Accounts payable and accrued expenses	\$28	\$ 19
Foreign currency contracts	Other liabilities	30	15
Commodity contracts	Accounts payable and accrued expenses	1	1
Interest rate contracts	Other liabilities	28	40

Total liabilities \$87 \$ 75

¹ All of the Company's derivative instruments are carried at fair value in our condensed consolidated balance sheets after considering the impact of legally enforceable master netting agreements and cash collateral held or placed with the same counterparties, as applicable. Current disclosure requirements mandate that derivatives must also be disclosed without reflecting the impact of master netting agreements and cash collateral. Refer to Note 16 for the net presentation of the Company's derivative instruments.

² Refer to Note 16 for additional information related to the estimated fair value.

The following table presents the fair values of the Company's derivative instruments that were not designated as hedging instruments (in millions):

Derivatives Not Designated as Hedging Instruments	Balance Sheet Location ¹	Fair Value ^{1,2}	
		March 2019	December 31, 2018
Assets:			
Foreign currency contracts	Prepaid expenses and other assets	\$23	\$ 61
Foreign currency contracts	Assets held for sale — discontinued operations	2	—
Commodity contracts	Prepaid expenses and other assets	1	2
Commodity contracts	Other assets	4	—
Other derivative instruments	Prepaid expenses and other assets	10	7
Total assets		\$40	\$ 70
Liabilities:			
Foreign currency contracts	Accounts payable and accrued expenses	\$17	\$ 99
Foreign currency contracts	Other liabilities	2	—
Foreign currency contracts	Liabilities held for sale — discontinued operations	2	—
Commodity contracts	Accounts payable and accrued expenses	20	37
Commodity contracts	Other liabilities	3	8
Commodity contracts	Liabilities held for sale — discontinued operations	1	—
Other derivative instruments	Accounts payable and accrued expenses	—	13
Total liabilities		\$42	\$ 160

¹ All of the Company's derivative instruments are carried at fair value in our condensed consolidated balance sheets after considering the impact of legally enforceable master netting agreements and cash collateral held or placed with the same counterparties, as applicable. Current disclosure requirements mandate that derivatives must also be disclosed without reflecting the impact of master netting agreements and cash collateral. Refer to Note 16 for the net presentation of the Company's derivative instruments.

² Refer to Note 16 for additional information related to the estimated fair value.

Credit Risk Associated with Derivatives

We have established strict counterparty credit guidelines and enter into transactions only with financial institutions of investment grade or better. We monitor counterparty exposures regularly and review any downgrade in credit rating immediately. If a downgrade in the credit rating of a counterparty were to occur, we have provisions requiring collateral for substantially all of our transactions. To mitigate presettlement risk, minimum credit standards become more stringent as the duration of the derivative financial instrument increases. In addition, the Company's master netting agreements reduce credit risk by permitting the Company to net settle for transactions with the same counterparty. To minimize the concentration of credit risk, we enter into derivative transactions with a portfolio of financial institutions. Based on these factors, we consider the risk of counterparty default to be minimal.

Cash Flow Hedging Strategy

The Company uses cash flow hedges to minimize the variability in cash flows of assets or liabilities or forecasted transactions caused by fluctuations in foreign currency exchange rates, commodity prices or interest rates. The changes in the fair values of derivatives designated as cash flow hedges are recorded in AOCI and are reclassified into the line item in our condensed consolidated statement of income in which the hedged items are recorded in the same period the hedged items affect earnings. The changes in fair values of hedges that are determined to be ineffective are immediately reclassified from AOCI into earnings. The maximum length of time for which the Company hedges its exposure to future cash flows is typically three years.

The Company maintains a foreign currency cash flow hedging program to reduce the risk that our eventual U.S. dollar net cash inflows from sales outside the United States and U.S. dollar net cash outflows from procurement activities will be adversely affected by fluctuations in foreign currency exchange rates. We enter into forward contracts and purchase foreign currency options (principally euros and Japanese yen) and collars to hedge certain portions of forecasted cash flows denominated in foreign currencies. When the U.S. dollar strengthens against the foreign

currencies, the decline in the present value of future foreign currency cash flows is partially offset by gains in the fair value of the derivative instruments. Conversely, when the U.S. dollar weakens, the increase in the present value of future foreign currency cash flows is partially offset by losses in the fair value of the derivative instruments. The total notional values of derivatives that were designated and qualify for the Company's foreign currency cash flow hedging program were \$4,657 million and \$3,175 million as of March 29, 2019 and December 31, 2018, respectively. The Company uses cross-currency swaps to hedge the changes in cash flows of certain of its foreign currency denominated debt and other monetary assets or liabilities due to changes in foreign currency exchange rates. For this hedging program, the Company records the change in carrying value of these foreign currency denominated assets and liabilities due to changes in

exchange rates into earnings each period. The changes in fair value of the cross-currency swap derivatives are recorded in AOCI with an immediate reclassification into earnings for the change in fair value attributable to fluctuations in foreign currency exchange rates. The total notional values of derivatives that have been designated as cash flow hedges for the Company's foreign currency denominated assets and liabilities were \$3,028 million as of March 29, 2019 and December 31, 2018.

The Company has entered into commodity futures contracts and other derivative instruments on various commodities to mitigate the price risk associated with forecasted purchases of materials used in our manufacturing process. These derivative instruments have been designated and qualify as part of the Company's commodity cash flow hedging program. The objective of this hedging program is to reduce the variability of cash flows associated with future purchases of certain commodities. The total notional values of derivatives that have been designated and qualify for this program were \$8 million and \$9 million as of March 29, 2019 and December 31, 2018, respectively.

Our Company monitors our mix of short-term debt and long-term debt regularly. From time to time, we manage our risk to interest rate fluctuations through the use of derivative financial instruments. The Company has entered into interest rate swap agreements and has designated these instruments as part of the Company's interest rate cash flow hedging program. The objective of this hedging program is to mitigate the risk of adverse changes in benchmark interest rates on the Company's future interest payments. During the three months ended March 30, 2018, we discontinued the cash flow hedge relationship related to these swaps. We reclassified a loss of \$8 million into earnings as a result of the discontinuance. As of March 29, 2019 and December 31, 2018, we did not have any interest rate swaps designated as a cash flow hedge.

The following table presents the pretax impact that changes in the fair values of derivatives designated as cash flow hedges had on other comprehensive income ("OCI"), AOCI and earnings (in millions):

	Gain (Loss) Recognized in OCI	Location of Gain (Loss) Recognized in Income ¹	Gain (Loss) Reclassified from AOCI into Income (Effective Portion) ²	Gain (Loss) Recognized in Income (Ineffective Portion and Amount Excluded from Effectiveness Testing) ²	
Three Months Ended March 29, 2019					
Foreign currency contracts	\$ (2	) Net operating revenues	\$ 6	\$ —	
Foreign currency contracts	1	Cost of goods sold	4	—	
Foreign currency contracts	—	Interest expense	(2) —	
Foreign currency contracts	(22	) Other income (loss) — net	(50) —	
Interest rate contracts	—	Interest expense	(10) —	
Total	\$ (23	)	\$ (52) \$ —	
Three Months Ended March 30, 2018					
Foreign currency contracts	\$ (57	) Net operating revenues	\$ 15	\$ —	³
Foreign currency contracts	(4	) Cost of goods sold	(1	) —	³
Foreign currency contracts	—	Interest expense	(2) —	
Foreign currency contracts	105	Other income (loss) — net	67	5	
Foreign currency contracts	—	Income from discontinued operations	—	(3)
Interest rate contracts	22	Interest expense	(10	) (8)
Commodity contracts	—	Income from discontinued operations	—	(5)
Total	\$ 66		\$ 69	\$ (11)

¹ The Company records gains and losses reclassified from AOCI into income for the effective portion and the ineffective portion, if any, to the same line items in our condensed consolidated statement of income.

² Effective January 1, 2019, ASU 2017-12 eliminated the requirement to separately measure and report hedge ineffectiveness for cash flow hedges. No components of the Company's hedging instruments were excluded from the assessment of hedge effectiveness.

³ Includes a de minimis amount of ineffectiveness in the hedging relationship.

As of March 29, 2019, the Company estimates that it will reclassify into earnings during the next 12 months net losses of \$36 million from the pretax amount recorded in AOCI as the anticipated cash flows occur.

Fair Value Hedging Strategy

The Company uses interest rate swap agreements designated as fair value hedges to minimize exposure to changes in the fair value of fixed-rate debt that results from fluctuations in benchmark interest rates. The Company also uses cross-currency interest rate swaps to hedge the changes in the fair value of foreign currency denominated debt relating to changes in foreign currency exchange rates and benchmark interest rates. The changes in fair values of derivatives designated as fair value hedges and the offsetting changes in fair values of the hedged items are recognized in earnings. The ineffective portions of these hedges are immediately recognized in earnings. When a derivative is no longer designated as a fair value hedge for any reason, including termination and maturity, the remaining unamortized difference between the carrying value of the hedged item at that time and the face value of the hedged item is amortized to earnings over the remaining life of the hedged item, or immediately if the hedged item has matured. The total notional values of derivatives related to our fair value hedges of this type were \$12,832 million and \$8,023 million as of March 29, 2019 and December 31, 2018, respectively.

The Company also uses fair value hedges to minimize exposure to changes in the fair value of certain available-for-sale securities from fluctuations in foreign currency exchange rates. The changes in fair values of derivatives designated as fair value hedges and the offsetting changes in fair values of the hedged items due to changes in foreign currency exchange rates are recognized in earnings. As a result, any difference is reflected in earnings as ineffectiveness. As of March 29, 2019 and December 31, 2018, we did not have any fair value hedges of this type.

The following table summarizes the pretax impact that changes in the fair values of derivatives designated as fair value hedges had on earnings (in millions):

Hedging Instruments and Hedged Items	Location of Gain (Loss) Recognized in Income	Gain (Loss) Recognized in Income	
		Three Months Ended March 30, 2019	Three Months Ended March 30, 2018
Interest rate contracts	Interest expense	\$212	\$ (16)
Fixed-rate debt	Interest expense	(210)	14
Net impact to interest expense		\$2	\$ (2)
Foreign currency contracts	Other income (loss) — net	\$—	\$ (6)
Available-for-sale securities	Other income (loss) — net	—	6
Net impact to other income (loss) — net		\$—	\$ —
Net impact of fair value hedging instruments		\$2	\$ (2)

The following table summarizes the amounts recorded in the condensed consolidated balance sheets related to hedged items in fair value hedging relationships (in millions):

Carrying Value of the Hedged Item	Cumulative Amount of Fair Value Hedging Adjustments Included in the Carrying Value of the Hedged Item ¹			
	March 29, 2019	December 31, 2018	March 29, 2019	December 31, 2018
Long-term debt	\$12,937	\$ 8,043	\$ 298	\$ 62

¹ Cumulative amount of fair value hedging adjustments does not include changes due to foreign currency exchange rates.

Hedges of Net Investments in Foreign Operations Strategy

The Company uses forward contracts and a portion of its foreign currency denominated debt, a non-derivative financial instrument, to protect the value of our net investments in a number of foreign operations. For derivative instruments that are designated and qualify as hedges of net investments in foreign operations, the changes in fair values of the derivative instruments are recognized in net foreign currency translation adjustments, a component of AOCI, to offset the changes in the values of the net investments being hedged. For non-derivative financial instruments that are designated and qualify as hedges of net investments in foreign operations, the change in the carrying value of the designated portion of the non-derivative financial instrument due to changes in foreign currency exchange rates is recorded in net foreign currency translation adjustments. Any ineffective net investment hedges are reclassified from AOCI into earnings during the period of change.

The following table summarizes the notional values and pretax impact of changes in the fair values of instruments designated as net investment hedges (in millions):

Notional Amount	Gain (Loss) Recognized in OCI	
	Three Months Ended March 29, 2019	Three Months Ended March 30, 2018
as of		
March 29, 2019	December 31, 2018	March 30, 2018

Edgar Filing: COCA COLA CO - Form 10-Q

Foreign currency contracts	\$ 100	\$ —	\$ 22	\$ —
Foreign currency denominated debt	12,348	12,494	131	(411)
Total	\$ 12,448	\$ 12,494	\$ 153	\$ (411)

The Company did not reclassify any gains or losses related to net investment hedges from AOCI into earnings during the three months ended March 29, 2019 and March 30, 2018. In addition, the Company did not have any ineffectiveness related to net investment hedges during the three months ended March 29, 2019 and March 30, 2018. The cash inflows and outflows associated with the Company's derivative contracts designated as net investment hedges are classified in the line item other investing activities in our condensed consolidated statement of cash flows.

Economic (Nondesignated) Hedging Strategy

In addition to derivative instruments that are designated and qualify for hedge accounting, the Company also uses certain derivatives as economic hedges of foreign currency, interest rate and commodity exposure. Although these derivatives were not designated and/or did not qualify for hedge accounting, they are effective economic hedges. The changes in the fair value of economic hedges are immediately recognized into earnings.

The Company uses foreign currency economic hedges to offset the earnings impact that fluctuations in foreign currency exchange rates have on certain monetary assets and liabilities denominated in nonfunctional currencies. The changes in fair value of economic hedges used to offset those monetary assets and liabilities are immediately recognized into earnings in the line item other income (loss) — net in our condensed consolidated statement of income. In addition, we use foreign currency economic hedges to minimize the variability in cash flows associated with fluctuations in foreign currency exchange rates, including those related to certain acquisition and divestiture activities. The changes in fair values of economic hedges used to offset the variability in U.S. dollar net cash flows are recognized into earnings in the line items net operating revenues, cost of goods sold or other income (loss) — net in our condensed consolidated statement of income, as applicable. The total notional values of derivatives related to our foreign currency economic hedges were \$6,512 million and \$10,939 million as of March 29, 2019 and December 31, 2018, respectively.

The Company also uses certain derivatives as economic hedges to mitigate the price risk associated with the purchase of materials used in the manufacturing process and for vehicle fuel. The changes in fair values of these economic hedges are immediately recognized into earnings in the line items net operating revenues, cost of goods sold, or selling, general and administrative expenses in our condensed consolidated statement of income, as applicable. The total notional values of derivatives related to our economic hedges of this type were \$450 million and \$373 million as of March 29, 2019 and December 31, 2018, respectively.

The following table presents the pretax impact that changes in the fair values of derivatives not designated as hedging instruments had on earnings (in millions):

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income	Gain (Loss) Recognized in Income Three Months Ended March 29, 2019	March 30, 2018
Foreign currency contracts	Net operating revenues	\$(11)	\$ (7)
Foreign currency contracts	Cost of goods sold	(1)	(1)
Foreign currency contracts	Other income (loss) — net	21	(43)
Foreign currency contracts	Income from discontinued operations	—	(6)
Interest rate contracts	Interest expense	—	(2)
Commodity contracts	Cost of goods sold	20	13
Commodity contracts	Income from discontinued operations	—	1
Other derivative instruments	Selling, general and administrative expenses	17	(6)
Other derivative instruments	Other income (loss) — net	34	(1)
Total		\$80	\$ (52)

NOTE 7: DEBT AND BORROWING ARRANGEMENTS

During the three months ended March 29, 2019, the Company issued euro-denominated debt totaling €3,500 million. The carrying value of this debt as of March 29, 2019 was \$3,906 million. The general terms of the notes issued are as follows:

• €750 million total principal amount of notes due 2021, at a variable interest rate equal to the three-month Euro Interbank Offered Rate ("EURIBOR") plus 0.20 percent;

• €1,000 million total principal amount of notes due 2022, at a fixed interest rate of 0.125 percent;

• €1,000 million total principal amount of notes due 2026, at a fixed interest rate of 0.75 percent; and

€750 million total principal amount of notes due 2031, at a fixed interest rate of 1.25 percent.

During the three months ended March 29, 2019, the Company retired upon maturity €1,500 million total principal amount of notes due March 8, 2019 at a variable interest rate equal to the three-month EURIBOR plus 0.25 percent.

NOTE 8: LEASES

We have operating leases primarily for real estate, vehicles, and manufacturing and other equipment. Balance sheet information related to operating leases is as follows (in millions):

	March 29, 2019
Operating lease ROU assets ¹	\$ 1,242
Current portion of operating lease liabilities ²	\$ 251
Noncurrent portion of operating lease liabilities ³	1,017
Total operating lease liabilities	\$ 1,268

¹ Operating lease ROU assets are recorded in the line item other assets in our condensed consolidated balance sheet.

² The current portion of operating lease liabilities is recorded in the line item accounts payable and accrued expenses in our condensed consolidated balance sheet.

³ The noncurrent portion of operating lease liabilities is recorded in the line item other liabilities in our condensed consolidated balance sheet.

We had operating lease costs of approximately \$73 million for the three months ended March 29, 2019. Cash paid for amounts included in the measurement of operating lease liabilities was \$69 million during the three months ended March 29, 2019. Operating lease ROU assets obtained in exchange for operating lease obligations was \$51 million during the three months ended March 29, 2019.

Weighted-average information associated with the measurement of our remaining operating lease obligations is as follows:

	March 29, 2019
Weighted-average remaining lease term	7 years
Weighted-average discount rate	3 %

The following table summarizes the maturity of our operating lease liabilities as of March 29, 2019 (in millions):

2019	\$226
2020	255
2021	199
2022	165
2023	125
Thereafter	378
Total operating lease payments	1,348
Less imputed interest	(80)
Total operating lease liabilities	\$1,268

Our leases have remaining lease terms of 1 year to 20 years, inclusive of renewal or termination options that we are reasonably certain to exercise.

NOTE 9: COMMITMENTS AND CONTINGENCIES

Guarantees

As of March 29, 2019, we were contingently liable for guarantees of indebtedness owed by third parties of \$609 million, of which \$252 million was related to variable interest entities. Our guarantees are primarily related to third-party customers, bottlers, vendors and container manufacturing operations and have arisen through the normal course of business. These guarantees have various terms, and none of these guarantees is individually significant. These amounts represent the maximum potential future payments that we could be required to make under the guarantees; however, we do not consider it probable that we will be required to satisfy these guarantees.

We believe our exposure to concentrations of credit risk is limited due to the diverse geographic areas covered by our operations.

Legal Contingencies

The Company is involved in various legal proceedings. We establish reserves for specific legal proceedings when we determine that the likelihood of an unfavorable outcome is probable and the amount of loss can be reasonably estimated. Management has also identified certain other legal matters where we believe an unfavorable outcome is reasonably possible and/or for which no estimate of possible losses can be made. Management believes that the total liabilities of the Company that may arise as a result of currently pending legal proceedings will not have a material adverse effect on the Company taken as a whole.

Tax Audits

The Company is involved in various tax matters, with respect to some of which the outcome is uncertain. We establish reserves to remove some or all of the tax benefit of any of our tax positions at the time we determine that it becomes uncertain based upon one of the following conditions: (1) the tax position is not "more likely than not" to be sustained; (2) the tax position is "more likely than not" to be sustained, but for a lesser amount; or (3) the tax position is "more likely than not" to be sustained, but not in the financial period in which the tax position was originally taken. For purposes of evaluating whether or not a tax position is uncertain, (1) we presume the tax position will be examined by the relevant taxing authority that has full knowledge of all relevant information; (2) the technical merits of a tax position are derived from authorities such as legislation and statutes, legislative intent, regulations, rulings and case law and their applicability to the facts and circumstances of the tax position; and (3) each tax position is evaluated without consideration of the possibility of offset or aggregation with other tax positions taken. A number of years may elapse before a particular uncertain tax position is audited and finally resolved. The number of years subject to tax audits or tax assessments varies depending on the tax jurisdiction. The tax benefit that has been previously reserved because of a failure to meet the "more likely than not" recognition threshold would be recognized in our income tax expense in the first interim period when the uncertainty disappears under any one of the following conditions: (1) the tax position is "more likely than not" to be sustained; (2) the tax position, amount, and/or timing is ultimately settled through negotiation or litigation; or (3) the statute of limitations for the tax position has expired. Refer to Note 15. On September 17, 2015, the Company received a Statutory Notice of Deficiency ("Notice") from the Internal Revenue Service ("IRS") for the tax years 2007 through 2009, after a five-year audit. In the Notice, the IRS claimed that the Company's United States taxable income should be increased by an amount that creates a potential additional federal income tax liability of approximately \$3.3 billion for the period, plus interest. No penalties were asserted in the Notice. The disputed amounts largely relate to a transfer pricing matter involving the appropriate amount of taxable income the Company should report in the United States in connection with its licensing of intangible property to certain related foreign licensees regarding the manufacturing, distribution, sale, marketing and promotion of products in overseas markets.

During the 2007-2009 audit period, the Company followed the same transfer pricing methodology for these licenses that had consistently been followed since the methodology was agreed with the IRS in a 1996 closing agreement that applied back to 1987. The closing agreement provided prospective penalty protection conditioned on the Company's continued adherence to the prescribed methodology absent change in material facts or circumstances or relevant federal tax law. Although the IRS subsequently asserted, without explanation, that material facts and circumstances and relevant federal tax law had changed, it has not asserted penalties. The Company's compliance with the closing agreement was audited and confirmed by the IRS in five successive audit cycles covering the subsequent 11 years through 2006, with the last audit concluding as recently as 2009.

The Notice represents a repudiation of the methodology previously adopted in the 1996 closing agreement. The IRS designated the matter for litigation on October 15, 2015. To the extent the matter remains designated, the Company will be prevented from pursuing any administrative settlement at IRS Appeals or under the IRS Advance Pricing and Mutual Agreement Program.

The Company firmly believes that the IRS' claims are without merit and is pursuing, and will continue to pursue, all available administrative and judicial remedies necessary to vigorously defend its position. To that end, the Company filed a petition in the U.S. Tax Court on December 14, 2015, and the IRS filed its answer on February 12, 2016. On October 4, 2017, the IRS filed an amended answer to the Company's petition in which it increased its transfer pricing adjustment by \$385 million resulting in an additional tax adjustment of \$135 million.

On June 20, 2017, the Company filed a motion for summary judgment on the portion of the IRS' adjustments related to our licensee in Mexico. On December 14, 2017, the U.S. Tax Court issued a decision on the summary judgment motion in favor of the Company. This decision effectively reduced the IRS' potential tax adjustment by approximately \$138 million.

The U.S. Tax Court trial was held from March 8, 2018 through May 11, 2018. The Company and the IRS filed simultaneous opening and answering post-trial briefs in October 2018 and February 2019, respectively. The Company filed a subsequent brief in March 2019 to which the IRS responded in April 2019. It is not known how much time will elapse thereafter prior to the issuance of the Court's decision. In the interim, or subsequent to the Court's decision, the IRS may propose similar adjustments for years subsequent to the 2007-2009 litigation period. While the Company continues to strongly disagree with the IRS' position, there is no assurance that the Court will rule in the Company's favor, and it is possible that all or some portion of the adjustment proposed by the IRS Notice ultimately could be sustained. In that event, the Company will be subject to

significant additional liabilities for the years at issue and potentially also for subsequent periods, which could have a material adverse impact on the Company's financial position, results of operations and cash flows.

The Company regularly assesses the likelihood of adverse outcomes resulting from tax disputes such as this and other examinations for all open years to determine the adequacy of its tax reserves. Any such adjustments related to years prior to 2018, either in the litigation period or later, may have an impact on the transition tax payable as part of the Tax Reform Act.

Risk Management Programs

The Company has numerous global insurance programs in place to help protect the Company from the risk of loss. In general, we are self-insured for large portions of many different types of claims; however, we do use commercial insurance above our self-insured retentions to reduce the Company's risk of catastrophic loss. Our reserves for the Company's self-insured losses are estimated using actuarial methods and assumptions of the insurance industry, adjusted for our specific expectations based on our claim history. Our self-insurance reserves totaled \$339 million and \$362 million as of March 29, 2019 and December 31, 2018, respectively.

NOTE 10: OTHER COMPREHENSIVE INCOME

AOCI attributable to shareowners of The Coca-Cola Company is separately presented in our condensed consolidated balance sheets as a component of The Coca-Cola Company's shareowners' equity, which also includes our proportionate share of equity method investees' AOCI. OCI attributable to noncontrolling interests is allocated to, and included in, our condensed consolidated balance sheets as part of the line item equity attributable to noncontrolling interests.

AOCI attributable to shareowners of The Coca-Cola Company consisted of the following, net of tax (in millions):

	March 29, 2019	December 31, 2018
Foreign currency translation adjustments ¹	\$ (10,300)	\$ (11,045)
Accumulated derivative net gains (losses) ^{1, 2}	(147)	(126)
Unrealized net gains (losses) on available-for-sale securities ¹	72	50
Adjustments to pension and other benefit liabilities ¹	(1,950)	(1,693)
Accumulated other comprehensive income (loss)	\$ (12,325)	\$ (12,814)

¹ The change in the balance from December 31, 2018 includes a portion of a \$513 million reclassification to reinvested earnings from AOCI

upon the adoption of ASU 2018-02. Refer to Note 1.

² The change in the balance from December 31, 2018 includes a \$6 million reclassification to reinvested earnings from AOCI upon the

adoption of ASU 2017-12. Refer to Note 1 and Note 6.

The following table summarizes the allocation of total comprehensive income between shareowners of The Coca-Cola Company and noncontrolling interests (in millions):

	Three Months Ended March 29, 2019		
	Shareowners of The Coca-Cola Company	Noncontrolling Interests	Total
Consolidated net income	\$1,678	\$ 25	\$1,703
Other comprehensive income:			
Net foreign currency translation adjustments	954	(28)	926
Net gains (losses) on derivatives ¹	8	—	8
Net change in unrealized gains (losses) on available-for-sale debt securities ²	15	—	15

Edgar Filing: COCA COLA CO - Form 10-Q

Net change in pension and other benefit liabilities ³	31	—	31
Total comprehensive income	\$2,686	\$ (3)	\$2,683

¹ Refer to Note 6 for additional information related to the net gains or losses on derivative instruments designated and qualifying as cash flow hedging instruments.

² Refer to Note 4 for additional information related to the net unrealized gains or losses on available-for-sale debt securities.

³ Refer to Note 14 for additional information related to the Company's pension and other postretirement benefit liabilities.

The following tables present OCI attributable to shareowners of The Coca-Cola Company, including our proportionate share of equity method investees' OCI (in millions):

Three Months Ended March 29, 2019	Before-Tax Amount	Income Tax	After-Tax Amount
Foreign currency translation adjustments:			
Translation adjustments arising during the period	\$ 997	\$(73)	\$ 924
Reclassification adjustments recognized in net income	192	—	192
Gains (losses) on intra-entity transactions that are of a long-term investment nature	(287)	—	(287)
Gains (losses) on net investment hedges arising during the period ¹	153	(28)	125
Net foreign currency translation adjustments	\$ 1,055	\$(101)	\$ 954
Derivatives:			
Gains (losses) arising during the period	\$ (36)	\$ 4	\$(32)
Reclassification adjustments recognized in net income	53	(13)	40
Net gains (losses) on derivatives ¹	\$ 17	\$(9)	\$ 8
Available-for-sale debt securities:			
Unrealized gains (losses) arising during the period	\$ 24	\$(7)	\$ 17
Reclassification adjustments recognized in net income	(2)	—	(2)
Net change in unrealized gains (losses) on available-for-sale debt securities ²	\$ 22	\$(7)	\$ 15
Pension and other benefit liabilities:			
Net pension and other benefit liabilities arising during the period	\$ (1)	\$ 4	\$ 3
Reclassification adjustments recognized in net income	37	(9)	28
Net change in pension and other benefit liabilities ³	\$ 36	\$(5)	\$ 31
Other comprehensive income (loss) attributable to shareowners of The Coca-Cola Company	\$ 1,130	\$(122)	\$ 1,008

¹ Refer to Note 6 for additional information related to the net gains or losses on derivative instruments designated and qualifying as cash flow hedging instruments.

² Refer to Note 4 for additional information related to the net unrealized gains or losses on available-for-sale debt securities.

³ Refer to Note 14 for additional information related to the Company's pension and other postretirement benefit liabilities.

Three Months Ended March 30, 2018	Before-Tax Amount	Income Tax	After-Tax Amount
Foreign currency translation adjustments:			
Translation adjustments arising during the period	\$ 167	\$ (68)	\$ 99
Reclassification adjustments recognized in net income	56	—	56
Gains (losses) on intra-entity transactions that are of a long-term investment nature	796	—	796
Gains (losses) on net investment hedges arising during the period ¹	(411)	129	(282)
Net foreign currency translation adjustments	\$ 608	\$ 61	\$ 669
Derivatives:			
Gains (losses) arising during the period	\$ 66	\$ (38)	\$ 28
Reclassification adjustments recognized in net income	(58)	14	(44)
Net gains (losses) on derivatives ¹	\$ 8	\$ (24)	\$ (16)
Available-for-sale debt securities:			
Unrealized gains (losses) arising during the period	\$ (13)	\$ (2)	\$ (15)
Reclassification adjustments recognized in net income	5	(1)	4
Net change in unrealized gains (losses) on available-for-sale debt securities ²	\$ (8)	\$ (3)	\$ (11)
Pension and other benefit liabilities:			
Net pension and other benefit liabilities arising during the period	\$ 10	\$ (1)	\$ 9
Reclassification adjustments recognized in net income	33	(8)	25
Net change in pension and other benefit liabilities ³	\$ 43	\$ (9)	\$ 34
Other comprehensive income (loss) attributable to shareowners of The Coca-Cola Company	\$ 651	\$ 25	\$ 676

¹ Refer to Note 6 for additional information related to the net gains or losses on derivative instruments designated and qualifying as cash flow hedging instruments.

² Refer to Note 4 for additional information related to the net unrealized gains or losses on available-for-sale debt securities.

³ Refer to Note 14 for additional information related to the Company's pension and other postretirement benefit liabilities.

Edgar Filing: COCA COLA CO - Form 10-Q

The following table presents the amounts and line items in our condensed consolidated statement of income where adjustments reclassified from AOCI into income were recorded (in millions):

Description of AOCI Component	Financial Statement Line Item	Amount Reclassified from AOCI into Income Three Months Ended March 29, 2019
Foreign currency translation adjustments:		
Divestitures, deconsolidations and other ¹	Other income (loss) — net	\$ 192
	Income from continuing operations before income taxes	192
	Consolidated net income	\$ 192
Derivatives:		
Foreign currency contracts	Net operating revenues	\$ (6)
Foreign currency contracts	Cost of goods sold	(4)
Foreign currency contracts	Other income (loss) — net	50
Divestitures, deconsolidations and other	Other income (loss) — net	1
Foreign currency and interest rate contracts	Interest expense	12
	Net income from continuing operations before income taxes	53
	Income taxes from continuing operations	(13)
	Consolidated net income	\$ 40
Available-for-sale debt securities:		
Sale of debt securities	Other income (loss) — net	\$ (2)
	Income from continuing operations before income taxes	(2)
	Income taxes from continuing operations	—
	Consolidated net income	\$ (2)
Pension and other benefit liabilities:		
Recognized net actuarial loss	Other income (loss) — net	\$ 39
Recognized prior service cost (credit)		(2)

Other income (loss)		
— net		
Income from		
continuing		
operations before	37	
income taxes		
Income taxes from		
continuing	(9)
operations		
Consolidated net	\$	28
income		

¹ Primarily related to our previously held equity ownership interest in CHI and the sale of a portion of our equity ownership interest in Andina. Refer to Note 2.

NOTE 11: CHANGES IN EQUITY

The following tables provide a reconciliation of the beginning and ending carrying amounts of total equity, equity attributable to shareowners of The Coca-Cola Company and equity attributable to noncontrolling interests (in millions):

Three Months Ended March 29, 2019	Common Shares Outstanding	Total	Shareowners of The Coca-Cola Company					Non-controlling Interests
			Reinvested Earnings	Other Comprehensive Income (Loss)	Common Stock	Capital Surplus	Treasury Stock	
December 31, 2018	4,268	\$19,058	\$63,234	\$ (12,814)	\$1,760	\$16,520	\$(51,719)	\$2,077
Adoption of accounting standards ¹	—	(18)	501	(519)	—	—	—	—
Comprehensive income (loss)	—	2,683	1,678	1,008	—	—	—	(3)
Dividends paid/payable to shareowners of The Coca-Cola Company (\$0.40 per share)	—	(1,709)	(1,709)	—	—	—	—	—
Dividends paid to noncontrolling interests	—	(5)	—	—	—	—	—	(5)
Purchases of treasury stock	(9)	(398)	—	—	—	—	(398)	—
Impact related to stock compensation plans	9	193	—	—	—	57	136	—
March 29, 2019	4,268	\$19,804	\$63,704	\$ (12,325)	\$1,760	\$16,577	\$(51,981)	\$2,069

¹ Refer to Note 1 and Note 6.

Three Months Ended March 30, 2018	Common Shares Outstanding	Total	Shareowners of The Coca-Cola Company					Non-controlling Interests
			Reinvested Earnings	Other Comprehensive Income (Loss)	Common Stock	Capital Surplus	Treasury Stock	
December 31, 2017	4,259	\$18,977	\$60,430	\$ (10,305)	\$1,760	\$15,864	\$(50,677)	\$1,905
Adoption of accounting standards ¹	—	2,605	3,014	(409)	—	—	—	—
Comprehensive income (loss)	—	2,135	1,368	676	—	—	—	91
Dividends paid/payable to shareowners of The Coca-Cola Company (\$0.39 per share)	—	(1,662)	(1,662)	—	—	—	—	—
Business combinations	—	13	—	—	—	—	—	13
Purchases of treasury stock	(18)	(822)	—	—	—	—	(822)	—
Impact related to stock compensation plans	18	373	—	—	—	142	231	—
Other activities	—	(2)	—	—	—	—	—	(2)
March 30, 2018	4,259	\$21,617	\$63,150	\$ (10,038)	\$1,760	\$16,006	\$(51,268)	\$2,007

¹ Refer to Note 1, Note 3 and Note 4.

NOTE 12: SIGNIFICANT OPERATING AND NONOPERATING ITEMS

Other Operating Charges

During the three months ended March 29, 2019, the Company recorded other operating charges of \$127 million. These charges primarily consisted of \$68 million related to the Company's productivity and reinvestment program. In addition, other operating charges included \$46 million of transaction costs associated with the purchase of Costa, which we acquired in January 2019, and \$11 million for costs incurred to rebrand certain of our North America bottling operations. Costs related to rebranding include, among other items, internal and external costs for individuals directly working on the rebranding efforts, severance, and costs associated with the implementation of information technology systems to facilitate consistent data standards and availability throughout our North America bottling system. Other operating charges also included \$2 million related to tax litigation expense. Refer to Note 2 for additional information on the acquisition of Costa. Refer to Note 9 for additional information related to the tax litigation. Refer to Note 13 for additional information on the Company's productivity and reinvestment program. Refer to Note 17 for the impact these charges had on our operating segments and Corporate.

During the three months ended March 30, 2018, the Company recorded other operating charges of \$536 million. These charges primarily consisted of \$390 million of CCR asset impairments and \$95 million related to the Company's productivity and reinvestment program. In addition, other operating charges included \$45 million related to costs incurred to rebrand certain of our North America bottling operations. Refer to Note 13 for additional information on the Company's productivity and reinvestment program. Refer to Note 16 for information on how the Company determined the asset impairment charges. Refer to Note 17 for the impact these charges had on our operating segments and Corporate.

Other Nonoperating Items

Equity Income (Loss) — Net

During the three months ended March 29, 2019 and March 30, 2018, the Company recorded net charges of \$42 million and \$51 million, respectively. These amounts represent the Company's proportionate share of significant operating and nonoperating items recorded by certain of our equity method investees. Refer to Note 17 for the impact these items had on our operating segments and Corporate.

Other Income (Loss) — Net

During the three months ended March 29, 2019, the Company recognized an other-than-temporary impairment charge of \$286 million related to Coca-Cola Bottlers Japan Holdings Inc. ("CCBJHI"), an equity method investee. The Company also recognized a \$121 million loss in conjunction with our acquisition of the remaining equity ownership interest in CHI and a \$57 million other-than-temporary impairment charge related to one of our equity method investees in North America. Additionally, the Company recognized net charges of \$4 million due to the rebranding of certain bottling territories in North America and charges of \$4 million primarily related to payments made to convert the bottling agreements for certain North America bottling partners' territories to a single form of CBA with additional requirements. These charges were partially offset by a net gain of \$149 million related to realized and unrealized gains and losses on equity securities and trading debt securities as well as realized gains and losses on available-for-sale debt securities, a gain of \$39 million related to the sale of a portion of our equity ownership interest in Andina and a gain of \$34 million related to economic hedging activities. Refer to Note 2 for additional information on rebranding activities, the North America conversion payments, the acquisition of the remaining equity ownership interest in CHI and the sale of a portion of our equity ownership interest in Andina. Refer to Note 4 for additional information on equity and debt securities. Refer to Note 6 for additional information on economic hedging activities. Refer to Note 16 for information on how the Company determined the impairment charges and the loss recognized in conjunction with our acquisition of the remaining equity ownership interest in CHI. Refer to Note 17 for the impact these items had on our operating segments and Corporate.

During the three months ended March 30, 2018, the Company recorded a net loss of \$85 million related to realized and unrealized gains and losses on equity securities and trading debt securities as well as realized gains and losses on available-for-sale debt securities, and a net loss of \$33 million primarily related to the reversal of the cumulative translation adjustments resulting from the substantial liquidation of the Company's former Russian juice operations. The Company also recorded \$19 million primarily related to payments made to convert the bottling agreements for

certain North America bottling partners' territories to a single form of CBA with additional requirements and \$2 million due to the refranchising of certain bottling territories in North America. Refer to Note 2 for additional information on the North America conversion payments. Refer to Note 4 for additional information on mark-to-market adjustments of equity and debt securities. Refer to Note 17 for the impact these items had on our operating segments and Corporate.

NOTE 13: PRODUCTIVITY AND REINVESTMENT PROGRAM

In February 2012, the Company announced a productivity and reinvestment program designed to further enable our efforts to strengthen our brands and reinvest our resources to drive long-term profitable growth. This program is focused on the following initiatives: global supply chain optimization; global marketing and innovation effectiveness; operating expense leverage and operational excellence; data and information technology systems standardization; and the integration of Coca Cola Enterprises Inc.'s former North America business ("Old CCE").

In February 2014, the Company announced the expansion of our productivity and reinvestment program to drive incremental productivity that will primarily be redirected into increased media investments. Our incremental productivity goal consists of two relatively equal components. First, we will expand savings through global supply chain optimization, data and information technology systems standardization, and resource and cost reallocation. Second, we will increase the effectiveness of our marketing investments by transforming our marketing and commercial model to redeploy resources into more consumer-facing marketing investments to accelerate growth.

In October 2014, the Company announced that we were further expanding our productivity and reinvestment program and extending it through 2019. The expansion of the productivity initiatives focuses on four key areas: restructuring the Company's global supply chain; implementing zero-based work, an evolution of zero-based budget principles, across the organization; streamlining and simplifying the Company's operating model; and further driving increased discipline and efficiency in direct marketing investments.

In April 2017, the Company announced another expansion of our productivity and reinvestment program. This expansion is focused on achieving additional efficiencies in both our supply chain and our marketing expenditures as well as transitioning to a new, more agile operating model to enable growth. Under this operating model, our business units will be supported by an expanded enabling services organization and a corporate center focused on a few strategic initiatives, policy and governance. The expanded enabling services organization will focus on both simplifying and standardizing key transactional processes and providing support to business units through global centers of excellence.

The Company has incurred total pretax expenses of \$3,634 million related to our productivity and reinvestment program since it commenced. These expenses were recorded in the line items other operating charges and other income (loss) — net in our condensed consolidated statements of income. Refer to Note 17 for the impact these charges had on our operating segments and Corporate. Outside services reported in the table below primarily relate to expenses in connection with legal, outplacement and consulting activities. Other direct costs reported in the table below include, among other items, internal and external costs associated with the development, communication, administration and implementation of these initiatives; accelerated depreciation on certain fixed assets; contract termination fees; and relocation costs.

The following table summarizes the balance of accrued expenses related to these productivity and reinvestment initiatives and the changes in the accrued amounts as of and for the three months ended March 29, 2019 (in millions):

	Accrued Balance December 31, 2018	Costs Incurred Three Months Ended March 29, 2019	Payments	Noncash and Exchange	Accrued Balance March 29, 2019
Severance pay and benefits	\$ 76	\$ 11	\$ (37)	)\$ 1	\$ 51
Outside services	10	27	(24)	)—	13
Other direct costs	4	30	(12)	) (12)	)10
Total	\$ 90	\$ 68	\$ (73)	)\$ (11)	)\$ 74

NOTE 14: PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

Net periodic benefit cost (income) for our pension and other postretirement benefit plans consisted of the following (in millions):

	Pension Benefits		Other Benefits	
	Three Months Ended			
	March 29, 2019	March 30, 2018	March 29, 2019	March 30, 2018
Service cost	\$26	\$ 32	\$ 2	\$ 3
Interest cost	72	73	7	6
Expected return on plan assets ¹	(138)	(168)	(3)	(3)
Amortization of prior service cost (credit)	(1)	2	(1)	(4)
Amortization of net actuarial loss	38	34	1	1
Net periodic benefit cost (income)	\$(3)	\$(27)	\$ 6	\$ 3

¹ The weighted-average expected long-term rates of return on plan assets used in computing 2019 net periodic benefit cost (income) are

7.7 percent for pension benefit plans and 4.6 percent for other benefit plans.

All of the amounts in the table above, other than service cost, were recorded in the line item other income (loss) — net in our condensed consolidated statements of income. During the three months ended March 29, 2019, the Company contributed \$6 million to our pension trusts, and we anticipate making additional contributions of approximately \$14 million during the remainder of 2019. The Company contributed \$27 million to our pension trusts during the three months ended March 30, 2018.

NOTE 15: INCOME TAXES

The Company recorded income taxes from continuing operations of \$486 million (22.8 percent effective tax rate) and \$506 million (27.6 percent effective tax rate) during the three months ended March 29, 2019 and March 30, 2018, respectively.

The Company's effective tax rate for the three months ended March 29, 2019 and March 30, 2018 varies from the statutory federal income tax rate of 21.0 percent primarily due to the tax impact of significant operating and nonoperating items, along with the tax benefits of having significant operations outside the United States and significant earnings generated in investments accounted for under the equity method of accounting, both of which are generally taxed at rates lower than the U.S. statutory rate.

The Company's effective tax rate for the three months ended March 30, 2018 included \$176 million of additional tax expense to adjust our provisional tax estimate recorded as of December 31, 2017, related to the Tax Reform Act signed into law on December 22, 2017.

On September 17, 2015, the Company received a Statutory Notice of Deficiency from the IRS for the tax years 2007 through 2009, after a five-year audit. Refer to Note 9.

NOTE 16: FAIR VALUE MEASUREMENTS

U.S. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than quoted prices included in Level 1. We value assets and liabilities included in this level using dealer and broker quotations, certain pricing models, bid prices, quoted prices for similar assets and liabilities in active markets, or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Recurring Fair Value Measurements

In accordance with U.S. GAAP, certain assets and liabilities are required to be recorded at fair value on a recurring basis. For our Company, the only assets and liabilities that are adjusted to fair value on a recurring basis are investments in equity

securities with readily determinable fair values, debt securities classified as trading or available-for-sale and derivative financial instruments. Additionally, the Company adjusts the carrying value of certain long-term debt as a result of the Company's fair value hedging strategy.

Investments in Debt and Equity Securities

The fair values of our investments in debt and equity securities using quoted market prices from daily exchange traded markets are based on the closing price as of the balance sheet date and are classified as Level 1. The fair values of our investments in debt and equity securities classified as Level 2 are priced using quoted market prices for similar instruments or nonbinding market prices that are corroborated by observable market data. Inputs into these valuation techniques include actual trade data, benchmark yields, broker/dealer quotes and other similar data. These inputs are obtained from quoted market prices, independent pricing vendors or other sources.

Derivative Financial Instruments

The fair values of our futures contracts are primarily determined using quoted contract prices on futures exchange markets. The fair values of these instruments are based on the closing contract price as of the balance sheet date and are classified as Level 1.

The fair values of our derivative instruments other than futures are 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 have been classified as Level 2. Inputs used in these standard valuation models for derivative instruments other than futures include the applicable exchange rates, forward rates, interest rates, discount rates and commodity prices. The standard valuation model for options also uses implied volatility as an additional input. The discount rates are based on the historical U.S. Deposit or U.S. Treasury rates, and the implied volatility specific to options is based on quoted rates from financial institutions.

Included in the fair values of derivative instruments is an adjustment for nonperformance risk. The adjustment is based on current credit default swap ("CDS") rates applied to each contract, by counterparty. We use our counterparty's CDS rate when we are in an asset position and our own CDS rate when we are in a liability position. The adjustment for nonperformance risk did not have a significant impact on the fair values of our derivative instruments.

The following tables summarize those assets and liabilities measured at fair value on a recurring basis (in millions):

March 29, 2019	Level 1	Level 2	Level 3	Other ³	Netting Adjustment	⁴ Fair Value Measurements
Assets:						
Equity securities with readily determinable values ¹	\$1,831	\$201	\$ 7	\$ 63	\$ —	\$ 2,102
Debt securities ¹	—	4,768	19	—	—	4,787
Derivatives ²	3	490	—	—	(314)	⁵ 179
Total assets	\$1,834	\$5,459	\$ 26	\$ 63	\$ (314)	\$ 7,068
Liabilities:						
Derivatives ²	\$(6)	\$(123)	\$ —	\$ —	\$ 115	\$ (14)
Total liabilities	\$(6)	\$(123)	\$ —	\$ —	\$ 115	\$ (14)

¹Refer to Note 4 for additional information related to the composition of our equity securities with readily determinable values and debt securities.

² Refer to Note 6 for additional information related to the composition of our derivative portfolio.

³ Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy but are included to reconcile to the amounts presented in Note 4.

⁴ Amounts represent the impact of legally enforceable master netting agreements that allow the Company to settle net positive and negative positions and also cash collateral held or placed with the same counterparties. There are no amounts subject to legally enforceable master netting agreements that management has chosen not to offset or that do not meet the offsetting requirements. Refer to Note 6.

⁵ The Company is obligated to return \$205 million in cash collateral it has netted against its derivative position.

6

The Company's derivative financial instruments are recorded at fair value in our condensed consolidated balance sheet as follows: \$177 million in the line item other assets; \$2 million in the line item assets held for sale — discontinued operations; and \$14 million in the line item other liabilities. Refer to Note 6 for additional information related to the composition of our derivative portfolio.

December 31, 2018	Level 1	Level 2	Level 3	Other ³	Netting Adjustment	Fair Value Measurements
Assets:						
Equity securities with readily determinable values ¹	\$1,681	\$186	\$ 6	\$ 61	\$ —	\$ 1,934
Debt securities ¹	—	5,018	19	—	—	5,037
Derivatives ²	2	313	—	—	(261)	54 ⁷
Total assets	\$1,683	\$5,517	\$ 25	\$ 61	\$ (261)	\$ 7,025
Liabilities:						
Derivatives ²	\$(14)	\$(221)	\$ —	\$ —	\$ 182	\$ (53) ⁷
Total liabilities	\$(14)	\$(221)	\$ —	\$ —	\$ 182	\$ (53)

¹ Refer to Note 4 for additional information related to the composition of our equity securities with readily determinable values and debt securities.

² Refer to Note 6 for additional information related to the composition of our derivative portfolio.

Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy but are included to reconcile to the amounts presented in Note 4.

⁴ Amounts represent the impact of legally enforceable master netting agreements that allow the Company to settle net positive and negative positions and also cash collateral held or placed with the same counterparties. There are no amounts subject to legally enforceable master netting agreements that management has chosen not to offset or that do not meet the offsetting requirements. Refer to Note 6.

⁵ The Company is obligated to return \$96 million in cash collateral it has netted against its derivative position.

⁶ The Company has the right to reclaim \$4 million in cash collateral it has netted against its derivative position.

The Company's derivative financial instruments are recorded at fair value in our condensed consolidated balance sheet as follows: \$54 million in the line item other assets; \$3 million in the line item liabilities held for sale — discontinued operations; and \$50 million in the line item other liabilities. Refer to Note 6 for additional information related to the composition of our derivative portfolio.

Gross realized and unrealized gains and losses on Level 3 assets and liabilities were not significant for the three months ended March 29, 2019 and March 30, 2018.

The Company recognizes transfers between levels within the hierarchy as of the beginning of the reporting period. Gross transfers between levels within the hierarchy were not significant for the three months ended March 29, 2019 and March 30, 2018.

Nonrecurring Fair Value Measurements

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company records assets and liabilities at fair value on a nonrecurring basis as required by U.S. GAAP. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges, or as a result of observable changes in equity securities using the measurement alternative. Refer to Note 4.

The gains and losses on assets measured at fair value on a nonrecurring basis are summarized in the table below (in millions):

	Gains (Losses)	
	Three Months Ended	
	March 29, 2019	March 30, 2018
Other-than-temporary impairment charges	\$(343) ¹	\$ —
Investment in former equity method investee	(121) ²	—
Other long-lived assets	—	(252) ³
Intangible assets	—	(138) ³
Total	\$(464)	\$ (390)

¹ Based on the length of time and the extent to which the market value of our investment in CCBJHI, an equity method investee, has been less than our carrying value and the financial condition and near-term prospects of the issuer, management determined that the decline in fair value was other than temporary in nature. As a result, the Company recognized an other-than-temporary impairment charge of \$286 million. This impairment charge was determined using the quoted market price (a Level 1 measurement) of CCBJHI. The Company also recognized an other-than-temporary impairment charge of \$57 million related to one of our equity method investees in North America. This impairment charge was derived using Level 3 inputs and was primarily driven by revised projections of future operating results.

² The Company recognized a loss of \$121 million in conjunction with our acquisition of the remaining equity ownership interest in CHI, primarily driven by foreign currency exchange rate fluctuations. The fair value of this investment was derived using discounted cash flow analyses based on Level 3 inputs.

³ The Company recognized charges of \$252 million related to CCR's property, plant and equipment and \$138 million related to CCR's intangible assets. These charges were a result of management's revised estimate of the proceeds that were expected to be received for the remaining bottling territories upon their refranchising. These charges were determined by comparing the fair value of the reporting unit, based on Level 3 inputs, to its carrying value.

Other Fair Value Disclosures

The carrying amounts of cash and cash equivalents; short-term investments; trade accounts receivable; accounts payable and accrued expenses; and loans and notes payable approximate their fair values because of the short-term maturities of these instruments. As of March 29, 2019, the carrying amount and fair value of our long-term debt, including the current portion, were \$32,697 million and \$33,219 million, respectively. As of December 31, 2018, the carrying amount and fair value of our long-term debt, including the current portion, were \$30,361 million and \$30,438 million, respectively.

NOTE 17: OPERATING SEGMENTS

Effective January 1, 2019, we established a new operating segment, Global Ventures, which includes the results of Costa, which we acquired in January 2019, and the results of our innocent and doğadan businesses as well as fees earned pursuant to distribution coordination agreements between the Company and Monster. Accordingly, all prior period operating segment and Corporate information presented herein has been adjusted to reflect this change in our organizational structure.

Information about our Company's continuing operations by operating segment and Corporate is as follows (in millions):

	Europe, Middle East & Africa	Latin America	North America	Asia Pacific	Global Venture	Bottling Investments	Corporate	Eliminations	Consolidated
As of and for the three months ended March 29, 2019									
Net operating revenues:									
Third party	\$ 1,634	\$ 896	\$ 2,681	\$ 1,060	\$ 583	\$ 996	\$ 32	\$ —	\$ 7,882
Intersegment	138	—	2	127	2	—	—	(131)	138
Total net operating revenues	1,772	896	2,683	1,187	585	996	32	(131)	8,020
Operating income (loss)	978	496	586	542	66	1	(333)	—	2,336
Income (loss) from continuing operations before income taxes	988	491	537	550	68	(200)	(302)	—	2,132
Identifiable operating assets	8,379	1,838	18,316	2,088	7,350	4,449	19,102	—	61,522
Noncurrent investments	719	786	343	223	—	14,354	3,773	—	20,198
As of and for the three months ended March 30, 2018									
Net operating revenues:									
Third party	\$ 1,537	\$ 978	\$ 2,598	\$ 1,109	\$ 193	\$ 1,051	\$ 11	\$ —	\$ 7,477
Intersegment	149	19	54	106	1	—	—	(180)	149
Total net operating revenues	1,686	997	2,652	1,215	194	1,051	11	(180)	7,626
Operating income (loss)	914	571	503	562	29	(461)	(307)	—	1,811
Income (loss) from continuing operations before income taxes	927	565	500	571	32	(388)	(374)	—	1,833
Identifiable operating assets	8,459	1,990	17,697	2,323	1,028	4,342	27,760	—	63,599
Noncurrent investments	1,239	889	119	185	—	16,506	3,579	—	22,517
As of December 31, 2018									
Identifiable operating assets	\$ 7,414	\$ 1,715	\$ 17,519	\$ 1,996	\$ 968	\$ 4,135	\$ 22,649	\$ —	\$ 56,396
Noncurrent investments	789	784	400	216	—	14,367	3,718	—	20,274

¹ Intersegment revenues do not eliminate on a consolidated basis due to intercompany sales to our discontinued operations.

² Identifiable operating assets excludes \$6,627 million of assets held for sale — discontinued operations.

³ Identifiable operating assets excludes \$7,166 million of assets held for sale — discontinued operations.

⁴ Identifiable operating assets excludes \$6,546 million of assets held for sale — discontinued operations.

During the three months ended March 29, 2019, the results of our operating segments and Corporate were impacted by the following items:

- Operating income (loss) and income (loss) from continuing operations before income taxes were reduced by \$1 million for Europe, Middle East and Africa, \$17 million for North America, \$2 million for Bottling Investments and \$48 million for Corporate due to the Company's productivity and reinvestment program. Refer to Note 13.

Operating income (loss) and income (loss) from continuing operations before income taxes were reduced by \$46 million for Corporate related to transaction costs associated with the purchase of Costa, which we acquired in January 2019. Refer to Note 2.

Operating income (loss) and income (loss) from continuing operations before income taxes were reduced by \$11 million for Bottling Investments related to costs incurred to rebrand certain of our North America bottling operations. Refer to Note 12.

•

Income (loss) from continuing operations before income taxes was reduced by \$286 million for Bottling Investments due to an other-than-temporary impairment charge related to CCBJHI, an equity method investee. Refer to Note 16.

Income (loss) from continuing operations before income taxes was increased by \$149 million for Corporate related to realized and unrealized gains and losses on equity securities and trading debt securities as well as realized gains and losses on available-for-sale debt securities. Refer to Note 4.

Income (loss) from continuing operations before income taxes was reduced by \$121 million for Corporate resulting from a loss in conjunction with our acquisition of the remaining equity ownership interest in CHI. Refer to Note 12 and Note 16.

Income (loss) from continuing operations before income taxes was reduced by \$57 million for North America due to an other-than-temporary impairment charge related to one of our equity method investees. Refer to Note 16.

Income (loss) from continuing operations before income taxes was reduced by \$42 million for Bottling Investments due to the Company's proportionate share of significant operating and nonoperating items recorded by certain of our equity method investees.

Income (loss) from continuing operations before income taxes was increased by \$39 million for Corporate related to the sale of a portion of our equity ownership interest in Andina. Refer to Note 2.

During the three months ended March 30, 2018, the results of our operating segments and Corporate were impacted by the following items:

Operating income (loss) and income (loss) from continuing operations before income taxes were reduced by \$2 million for Europe, Middle East and Africa, \$2 million for Latin America, \$52 million for North America, \$6 million for Bottling Investments and \$33 million for Corporate due to the Company's productivity and reinvestment program. Refer to Note 13.

Operating income (loss) and income (loss) from continuing operations before income taxes were reduced by \$390 million for Bottling Investments due to asset impairment charges. Refer to Note 16.

Operating income (loss) and income (loss) from continuing operations before income taxes were reduced by \$45 million for Bottling Investments due to costs incurred to rebrand certain of our bottling operations.

Income (loss) from continuing operations before income taxes was reduced by \$68 million for Bottling Investments and increased by \$17 million for Corporate due to the Company's proportionate share of significant operating and nonoperating items recorded by certain of our equity method investees.

Income (loss) from continuing operations before income taxes was reduced by \$85 million for Corporate related to realized and unrealized gains and losses on equity securities and trading debt securities as well as realized gains and losses on available-for-sale debt securities. Refer to Note 4.

Income (loss) from continuing operations before income taxes was reduced by \$33 million for Bottling Investments primarily due to the reversal of the cumulative translation adjustments resulting from the substantial liquidation of the Company's former Russian juice operations.

Income (loss) from continuing operations before income taxes was reduced by \$19 million for North America primarily related to payments made to convert the bottling agreements for certain North America bottling partners' territories to a single form of CBA with additional requirements. Refer to Note 2.

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

When used in this report, the terms "The Coca-Cola Company," "Company," "we," "us" and "our" mean The Coca-Cola Company and all entities included in our condensed consolidated financial statements.

Effective January 1, 2019, we established a new operating segment, Global Ventures, which includes the results of Costa Limited ("Costa"), which we acquired in January 2019, and the results of our innocent and doğadan businesses as well as fees earned pursuant to distribution coordination agreements between the Company and Monster Beverage Corporation ("Monster"). Accordingly, all prior period operating segment and Corporate information presented herein has been adjusted to reflect this change in our organizational structure.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Recoverability of Current and Noncurrent Assets

Our Company faces many uncertainties and risks related to various economic, political and regulatory environments in the countries in which we operate, particularly in developing and emerging markets. Refer to the heading "Item 1A. Risk Factors" in Part I and "Our Business — Challenges and Risks" in Part II of our Annual Report on Form 10-K for the year ended December 31, 2018. As a result, management must make numerous assumptions which involve a significant amount of judgment when completing recoverability and impairment tests of current and noncurrent assets in various regions around the world.

We perform recoverability and impairment tests of current and noncurrent assets in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). For certain assets, recoverability and/or impairment tests are required only when conditions exist that indicate the carrying value may not be recoverable. For other assets, impairment tests are required at least annually, or more frequently if events or circumstances indicate that an asset may be impaired.

Our equity method investees also perform such recoverability and/or impairment tests. If an impairment charge is recorded by one of our equity method investees, the Company records its proportionate share of such charge as a reduction of equity income

36

(loss) — net in our condensed consolidated statement of income. However, the actual amount we record with respect to our proportionate share of such charges may be impacted by items such as basis differences, deferred taxes and deferred gains.

Investments in Equity and Debt Securities

We use quoted market prices to determine the fair values of equity securities with readily determinable fair values. For equity securities without readily determinable fair values, we have elected the measurement alternative under which we measure these investments at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Management assesses each of these investments on an individual basis.

Our investments in debt securities are carried at either amortized cost or fair value. Investments in debt securities that the Company has the positive intent and ability to hold to maturity are carried at amortized cost and classified as held-to-maturity. Investments in debt securities that are not classified as held-to-maturity are carried at fair value and classified as either trading or available-for-sale. Realized and unrealized gains and losses on trading debt securities as well as realized gains and losses on available-for-sale debt securities are included in net income. Unrealized gains and losses, net of tax, on available-for-sale debt securities are included in our consolidated balance sheet as a component of accumulated other comprehensive income (loss) ("AOCI"), except for the change in fair value attributable to the currency risk being hedged, if applicable, which is included in net income.

Equity securities with readily determinable fair values that are not accounted for under the equity method and debt securities classified as trading are not assessed for impairment, since they are carried at fair value with the change in fair value included in net income. Equity method investments, equity securities without readily determinable fair values and debt securities classified as available-for-sale or held-to-maturity are reviewed each reporting period to determine whether a significant event or change in circumstances has occurred that may have an adverse effect on the fair value of each investment. When such events or changes occur, we evaluate the fair value compared to our cost basis in the investment. We also perform this evaluation every reporting period for each investment for which our cost basis has exceeded the fair value. The fair values of most of our Company's investments in publicly traded companies are often readily available based on quoted market prices. For investments in nonpublicly traded companies, management's assessment of fair value is based on valuation methodologies including discounted cash flows, estimates of sales proceeds and appraisals, as appropriate. We consider the assumptions that we believe hypothetical marketplace participants would use in evaluating estimated future cash flows when employing the discounted cash flow or estimates of sales proceeds valuation methodologies. The ability to accurately predict future cash flows, especially in emerging and developing markets, may impact the determination of fair value. In the event the fair value of an investment declines below our cost basis, management is required to determine if the decline in fair value is other than temporary. If management determines the decline is other than temporary, an impairment charge is recorded. Management's assessment as to the nature of a decline in fair value is based on, among other things, the length of time and the extent to which the market value has been less than our cost basis; the financial condition and near-term prospects of the issuer; and our intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value.

During the three months ended March 29, 2019, the Company recorded other-than-temporary impairment charges of \$343 million. Based on the length of time and the extent to which the market value of our investment in Coca-Cola Bottlers Japan Holdings Inc. ("CCBJHI"), an equity method investee, has been less than our carrying value and the financial condition and near-term prospects of the issuer, management determined that the decline in fair value was other than temporary in nature. Therefore, we recorded an other-than-temporary impairment charge of \$286 million. We also recorded an other-than-temporary impairment charge of \$57 million related to one of our equity method investees in North America. This impairment charge was primarily driven by revised projections of future operating results.

The following table presents the difference between calculated fair values, based on quoted closing prices of publicly traded shares, and our Company's cost basis in investments in publicly traded companies accounted for under the equity method (in millions):

March 29, 2019	Fair Value	Carrying Value	Difference
Monster Beverage Corporation	\$5,574	\$3,623	\$ 1,951
Coca-Cola European Partners plc	4,551	3,528	1,023
Coca-Cola FEMSA, S.A.B. de C.V.	3,913	1,876	2,037
Coca-Cola HBC AG	2,905	1,234	1,671
Coca-Cola Amatil Limited	1,375	608	767
Coca-Cola Bottlers Japan Holdings Inc.	856	856	—
Coca-Cola Consolidated, Inc.	714	131	583
Coca-Cola İçecek A.Ş.	290	205	85
Embotelladora Andina S.A.	234	129	105
Total	\$20,412	\$12,190	\$ 8,222

As of March 29, 2019, gross unrealized gains and losses on available-for-sale debt securities were \$128 million and \$14 million, respectively. Management assessed each of the available-for-sale debt securities that were in a gross unrealized loss position on an individual basis to determine if the decline in fair value was other than temporary. As a result of these assessments, management determined that the decline in fair value of these investments was temporary and did not record any impairment charges. We will continue to monitor these investments in future periods. Refer to Note 4 of Notes to Condensed Consolidated Financial Statements.

Property, Plant and Equipment

As of March 29, 2019, the carrying value of our property, plant and equipment, net of depreciation, was \$8,866 million, or 10 percent of our total assets. Certain events or changes in circumstances may indicate that the recoverability of the carrying amount or remaining useful life of property, plant and equipment should be assessed, including, among others, the manner or length of time in which the Company intends to use the asset, a significant decrease in market value, a significant change in the business climate in a particular market, or a current period operating or cash flow loss combined with historical losses or projected future losses. When such events or changes in circumstances are present and an impairment test is performed, we estimate the future cash flows expected to result from the use of the asset or asset group and its eventual disposition. These estimated future cash flows are consistent with those we use in our internal planning. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount, we recognize an impairment charge. The impairment charge recognized is the amount by which the carrying amount exceeds the fair value. We use a variety of methodologies to determine the fair value of property, plant and equipment, including appraisals and discounted cash flow models, which are consistent with the assumptions we believe a hypothetical marketplace participant would use.

During the three months ended March 30, 2018, the Company recorded impairment charges of \$252 million related to Coca Cola Refreshments' ("CCR") property, plant and equipment as a result of management's estimate of the proceeds that were expected to be received for the remaining bottling territories upon their refranchising. These charges were recorded in our Bottling Investments operating segment in the line item other operating charges in our condensed consolidated statement of income and were determined by comparing the fair value of the assets to their carrying value. Refer to Note 16 of Notes to Condensed Consolidated Financial Statements.

Goodwill, Trademarks and Other Intangible Assets

Intangible assets are classified into one of three categories: (1) intangible assets with definite lives subject to amortization; (2) intangible assets with indefinite lives not subject to amortization; and (3) goodwill. For intangible assets with definite lives, tests for impairment must be performed if conditions exist that indicate the carrying value may not be recoverable. For intangible assets with indefinite lives and goodwill, tests for impairment must be performed at least annually, or more frequently if events or circumstances indicate that an asset may be impaired. The assessment of recoverability and the performance of impairment tests of intangible assets involve critical accounting estimates. These estimates require significant management judgment, include inherent uncertainties and

are often interdependent; therefore, they do not change in isolation. Factors that management must estimate include, among others, the economic life of the asset, sales volume, pricing, cost of raw materials, delivery costs, inflation, cost of capital, marketing spending, foreign currency exchange rates, tax rates, capital spending and proceeds from the sale of assets. These factors are even more difficult to predict when global financial markets are highly volatile. The estimates we use when assessing the recoverability of intangible assets are consistent with those we use in our internal planning. When performing impairment tests,

38

we estimate the fair values of the assets using management's best assumptions, which we believe would be consistent with what a hypothetical marketplace participant would use. Estimates and assumptions used in these tests are evaluated and updated as appropriate. The variability of these factors depends on a number of conditions, including uncertainty about future events, and thus our accounting estimates may change from period to period. If other assumptions and estimates had been used when these tests were performed, impairment charges could have resulted. As mentioned above, these factors do not change in isolation and, therefore, we do not believe it is practicable or meaningful to present the impact of changing a single factor. Furthermore, if management uses different assumptions or if different conditions exist in future periods, future impairment charges could result. Refer to the heading "Operations Review" below for additional information related to our present business environment. Certain factors discussed above are impacted by our current business environment and are discussed throughout this report, as appropriate.

Intangible assets acquired in recent transactions are naturally more susceptible to impairment, primarily due to the fact that they are recorded at fair value based on recent operating plans and macroeconomic conditions present at the time of acquisition. Consequently, if operating results and/or macroeconomic conditions deteriorate shortly after an acquisition, it could result in the impairment of the acquired assets. A deterioration of macroeconomic conditions may not only negatively impact the estimated operating cash flows used in our cash flow models but may also negatively impact other assumptions used in our analyses, including, but not limited to, the estimated cost of capital and/or discount rates. Additionally, as discussed above, in accordance with U.S. GAAP, we are required to ensure that assumptions used to determine fair value in our analyses are consistent with the assumptions that we believe a hypothetical marketplace participant would use. As a result, the cost of capital and/or discount rates used in our analyses may increase or decrease based on market conditions and trends, regardless of whether our Company's actual cost of capital has changed. Therefore, if the cost of capital and/or discount rates change, our Company may recognize an impairment of an intangible asset in spite of realizing actual cash flows that are approximately equal to, or greater than, our previously forecasted amounts.

Goodwill is assigned to the reporting unit or units, which are one level below our operating segments, that benefit from the synergies arising from each business combination. We perform impairment tests of goodwill at our reporting unit level. In order to test for goodwill impairment, the Company compares the fair value of the reporting unit to its carrying value, including goodwill. If the fair value of the reporting unit is lower than its carrying amount, goodwill is written down for the amount by which the carrying amount exceeds the reporting unit's fair value. However, the loss recognized cannot exceed the carrying amount of goodwill. We typically use discounted cash flow models to determine the fair value of a reporting unit. The assumptions used in these models are consistent with those we believe a hypothetical marketplace participant would use. The Company has the option to perform a qualitative assessment of goodwill rather than completing the impairment test. The Company must assess whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. If the Company concludes that this is the case, it must perform the testing discussed above. Otherwise, the Company does not need to perform any further assessment. When facts and circumstances indicate that the carrying value of definite-lived intangible assets may not be recoverable, management assesses the recoverability of the carrying value by preparing estimates of sales volume and the resulting gross profit and cash flows. These estimated future cash flows are consistent with those we use in our internal planning. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset or asset group, we recognize an impairment charge. The impairment charge recognized is the amount by which the carrying amount exceeds the fair value. We use a variety of methodologies to determine the fair value of these assets, including discounted cash flow models, which are consistent with the assumptions we believe a hypothetical marketplace participant would use.

We test indefinite-lived intangible assets, including trademarks, franchise rights and goodwill, for impairment annually, or more frequently if events or circumstances indicate that assets might be impaired. Our Company performs these annual impairment tests as of the first day of our third fiscal quarter. We use a variety of methodologies in conducting impairment assessments of indefinite-lived intangible assets, including, but not limited to, discounted cash flow models, which are based on the assumptions we believe a hypothetical marketplace participant would use. For indefinite-lived intangible assets, other than goodwill, if the carrying amount exceeds the fair value, an impairment

charge is recognized in an amount equal to that excess. The Company has the option to perform a qualitative assessment of indefinite-lived intangible assets, other than goodwill, rather than completing the impairment test. The Company must assess whether it is more likely than not that the fair value of the intangible asset is less than its carrying amount. If the Company concludes that this is the case, it must perform the testing described above. Otherwise, the Company does not need to perform any further assessment.

During the three months ended March 30, 2018, the Company recorded impairment charges of \$138 million related to certain intangible assets. These charges included \$100 million related to bottlers' franchise rights with indefinite lives and \$38 million related to definite-lived intangible assets. These impairment charges were incurred as a result of management's revised estimate of the proceeds that were expected to be received for the remaining bottling territories upon their refranchising. These charges were recorded in our Bottling Investments operating segment in the line item other operating charges in our condensed consolidated statement of income.

Revenue Recognition

Revenue is recognized when performance obligations under the terms of the contracts with our customers are satisfied. Our performance obligation generally consists of the promise to sell concentrates or finished products to our bottling partners, wholesalers, distributors or retailers. Control of the concentrates or finished products is transferred upon shipment to, or receipt at, our customers' locations, as determined by the specific terms of the contract. Once control is transferred to the customer, we have completed our performance obligation, and revenue is recognized. Our sales terms generally do not allow for a right of return except for matters related to any manufacturing defects on our part. After completion of our performance obligation, we have an unconditional right to consideration as outlined in the contract. Our receivables will generally be collected in less than six months, in accordance with the underlying payment terms. All of our performance obligations under the terms of contracts with our customers have an original duration of one year or less.

Our customers and bottling partners may be entitled to cash discounts, funds for promotional and marketing activities, volume based incentive programs, support for infrastructure programs and other similar programs. In some markets, in an effort to allow our Company and our bottling partners to grow together through shared value, aligned financial objectives and the flexibility necessary to meet consumers' always changing needs and tastes, we work with our bottling partners to develop and implement an incidence-based concentrate pricing model. Under this model, the price we charge bottlers for concentrate they use to prepare and package finished products is impacted by a number of factors, including, but not limited to, the prices charged by the bottlers for such finished products, the channels in which they are sold and package mix. The amounts associated with the arrangements described above are defined as variable consideration under Accounting Standards Codification 606, Revenue from Contracts with Customers ("ASC 606") and an estimate of which is included in the transaction price as a component of net operating revenues in our condensed consolidated statement of income upon completion of our performance obligations. The total revenue recorded, including any variable consideration, cannot exceed the amount for which it is probable that a significant reversal will not occur when uncertainties related to variability are resolved. As a result, we are recognizing revenue based on our faithful depiction of the consideration that we expect to receive. In making our estimates of variable consideration, we consider past results and make significant assumptions related to: (1) customer sales volumes; (2) customer ending inventories; (3) customer selling price per unit; (4) selling channels; and (5) discount rates, rebates and other pricing allowances, as applicable. In gathering data to estimate our variable consideration, we generally calculate our estimates using a portfolio approach at the country and product line level rather than at the individual contract level. The result of making these estimates will impact the line items trade accounts receivable and accounts payable and accrued expenses in our condensed consolidated balance sheet. The actual amounts ultimately paid and/or received may be different from our estimates.

Income Taxes

Our annual effective tax rate is based on our income and the tax laws in the various jurisdictions in which we operate. Significant judgment is required in determining our annual tax expense and in evaluating our tax positions. We establish reserves to remove some or all of the tax benefit of any of our tax positions at the time we determine that the position becomes uncertain based upon one of the following conditions: (1) the tax position is not "more likely than not" to be sustained; (2) the tax position is "more likely than not" to be sustained, but for a lesser amount; or (3) the tax position is "more likely than not" to be sustained, but not in the financial period in which the tax position was originally taken. For purposes of evaluating whether or not a tax position is uncertain, (1) we presume the tax position will be examined by the relevant taxing authority that has full knowledge of all relevant information; (2) the technical merits of a tax position are derived from authorities such as legislation and statutes, legislative intent, regulations, rulings and case law and their applicability to the facts and circumstances of the tax position; and (3) each tax position is evaluated without considerations of the possibility of offset or aggregation with other tax positions taken. We adjust these reserves, including any impact on the related interest and penalties, in light of changing facts and circumstances, such as the progress of a tax audit. Refer to the heading "Operations Review — Income Taxes" below and Note 15 of Notes to Condensed Consolidated Financial Statements.

On September 17, 2015, the Company received a Statutory Notice of Deficiency ("Notice") from the Internal Revenue Service ("IRS") for the tax years 2007 through 2009, after a five-year audit. In the Notice, the IRS claimed that the

Company's United States taxable income should be increased by an amount that creates a potential additional federal income tax liability of approximately \$3.3 billion for the period, plus interest. No penalties were asserted in the Notice. The disputed amounts largely relate to a transfer pricing matter involving the appropriate amount of taxable income the Company should report in the United States in connection with its licensing of intangible property to certain related foreign licensees regarding the manufacturing, distribution, sale, marketing and promotion of products in overseas markets.

During the 2007-2009 audit period, the Company followed the same transfer pricing methodology for these licenses that had consistently been followed since the methodology was agreed with the IRS in a 1996 closing agreement that applied back to 1987. The closing agreement provided prospective penalty protection conditioned on the Company's continued adherence to the prescribed methodology absent change in material facts or circumstances or relevant federal tax law. Although the IRS subsequently asserted, without explanation, that material facts and circumstances and relevant federal tax law had changed, it

has not asserted penalties. The Company's compliance with the closing agreement was audited and confirmed by the IRS in five successive audit cycles covering the subsequent 11 years through 2006, with the last audit concluding as recently as 2009.

The Notice represents a repudiation of the methodology previously adopted in the 1996 closing agreement. The IRS designated the matter for litigation on October 15, 2015. To the extent the matter remains designated, the Company will be prevented from pursuing any administrative settlement at IRS Appeals or under the IRS Advance Pricing and Mutual Agreement Program.

The Company firmly believes that the IRS' claims are without merit and is pursuing, and will continue to pursue, all available administrative and judicial remedies necessary to vigorously defend its position. To that end, the Company filed a petition in the U.S. Tax Court on December 14, 2015, and the IRS filed its answer on February 12, 2016. On October 4, 2017, the IRS filed an amended answer to the Company's petition in which it increased its transfer pricing adjustment by \$385 million resulting in an additional tax adjustment of \$135 million.

On June 20, 2017, the Company filed a motion for summary judgment on the portion of the IRS' adjustments related to our licensee in Mexico. On December 14, 2017, the U.S. Tax Court issued a decision on the summary judgment motion in favor of the Company. This decision effectively reduced the IRS' potential tax adjustment by approximately \$138 million.

The U.S. Tax Court trial was held from March 8, 2018 through May 11, 2018. The Company and the IRS filed simultaneous opening and answering post-trial briefs in October 2018 and February 2019, respectively. The Company filed a subsequent brief in March 2019 to which the IRS responded in April 2019. It is not known how much time will elapse thereafter prior to the issuance of the Court's decision. In the interim, or subsequent to the Court's decision, the IRS may propose similar adjustments for years subsequent to the 2007-2009 litigation period. While the Company continues to strongly disagree with the IRS' position, there is no assurance that the Court will rule in the Company's favor, and it is possible that all or some portion of the adjustment proposed by the IRS Notice ultimately could be sustained. In that event, the Company will be subject to significant additional liabilities for the years at issue and potentially also for subsequent periods, which could have a material adverse impact on the Company's financial position, results of operations and cash flows.

The Company regularly assesses the likelihood of adverse outcomes resulting from tax disputes such as this and other examinations for all open years to determine the adequacy of its tax reserves. Any such adjustments related to years prior to 2018, either in the litigation period or later, may have an impact on the transition tax payable as part of the Tax Cuts and Jobs Act of 2017 (the "Tax Reform Act").

A number of years may elapse before a particular matter for which we have established a reserve is audited and finally resolved. The number of years subject to tax audits or tax assessments varies depending on the tax jurisdiction. The tax benefit that has been previously reserved because of a failure to meet the "more likely than not" recognition threshold would be recognized in our income tax expense in the first interim period when the uncertainty disappears under any one of the following conditions: (1) the tax position is "more likely than not" to be sustained; (2) the tax position, amount, and/or timing is ultimately settled through negotiation or litigation; or (3) the statute of limitations for the tax position has expired. Settlement of any particular issue would usually require the use of cash.

Tax law requires items to be included in the tax return at different times than when these items are reflected in the consolidated financial statements. As a result, the annual effective tax rate reflected in our consolidated financial statements is different from that reported in our tax return (our cash tax rate). Some of these differences are permanent, such as expenses that are not deductible in our tax return, and some differences reverse over time, such as depreciation expense. These timing differences create deferred tax assets and liabilities. Deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities. The tax rates used to determine deferred tax assets and liabilities are the enacted tax rates in effect for the year and manner in which the differences are expected to reverse. Based on the evaluation of all available information,

the Company recognizes future tax benefits, such as net operating loss carryforwards, to the extent that realizing these benefits is considered more likely than not.

We evaluate our ability to realize the tax benefits associated with deferred tax assets by analyzing our forecasted taxable income using both historical and projected future operating results; the reversal of existing taxable temporary differences; taxable income in prior carryback years (if permitted); and the availability of tax planning strategies. A valuation allowance is required to be established unless management determines that it is more likely than not that the Company will ultimately realize the tax benefit associated with a deferred tax asset. As of March 29, 2019, the Company's valuation allowances on deferred tax assets were \$436 million and were primarily related to uncertainties regarding the future realization of recorded tax benefits on tax loss carryforwards generated in various jurisdictions. Current evidence does not suggest we will realize sufficient taxable income of the appropriate character within the carryforward period to allow us to realize these deferred tax benefits. If we were to identify and implement tax planning strategies to recover these deferred tax assets or generate sufficient income of the appropriate character in these jurisdictions in the future, it could lead to the reversal of these valuation allowances and a

reduction of income tax expense. The Company believes it will generate sufficient future taxable income to realize the tax benefits related to the remaining deferred tax assets in our condensed consolidated balance sheet.

The Company does not record a U.S. deferred tax liability for the excess of the book basis over the tax basis of its investments in foreign subsidiaries to the extent that the basis difference, which primarily results from earnings, meets the indefinite reversal criteria. These criteria are met if the foreign subsidiary has invested, or will invest, the undistributed earnings indefinitely. The decision as to the amount of undistributed earnings that the Company intends to maintain in non-U.S. subsidiaries takes into account items including, but not limited to, forecasts and budgets of financial needs of cash for working capital, liquidity plans, capital improvement programs, merger and acquisition plans, and planned loans to other non-U.S. subsidiaries. The Company also evaluates its expected cash requirements in the United States. Other factors that can influence that determination are local restrictions on remittances (for example, in some countries a central bank application and approval are required in order for the Company's local country subsidiary to pay a dividend), economic stability and asset risk. Refer to Note 15 of Notes to Condensed Consolidated Financial Statements.

The Tax Reform Act was signed into law on December 22, 2017. Among other things, the Tax Reform Act reduced the U.S. federal corporate tax rate from 35.0 percent to 21.0 percent effective for tax years beginning after December 31, 2017, transitioned the U.S. method of taxation from a worldwide tax system to a modified territorial system, and required companies to pay a one-time transition tax over a period of eight years on the mandatory deemed repatriation of prescribed foreign earnings as of December 31, 2017.

The one-time transition tax was based on our total accumulated post-1986 prescribed foreign earnings and profits ("E&P") of approximately \$41 billion. Most of this amount was unremitted foreign earnings, upon which no U.S. federal or state income tax had been accrued, because they were considered to have been indefinitely reinvested. At December 31, 2017, following enactment of the Tax Reform Act, we recorded a provisional \$4.6 billion tax charge reflecting our best estimate of the one-time deemed repatriation tax liability as of December 31, 2017, and a \$0.6 billion provisional deferred tax liability related to foreign withholding taxes and state income taxes on earnings no longer considered to be indefinitely reinvested.

We also remeasured and adjusted certain deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21.0 percent. However, as of March 30, 2018, we were still analyzing certain aspects of the Tax Reform Act and refining our calculations. The provisional amount recorded related to the remeasurement and adjustments of our deferred tax balance was a tax benefit of \$1.6 billion. Upon further analyses of certain aspects of the Tax Reform Act and refinement of our calculations during the three months ended March 30, 2018, we adjusted our provisional amount by \$176 million in deferred tax expense, which was included as a component of income tax expense from continuing operations.

The Global Intangible Low-Taxed Income ("GILTI") provisions of the Tax Reform Act require the Company to include in its U.S. income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary's tangible assets. An accounting policy election is available to either account for the tax effects of GILTI in the period that is subject to such taxes or to provide deferred taxes for book and tax basis differences that upon reversal may be subject to such taxes. We have elected to account for the tax effects of these provisions in the period that is subject to such tax and the impact is reflected in our current year and prior year provisions.

At the end of each interim period, we make our best estimate of the effective tax rate expected to be applicable for the full fiscal year. This estimate reflects, among other items, our best estimate of operating results and foreign currency exchange rates. Based on current tax laws, the Company's effective tax rate in 2019 is expected to be 19.5 percent before considering the potential impact of any significant operating and nonoperating items that may affect our effective tax rate.

OPERATIONS REVIEW

Sales of our nonalcoholic ready-to-drink beverages are somewhat seasonal, with the second and third calendar quarters accounting for the highest sales volumes. The volume of sales in the beverage business may be affected by weather conditions.

Structural Changes, Acquired Brands and Newly Licensed Brands

In order to continually improve upon the Company's operating performance, from time to time, we engage in buying and selling ownership interests in bottling partners and other manufacturing operations. In addition, we also acquire brands or enter into license agreements for certain brands to supplement our beverage offerings. These items impact our operating results and certain key metrics used by management in assessing the Company's performance.

Unit case volume growth is a metric used by management to evaluate the Company's performance because it measures demand for our products at the consumer level. The Company's unit case volume represents the number of unit cases (or unit case equivalents) of Company beverage products directly or indirectly sold by the Company and its bottling partners to customers and, therefore, reflects unit case volume for both consolidated and unconsolidated bottlers. Refer to the heading "Beverage Volume" below.

Concentrate sales volume represents the amount of concentrates, syrups, beverage bases, source waters and powders/minerals (in all instances expressed in equivalent unit cases) sold by, or used in finished products sold by, the Company to its bottling partners or other customers. Refer to the heading "Beverage Volume" below.

Our Bottling Investments operating segment and our other finished product operations typically generate net operating revenues by selling sparkling soft drinks and a variety of other beverages, such as juices, juice drinks, sports drinks, waters, teas and coffees, to retailers or to distributors, wholesalers and bottling partners who distribute them to retailers. In addition, in the United States, we manufacture fountain syrups and sell them to fountain retailers such as restaurants and convenience stores who use the fountain syrups to produce beverages for immediate consumption, or to authorized fountain wholesalers or bottling partners who resell the fountain syrups to fountain retailers. For these consolidated finished product operations, we recognize the associated concentrate sales volume at the time the unit case or unit case equivalent is sold to the customer. Our concentrate operations typically generate net operating revenues by selling concentrates and syrups to authorized bottling operations. For these concentrate operations, we recognize concentrate revenue and concentrate sales volume when we sell concentrate and syrups to the authorized unconsolidated bottling operations, and we typically report unit case volume when finished products manufactured from the concentrates and syrups are sold to the customer. When we analyze our net operating revenues we generally consider the following four factors: (1) volume growth (concentrate sales volume or unit case volume, as applicable); (2) acquisitions and divestitures (including structural changes defined below), as applicable; (3) changes in price, product and geographic mix; and (4) foreign currency fluctuations. Refer to the heading "Net Operating Revenues" below.

We generally refer to acquisitions and divestitures of bottling and distribution operations as structural changes, which are a component of acquisitions and divestitures. Typically, structural changes do not impact the Company's unit case volume or concentrate sales volume on a consolidated basis or at the geographic operating segment level. We recognize unit case volume for all sales of Company beverage products, with the exception of Costa, regardless of our ownership interest in the bottling partner, if any. However, the unit case volume reported by our Bottling Investments operating segment is generally impacted by structural changes because it only includes the unit case volume of our consolidated bottling operations. Refer to Note 2 of Notes to Condensed Consolidated Financial Statements for additional information on the Company's acquisitions and divestitures.

"Acquired brands" refers to brands acquired during the past 12 months. Typically, the Company has not reported unit case volume or recognized concentrate sales volume related to acquired brands in periods prior to the closing of a transaction. Therefore, the unit case volume and concentrate sales volume from the sale of these brands is incremental to prior year volume. We do not generally consider acquired brands to be structural changes.

"Licensed brands" refers to brands not owned by the Company, but for which we hold certain rights, generally including, but not limited to, distribution rights, and from which we derive an economic benefit when these brands are ultimately sold. Typically, the Company has not reported unit case volume or recognized concentrate sales volume related to these brands in periods prior to the beginning of the term of a license agreement. Therefore, in the year that the licenses are entered into, the unit case volume and concentrate sales volume from the sale of these brands is incremental to prior year volume. We do not generally consider newly licensed brands to be structural changes. In 2019, the Company acquired Costa. The impact of this acquisition has been included in acquisitions and divestitures in our analysis of net operating revenues on a consolidated basis as well as for the Global Ventures

operating segment. We do not report unit case volume or concentrate sales volume for Costa.

In 2019, the Company acquired the remaining equity ownership interest in C.H.I. Limited ("CHI"). The impact of this acquisition has been included in acquisitions and divestitures in our analysis of net operating revenues on a consolidated basis as well as for the Europe, Middle East and Africa operating segment.

In 2018, the Company acquired a controlling interest in the Philippine bottling operations, which was previously accounted for as an equity method investee. The impact of this acquisition has been included as a structural change in our analysis of net operating revenues on a consolidated basis as well as for the Bottling Investments and Asia Pacific operating segments. The

Company also acquired a controlling interest in the franchise bottler in Oman. The impact of this acquisition has been included as a structural change in our analysis of net operating revenues on a consolidated basis as well as for the Bottling Investments operating segment.

In 2018, the Company refranchised our Canadian and Latin American bottling operations. The impact of these refranchising activities has been included as a structural change in our analysis of net operating revenues on a consolidated basis as well as for our North America, Latin America and Bottling Investments operating segments. In addition, for non-Company-owned and licensed brands sold in the Canadian refranchised territories for which the Company no longer reports unit case volume, we have eliminated the unit case volume from the base year when calculating 2019 versus 2018 volume growth rates on a consolidated basis as well as for the North America and Bottling Investments operating segments. Refer to the headings "Beverage Volume" and "Net Operating Revenues" below.

The Company sells concentrates and syrups to both consolidated and unconsolidated bottling partners. The ownership structure of our bottling partners impacts the timing of recognizing concentrate revenue and concentrate sales volume. When we sell concentrates or syrups to our consolidated bottling partners, we are not able to recognize the concentrate revenue or concentrate sales volume until the bottling partner has sold finished products manufactured from the concentrates or syrups to a third party or independent customer. When we sell concentrates or syrups to our unconsolidated bottling partners, we recognize the concentrate revenue and concentrate sales volume when the concentrates or syrups are sold to the bottling partner. The subsequent sale of the finished products manufactured from the concentrates or syrups to a third party or independent customer does not impact the timing of recognizing the concentrate revenue or concentrate sales volume. When we account for an unconsolidated bottling partner as an equity method investment, we eliminate the intercompany profit related to these transactions to the extent of our ownership interest until the equity method investee has sold finished products manufactured from the concentrates or syrups to a third party or independent customer.

Beverage Volume

We measure the volume of Company beverage products sold in two ways: (1) unit cases of finished products and (2) concentrate sales. As used in this report, "unit case" means a unit of measurement equal to 192 U.S. fluid ounces of finished beverage (24 eight-ounce servings); and "unit case volume" means the number of unit cases (or unit case equivalents) of Company beverage products directly or indirectly sold by the Company and its bottling partners to customers. Unit case volume primarily consists of beverage products bearing Company trademarks. Also included in unit case volume are certain products licensed to, or distributed by, our Company, and brands owned by Coca-Cola system bottlers for which our Company provides marketing support and from the sale of which we derive economic benefit. In addition, unit case volume includes sales by certain joint ventures in which the Company has an equity interest. We believe unit case volume is one of the measures of the underlying strength of the Coca-Cola system because it measures trends at the consumer level. The unit case volume numbers used in this report are derived based on estimates received by the Company from its bottling partners and distributors. Concentrate sales volume represents the amount of concentrates, syrups, beverage bases, source waters and powders/minerals (in all instances expressed in equivalent unit cases) sold by, or used in finished beverages sold by, the Company to its bottling partners or other customers. Unit case volume and concentrate sales volume growth rates are not necessarily equal during any given period. Factors such as seasonality, bottlers' inventory practices, supply point changes, timing of price increases, new product introductions and changes in product mix can impact unit case volume and concentrate sales volume and can create differences between unit case volume and concentrate sales volume growth rates. In addition to the items mentioned above, the impact of unit case volume from certain joint ventures in which the Company has an equity interest but to which the Company does not sell concentrates, syrups, beverage bases, source waters or powders/minerals may give rise to differences between unit case volume and concentrate sales volume growth rates. The Company does not report unit case volume or concentrate sales volume for Costa, a component of the Global Ventures operating segment.

Information about our volume growth worldwide and by operating segment is as follows:

	Percent Change 2019 versus 2018 Three Months Ended March 29, 2019			
	Unit Cases ^{1,2,3}		Concentrate Sales ⁴	
Worldwide	2	%	1	%
Europe, Middle East & Africa	2	%	4	% ⁶
Latin America	(1	)	(3)
North America	(1	)	(2	)⁷
Asia Pacific	7		1	⁸
Global Ventures	1		(2)
Bottling Investments	16		⁵ N/A	

¹ Bottling Investments operating segment data reflects unit case volume growth for consolidated bottlers only.

² Geographic and Global Ventures operating segment data reflects unit case volume growth for all bottlers, both consolidated and unconsolidated, and distributors in the applicable geographic areas.

³ Unit case volume percent change is based on average daily sales. Unit case volume growth based on average daily sales is computed by comparing the average daily sales in each of the corresponding periods. Average daily sales are the unit cases sold during the period divided by the number of days in the period.

⁴ Concentrate sales volume represents the amount of concentrates, syrups, beverage bases, source waters and powders/minerals (in all instances expressed in equivalent unit cases) sold by, or used in finished beverages sold by, the Company to its bottling partners or other customers and is not based on average daily sales. Each of our interim reporting periods, other than the fourth interim reporting period, ends on the Friday closest to the last day of the corresponding quarterly calendar period. As a result, the first quarter of 2019 had one less day when compared to the first quarter of 2018, and the fourth quarter of 2019 will have one additional day when compared to the fourth quarter of 2018.

⁵ After considering the impact of structural changes, unit case volume for Bottling Investments for the three months ended March 29, 2019 grew 7 percent.

⁶ Due to uncertainties related to the United Kingdom's impending withdrawal from the European Union ("Brexit"), our bottling partners in certain European markets increased their concentrate inventory levels above their normal optimal levels. We estimate that approximately 4 percent of Europe, Middle East and Africa's concentrate sales growth was a result of this activity. We currently expect the concentrate inventory levels of these bottlers to return to optimal levels throughout 2019.

⁷ After considering the impact of structural changes, concentrate sales volume for North America for the three months ended March 29, 2019 declined 3 percent.

⁸ After considering the impact of structural changes, concentrate sales volume for Asia Pacific for the three months ended March 29, 2019 grew 6 percent.

Unit Case Volume

Although a significant portion of our Company's revenues is not based directly on unit case volume, we believe unit case

volume is one of the measures of the underlying strength of the Coca-Cola system because it measures trends at the consumer level. The unit case volume for 2019 and 2018 reflects the impact of the transfer of distribution rights with respect to non-Company-owned brands that were previously licensed to us in our Canadian bottling territories that have since been refranchised. The Company eliminated the unit case volume related to this structural change from the base year when calculating the volume growth rates. Refer to the heading "Structural Changes, Acquired Brands and Newly Licensed Brands" above.

Three Months Ended March 29, 2019 versus Three Months Ended March 30, 2018

Unit case volume in Europe, Middle East and Africa grew 2 percent, which included growth of 1 percent in sparkling soft drinks and 8 percent in water, enhanced water and sports drinks. Growth in sparkling soft drinks was primarily

driven by Trademark Coke. The group reported increases in unit case volume in the Western Europe; Central & Eastern Europe; Turkey, Caucasus & Central Asia; and West Africa business units. The increases in these business units were partially offset by decreases in the Middle East & North Africa and South & East Africa business units. Growth in the Western Europe business unit was primarily driven by sparkling soft drinks.

In Latin America, unit case volume declined 1 percent, which included a 2 percent decline in sparkling soft drinks, partially offset by growth of 2 percent in water, enhanced water and sports drinks. The group's volume reflected a decline of 7 percent and 1 percent in the South Latin and Mexico business units, respectively, partially offset by growth of 5 percent in the Brazil business unit.

Unit case volume in North America declined 1 percent, reflecting a 2 percent decline in sparkling soft drinks. The group's sparkling soft drinks volume included a decline of 1 percent in Trademark Coca-Cola. The decline in sparkling soft drinks was partially offset by 1 percent growth in water, enhanced water and sports drinks.

In Asia Pacific, unit case volume grew 7 percent, reflecting 7 percent growth in sparkling soft drinks and 11 percent growth in water, enhanced water and sports drinks. Growth in sparkling soft drinks volume included 8 percent growth in Trademark Coca Cola, 10 percent growth in Trademark Fanta and 6 percent growth in Trademark Sprite. Volume within the water, enhanced water and sports drinks category cluster included growth of 13 percent in packaged water. The group's volume reflects growth of 8 percent in the Greater China & Korea business unit, 14 percent in the ASEAN business unit and 6 percent in the India & South West Asia business unit. The growth in these business units was partially offset by a decline of 3 percent in the South Pacific business unit. Volume in the Japan business unit was even.

Unit case volume for Global Ventures, excluding Costa for which we do not report unit case volume, grew 1 percent, which included growth of 9 percent in juice, dairy and plant-based beverages and growth in energy drinks, partially offset by a decline in tea.

Unit case volume for Bottling Investments grew 16 percent. This increase primarily reflects the impact of the recent acquisition of a controlling interest in the Philippine bottling operations as well as growth in India.

Concentrate Sales Volume

During the three months ended March 29, 2019, worldwide unit case volume grew 2 percent and concentrate sales volume grew 1 percent compared to the three months ended March 30, 2018. Concentrate sales volume growth is calculated based on the amount of concentrate sold during the reporting periods, which is impacted by the number of days. Conversely, unit case volume growth is calculated based on average daily sales, which is not impacted by the number of days in the reporting periods. The first quarter of 2019 had one less day when compared to the first quarter of 2018, which contributed to the differences between unit case volume and concentrate sales volume growth rates on a consolidated basis and for the individual operating segments during the three months ended March 29, 2019. In addition, the differences between unit case volume and concentrate sales volume growth rates during the three months ended March 29, 2019 were due to the timing of concentrate shipments (including shipments resulting from uncertainties due to Brexit), structural changes and the impact of unit case volume from certain joint ventures in which the Company has an equity interest but to which the Company does not sell concentrates, syrups, beverage bases, source waters or powders/minerals.

Net Operating Revenues

During the three months ended March 29, 2019, net operating revenues were \$8,020 million, compared to \$7,626 million during the three months ended March 30, 2018, an increase of \$394 million, or 5 percent.

The following table illustrates, on a percentage basis, the estimated impact of key factors resulting in the increase (decrease) in net operating revenues on a consolidated basis and for each of our operating segments:

	Percent Change 2019 versus 2018				
	Volume ¹	Acquisitions & Divestitures	Price, Product & Geographic Mix	Currency Fluctuations	Total
Consolidated	1	% 5	% 5	% (6)	)% 5 %
Europe, Middle East & Africa	4	% 3	% 10	% (12)	)% 5 %
Latin America	(3	) —	9	(16	) (10)
North America	(3	) —	4	—	1
Asia Pacific	6	(3)	(2	) (3	) (2)
Global Ventures	(2	) 222	3	(22	) 201
Bottling Investments	6	(9)	3	(5	) (5)

¹ Represents the percent change in net operating revenues attributable to the increase (decrease) in concentrate sales volume for our geographic operating segments and our Global Ventures operating segment (excluding Costa) (expressed in equivalent unit cases) after considering the impact of acquisitions and divestitures. For our Bottling

Investments operating segment, this represents the percent change in net operating revenues attributable to the increase (decrease) in unit case volume computed by comparing the total sales (rather than the average daily sales) in each of the corresponding periods after considering the impact of structural changes. Our Bottling Investments operating segment data reflects unit case volume growth for consolidated bottlers only after considering the impact of structural changes. Refer to the heading "Beverage Volume" above.

Refer to the heading "Beverage Volume" above for additional information related to changes in our unit case and concentrate sales volumes.

"Acquisitions and divestitures" refers to acquisitions and divestitures of brands or businesses, some of which the Company considers to be structural changes. Refer to the heading "Structural Changes, Acquired Brands and Newly Licensed Brands" above for additional information related to the structural changes.

"Price, product and geographic mix" refers to the change in net operating revenues caused by factors such as price changes, the mix of products and packages sold, and the mix of channels and geographic territories where the sales occurred.

Price, product and geographic mix had a 5 percent favorable impact on our consolidated net operating revenues. Price, product and geographic mix was impacted by a variety of factors and events including, but not limited to, the following:

- Europe, Middle East and Africa — favorable price mix across most markets and favorable geographic mix primarily from the timing of concentrate shipments as a result of certain bottlers increasing their concentrate inventories due to uncertainties related to Brexit;

- Latin America — favorable price mix in all four of the segment's business units and the impact of inflationary environments in certain markets;

- North America — favorable pricing initiatives;

- Asia Pacific — unfavorable geographic mix;

- Global Ventures — favorable product mix; and

- Bottling Investments — favorable price, product and package mix in certain bottling operations and favorable geographic mix.

We estimate that revenue recognized on incremental concentrate shipments related to Brexit was approximately \$100 million during the three months ended March 29, 2019.

Fluctuations in foreign currency exchange rates decreased our consolidated net operating revenues by 6 percent. This unfavorable impact was primarily due to a stronger U.S. dollar compared to certain foreign currencies, including the euro, British pound sterling, Japanese yen, Mexican peso, Brazilian real, South African rand and Australian dollar, which had an unfavorable impact on all of our operating segments. Refer to the heading "Liquidity, Capital Resources and Financial Position — Foreign Exchange" below.

Net operating revenue growth rates are impacted by sales volume; acquisitions and divestitures; price, product and geographic mix; and foreign currency fluctuations. The size and timing of acquisitions and divestitures are not consistent from period to period. The Company currently expects acquisitions and divestitures to have a favorable impact of 8 percent to 9 percent on 2019 full year net operating revenues. Based on current spot rates and our hedging coverage in place, we expect currencies will have an unfavorable impact on net operating revenues through the end of the year.

Gross Profit Margin

As a result of our finished goods operations, which are primarily included in our North America and Bottling Investments operating segments, the following inputs represent a substantial portion of the Company's total cost of goods sold: (1) sweeteners, (2) metals, (3) juices and (4) polyethylene terephthalate ("PET"). The Company enters into hedging activities related to certain commodities in order to mitigate a portion of the price risk associated with forecasted purchases. Many of the derivative financial instruments used by the Company to mitigate the risk associated with these commodity exposures, including any related foreign currency exposure, do not qualify for hedge accounting. As a result, the changes in fair value of these derivative instruments are included as a component of net income in each reporting period. During the three months ended March 29, 2019, the Company recorded a net gain of \$19 million related to these derivative instruments in the line item cost of goods sold in our condensed consolidated statement of income. Refer to Note 6 of Notes to Condensed Consolidated Financial Statements.

Our gross profit margin decreased to 62.7 percent for the three months ended March 29, 2019, compared to 64.1 percent for the three months ended March 30, 2018. This decrease was primarily due to the impact of structural changes as well as the unfavorable impact of foreign currency exchange rate fluctuations.

Selling, General and Administrative Expenses

The following table sets forth the significant components of selling, general and administrative expenses (in millions):

	Three Months Ended	
	March 29, 2019	March 30, 2018
Stock-based compensation expense	\$40	\$ 72
Advertising expenses	953	959
Selling and distribution expenses	555	454
Other operating expenses	1,019	1,056
Selling, general and administrative expenses	\$2,567	\$ 2,541

During the three months ended March 29, 2019, selling, general and administrative expenses increased \$26 million, or 1 percent, versus the prior year comparable period. The increase was primarily the result of acquisitions and divestitures, partially offset by a foreign currency exchange rate impact of 5 percent.

During the three months ended March 29, 2019, foreign currency exchange rate fluctuations decreased advertising expenses by 6 percent.

The increase in selling and distribution expenses during the three months ended March 29, 2019 was primarily due to the impact of structural changes, partially offset by the impact of one less day in the quarter and the impact of foreign currency exchange rate fluctuations.

The decrease in other operating expenses during the three months ended March 29, 2019 reflects the impact of structural changes and savings from our productivity initiatives.

As of March 29, 2019, we had \$371 million of total unrecognized compensation cost related to nonvested stock-based compensation arrangements granted under our plans, which we expect to recognize over a weighted-average period of 2.6 years as stock-based compensation expense. This expected cost does not include the impact of any future stock-based compensation awards.

Other Operating Charges

Other operating charges incurred by operating segment and Corporate were as follows (in millions):

	Three Months Ended	
	March 29, 2019	March 30, 2018
Europe, Middle East & Africa	\$1	\$ 2
Latin America	—	2
North America	17	52
Asia Pacific	—	—
Global Ventures	—	—
Bottling Investments	13	441
Corporate	96	39
Total	\$127	\$ 536

During the three months ended March 29, 2019, the Company recorded other operating charges of \$127 million. These charges primarily consisted of \$68 million related to the Company's productivity and reinvestment program. In addition, other operating charges included \$46 million of transaction costs associated with the purchase of Costa, which we acquired in January 2019, and \$11 million for costs incurred to rebrand certain of our North America bottling operations. Costs related to rebranding include, among other items, internal and external costs for individuals directly working on the rebranding efforts, severance, and costs associated with the implementation of information technology systems to facilitate consistent data standards and availability throughout our North America bottling system. Other operating charges also included \$2 million related to tax litigation expense. Refer to Note 2 of Notes to Condensed Consolidated Financial Statements for additional information on the acquisition of Costa. Refer to Note 9 of Notes to Condensed Consolidated Financial Statements for additional information related to the tax

litigation. Refer to Note 13 of Notes to Condensed Consolidated Financial Statements for additional information on the Company's productivity and reinvestment program. Refer to Note 17 of Notes to Condensed Consolidated Financial Statements for the impact these charges had on our operating segments and Corporate.

During the three months ended March 30, 2018, the Company recorded other operating charges of \$536 million. These charges primarily consisted of \$390 million of CCR asset impairments and \$95 million related to the Company's productivity and reinvestment program. In addition, other operating charges included \$45 million related to costs incurred to rebrand certain of our North America bottling operations. Refer to Note 13 of Notes to Condensed Consolidated Financial Statements for additional information on the Company's productivity and reinvestment program. Refer to Note 16 of Notes to Condensed Consolidated Financial Statements for information on how the Company determined the asset impairment charges. Refer to Note 17 of Notes to Condensed Consolidated Financial Statements for the impact these charges had on our operating segments and Corporate.

Operating Income and Operating Margin

Information about our operating income contribution by operating segment and Corporate on a percentage basis is as follows:

	Three Months Ended		
	March 29, 2019	March 30, 2018	
Europe, Middle East & Africa	41.9	% 50.5	%
Latin America	21.3	31.5	
North America	25.1	27.8	
Asia Pacific	23.2	31.0	
Global Ventures	2.8	1.6	
Bottling Investments	—	(25.5)
Corporate	(14.3	) (16.9)
Total	100.0	% 100.0	%

Information about our operating margin on a consolidated basis and by operating segment and Corporate is as follows:

	Three Months Ended		
	March 29, 2019	March 30, 2018	
Consolidated	29.1	% 23.7	%
Europe, Middle East & Africa	55.2	% 54.2	%
Latin America	55.4	58.4	
North America	21.9	19.4	
Asia Pacific	51.2	50.7	
Global Ventures	11.2	14.9	
Bottling Investments	0.1	(43.9)
Corporate	*	*	

* Calculation is not meaningful.

During the three months ended March 29, 2019, operating income was \$2,336 million, compared to \$1,811 million during the three months ended March 30, 2018, an increase of \$525 million, or 29 percent.

Operating income for the three months ended March 29, 2019 was favorably impacted by the timing of concentrate shipments, price mix, lower other operating charges and the impact of acquisitions and divestitures. These favorable impacts were partially offset by the impact of unfavorable foreign currency exchange rate fluctuations.

During the three months ended March 29, 2019, fluctuations in foreign currency exchange rates unfavorably impacted consolidated operating income by 15 percent due to a stronger U.S. dollar compared to certain foreign currencies, including the euro, British pound sterling, Japanese yen, Mexican peso, Brazilian real, South African rand and Australian dollar, which had an unfavorable impact on all of our operating segments. Refer to the heading "Liquidity, Capital Resources and Financial Position — Foreign Exchange" below.

The Company's Europe, Middle East and Africa segment reported operating income of \$978 million and \$914 million for the three months ended March 29, 2019 and March 30, 2018, respectively. Operating income for the segment reflects concentrate sale volume growth of 4 percent, which included additional concentrate shipments resulting from certain of our European bottling partners increasing concentrate inventory levels due to uncertainties related to Brexit, and favorable price, product and geographic mix, partially offset by an unfavorable foreign currency exchange rate impact of 15 percent.

Latin America reported operating income of \$496 million and \$571 million for the three months ended March 29, 2019 and March 30, 2018, respectively. Operating income for the segment was unfavorably impacted by a concentrate sales volume decline of 3 percent and an unfavorable foreign currency exchange rate impact of 20 percent, partially offset by favorable price mix.

Operating income for North America for the three months ended March 29, 2019 and March 30, 2018 was \$586 million and \$503 million, respectively. The increase in operating income was primarily driven by favorable price

mix, lower other operating charges and lower operating expenses as a result of productivity initiatives. These favorable impacts were partially offset by a decline in concentrate sale volume of 2 percent.

50

Asia Pacific's operating income for the three months ended March 29, 2019 and March 30, 2018 was \$542 million and \$562 million, respectively. The decrease in operating income was driven by an unfavorable foreign currency exchange rate impact of 3 percent, unfavorable price and geographic mix, and the impact of structural changes. These unfavorable impacts were partially offset by concentrate sales volume growth of 1 percent.

Global Ventures operating income for the three months ended March 29, 2019 and March 30, 2018 was \$66 million and \$29 million, respectively. Operating income for the segment was favorably impacted by the acquisition of Costa. Operating income for our Bottling Investments segment for the three months ended March 29, 2019 was \$1 million compared to an operating loss of \$461 million for the three months ended March 30, 2018. Operating income in 2019 was impacted by lower other operating charges, unit case sales volume growth of 16 percent and favorable price mix. Corporate's operating loss for the three months ended March 29, 2019 and March 30, 2018 was \$333 million and \$307 million, respectively. Operating loss in 2019 was unfavorably impacted by higher other operating charges, partially offset by savings from our productivity initiatives.

Based on current spot rates and our hedging coverage in place, we expect currencies will have an unfavorable impact on operating income through the end of the year.

Interest Income

During the three months ended March 29, 2019, interest income was \$129 million, compared to \$165 million during the three months ended March 30, 2018, a decrease of \$36 million, or 22 percent. This decrease was driven by lower investment balances due to liquidating a portion of our short-term investments in connection with the acquisition of Costa. Refer to Note 2 of Notes to Condensed Consolidated Financial Statements for additional information.

Interest Expense

During the three months ended March 29, 2019, interest expense was \$232 million, compared to \$230 million during the three months ended March 30, 2018, an increase of \$2 million, or 1 percent. This increase was primarily due to the impact of higher short-term U.S. interest rates, which was offset by lower average short-term borrowings as well as lower current maturities of long-term debt.

Equity Income (Loss) — Net

During the three months ended March 29, 2019, equity income was \$133 million, compared to equity income of \$142 million during the three months ended March 30, 2018, a decrease of \$9 million, or 6 percent. This decrease reflects, among other things, the impacts of the sale of our equity ownership interest in Corporación Lindley S.A. and the sale of a portion of our equity ownership interest in Embotelladora Andina S.A. ("Andina"), as well as the unfavorable impact of foreign currency exchange rate fluctuations. In addition, the Company recorded net charges of \$42 million and \$51 million in the line item equity income (loss) — net during the three months ended March 29, 2019 and March 30, 2018, respectively. These amounts represent the Company's proportionate share of significant operating and nonoperating items recorded by certain of our equity method investees.

Other Income (Loss) — Net

Other income (loss) — net includes, among other things, the impact of foreign currency exchange gains and losses; dividend income; rental income; gains and losses related to the disposal of property, plant and equipment; gains and losses related to business combinations and disposals; non-service cost components of net periodic benefit cost for pension and postretirement benefit plans; other benefit plan charges and credits; realized and unrealized gains and losses on equity securities and trading debt securities; and realized gains and losses on available-for-sale debt securities. The foreign currency exchange gains and losses are primarily the result of the remeasurement of monetary assets and liabilities from certain currencies into functional currencies. The effects of the remeasurement of these assets and liabilities are partially offset by the impact of our economic hedging program for certain exposures on our condensed consolidated balance sheet. Refer to Note 6 of Notes to Condensed Consolidated Financial Statements. During the three months ended March 29, 2019, other income (loss) — net was a loss of \$234 million. The Company recognized an other-than-temporary impairment charge of \$286 million related to CCBJHI, an equity method investee. The Company also recognized a \$121 million loss in conjunction with our acquisition of the remaining equity ownership interest in CHI and a \$57 million other-than-temporary impairment charge related to one of our equity method investees in North America. Additionally, the Company recognized net charges of \$4 million due to the refranchising of certain bottling territories in North America and charges of \$4 million primarily related to payments

made to convert the bottling agreements for certain North America bottling partners' territories to a single form of comprehensive beverage agreement ("CBA") with additional requirements. These charges were partially offset by a net gain of \$149 million related to realized and unrealized gains and losses on equity securities and trading debt securities as well as realized gains and losses on available-for-sale debt securities, a

gain of \$39 million related to the sale of a portion of our equity ownership interest in Andina and a gain of \$34 million related to economic hedging activities. Other income (loss) — net also included income of \$25 million related to the non-service cost components of net periodic benefit cost and \$11 million of dividend income, partially offset by net foreign currency exchange losses of \$24 million. None of the other items included in other income (loss) — net during the three months ended March 29, 2019 was individually significant. Refer to Note 2 of Notes to Condensed Consolidated Financial Statements for additional information on refranchising activities, the North America conversion payments, the acquisition of the remaining equity ownership interest in CHI and the sale of a portion of our equity ownership interest in Andina. Refer to Note 4 of Notes to Condensed Consolidated Financial Statements for additional information on equity and debt securities. Refer to Note 6 of Notes to Condensed Consolidated Financial Statements for information on economic hedging activities. Refer to Note 16 of Notes to Condensed Consolidated Financial Statements for information on how the Company determined the impairment charges and the loss recognized in conjunction with our acquisition of the remaining equity ownership interest in CHI. Refer to Note 17 of Notes to Condensed Consolidated Financial Statements for the impact these items had on our operating segments and Corporate.

During the three months ended March 30, 2018, other income (loss) — net was a loss of \$55 million. The Company recorded a net loss of \$85 million related to realized and unrealized gains and losses on equity securities and trading debt securities as well as realized gains and losses on available-for-sale debt securities and a net loss of \$33 million primarily related to the reversal of the cumulative translation adjustments resulting from the substantial liquidation of the Company's former Russian juice operations. The Company also recorded charges of \$19 million primarily related to payments made to convert the bottling agreements for certain North America bottling partners' territories to a single form of CBA with additional requirements. Other income (loss) — net also included income of \$59 million related to the non-service cost components of net periodic benefit cost and \$18 million of dividend income, partially offset by net foreign currency exchange losses of \$16 million. None of the other items included in other income (loss) — net during the three months ended March 30, 2018 was individually significant. Refer to Note 2 of Notes to Condensed Consolidated Financial Statements for additional information on the North America conversion payments. Refer to Note 4 of Notes to Condensed Consolidated Financial Statements for additional information on our equity and debt securities. Refer to Note 17 of Notes to Condensed Consolidated Financial Statements for the impact these items had on our operating segments and Corporate.

Income Taxes

The Company recorded income taxes from continuing operations of \$486 million (22.8 percent effective tax rate) and \$506 million (27.6 percent effective tax rate) during the three months ended March 29, 2019 and March 30, 2018, respectively.

The Company's effective tax rate for the three months ended March 29, 2019 and March 30, 2018 varies from the statutory federal income tax rate of 21.0 percent primarily due to the tax impact of significant operating and nonoperating items, along with the tax benefits of having significant operations outside the United States and significant earnings generated in investments accounted for under the equity method of accounting, both of which are generally taxed at rates lower than the U.S. statutory rate.

The Company's effective tax rate for the first quarter of 2019 was lower compared to the first quarter of 2018 primarily due to \$176 million of additional tax expense in 2018 to adjust our provisional tax estimate recorded as of December 31, 2017, related to the Tax Reform Act signed into law on December 22, 2017.

On September 17, 2015, the Company received a Statutory Notice of Deficiency from the IRS for the tax years 2007 through 2009, after a five-year audit. Refer to Note 9 of Notes to Condensed Consolidated Financial Statements.

LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL POSITION

We believe our ability to generate cash flows from operating activities is one of our fundamental financial strengths. Refer to the heading "Cash Flows from Operating Activities" below. The near-term outlook for our business remains strong, and we expect to generate substantial cash flows from operations in 2019. As a result of our expected cash flows from operations, we have significant flexibility to meet our financial commitments. The Company does not typically raise capital through the issuance of stock. Instead, we use debt financing to lower our overall cost of capital and increase our return on shareowners' equity. Refer to the heading "Cash Flows from Financing Activities" below.

We have a history of borrowing funds both domestically and internationally at reasonable interest rates, and we expect to be able to do so in the future. Our debt financing includes the use of an extensive commercial paper program as part of our overall cash management strategy. The Company reviews its optimal mix of short-term and long-term debt regularly and may replace certain amounts of commercial paper, short-term debt and current maturities of long-term debt with new issuances of long-term debt in the future. The Company's cash, cash equivalents, short-term investments and marketable securities totaled \$11.9 billion as of March 29, 2019. In addition to these funds, our commercial paper program and our ability to issue long-term debt, we had \$8,600 million in lines of credit for general corporate purposes as of March 29, 2019. These backup lines of credit expire at various times from 2019 through 2022.

Based on all of the aforementioned factors, the Company believes its current liquidity position is strong, and we will continue to be sufficient to fund our operating activities and cash commitments for investing and financing activities for the foreseeable future.

Cash Flows from Operating Activities

Net cash provided by operating activities for the three months ended March 29, 2019 and March 30, 2018 was \$699 million and \$613 million, respectively, an increase of \$86 million, or 14 percent. This increase was primarily driven by operating income growth, the acquisition of Costa in January 2019 and the efficient management of working capital, partially offset by the impact of refranchising bottling operations and the unfavorable impact of foreign currency exchange rate fluctuations.

Cash Flows from Investing Activities

Net cash used in investing activities for the three months ended March 29, 2019 was \$4,315 million, compared to net cash provided by investing activities of \$1,321 million during the prior year comparable period.

Purchases of Investments and Proceeds from Disposals of Investments

During the three months ended March 29, 2019, purchases of investments were \$1,062 million and proceeds from disposals of investments were \$1,994 million, resulting in a net cash inflow of \$932 million. During the three months ended March 30, 2018, purchases of investments were \$2,669 million and proceeds from disposals of investments were \$4,379 million, resulting in a net cash inflow of \$1,710 million. This activity represents the purchases of and proceeds related to our short-term investments that were made as part of the Company's overall cash management strategy as well as our insurance captive investments. Refer to Note 4 of Notes to Condensed Consolidated Financial Statements for additional information.

Acquisitions of Businesses, Equity Method Investments and Nonmarketable Securities

During the three months ended March 29, 2019, the Company's acquisitions of businesses, equity method investments and nonmarketable securities totaled \$5,201 million, which primarily related to the acquisition of Costa and the remaining interest in CHI. Refer to Note 2 of Notes to Condensed Consolidated Financial Statements for additional information.

During the three months ended March 30, 2018, the Company's acquisitions of businesses, equity method investments and nonmarketable securities totaled \$183 million, which primarily related to the acquisition of additional interests in the Company's franchise bottlers in the United Arab Emirates and in Oman, both of which were equity method investees. As a result of the additional interest in the Oman bottler, we obtained a controlling interest, resulting in its consolidation. Refer to Note 2 of Notes to Condensed Consolidated Financial Statements for additional information.

Proceeds from Disposals of Businesses, Equity Method Investments and Nonmarketable Securities

During the three months ended March 29, 2019, proceeds from disposals of businesses, equity method investments and nonmarketable securities were \$261 million, which primarily related to the proceeds from the sale of a portion of our equity ownership interest in Andina.

During the three months ended March 30, 2018, proceeds from disposals of businesses, equity method investments and nonmarketable securities were \$3 million, which related to proceeds from the refranchising of our U.S. Virgin Islands bottling territories. Refer to Note 2 of Notes to Condensed Consolidated Financial Statements for additional information.

Purchases of Property, Plant and Equipment

Purchases of property, plant and equipment net of disposals for the three months ended March 29, 2019 and March 30, 2018 were \$338 million and \$231 million, respectively.

The Company currently expects our 2019 full year capital expenditures related to continuing operations to be approximately \$2.0 billion as we continue to make investments to enable growth in our business and further enhance our operational effectiveness.

Cash Flows from Financing Activities

Our financing activities include net borrowings, issuances of stock, share repurchases and dividends. Net cash provided by financing activities during the three months ended March 29, 2019 and March 30, 2018 was \$285 million and \$284 million, respectively, an increase of \$1 million.

Debt Financing

Issuances and payments of debt included both short-term and long-term financing activities. During the three months ended March 29, 2019, the Company had issuances of debt of \$10,119 million, which included \$6,199 million of net issuances related to commercial paper and short-term debt with maturities greater than 90 days, and long-term debt issuances of \$3,920 million, net of related discounts and issuance costs.

The Company made payments of debt of \$9,656 million during the three months ended March 29, 2019, which included \$4,738 million of payments of commercial paper and short-term debt with maturities greater than 90 days, \$3,220 million of payments of commercial paper and short-term debt with maturities less than 90 days and payments of long-term debt of \$1,698 million.

During the three months ended March 29, 2019, the Company issued euro-denominated debt totaling €3,500 million. The carrying value of this debt as of March 29, 2019 was \$3,906 million. The general terms of the notes issued are as follows:

- €750 million total principal amount of notes due 2021, at a variable interest rate equal to the three-month Euro Interbank Offered Rate ("EURIBOR") plus 0.20 percent;

- €1,000 million total principal amount of notes due 2022, at a fixed interest rate of 0.125 percent;

- €1,000 million total principal amount of notes due 2026, at a fixed interest rate of 0.75 percent; and

- €750 million total principal amount of notes due 2031, at a fixed interest rate of 1.25 percent.

During the three months ended March 29, 2019, the Company retired upon maturity €1,500 million total principal amount of notes due March 8, 2019 at a variable interest rate equal to the three-month EURIBOR plus 0.25 percent.

As of March 29, 2019, the carrying value of the Company's long-term debt included \$206 million of fair value adjustments related to the remaining debt assumed in connection with our acquisition of Coca Cola Enterprises Inc.'s former North America business ("Old CCE"). These fair value adjustments will be amortized over a weighted-average period of approximately 19 years, which is equal to the weighted-average maturity of the assumed debt to which these fair value adjustments relate. The amortization of these fair value adjustments will be a reduction of interest expense in future periods, which will typically result in our interest expense being less than the actual interest paid to service the debt.

Issuances of Stock

During the three months ended March 29, 2019, the Company received cash proceeds from issuances of stock of \$190 million, a decrease of \$287 million when compared to cash proceeds from issuances of stock of \$477 million during the three months ended March 30, 2018. This decrease was primarily due to a decrease in the exercise of stock options by Company employees.

Share Repurchases

During the three months ended March 29, 2019, the Company repurchased 8.7 million shares of common stock under the share repurchase plan authorized by our Board of Directors. These shares were repurchased at an average cost of \$45.81 per share, for a total cost of \$398 million. However, due to the timing of settlements, the total cash outflow for treasury stock purchases was \$397 million during the three months ended March 29, 2019. The total cash outflow for treasury stock during the first three months of 2019 includes treasury stock that was purchased and settled during the three months ended March 29, 2019, however, it does not include treasury stock that was purchased but did not settle during the three months ended March 29, 2019. In addition to shares repurchased, the Company's treasury stock activity also includes shares surrendered to the Company to pay the exercise price and/or to satisfy tax withholding obligations in connection with so-called stock swap exercises of employee stock options and/or the vesting of restricted stock issued to employees. The net impact of the Company's issuances of stock and share repurchases during the three months ended March 29, 2019 resulted in a net cash outflow of \$207 million. In 2019, we expect to repurchase shares to offset dilution resulting from employee stock-based compensation plans.

Dividends

During the three months ended March 29, 2019 and March 30, 2018, the Company did not make any cash payments for dividends. The Company paid the first quarter dividend in both 2019 and 2018 during the first week of April. Our Board of Directors approved the Company's regular quarterly dividend of \$0.40 per share at its April 2019 meeting. This dividend is payable on July 1, 2019 to shareowners of record as of June 14, 2019.

Foreign Exchange

Our international operations are subject to certain opportunities and risks, including currency fluctuations and governmental actions. We closely monitor our operations in each country and seek to adopt appropriate strategies that are responsive to changing economic and political environments as well as to fluctuations in foreign currencies.

Our Company conducts business in more than 200 countries and territories. Due to the geographic diversity of our operations, weakness in some foreign currencies may be offset by strength in others. Our foreign currency management program is designed to mitigate, over time, a portion of the potentially unfavorable impact of exchange rate changes on net income and earnings per share. Taking into account the effects of our hedging activities, the impact of changes in foreign currency exchange rates decreased our operating income for the three months ended March 29, 2019 by 15 percent.

Based on current spot rates and our hedging coverage in place, we expect currencies will have an unfavorable impact on operating income and cash flows from operations through the end of the year.

Overview of Financial Position

The following table illustrates the change in the individual line items of the Company's condensed consolidated balance sheet (in millions):

	March 29, 2019	December 31, 2018	Increase (Decrease)	Percent Change
Cash and cash equivalents	\$ 5,645	\$ 8,926	\$ (3,281)	(37)%
Short-term investments	1,538	2,025	(487)	(24)
Marketable securities	4,765	5,013	(248)	(5)
Trade accounts receivable — net	3,852	3,396	456	13
Inventories	3,178	2,766	412	15
Prepaid expenses and other assets	2,935	1,962	973	50
Assets held for sale — discontinued operations	6,627	6,546	81	1
Equity method investments	19,283	19,407	(124)	(1)
Other investments	915	867	48	6
Other assets	5,382	4,139	1,243	30
Deferred income tax assets	2,617	2,667	(50)	(2)
Property, plant and equipment — net	8,866	8,232	634	8
Trademarks with indefinite lives	9,351	6,682	2,669	40
Bottlers' franchise rights with indefinite lives	111	51	60	118
Goodwill	12,964	10,263	2,701	26
Other intangible assets	318	274	44	16
Total assets	\$ 88,347	\$ 83,216	\$ 5,131	6 %
Accounts payable and accrued expenses	\$ 10,986	\$ 8,932	\$ 2,054	23 %
Loans and notes payable	11,570	13,194	(1,624)	(12)
Current maturities of long-term debt	3,297	4,997	(1,700)	(34)
Accrued income taxes	255	378	(123)	(33)
Liabilities held for sale — discontinued operations	1,835	1,722	113	7
Long-term debt	29,400	25,364	4,036	16
Other liabilities	8,598	7,638	960	13
Deferred income tax liabilities	2,602	1,933	669	35
Total liabilities	\$ 68,543	\$ 64,158	\$ 4,385	7 %
Net assets	\$ 19,804	\$ 19,058	\$ 746	¹ 4 %

¹ Includes an increase in net assets of \$926 million resulting from net foreign currency translation adjustments in various balance sheet line items.

The increases (decreases) in the table above include the impact of the following transactions and events:

• Cash and cash equivalents, short-term investments and marketable securities decreased primarily due to funding the acquisition of Costa.

• Other assets increased primarily as a result of our adoption of Accounting Standards Codification 842, Leases ("ASC 842") and the acquisition of Costa, which required us to record \$1,242 million of operating lease right-of-use ("ROU") assets.

• Trademarks with indefinite lives and goodwill increased primarily due to \$2.4 billion of trademarks and \$2.5 billion of goodwill related to the preliminary allocation of the Costa purchase price.

• Accounts payable and accrued expenses increased primarily due to the accrual of the Company's first quarter 2019 dividend of approximately \$1.7 billion, which was paid during the first week of April. Additionally, accounts payable and accrued expenses increased due to our adoption of ASC 842 and the acquisition of Costa, which required us to record \$251 million related to the current portion of operating lease liabilities.

• Loans and notes payable decreased primarily due to net payments of commercial paper and short-term debt.

• Current maturities of long-term debt decreased as a result of payments of long-term debt. Refer to the heading "Cash Flows from Financing Activities" above for additional information.

Long-term debt increased primarily due to the Company's recent issuances of euro-denominated debt. Refer to the heading "Cash Flows from Financing Activities" above for additional information.

Other liabilities increased as a result of our adoption of ASC 842 and the acquisition of Costa, which required us to record \$1,017 million related to the noncurrent portion of operating lease liabilities.

Refer to Note 1 of Notes to Condensed Consolidated Financial Statements for additional information on our adoption of the new leases standard. Refer to Note 2 of Notes to Condensed Consolidated Financial Statements for additional information on the acquisition of Costa.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have no material changes to the disclosures on this matter made in our Annual Report on Form 10-K for the year ended December 31, 2018.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its management, including the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Management has excluded from the scope of its evaluation of disclosure controls and procedures those disclosure controls and procedures related to the operations and related assets of Costa that are subsumed by internal control over financial reporting. The operations and related assets of Costa were included in the condensed consolidated financial statements of The Coca-Cola Company and subsidiaries beginning January 3, 2019 and constituted 7 percent of total assets and 1 percent of consolidated net income as of and for the quarter ended March 29, 2019. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of March 29, 2019.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the quarter ended March 29, 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Additional Information

The Company is in the process of integrating the acquired Costa business into the Company's overall internal control over financial reporting process.

Part II. Other Information

Item 1. Legal Proceedings

Information regarding reportable legal proceedings is contained in Part I, "Item 3. Legal Proceedings" in our Annual Report on Form 10-K for the year ended December 31, 2018. The following updates and restates the description of the previously reported U.S. Federal Income Tax Dispute matter.

U.S. Federal Income Tax Dispute

On September 17, 2015, the Company received a Statutory Notice of Deficiency ("Notice") from the Internal Revenue Service ("IRS") for the tax years 2007 through 2009, after a five-year audit. In the Notice, the IRS claimed that the Company's United States taxable income should be increased by an amount that creates a potential additional federal income tax liability of approximately \$3.3 billion for the period, plus interest. No penalties were asserted in the Notice. The disputed amounts largely relate to a transfer pricing matter involving the appropriate amount of taxable income the Company should report in the United States in connection with its licensing of intangible property to certain related foreign licensees regarding the manufacturing, distribution, sale, marketing and promotion of products in overseas markets.

During the 2007-2009 audit period, the Company followed the same transfer pricing methodology for these licenses that had consistently been followed since the methodology was agreed with the IRS in a 1996 closing agreement that applied back to 1987. The closing agreement provided prospective penalty protection conditioned on the Company's continued adherence to the prescribed methodology absent change in material facts or circumstances or relevant federal tax law. Although the IRS subsequently asserted, without explanation, that material facts and circumstances and relevant federal tax law had changed, it has not asserted penalties. The Company's compliance with the closing agreement was audited and confirmed by the IRS in five successive audit cycles covering the subsequent 11 years

through 2006, with the last audit concluding as recently as 2009.

57

The Notice represents a repudiation of the methodology previously adopted in the 1996 closing agreement. The IRS designated the matter for litigation on October 15, 2015. To the extent the matter remains designated, the Company will be prevented from pursuing any administrative settlement at IRS Appeals or under the IRS Advance Pricing and Mutual Agreement Program.

The Company firmly believes that the IRS' claims are without merit and is pursuing, and will continue to pursue, all available administrative and judicial remedies necessary to vigorously defend its position. To that end, the Company filed a petition in the U.S. Tax Court on December 14, 2015, and the IRS filed its answer on February 12, 2016. On October 4, 2017, the IRS filed an amended answer to the Company's petition in which it increased its transfer pricing adjustment by \$385 million resulting in an additional tax adjustment of \$135 million.

On June 20, 2017, the Company filed a motion for summary judgment on the portion of the IRS' adjustments related to our licensee in Mexico. On December 14, 2017, the U.S. Tax Court issued a decision on the summary judgment motion in favor of the Company. This decision effectively reduced the IRS' potential tax adjustment by approximately \$138 million.

The U.S. Tax Court trial was held from March 8, 2018 through May 11, 2018. The Company and the IRS filed simultaneous opening and answering post-trial briefs in October 2018 and February 2019, respectively. The Company filed a subsequent brief in March 2019 to which the IRS responded in April 2019. It is not known how much time will elapse thereafter prior to the issuance of the Court's decision. In the interim, or subsequent to the Court's decision, the IRS may propose similar adjustments for years subsequent to the 2007-2009 litigation period. While the Company continues to strongly disagree with the IRS' position, there is no assurance that the Court will rule in the Company's favor, and it is possible that all or some portion of the adjustment proposed by the IRS Notice ultimately could be sustained. In that event, the Company will be subject to significant additional liabilities for the years at issue and potentially also for subsequent periods, which could have a material adverse impact on the Company's financial position, results of operations and cash flows.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018, which could materially affect our business, financial condition or future results. The risks described in this report and in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

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

The following table presents information with respect to purchases of common stock of the Company made during the three months ended March 29, 2019 by The Coca-Cola Company or any "affiliated purchaser" of The Coca-Cola Company as defined in Rule 10b-18(a)(3) under the Exchange Act:

Period	Total Number of Shares Purchased ¹	Average Price Paid Per Share	Total Number of Shares Purchased as Part of the Publicly Announced Plans ²	Maximum Number of Shares That May Yet Be Purchased Under the Publicly Announced Plans ³
January 1, 2019 through January 25, 2019	26,301	\$ 47.16	—	32,020,411
January 26, 2019 through February 22, 2019	878,536	45.73	—	182,020,411
February 23, 2019 through March 29, 2019	8,699,794	45.81	8,696,256	173,324,155
Total	9,604,631	\$ 45.81	8,696,256	

¹ The total number of shares purchased includes: (1) shares purchased pursuant to the 2012 Plan described in footnote 2 below and (2) shares surrendered to the Company to pay the exercise price and/or to satisfy tax withholding obligations in connection with so-called stock swap exercises of employee stock options and/or the vesting of restricted stock issued to employees.

² On October 18, 2012, we publicly announced that our Board of Directors had authorized a plan (the "2012 Plan") for the Company to purchase up to 500 million shares of our Company's common stock. This column discloses the number of shares purchased pursuant to the 2012 Plan during the indicated periods (including shares purchased pursuant to the terms of preset trading plans meeting the requirements of Rule 10b5-1 under the Exchange Act).

³ The maximum number of shares that may yet be purchased as of January 25, 2019 represents the number of shares available for purchase under the 2012 Plan. On February 21, 2019, we publicly announced that our Board of Directors had authorized a new plan (the "2019 Plan") for the Company to purchase up to 150 million shares of our Company's common stock following the completion of the 2012 Plan. The maximum number of shares that may yet be purchased as of February 22, 2019 and March 29, 2019 consists of the shares available for purchase under the 2012 Plan and the shares authorized for purchase under the 2019 Plan.

Item 6. Exhibits

In reviewing the agreements included as exhibits to this report, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about the Company or the other parties to the agreements. The agreements contain representations, warranties, covenants and conditions by or of each of the parties to the applicable agreement. These representations, warranties, covenants and conditions have been made solely for the benefit of the other parties to the applicable agreement and:

• should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;

• may have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;

• may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and

• were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations, warranties, covenants and conditions may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about the Company may be found elsewhere

in this report and the Company's other public filings, which are available without charge through the Securities and Exchange Commission's website at <http://www.sec.gov>.

EXHIBIT INDEX

Exhibit No.

(With regard to applicable cross-references in the list of exhibits below, the Company's Current, Quarterly and Annual Reports are filed with the Securities and Exchange Commission (the "SEC") under File No. 001-02217; and Coca-Cola Refreshments USA, Inc.'s (formerly known as Coca-Cola Enterprises Inc.) Current, Quarterly and Annual Reports are filed with the SEC under File No. 001-09300).

- 3.1 Certificate of Incorporation of the Company, including Amendment of Certificate of Incorporation, dated July 27, 2012 — incorporated herein by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 28, 2012.
- 3.2 By-Laws of the Company, as amended and restated through September 2, 2015 — incorporated herein by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K filed on September 3, 2015.
- 4.1 As permitted by the rules of the SEC, the Company has not filed certain instruments defining the rights of holders of long-term debt of the Company or consolidated subsidiaries under which the total amount of securities authorized does not exceed 10 percent of the total assets of the Company and its consolidated subsidiaries. The Company agrees to furnish to the SEC, upon request, a copy of any omitted instrument.
- 4.2 Amended and Restated Indenture, dated as of April 26, 1988, between the Company and Deutsche Bank Trust Company Americas, as successor to Bankers Trust Company, as trustee — incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on May 25, 2017.
- 4.3 First Supplemental Indenture, dated as of February 24, 1992, to Amended and Restated Indenture, dated as of April 26, 1988, between the Company and Deutsche Bank Trust Company Americas, as successor to Bankers Trust Company, as trustee — incorporated herein by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on May 25, 2017.
- 4.4 Second Supplemental Indenture, dated as of November 1, 2007, to Amended and Restated Indenture, dated as of April 26, 1988, as amended, between the Company and Deutsche Bank Trust Company Americas, as successor to Bankers Trust Company, as trustee — incorporated herein by reference to Exhibit 4.3 of the Company's Current Report on Form 8-K filed on May 25, 2017.
- 4.5 Form of Note for 3.150% Notes due November 15, 2020 — incorporated herein by reference to Exhibit 4.7 to the Company's Current Report on Form 8-K filed on November 18, 2010.
- 4.6 Form of Note for 3.30% Notes due September 1, 2021 — incorporated herein by reference to Exhibit 4.14 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011.
- 4.7 Form of Note for 2.500% Notes due 2023 — incorporated herein by reference to Exhibit 4.6 to the Company's Current Report on Form 8-K filed on March 5, 2013.
- 4.8 Form of Note for 2.450% Notes due 2020 — incorporated herein by reference to Exhibit 4.7 to the Company's Current Report on Form 8-K filed on November 1, 2013.

- 4.9 Form of Note for 3.200% Notes due 2023 — incorporated herein by reference to Exhibit 4.8 to the Company's Current Report on Form 8-K filed on November 1, 2013.
- 4.10 Form of Note for 1.875% Notes due 2026 — incorporated herein by reference to Exhibit 4.4 to the Company's Registration Statement on Form 8-A filed on September 19, 2014.
- 4.11 Form of Note for 1.125% Notes due 2022 — incorporated herein by reference to Exhibit 4.5 to the Company's Registration Statement on Form 8-A filed on September 19, 2014.
- 4.12 Form of Note for Floating Rate Notes due 2019 — incorporated herein by reference to Exhibit 4.5 to the Company's Registration Statement on Form 8-A filed on March 6, 2015.
- 4.13 Form of Note for 0.750% Notes due 2023 — incorporated herein by reference to Exhibit 4.6 to the Company's Registration Statement on Form 8-A filed on March 6, 2015.
- 4.14 Form of Note for 1.125% Notes due 2027 — incorporated herein by reference to Exhibit 4.7 to the Company's Registration Statement on Form 8-A filed on March 6, 2015.
- 4.15 Form of Note for 1.625% Notes due 2035 — incorporated herein by reference to Exhibit 4.8 to the Company's Registration Statement on Form 8-A filed on March 6, 2015.
- 4.16 Form of Note for 1.875% Notes due 2020 — incorporated herein by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K filed on October 27, 2015.
- 4.17 Form of Note for 2.875% Notes due 2025 — incorporated herein by reference to Exhibit 4.6 to the Company's Current Report on Form 8-K filed on October 27, 2015.
- 4.18 Form of Note for 1.375% Notes due 2019 — incorporated herein by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K filed on May 31, 2016.
- 4.19 Form of Note for 2.55% Notes due 2026 — incorporated herein by reference to Exhibit 4.6 to the Company's Current Report on Form 8-K filed on May 31, 2016.
- 4.20 Form of Note for 1.550% Notes due 2021 — incorporated herein by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed on September 1, 2016.
- 4.21 Form of Note for 2.250% Notes due 2026 — incorporated herein by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K filed on September 1, 2016.
- 4.22 Form of Note for 1.100% Notes due 2036 — incorporated herein by reference to Exhibit 4.4 to the Company's Registration Statement on Form 8-A filed on September 2, 2016.
- 4.23 Form of Note for 0.000% Notes due 2021 — incorporated herein by reference to Exhibit 4.5 to the Company's Registration Statement on Form 8-A filed on March 9, 2017.
- 4.24 Form of Note for 0.500% Notes due 2024 — incorporated herein by reference to Exhibit 4.6 to the Company's Registration Statement on Form 8-A filed on March 9, 2017.
- 4.25 Form of Note for 2.200% Notes due 2022 — incorporated herein by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed on May 25, 2017.
- 4.26 Form of Note for 2.900% Notes due 2027 — incorporated herein by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K filed on May 25, 2017.
- 4.27 Form of Note for Floating Rate Notes due 2021 — incorporated herein by reference to Exhibit 4.4 to the Company's Registration Statement on Form 8-A filed on March 8, 2019.
- 4.28 Form of Note for 0.125% Notes due 2022 — incorporated herein by reference to Exhibit 4.5 to the Company's Registration Statement on Form 8-A filed on March 8, 2019.
- 4.29 Form of Note for 0.750% Notes due 2026 — incorporated herein by reference to Exhibit 4.6 to the Company's Registration Statement on Form 8-A filed on March 8, 2019.
- 4.30 Form of Note for 1.250% Notes due 2031 — incorporated herein by reference to Exhibit 4.7 to the Company's Registration Statement on Form 8-A filed on March 8, 2019.
- 4.31 Indenture, dated as of July 30, 1991, between Coca-Cola Refreshments USA, Inc. and Deutsche Bank Trust Company Americas, as trustee — incorporated herein by reference to Exhibit 4.1 to Coca-Cola Refreshments USA, Inc.'s Current Report on Form 8-K dated July 30, 1991.
- 4.32 First Supplemental Indenture, dated as of January 29, 1992, to the Indenture, dated as of July 30, 1991, between Coca-Cola Refreshments USA, Inc. and Deutsche Bank Trust Company Americas, as trustee — incorporated herein

by reference to Exhibit 4.01 to Coca-Cola Refreshments USA, Inc.'s Current Report on Form 8-K dated January 29, 1992.

4.33 Second Supplemental Indenture, dated as of June 22, 2017, to Amended and Restated Indenture, dated as of July 30, 1991, as amended, among Coca-Cola Refreshments USA, Inc., the Company and Deutsche Bank Trust Company Americas, as trustee — incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on June 23, 2017.

60

4.34 Third Supplemental Indenture, dated as of July 5, 2017, to the Indenture, dated as of July 30, 1991, as amended, among Coca-Cola Refreshments USA, Inc., the Company and Deutsche Bank Trust Company Americas, as trustee — incorporated herein by reference to Exhibit 4.3 to the Company's Current Report on Form 8-K filed on July 6, 2017.

10.1 Form of Performance Share Agreement for grants under the 2014 Equity Plan, as adopted February 20, 2019.

10.2 Form of Stock Option Agreement for grants under the 2014 Equity Plan, as adopted February 20, 2019.

10.3 Form of Restricted Stock Unit Agreement for grants under the 2014 Equity Plan, as adopted February 20, 2019.

10.4 Letter, dated February 14, 2019, from the Company to Lisa Chang.

31.1 Rule 13a-14(a)/15d-14(a) Certification, executed by James Quincey, Chairman of the Board of Directors and Chief Executive Officer of The Coca-Cola Company.

31.2 Rule 13a-14(a)/15d-14(a) Certification, executed by John Murphy, Executive Vice President and Chief Financial Officer of The Coca-Cola Company.

32.1 Certifications required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. Section 1350), executed by James Quincey, Chairman of the Board of Directors and Chief Executive Officer of The Coca-Cola Company, and by John Murphy, Executive Vice President and Chief Financial Officer of The Coca-Cola Company.

The following financial information from The Coca-Cola Company's Quarterly Report on Form 10-Q for the quarter ended March 29, 2019, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Statements of Income for the three months ended March 29, 2019 and March 30, 2018, (ii) Condensed Consolidated Statements of Comprehensive Income for the three months ended March 29, 2019 and March 30, 2018, (iii) Condensed Consolidated Balance Sheets as of March 29, 2019 and December 31, 2018, (iv) Condensed Consolidated Statements of Cash Flows for the three months ended March 29, 2019 and March 30, 2018, and (v) Notes to Condensed Consolidated Financial Statements.

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.

THE COCA-COLA COMPANY
(Registrant)

/s/ LARRY M. MARK

Larry M. Mark

Date: April 25, 2019 Vice President and Controller
(On behalf of the Registrant)

/s/ MARK RANDAZZA

Mark Randazza

Date: April 25, 2019 Vice President, Assistant Controller and Chief Accounting Officer
(Principal Accounting Officer)