

COCA COLA CO
Form 10-Q
July 26, 2018

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 June 29, 2018

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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
filer

Non-accelerated
filer
Smaller reporting company

(Do not check if a 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 o No y

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 July 23, 2018
\$0.25 Par Value	4,252,922,447 Shares

THE COCA-COLA COMPANY AND SUBSIDIARIES

Table of Contents

	Page Number
<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 and six months ended June 29, 2018 and June 30, 2017</u>	<u>2</u>
<u>Condensed Consolidated Statements of Comprehensive Income</u> <u>Three and six months ended June 29, 2018 and June 30, 2017</u>	<u>3</u>
<u>Condensed Consolidated Balance Sheets</u> <u>June 29, 2018 and December 31, 2017</u>	<u>4</u>
<u>Condensed Consolidated Statements of Cash Flows</u> <u>Six months ended June 29, 2018 and June 30, 2017</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>47</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>72</u>
Item 4. <u>Controls and Procedures</u>	<u>72</u>
<u>Part II. Other Information</u>	
Item 1. <u>Legal Proceedings</u>	<u>72</u>
Item 1A. <u>Risk Factors</u>	<u>73</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>73</u>
Item 6. <u>Exhibits</u>	<u>73</u>
<u>Signatures</u>	<u>76</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, 2017, 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		Six Months Ended	
	June 29, 2018	June 30, 2017	June 29, 2018	June 30, 2017
NET OPERATING REVENUES	\$8,927	\$ 9,702	\$16,553	\$18,820
Cost of goods sold	3,252	3,659	5,990	7,172
GROSS PROFIT	5,675	6,043	10,563	11,648
Selling, general and administrative expenses	2,723	3,180	5,264	6,532
Other operating charges	225	826	761	1,116
OPERATING INCOME	2,727	2,037	4,538	4,000
Interest income	170	165	335	320
Interest expense	241	231	471	423
Equity income (loss) — net	324	409	466	525
Other income (loss) — net	(97))244	(152))(291)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	2,883	2,624	4,716	4,131
Income taxes from continuing operations	594	1,252	1,100	1,575
NET INCOME FROM CONTINUING OPERATIONS	2,289	1,372	3,616	2,556
Income from discontinued operations (net of income taxes of \$16, \$0, \$56 and \$0, respectively)	42	—	115	—
CONSOLIDATED NET INCOME	2,331	1,372	3,731	2,556
Less: Net income attributable to noncontrolling interests	15	1	47	3
NET INCOME ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY	\$2,316	\$ 1,371	\$3,684	\$2,553
Basic net income per share from continuing operations ¹	\$0.54	\$ 0.32	\$0.85	\$0.60
Basic net income per share from discontinued operations ²	0.01	—	0.02	—
BASIC NET INCOME PER SHARE ³	\$0.54	\$ 0.32	\$0.86	\$0.60
Diluted net income per share from continuing operations ¹	\$0.53	\$ 0.32	\$0.84	\$0.59
Diluted net income per share from discontinued operations ²	0.01	—	0.02	—
DILUTED NET INCOME PER SHARE	\$0.54	\$ 0.32	\$0.86	\$0.59
DIVIDENDS PER SHARE	\$0.39	\$ 0.37	\$0.78	\$0.74
AVERAGE SHARES OUTSTANDING — BASIC	4,255	4,273	4,260	4,280
Effect of dilutive securities	35	54	38	50
AVERAGE SHARES OUTSTANDING — DILUTED	4,290	4,327	4,298	4,330

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 Certain columns 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 June 29, June 30, 2018 2017		Six Months Ended June 29, June 30, 2018 2017	
CONSOLIDATED NET INCOME	\$2,331	\$1,372	\$3,731	\$2,556
Other comprehensive income:				
Net foreign currency translation adjustment	(2,153)	(103)	(1,425)	818
Net gain (loss) on derivatives	68	(177)	52	(298)
Net unrealized gain (loss) on available-for-sale securities	(90)	5	(101)	164
Net change in pension and other benefit liabilities	282	(8)	316	33
TOTAL COMPREHENSIVE INCOME (LOSS)	438	1,089	2,573	3,273
Less: Comprehensive income (loss) attributable to noncontrolling interests	(142)	1	(51)	4
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY	\$580	\$1,088	\$2,624	\$3,269

Refer to Notes to Condensed Consolidated Financial Statements.

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

(In millions except par value)

	June 29, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$7,975	\$ 6,006
Short-term investments	5,843	9,352
TOTAL CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS	13,818	15,358
Marketable securities	5,536	5,317
Trade accounts receivable, less allowances of \$487 and \$477, respectively	4,565	3,667
Inventories	2,881	2,655
Prepaid expenses and other assets	2,543	2,000
Assets held for sale	—	219
Assets held for sale — discontinued operations	6,681	7,329
TOTAL CURRENT ASSETS	36,024	36,545
EQUITY METHOD INVESTMENTS	20,604	20,856
OTHER INVESTMENTS	1,015	1,096
OTHER ASSETS	4,401	4,230
DEFERRED INCOME TAX ASSETS	2,999	330
PROPERTY, PLANT AND EQUIPMENT, less accumulated depreciation of \$8,284 and \$8,246, respectively	7,688	8,203
TRADEMARKS WITH INDEFINITE LIVES	6,669	6,729
BOTTLERS' FRANCHISE RIGHTS WITH INDEFINITE LIVES	38	138
GOODWILL	9,863	9,401
OTHER INTANGIBLE ASSETS	292	368
TOTAL ASSETS	\$89,593	\$ 87,896
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$10,842	\$ 8,748
Loans and notes payable	14,715	13,205
Current maturities of long-term debt	4,023	3,298
Accrued income taxes	362	410
Liabilities held for sale	—	37
Liabilities held for sale — discontinued operations	1,456	1,496
TOTAL CURRENT LIABILITIES	31,398	27,194
LONG-TERM DEBT	28,063	31,182
OTHER LIABILITIES	7,367	8,021
DEFERRED INCOME TAX LIABILITIES	2,589	2,522
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	16,117	15,864
Reinvested earnings	63,808	60,430
Accumulated other comprehensive income (loss)	(11,774)	(10,305)
Treasury stock, at cost — 2,787 and 2,781 shares, respectively	(51,588)	(50,677)
EQUITY ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY	18,323	17,072

EQUITY ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,853	1,905
TOTAL EQUITY	20,176	18,977
TOTAL LIABILITIES AND EQUITY	\$89,593	\$ 87,896

Refer to Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended	
	June 29, 2018	June 30, 2017
OPERATING ACTIVITIES		
Consolidated net income	\$3,731	\$2,556
(Income) loss from discontinued operations	(115)	—
Net income from continuing operations	3,616	2,556
Depreciation and amortization	553	629
Stock-based compensation expense	121	114
Deferred income taxes	5	620
Equity (income) loss — net of dividends	(147)	(303)
Foreign currency adjustments	(109)	33
Significant (gains) losses on sales of assets — net	98	259
Other operating charges	576	970
Other items	56	(68)
Net change in operating assets and liabilities	(2,161)	(1,468)
Net cash provided by operating activities	2,608	3,342
INVESTING ACTIVITIES		
Purchases of investments	(4,833)	(10,435)
Proceeds from disposals of investments	7,621	8,729
Acquisitions of businesses, equity method investments and nonmarketable securities	(218)	(520)
Proceeds from disposals of businesses, equity method investments and nonmarketable securities	304	2,055
Purchases of property, plant and equipment	(612)	(832)
Proceeds from disposals of property, plant and equipment	62	42
Other investing activities	17	(240)
Net cash provided by (used in) investing activities	2,341	(1,201)
FINANCING ACTIVITIES		
Issuances of debt	16,190	18,586
Payments of debt	(16,643)	(14,910)
Issuances of stock	600	917
Purchases of stock for treasury	(1,317)	(2,197)
Dividends	(1,662)	(1,584)
Other financing activities	(58)	(15)
Net cash provided by (used in) financing activities	(2,890)	797
CASH FLOWS FROM DISCONTINUED OPERATIONS		
Net cash provided by (used in) operating activities from discontinued operations	78	—
Net cash provided by (used in) investing activities from discontinued operations	(87)	—
Net cash provided by (used in) financing activities from discontinued operations	55	—
Net cash provided by (used in) discontinued operations	46	—
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS, RESTRICTED CASH AND RESTRICTED CASH EQUIVALENTS	(109)	199
CASH, CASH EQUIVALENTS, RESTRICTED CASH AND RESTRICTED CASH EQUIVALENTS		
	1,996	3,137

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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	6,373	8,850
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	8,369	11,987
Less: Restricted cash and restricted cash equivalents at end of period	394	269
Cash and cash equivalents at end of period	\$7,975	\$11,718

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, 2017.

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 and six months ended June 29, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018. 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 second quarter of 2018 and the second quarter of 2017 ended on June 29, 2018 and June 30, 2017, 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.

Certain prior year amounts in the condensed consolidated financial statements and accompanying notes have been revised to conform to the current year presentation as a result of the adoption of accounting standards that became effective January 1, 2018, as applicable. Refer to the "Recently Adopted Accounting Guidance" section within this note below for further details.

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 condensed consolidated statements 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 condensed consolidated statements 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.

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 June 29, June 30, 2018 2017		Six Months Ended June 29, June 30, 2018 2017	
CONTINUING OPERATIONS				
Net income from continuing operations	\$2,289	\$ 1,372	\$3,616	\$ 2,556
Less: Net income (loss) from continuing operations attributable to noncontrolling interests	(1) 1	2	3
Net income from continuing operations attributable to shareowners of The Coca-Cola Company	\$2,290	\$ 1,371	\$3,614	\$ 2,553
DISCONTINUED OPERATIONS				
Net income from discontinued operations	\$42	\$ —	\$115	\$ —
Less: Net income from discontinued operations attributable to noncontrolling interests	16	—	45	—
Net income from discontinued operations attributable to shareowners of The Coca-Cola Company	\$26	\$ —	\$70	\$ —
CONSOLIDATED				
Consolidated net income	\$2,331	\$ 1,372	\$3,731	\$ 2,556
Less: Net income attributable to noncontrolling interests	15	1	47	3
Net income attributable to shareowners of The Coca-Cola Company	\$2,316	\$ 1,371	\$3,684	\$ 2,553

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 sheets and amounts classified in assets held for sale. 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):

	June 29, December 31,	
	2018	2017
Cash and cash equivalents	\$7,975	\$ 6,006
Cash and cash equivalents included in assets held for sale	—	13
Cash and cash equivalents included in assets held for sale — discontinued operations	173	97
Cash and cash equivalents included in other assets ¹	221	257
Cash, cash equivalents, restricted cash and restricted cash equivalents	\$8,369	\$ 6,373
	June 30, December 31,	
	2017	2016
Cash and cash equivalents	\$11,718	\$ 8,555
Cash and cash equivalents included in assets held for sale	21	49
Cash and cash equivalents included in other assets ¹	248	246
Cash, cash equivalents, restricted cash and restricted cash equivalents	\$11,987	\$ 8,850

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.

Hyperinflationary Economies

A hyperinflationary economy is one that has cumulative inflation of 100 percent or more over a three-year period. In accordance with U.S. GAAP, local subsidiaries in hyperinflationary economies are required to use the U.S. dollar as their functional currency and remeasure the monetary assets and liabilities not denominated in U.S. dollars using the rate applicable to conversion of a currency for purposes of dividend remittances. All exchange gains and losses resulting from remeasurement are recognized currently in income.

Venezuela has been designated as a hyperinflationary economy. We sell concentrate to our bottling partner in Venezuela from outside the country. These sales are denominated in U.S. dollars. We also have certain U.S. dollar-denominated intangible assets associated with products sold in Venezuela. As a result of weaker sales and the volatility of foreign currency exchange rates resulting from continued political instability, we recorded impairment charges of \$14 million and \$34 million during the three and six months ended June 30, 2017, respectively, in the line item other operating charges in our condensed consolidated statements of income. As a result of these impairment charges, the remaining carrying value of all U.S. dollar-denominated intangible assets associated with products sold in Venezuela is zero.

Recently Issued Accounting Guidance

Recently Adopted Accounting Guidance

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, which replaces most existing revenue recognition guidance in U.S. GAAP and is intended to improve and converge with international standards the financial reporting requirements for revenue from contracts with customers. ASU 2014-09 and its amendments were included primarily in ASC 606. The core principle of ASC 606 is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. ASC 606 also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. We adopted ASC 606 effective January 1, 2018, using the modified retrospective method. We recognized a cumulative effect adjustment to decrease the opening balance of reinvested earnings as of January 1, 2018 by \$257 million, net of tax. Refer to Note 3.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments — Overall: Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"), which addresses certain aspects of the recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 was effective for the Company beginning January 1, 2018 and we are now recognizing any changes in the fair value of certain equity investments in net income as prescribed by the new standard rather than in other comprehensive income ("OCI"). We recognized a cumulative effect adjustment to increase the opening balance of reinvested earnings as of January 1, 2018 by \$409 million, net of tax. Refer to Note 4 for additional disclosures required by this ASU.

In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments, which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. ASU 2016-15 was effective for the Company beginning January 1, 2018 and was adopted using the retrospective transition approach to all periods presented.

The impact of the adoption of ASU 2016-15 on our consolidated statement of cash flows was a change in presentation related to our proceeds from the settlement of corporate-owned life insurance policies. We revised our condensed consolidated statement of cash flows to reflect these proceeds in the line item other investing activities, which were previously presented in the line item net change in operating assets and liabilities. During the six months ended June 30, 2017, the amount of proceeds received from the settlement of corporate-owned life insurance policies was \$49 million.

In October 2016, the FASB issued ASU 2016-16, Intra-Entity Transfers of Assets Other Than Inventory ("ASU 2016-16"), which requires the Company to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. ASU 2016-16 was effective for the Company beginning January 1, 2018 and was adopted using a modified retrospective basis. We recorded a \$2.9 billion cumulative effect adjustment to increase the opening balance of reinvested earnings with the majority of the offset being recorded as a deferred tax asset in the line item deferred income tax assets in our condensed consolidated balance sheet. Refer to Note 14.

In November 2016, the FASB issued ASU 2016-18, Restricted Cash. The amendments in this update address diversity in practice that exists in the classification and presentation of changes in amounts generally described as restricted cash and require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts that an entity defines as restricted cash for purposes of this standard or otherwise does not present in the line item cash and cash equivalents on its balance sheet. ASU 2016-18 was effective for the Company beginning January 1, 2018 and was adopted using the retrospective transition method to all periods presented.

Prior to the adoption of this ASU, we presented the transfer of cash and cash equivalents into or out of our captive insurance companies in the line items purchases of investments and proceeds from disposals of investments in our consolidated cash flow statement. We did not present the purchases of investments and proceeds from disposals of investments within our captive insurance companies. Cash flows related to cash and cash equivalents included in our insurance captives are now presented in the line items purchases of investments and proceeds from disposals of investments within the investing activities section of our consolidated statement of cash flows. During the six months ended June 30, 2017, the purchases of investments and proceeds from disposals of investments within our captive insurance companies were \$388 million and \$384 million, respectively.

Prior to the adoption of this ASU, we treated the change in cash and cash equivalents included in assets held for sale as an adjustment to the line item other investing activities within the statement of cash flows. With the adoption of this ASU, we no longer make this adjustment and restated the prior year to remove this adjustment. During the six months ended June 30, 2017, the change in cash and cash equivalents included in assets held for sale was \$28 million. Refer to the heading "Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents" above for additional disclosures required by this ASU.

In January 2017, the FASB issued ASU 2017-01, Clarifying the Definition of a Business, which clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. ASU 2017-01 was effective for the Company beginning January 1, 2018 and was adopted prospectively. The impact on our consolidated financial statements will depend on the facts and circumstances of any specific future transactions.

In March 2017, the FASB issued ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost ("ASU 2017-07"), which requires that the service cost component of the Company's net periodic pension cost and net periodic postretirement benefit cost be included in the same line item as other compensation costs arising from services rendered by employees, with the non-service components of net periodic benefit cost and other benefit plan charges and credits being classified outside of a subtotal of income from operations. ASU 2017-07 was effective for the Company beginning January 1, 2018 and was adopted retrospectively for the presentation of the other components of net periodic benefit cost and other benefit plan charges and credits in our condensed consolidated statements of income. As part of our adoption, we elected to use a practical expedient which allows us to use information previously disclosed in our note on pension and other postretirement benefit plans as the estimation basis for applying the retrospective presentation requirements of this ASU. For the three and six months ended June 30, 2017, we reclassified \$41 million and \$60 million of income, respectively, related to our

non-service cost components of net periodic benefit cost and other benefit plan charges and credits from operating income to other income (loss) — net in our condensed consolidated statements of income. Refer to Note 13 for additional disclosures required by this ASU.

In March 2018, the FASB issued ASU 2018-05, Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118. The amendments in this update provide guidance on when to record and disclose provisional amounts for certain income tax effects of the Tax Cuts and Jobs Act ("Tax Reform Act"). The amendments also require any provisional amounts or subsequent adjustments to be included in net income from continuing operations. Additionally, this ASU discusses required disclosures that an entity must make with regard to the Tax Reform Act. This ASU is effective immediately as new information is available to adjust provisional amounts that were previously recorded. The Company has adopted this standard and will

continue to evaluate indicators that may give rise to a change in our tax provision as a result of the Tax Reform Act. Refer to Note 14 for additional information on the Tax Reform Act.

Accounting Guidance Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, Leases, which requires lessees to recognize right-of-use assets, representing their right to use the underlying asset for the lease term, and lease liabilities on the balance sheet for all leases with terms greater than 12 months. The guidance also modifies the classification criteria and the accounting for sales-type and direct financing leases by lessors. Additionally, the guidance requires qualitative and quantitative disclosures designed to assess the amount, timing and uncertainty of cash flows arising from leases. The Company is progressing with its preparation for the adoption and implementation of this new accounting standard, including assessing our lease arrangements, evaluating practical expedient and accounting policy elections, and implementing software to meet the reporting requirements of this standard. We have identified an interim software solution to be used upon adoption for lessee accounting and are in the process of evaluating a long-term software solution. The Company has established a cross-functional implementation team to assist in identifying changes to our business processes and controls to support adoption of the new standard.

ASU 2016-02 is effective for the Company beginning January 1, 2019. The standard requires the use of a modified retrospective transition approach, which includes a number of optional practical expedients that entities may elect to apply. The Company is currently planning on electing the package of practical expedients to not reassess prior conclusions related to contracts containing leases, lease classification and initial direct costs and is evaluating the other practical expedients available under the guidance. In March 2018, the FASB approved a new, optional transition method that will give companies the option to use the effective date as the date of initial application on transition. The Company plans to elect this transition method, and as a result, we will not adjust our comparative period financial information or make the new required lease disclosures for periods before the effective date. The Company anticipates the adoption of this new standard will result in a significant increase in lease-related assets and liabilities on our consolidated balance sheet. The impact on the Company's consolidated statement of income is being evaluated. As the impact of this standard is non-cash in nature, we do not anticipate its adoption having an impact on the Company's consolidated statement of cash flows.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments — Measurement of Credit Losses on Financial Instruments, which requires measurement and recognition of expected credit losses for financial assets held.

ASU 2016-13 is effective for the Company beginning January 1, 2020 and we are currently evaluating the impact that it will have on our consolidated financial statements.

In August 2017, the 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 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. Finally, the standard introduces new alternatives that permit companies to reduce the risk of material error if the shortcut method is misapplied. ASU 2017-12 is effective for the Company beginning January 1, 2019 and is required to be applied prospectively. The Company is currently evaluating the impact that ASU 2017-12 will have on our consolidated financial statements.

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 Reform Act on items within accumulated other comprehensive income (loss) ("AOCI") to retained earnings. These disproportionate income tax effect items are referred to as "stranded tax effects." 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. ASU 2018-02 is effective for the Company beginning January 1, 2019 and should be applied either in the period of adoption or retrospectively to each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Reform Act is recognized. The Company is currently evaluating the impact that ASU 2018-02 will have on our consolidated financial statements.

NOTE 2: ACQUISITIONS AND DIVESTITURES

Acquisitions

During the six months ended June 29, 2018, our Company's acquisitions of businesses, equity method investments and nonmarketable securities totaled \$218 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.

During the six months ended June 30, 2017, our Company's acquisitions of businesses, equity method investments and nonmarketable securities totaled \$520 million, which primarily related to the acquisition of AdeS, a plant-based beverage business, by the Company and several of its bottling partners in Latin America. Additionally, in conjunction with the refranchising of Coca-Cola Refreshments' ("CCR") Southwest operating unit ("Southwest Transaction"), we obtained an equity interest in AC Bebidas, S. de R.L. de C.V. ("AC Bebidas"), a subsidiary of Arca Continental, S.A.B. de C.V. ("Arca").

Divestitures

During the six months ended June 29, 2018, proceeds from disposals of businesses, equity method investments and nonmarketable securities totaled \$304 million, which primarily related to the proceeds from the refranchising of our Latin American bottling operations.

During the six months ended June 30, 2017, proceeds from disposals of businesses, equity method investments and nonmarketable securities totaled \$2,055 million, primarily related to proceeds from the refranchising of certain bottling territories in North America and China.

Refranchising of Latin American Bottling Operations

As of December 31, 2017, certain of the Company's bottling operations in Latin America were classified as held for sale. During the three months ended June 29, 2018, the Company sold its bottling operations in Latin America to Coca-Cola FEMSA, S.A.B. de C.V. ("Coca-Cola FEMSA"), an equity method investee. We received net cash proceeds of \$277 million as a result of these sales and recognized a net gain of \$36 million, which was included in the line item other income (loss) — net in our condensed consolidated statement of income.

Refranchising of China Bottling Operations

During the three months ended June 30, 2017, the Company sold a substantial portion of its bottling operations in China to the two existing local franchise bottlers. We received \$740 million as a result of these sales and recognized a gain of \$9 million, which was included in the line item other income (loss) — net in our condensed consolidated statement of income. On June 30, 2017, we received an advance payment of \$191 million related to the remaining bottling operations and a related cost method investment, which were sold on July 1, 2017.

North America Refranchising

In conjunction with implementing a new beverage partnership model in North America, the Company refranchised bottling territories that were previously managed by CCR to certain of our unconsolidated bottling partners. These territories generally border these bottlers' existing territories, allowing each bottler to better service local customers and provide more efficient execution. By entering into comprehensive beverage agreements ("CBAs") with each of the bottlers, we granted certain exclusive territory rights for the distribution, promotion, marketing and sale of Company-owned and licensed beverage products as defined by the CBA.

Each CBA generally has a term of 10 years and is renewable, in most cases by the bottler and in some cases by the Company, indefinitely for successive additional terms of 10 years each. Under the CBA, except for the CBA entered into in conjunction with the Southwest Transaction and for additional territories sold to AC Bebidas as well as the CBA entered into with Liberty Coca-Cola Beverages, the bottlers make ongoing quarterly payments to the Company based on their gross profit in the refranchised territories throughout the term of the CBA, including renewals, in exchange for the grant of the exclusive territory rights. Liberty Coca-Cola Beverages, the co-owners of which are former management of CCR, will make ongoing quarterly payments based on the gross profit in its refranchised territories upon the earlier of reaching a predefined level of profitability or the 41st quarter following the closing date.

Contemporaneously with the grant of these rights, the Company sold the distribution assets, certain working capital items, and the exclusive rights to distribute certain beverage brands not owned by the Company, but distributed by CCR, in each of these territories, excluding the territory included in the Southwest Transaction, to the respective bottlers in exchange for cash.

During the six months ended June 29, 2018 and June 30, 2017, cash proceeds from these sales totaled \$3 million and \$1,118 million, respectively. Included in the cash proceeds for the six months ended June 30, 2017 was \$224 million

from Coca-Cola Bottling Co. Consolidated ("CCBCC"), an equity method investee. Under the applicable accounting guidance, we were required to derecognize all of the tangible assets sold as well as the intangible assets transferred, including distribution rights, customer relationships and an allocated portion of goodwill related to these territories. We recognized net charges of \$102 million and \$1,274 million during the three months ended June 29, 2018 and June 30, 2017, respectively. During the six months ended June 29, 2018 and June 30, 2017, the Company recognized net charges of \$104 million and \$1,771 million, respectively. These net charges were included in the line item other income (loss) — net in our condensed consolidated statements of income. The net charges in 2018 were primarily related to post-closing

adjustments as contemplated by the related agreements. The net charges in 2017 were primarily related to the derecognition of the intangible assets transferred or reclassified as held for sale. In total, we expect to recover the value of the intangible assets transferred to the bottlers under the CBAs through the future quarterly payments; however, as the payments for the territory rights are dependent on the bottlers' future gross profit in these territories, they are considered a form of contingent consideration.

There is diversity in practice as it relates to the accounting for contingent consideration by the seller. The seller can account for the future contingent payments received as a gain contingency, recognizing the amounts in the statement of income only after the related contingencies are resolved and the gain is realized, which in this arrangement will be quarterly as the bottlers earn gross profit in the transferred territories. Alternatively, the seller can record a receivable for the contingent consideration at fair value on the date of sale and record any future differences between the payments received and this receivable in the statement of income as they occur. We elected the gain contingency treatment since the quarterly payments will be received throughout the terms of the CBAs, including all subsequent renewals, regardless of the cumulative amount received as compared to the value of the intangible assets transferred.

During the three months ended June 29, 2018 and June 30, 2017, the Company recorded charges of \$2 million and \$109 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 CBA with additional requirements. During the six months ended June 29, 2018 and June 30, 2017, the Company recorded charges of \$21 million and \$215 million, respectively, related to such payments. 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 during the three and six months ended June 29, 2018 and June 30, 2017.

On April 1, 2017, the Company refranchised the Southwest operating unit of CCR, which includes Texas and parts of Oklahoma, New Mexico and Arkansas, in the Southwest Transaction. In conjunction with the Southwest Transaction, Arca contributed its existing beverage business to AC Bebidas. CCR contributed its Southwest operating unit, including all of its assets and liabilities, to AC Bebidas in exchange for an approximate 20 percent interest in AC Bebidas. Arca owns the remaining interest in AC Bebidas. CCR also made cash payments of \$144 million, net of cash received. As a result of the Southwest Transaction, the Company recognized a gain of \$1,060 million due to the difference in the recorded carrying value of the net assets transferred compared to the value of the interest it obtained in AC Bebidas of \$2,960 million, which was determined using an income and market approach (a Level 3 measurement). This gain was recorded in the line item other income (loss) — net in our condensed consolidated statement of income. The Company accounts for its interest in AC Bebidas as an equity method investment based on our equity ownership percentage, our representation on AC Bebidas' Board of Directors, material intercompany transactions and other governance rights.

Refer to Note 16 for the impact these items had on our operating segments.

Assets and Liabilities Held for Sale

As of December 31, 2017, the Company had certain bottling operations in North America and Latin America that met the criteria to be classified as held for sale, which requires us to present the related assets and liabilities as separate line items in our condensed consolidated balance sheet. These operations were refranchised in 2018.

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

	December 31, 2017	
Cash, cash equivalents and short-term investments	\$	13
Trade accounts receivable, less allowances		10
Inventories		11
Prepaid expenses and other assets		12
Other assets		7
Property, plant and equipment — net		85
Bottlers' franchise rights with indefinite lives		5
Goodwill		103
Other intangible assets		1
Allowance for reduction of assets held for sale	(28)
Assets held for sale	\$	219 ¹
Accounts payable and accrued expenses	\$	22
Other liabilities		12
Deferred income taxes		3
Liabilities held for sale	\$	37 ²

¹ Consists of total assets relating to North America refranchising of \$9 million and the refranchising of Latin America bottling operations of \$210 million, which are included in the Bottling Investments operating segment.

² Consists of total liabilities relating to North America refranchising of \$5 million and the refranchising of Latin America bottling operations of \$32 million, which are included in the Bottling Investments operating segment.

We determined that the operations included in the table above did not meet the criteria to be classified as discontinued operations under the applicable guidance.

Discontinued Operations

In October 2017, the Company and Anheuser-Busch InBev ("ABI") completed the transition of ABI's controlling interest in Coca-Cola Beverages Africa Proprietary Limited ("CCBA") to the Company for \$3,150 million. We plan to hold our controlling interest in CCBA temporarily and are currently in discussions with several potential buyers and anticipate divesting of this interest in 2018. Accordingly, we have presented the financial position and results of operations of CCBA as discontinued operations in the accompanying condensed consolidated financial statements. We were not required to record these assets and liabilities at fair value less any costs to sell because their fair value approximates their carrying value.

The preliminary goodwill recorded at the time of the transaction was \$4,262 million, none of which is tax deductible. This goodwill is in part due to the significant synergies that are expected from the consolidation of the bottling system in Southern and East Africa, especially within the country of South Africa. The initial accounting for the business combination is currently incomplete, although preliminary purchase accounting entries have been recorded, including a preliminary allocation of goodwill between CCBA and the reporting units expected to benefit from this transaction. The balance sheet line items that are expected to be impacted by the completion of purchase accounting are assets held for sale — discontinued operations and liabilities held for sale — discontinued operations in the condensed consolidated financial statements.

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):

	June 29, 2018	December 31, 2017
Cash, cash equivalents and short-term investments	\$ 173	\$ 97
Trade accounts receivable, less allowances	257	299
Inventories	289	299
Prepaid expenses and other assets	68	52
Equity method investments	6	7
Other assets	39	29
Property, plant and equipment — net	1,440	1,436
Goodwill	3,660	4,248
Other intangible assets	749	862
Assets held for sale — discontinued operations	\$ 6,681	\$ 7,329
Accounts payable and accrued expenses	\$ 542	\$ 598
Loans and notes payable	439	404
Current maturities of long-term debt	6	6
Accrued income taxes	31	40
Long-term debt	17	19
Other liabilities	9	10
Deferred income taxes	412	419
Liabilities held for sale — discontinued operations	\$ 1,456	\$ 1,496

NOTE 3: REVENUE RECOGNITION

We adopted ASC 606 effective January 1, 2018, using the modified retrospective method. We have implemented this standard for all contracts at the effective date. Under this method, we recorded the cumulative effect of applying this guidance through an adjustment to the opening balance of reinvested earnings on the adoption date. The cumulative adjustment was a reduction of reinvested earnings of \$257 million, net of tax, which was primarily related to changing when we recognize the effects of certain variable consideration payments, as described below.

The Company has changed our accounting policies and practices, business processes, systems and controls, as well as designed and implemented specific controls over our evaluation of the impact of the new guidance on the Company, including the cumulative effect calculation, disclosure requirements and the collection of relevant data for the reporting process.

Our Company markets, manufactures and sells concentrates and finished goods. In our domestic and international concentrate operations, we typically generate net operating revenues by selling concentrates, syrups and certain finished beverages to authorized bottling and canning operations (to which we typically refer 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 non-refillable 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. 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 which are generally not one of the Company's bottling partners. These operations are generally included in one of our geographic operating segments. 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. 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 worked with our bottling partners to develop and implement an incidence-based concentrate pricing model. Under this model, the concentrate price we charge is impacted by a number of factors, including, but not limited to, bottler pricing, the channels and packages in which the finished products produced from the concentrate are sold. 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 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. The change in the amount of variable consideration recognized during the three and six months ended June 29, 2018 related to performance obligations satisfied in prior periods was immaterial.

In addition to changes in the timing of when we record variable consideration, ASC 606 provided clarification about the classification of certain costs relating to revenue arrangements with customers. As a result, during the three and six months ended June 29, 2018, we recorded certain amounts in cost of goods sold or selling, general and administrative expenses that were previously classified as reductions in net operating revenues. The Company also re-evaluated the principal versus agent considerations pertaining to certain of its arrangements with third-party manufacturers and co-packers. We recorded certain costs in net operating revenues which were previously recorded in cost of goods sold related to arrangements in which we concluded we did not control the goods before they were delivered to our customers.

The following tables compare the amounts reported in the condensed consolidated statements of income and condensed consolidated balance sheet to the amounts had the previous revenue recognition guidance been in effect (in millions):

	Three Months Ended June 29, 2018			Six Months Ended June 29, 2018		
	As Reported	Balances without Adoption of ASC 606	Increase (Decrease) Due to Adoption	As Reported	Balances without Adoption of ASC 606	Increase (Decrease) Due to Adoption
Net operating revenues	\$8,927	\$ 8,767	\$ 160	¹ \$16,553	\$16,202	\$ 351
Cost of goods sold	3,252	3,044	208	5,990	5,591	399
Gross profit	5,675	5,723	(48)	10,563	10,611	(48)
Selling, general and administrative expenses	2,723	2,724	(1)	5,264	5,264	—
Operating income	2,727	2,774	(47)	4,538	4,586	(48)
Income from continuing operations before income taxes	2,883	2,930	(47)	4,716	4,764	(48)
Income taxes from continuing operations	594	575	19	1,100	1,081	19
Net income from continuing operations	2,289	2,317	(28)	3,616	3,645	(29)
Income from discontinued operations	42	43	(1)	115	113	2
Consolidated net income	2,331	2,360	(29)	3,731	3,758	(27)
Net income attributable to shareowners of The Coca-Cola Company	2,316	2,345	(29)	3,684	3,711	(27)

¹ The increase in net operating revenues was primarily due to the reclassification of shipping and handling costs.

	June 29, 2018		
	As Reported	Balances without Adoption of ASC 606	Increase (Decrease) Due to Adoption
ASSETS			
Trade accounts receivable	\$4,565	\$ 4,503	\$ 62
Prepaid expenses and other assets	2,543	2,545	(2)
Total current assets	36,024	35,964	60
Deferred income tax assets	2,999	2,934	65
Total assets	89,593	89,468	125
LIABILITIES AND EQUITY			
Accounts payable and accrued expenses	\$10,842	\$ 10,382	\$ 460
Total current liabilities	31,398	30,938	460
Deferred income tax liabilities	2,589	2,640	(51)
Reinvested earnings	63,808	64,092	(284)
Total equity	20,176	20,460	(284)
Total liabilities and equity	89,593	89,468	125

¹ The inc