

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 27, 2014

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 No. 001-02217

*The Coca-Cola Company*

(Exact name of Registrant as specified in its Charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)  
One Coca-Cola Plaza  
Atlanta, Georgia  
(Address of principal executive offices)

58-0628465  
(IRS Employer  
Identification No.)

30313  
(Zip Code)

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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark 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 at July 25, 2014
\$0.25 Par Value	4,385,923,844 Shares

THE COCA-COLA COMPANY AND SUBSIDIARIES

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## 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, 2013, 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 27, 2014	June 28, 2013	June 27, 2014	June 28, 2013
<b>NET OPERATING REVENUES</b>	<b>\$ 12,574</b>	<b>\$ 12,749</b>	<b>\$ 23,150</b>	<b>\$ 23,784</b>
Cost of goods sold	4,819	4,989	8,902	9,313
<b>GROSS PROFIT</b>	<b>7,755</b>	<b>7,760</b>	<b>14,248</b>	<b>14,471</b>
Selling, general and administrative expenses	4,384	4,385	8,373	8,567
Other operating charges	201	132	329	253
<b>OPERATING INCOME</b>	<b>3,170</b>	<b>3,243</b>	<b>5,546</b>	<b>5,651</b>
Interest income	144	129	267	245
Interest expense	107	122	231	224
Equity income (loss) — net	254	246	325	333
Other income (loss) — net	(77)	29	(318)	(136)
<b>INCOME BEFORE INCOME TAXES</b>	<b>3,384</b>	<b>3,525</b>	<b>5,589</b>	<b>5,869</b>
Income taxes	779	831	1,358	1,406
<b>CONSOLIDATED NET INCOME</b>	<b>2,605</b>	<b>2,694</b>	<b>4,231</b>	<b>4,463</b>
Less: Net income attributable to noncontrolling interests	10	18	17	36
<b>NET INCOME ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY</b>	<b>\$ 2,595</b>	<b>\$ 2,676</b>	<b>\$ 4,214</b>	<b>\$ 4,427</b>
<b>BASIC NET INCOME PER SHARE<sup>1</sup></b>	<b>\$ 0.59</b>	<b>\$ 0.60</b>	<b>\$ 0.96</b>	<b>\$ 0.99</b>
<b>DILUTED NET INCOME PER SHARE<sup>1</sup></b>	<b>\$ 0.58</b>	<b>\$ 0.59</b>	<b>\$ 0.95</b>	<b>\$ 0.98</b>
<b>DIVIDENDS PER SHARE</b>	<b>\$ 0.305</b>	<b>\$ 0.280</b>	<b>\$ 0.610</b>	<b>\$ 0.560</b>
<b>AVERAGE SHARES OUTSTANDING</b>	<b>4,391</b>	<b>4,446</b>	<b>4,396</b>	<b>4,450</b>
Effect of dilutive securities	63	81	63	78
<b>AVERAGE SHARES OUTSTANDING ASSUMING DILUTION</b>	<b>4,454</b>	<b>4,527</b>	<b>4,459</b>	<b>4,528</b>

<sup>1</sup> Calculated based on net income attributable to shareowners of The Coca-Cola Company.

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		Six Months Ended	
	June 27, 2014	June 28, 2013	June 27, 2014	June 28, 2013
<b>CONSOLIDATED NET INCOME</b>	<b>\$ 2,605</b>	<b>\$ 2,694</b>	<b>\$ 4,231</b>	<b>\$ 4,463</b>
Other comprehensive income:				
Net foreign currency translation adjustment	337	(1,051)	(52)	(981)
Net gain (loss) on derivatives	(81)	117	(180)	204
Net unrealized gain (loss) on available-for-sale securities	334	18	649	26
Net change in pension and other benefit liabilities	17	46	24	78
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>3,212</b>	<b>1,824</b>	<b>4,672</b>	<b>3,790</b>
Less: Comprehensive income (loss) attributable to noncontrolling interests	9	20	12	61
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY</b>	<b>\$ 3,203</b>	<b>\$ 1,804</b>	<b>\$ 4,660</b>	<b>\$ 3,729</b>

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 27, 2014	December 31, 2013
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 11,618	\$ 10,414
Short-term investments	6,524	6,707
<b>TOTAL CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>	<b>18,142</b>	<b>17,121</b>
Marketable securities	3,467	3,147
Trade accounts receivable, less allowances of \$59 and \$61, respectively	5,870	4,873
Inventories	3,536	3,277
Prepaid expenses and other assets	2,856	2,886
<b>TOTAL CURRENT ASSETS</b>	<b>33,871</b>	<b>31,304</b>
EQUITY METHOD INVESTMENTS	10,857	10,393
OTHER INVESTMENTS	3,601	1,119
OTHER ASSETS	4,805	4,661
PROPERTY, PLANT AND EQUIPMENT, less accumulated depreciation of \$10,610 and \$10,065, respectively	14,918	14,967
TRADEMARKS WITH INDEFINITE LIVES	6,798	6,744
BOTTLERS' FRANCHISE RIGHTS WITH INDEFINITE LIVES	7,284	7,415
GOODWILL	12,296	12,312
OTHER INTANGIBLE ASSETS	1,059	1,140
<b>TOTAL ASSETS</b>	<b>\$ 95,489</b>	<b>\$ 90,055</b>
<b>LIABILITIES AND EQUITY</b>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 10,575	\$ 9,577
Loans and notes payable	20,081	16,901
Current maturities of long-term debt	1,519	1,024
Accrued income taxes	454	309
<b>TOTAL CURRENT LIABILITIES</b>	<b>32,629</b>	<b>27,811</b>
LONG-TERM DEBT	18,643	19,154
OTHER LIABILITIES	3,447	3,498
DEFERRED INCOME TAXES	6,469	6,152
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	12,675	12,276
Reinvested earnings	63,194	61,660
Accumulated other comprehensive income (loss)	(2,986)	(3,432)
Treasury stock, at cost — 2,655 and 2,638 shares, respectively	(40,572)	(39,091)
<b>EQUITY ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY</b>	<b>34,071</b>	<b>33,173</b>
<b>EQUITY ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>	<b>230</b>	<b>267</b>
<b>TOTAL EQUITY</b>	<b>34,301</b>	<b>33,440</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 95,489</b>	<b>\$ 90,055</b>

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 27, 2014	June 28, 2013
<b>OPERATING ACTIVITIES</b>		
Consolidated net income	\$ 4,231	\$ 4,463
Depreciation and amortization	967	947
Stock-based compensation expense	112	92
Deferred income taxes	(67)	100
Equity (income) loss — net of dividends	(124)	(132)
Foreign currency adjustments	260	159
Significant (gains) losses on sales of assets — net	140	(23)
Other operating charges	120	83
Other items	6	22
Net change in operating assets and liabilities	(1,175)	(1,755)
Net cash provided by operating activities	4,470	3,956
<b>INVESTING ACTIVITIES</b>		
Purchases of investments	(7,895)	(7,077)
Proceeds from disposals of investments	6,192	5,224
Acquisitions of businesses, equity method investments and nonmarketable securities	(332)	(308)
Proceeds from disposals of businesses, equity method investments and nonmarketable securities	45	690
Purchases of property, plant and equipment	(1,030)	(1,069)
Proceeds from disposals of property, plant and equipment	134	57
Other investing activities	(242)	(225)
Net cash provided by (used in) investing activities	(3,128)	(2,708)
<b>FINANCING ACTIVITIES</b>		
Issuances of debt	21,267	22,779
Payments of debt	(18,122)	(19,454)
Issuances of stock	650	951
Purchases of stock for treasury	(1,953)	(2,978)
Dividends	(1,342)	(1,249)
Other financing activities	(438)	87
Net cash provided by (used in) financing activities	62	136
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>(200)</b>	<b>(420)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Net increase (decrease) during the period	1,204	964
Balance at beginning of period	10,414	8,442
Balance at end of period	\$ 11,618	\$ 9,406

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 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 generally accepted accounting principles 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, 2013.

When used in these notes, the terms "The Coca-Cola Company," "Company," "we," "us" or "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 27, 2014, are not necessarily indicative of the results that may be expected for the year ending December 31, 2014. 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 2014 and 2013 ended on June 27, 2014 and June 28, 2013, 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.

Effective January 1, 2014, the Company changed the name of the Pacific operating segment to Asia Pacific. Accordingly, the name has been updated for both the current and prior year disclosures in the notes to condensed consolidated financial statements.

***Advertising Costs***

The Company's accounting policy related to advertising costs for annual reporting purposes, as disclosed in Note 1 of our 2013 Annual Report on Form 10-K, 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 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.

***Hyperinflationary Economies***

A hyperinflationary economy is one that has cumulative inflation of 100 percent or more over a three-year period. Effective January 1, 2010, Venezuela was determined to be a hyperinflationary economy. In accordance with hyperinflationary accounting under accounting principles generally accepted in the United States, our local subsidiary is required to use the U.S. dollar as its functional currency.

In February 2013, the Venezuelan government devalued its currency to an official rate of exchange ("official rate") of 6.3 bolivars per U.S. dollar provided by the Commission for the Administration of Foreign Exchange ("CADIVI"). At that time, the Company remeasured the net monetary assets of our Venezuelan subsidiary at the official rate. As a result of the devaluation, we recognized a loss of \$140 million in the line item other income (loss) — net in our condensed consolidated statement of income during the six months ended June 28, 2013.

Beginning in October 2013, the government authorized certain companies that operate in designated industry sectors to exchange a limited volume of bolivars for U.S. dollars at a bid rate established via weekly auctions under a system referred to as "SICAD 1." During the first quarter of 2014, the government expanded the types of transactions that may be subject to the weekly SICAD 1 auction process while retaining the official rate of 6.3 bolivars per U.S. dollar; replaced CADIVI with a new



foreign currency administration, the National Center for Foreign Commerce ("CENCOEX"); and introduced another currency exchange mechanism ("SICAD 2"). The SICAD 2 rate is intended to more closely resemble a market-driven exchange rate than the official rate and SICAD 1. As a result of these changes, an entity may be able to convert bolivars to U.S. dollars at one of three legal exchange rates, which as of March 28, 2014, were 6.3 (official rate), 10.8 (SICAD 1) and 50.9 (SICAD 2). We analyzed the multiple rates available and the Company's estimates of the applicable rate at which future transactions could be settled, including the payment of dividends. Based on this analysis, we determined that the SICAD 1 rate is the most appropriate rate to use for remeasurement given our circumstances. Therefore, as of March 28, 2014, we remeasured the net monetary assets of our Venezuelan subsidiary using an exchange rate of 10.8 bolivars per U.S. dollar, which was the SICAD 1 rate on that date. We recorded a charge of \$226 million related to the change in exchange rates in the line item other income (loss) — net in our condensed consolidated statement of income during the six months ended June 27, 2014. The Company will continue to use the SICAD 1 rate to remeasure the net monetary assets of our Venezuelan subsidiary unless facts and circumstances change.

If the bolivar devalues further, or if we are able to access currency at different rates that are reasonable to the Company, it would result in our Company recognizing additional foreign currency exchange gains or losses in our condensed consolidated financial statements. As of June 27, 2014, our Venezuelan subsidiary held net monetary assets of \$263 million, including \$178 million of cash, cash equivalents, short-term investments and marketable securities. Despite the additional currency conversion mechanisms, the Company's ability to pay dividends from Venezuela is still restricted due to the low volume of U.S. dollars available for conversion.

In addition to the foreign currency exchange exposure related to our Venezuelan subsidiary's net monetary assets, we also sell concentrate to our bottling partner in Venezuela from outside the country. These sales are denominated in U.S. dollars and the carrying value of the receivables related to these sales was \$281 million as of June 27, 2014. If a government-approved exchange rate mechanism is not available for our bottling partner in Venezuela to convert bolivars and pay for these receivables and for future concentrate sales, the receivables balance will continue to increase. We will continue to monitor the collectability and convertibility of these receivables. We also have certain U.S. dollar denominated intangible assets associated with products sold in Venezuela, which had a carrying value of \$107 million as of June 27, 2014. If the bolivar further devalues, it could result in the impairment of these intangible assets. Additionally, in January 2014, the Venezuelan government enacted a new law which imposes limits on profit margins earned in the country, which limited the Company's cash flows during the three and six months ended June 27, 2014, and will continue to limit the future cash flows as long as the law is in effect.

#### *Recently Issued Accounting Guidance*

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. Under ASU 2014-08, only disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. Additionally, ASU 2014-08 requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income and expenses of discontinued operations. ASU 2014-08 is effective for fiscal and interim periods beginning on or after December 15, 2014. The Company is currently evaluating the impact the adoption of this ASU will have on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, which will replace most existing revenue recognition guidance in U.S. Generally Accepted Accounting Principles and is intended to improve and converge with international standards the financial reporting requirements for revenue from contracts with customers. The core principle of the ASU 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. ASU 2014-09 also requires additional disclosures about the nature, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. The ASU allows for both retrospective and prospective methods of adoption and is effective for periods beginning after December 15, 2016. The Company is currently evaluating the impact that the adoption of this ASU will have on our consolidated financial statements.

## **NOTE 2: ACQUISITIONS AND DIVESTITURES**

### *Acquisitions*

During the six months ended June 27, 2014, our Company's acquisitions of businesses, equity method investments and nonmarketable securities totaled \$32 million, which primarily included a joint investment with one of our bottling partners in a dairy company in Ecuador, which is accounted for under the equity method of accounting. During the six months ended June 28, 2013, our Company's acquisitions of businesses, equity method investments and nonmarketable securities totaled \$08 million, which primarily included our acquisition of the majority of the remaining outstanding shares of Fresh Trading Ltd. ("innocent") and a majority interest in bottling operations in Myanmar. We remeasured our equity interest in innocent to

fair value upon the close of the transaction. The resulting gain on the remeasurement was not significant to our condensed consolidated financial statements.

*Green Mountain Coffee Roasters, Inc.*

In February 2014, the Company and Green Mountain Coffee Roasters, Inc. ("GMCR"), now known as Keurig Green Mountain, Inc., entered into a 10-year global strategic agreement to collaborate on the development and introduction of the Company's global brand portfolio for use in GMCR's forthcoming Keurig Cold™ at-home beverage system. Under the agreement, the companies will cooperate to bring the Keurig Cold™ beverage system to consumers around the world, and GMCR will be the Company's exclusive partner for the production and sale of our branded single-serve, pod-based cold beverages. Together we will also explore other future opportunities to collaborate on the Keurig® platform. In an effort to align long-term interests, we also entered into an agreement to purchase a 10 percent equity position in GMCR, and on February 27, 2014, the Company purchased the newly issued shares in GMCR for approximately \$1,265 million, including transaction costs of \$14 million.

In May 2014, the Company purchased additional shares of GMCR in the market for \$302 million, which represented an additional 2 percent equity position in GMCR. We account for the investment in GMCR as an available-for-sale security, which is included in the line item other investments in our condensed consolidated balance sheet. These purchases were included in the line item purchases of investments in our condensed consolidated statement of cash flows.

Subsequent to these purchases, the Company entered into an agreement with Credit Suisse Capital LLC ("CS") to purchase additional shares of GMCR which would increase the Company's equity position to a 16 percent interest based on the total number of issued and outstanding shares of GMCR as of May 1, 2014. Under the agreement, the Company will purchase from CS, on a date selected by CS no later than February 2015, the lesser of (1) 6.5 million shares of GMCR or (2) the number of shares that shall cause our ownership to equal 16 percent. The purchase price per share will be the average of the daily volume-weighted average price per share from May 15, 2014, to the date selected by CS, as adjusted in certain circumstances specified in the agreement. CS will have exclusive ownership and control over any such shares until delivered to the Company. This agreement with CS qualifies as a derivative, and the changes in its fair value are immediately recognized into earnings.

*Coca-Cola Erfrischungsgetränke AG*

In conjunction with the Company's acquisition of 18 German bottling and distribution operations in 2007, the former owners received put options to sell their respective shares in Coca-Cola Erfrischungsgetränke AG ("CCEAG") back to the Company in January 2014. The Company paid \$503 million to purchase these shares, which was included in the line item other financing activities in our condensed consolidated statement of cash flows, and now owns 100 percent of CCEAG.

***Divestitures***

During the six months ended June 27, 2014, proceeds from disposals of businesses, equity method investments and nonmarketable securities totaled \$45 million, which represented the proceeds from the refranchising of certain of our territories in North America.

In conjunction with implementing a new beverage partnership model in North America, the Company refranchised certain territories that were previously managed by our consolidated North America bottling and customer service organization called Coca-Cola Refreshments ("CCR") to three of its unconsolidated bottling partners. These territories border these bottlers' existing territories, allowing each bottler to better service local customers and provide more efficient execution. Through the execution of 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. Under the arrangement for these territories, CCR retains the rights to produce these beverage products and the bottlers will purchase from CCR substantially all of the related finished products needed in order to service the customers in these territories. Each CBA has a term of 10 years and is renewable by the bottler indefinitely for successive additional terms of 10 years each. Under the CBA, each bottler will make ongoing quarterly payments to CCR based on their future gross profit in these territories throughout the term of the CBA, including renewals, in exchange for the grant of the exclusive territory rights.

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 to the respective bottlers in exchange for cash totaling \$45 million. 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 a \$140 million noncash loss during the three and six months ended June 27, 2014, primarily related to the derecognition of the intangible assets transferred. 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 income statement 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 income statement 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 six months ended June 28, 2013, proceeds from disposals of businesses, equity method investments and nonmarketable securities totaled \$90 million, which primarily included the sale of a majority ownership interest in our previously consolidated bottling operations in the Philippines ("Philippine bottling operations") to Coca-Cola FEMSA, S.A.B. de C.V. ("Coca-Cola FEMSA"), an equity method investee. The Company now accounts for our ownership interest in the Philippine bottling operations under the equity method of accounting. Following this transaction, we remeasured our investment in the Philippine bottling operations to fair value taking into consideration the sale price of the majority ownership interest. Coca-Cola FEMSA has an option to purchase our remaining ownership interest in the Philippine bottling operations at any time during the seven years following closing based on the initial purchase price plus a defined return. Coca-Cola FEMSA also has an option exercisable during the sixth year after closing to sell its ownership interest back to the Company at a price not to exceed the initial purchase price.

### NOTE 3: INVESTMENTS

Investments in debt and marketable equity securities, other than investments accounted for under the equity method, are classified as trading, available-for-sale or held-to-maturity. Our marketable equity investments are classified as either trading or available-for-sale with their cost basis determined by the specific identification method. Realized and unrealized gains and losses on trading securities and realized gains and losses on available-for-sale securities are included in net income. Unrealized gains and losses, net of deferred taxes, on available-for-sale securities are included in our condensed consolidated balance sheets as a component of accumulated other comprehensive income ("AOCI"), except for the change in fair value attributable to the currency risk being hedged. Refer to Note 5 for additional information related to the Company's fair value hedges of available-for-sale securities.

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.

#### *Trading Securities*

As of June 27, 2014, and December 31, 2013, our trading securities had a fair value of \$396 million and \$372 million, respectively, and consisted primarily of equity securities. The Company had net unrealized gains on trading securities of \$39 million and \$12 million as of June 27, 2014, and December 31, 2013, respectively.

The Company's trading securities were included in the following line items in our condensed consolidated balance sheets (in millions):

	June 27, 2014	December 31, 2013
Marketable securities	\$ 304	\$ 286
Other assets	92	86
<b>Total trading securities</b>	<b>\$ 396</b>	<b>\$ 372</b>

### Available-for-Sale and Held-to-Maturity Securities

As of June 27, 2014, and December 31, 2013, the Company did not have any held-to-maturity securities. As of June 27, 2014, available-for-sale securities consisted of the following (in millions):

	Cost	Gross Unrealized		Fair Value
		Gains	Losses	
Available-for-sale securities: <sup>1</sup>				
Equity securities	\$ 2,796	\$ 1,304	\$ (18)	\$ 4,082
Debt securities	3,478	44	(9)	3,513
Total available-for-sale securities	\$ 6,274	\$ 1,348	\$ (27)	\$ 7,595

<sup>1</sup> Refer to Note 14 for additional information related to the estimated fair value.

As of December 31, 2013, available-for-sale securities consisted of the following (in millions):

	Cost	Gross Unrealized		Fair Value
		Gains	Losses	
Available-for-sale securities: <sup>1</sup>				
Equity securities	\$ 1,097	\$ 373	\$ (17)	\$ 1,453
Debt securities	3,388	24	(23)	3,389
Total available-for-sale securities	\$ 4,485	\$ 397	\$ (40)	\$ 4,842

<sup>1</sup> Refer to Note 14 for additional information related to the estimated fair value.

As of June 27, 2014, and December 31, 2013, the Company had investments classified as available-for-sale securities in which our cost basis exceeded the fair value of our investment. Management assessed each of these investments on an individual basis to determine if the decline in fair value was other than temporary. 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. As a result of these assessments, management determined that the decline in fair value of these investments was not other than temporary and did not record any impairment charges.

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

	Three Months Ended		Six Months Ended	
	June 27, 2014	June 28, 2013	June 27, 2014	June 28, 2013
Gross gains	\$ 13	\$ 3	\$ 16	\$ 8
Gross losses	(9)	(5)	(13)	(10)
Proceeds	817	1,121	2,182	2,258

The Company uses one of its insurance captives to reinsure group annuity insurance contracts that cover the pension obligations of certain of our European and Canadian pension plans. In accordance with local insurance regulations, our insurance captive is required to meet and maintain minimum solvency capital requirements. The Company elected to invest its solvency capital in a portfolio of available-for-sale securities, 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. As of June 27, 2014, and December 31, 2013, the Company's available-for-sale securities included solvency capital funds of \$871 million and \$667 million, respectively.

The Company's available-for-sale securities were included in the following line items in our condensed consolidated balance sheets (in millions):

	June 27, 2014	December 31, 2013
Cash and cash equivalents	\$ —	\$ 245
Marketable securities	3,163	2,861
Other investments	3,435	958
Other assets	997	778
<b>Total available-for-sale securities</b>	<b>\$ 7,595</b>	<b>\$ 4,842</b>

The contractual maturities of these available-for-sale securities as of June 27, 2014, were as follows (in millions):

	Cost	Fair Value
Within 1 year	\$ 1,255	\$ 1,258
After 1 year through 5 years	1,700	1,724
After 5 years through 10 years	142	150
After 10 years	381	381
Equity securities	2,796	4,082
<b>Total available-for-sale securities</b>	<b>\$ 6,274</b>	<b>\$ 7,595</b>

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

#### **Cost Method Investments**

Cost method investments are initially recorded at cost, and we record dividend income when applicable dividends are declared. Cost method investments are reported as other investments in our condensed consolidated balance sheets, and dividend income from cost method investments is reported in other income (loss) — net in our condensed consolidated statements of income. We review all of our cost method investments quarterly to determine if impairment indicators are present; however, we are not required to determine the fair value of these investments unless impairment indicators exist. When impairment indicators exist, we generally use discounted cash flow analyses to determine the fair value. We estimate that the fair values of our cost method investments approximated or exceeded their carrying values as of June 27, 2014, and December 31, 2013. Our cost method investments had a carrying value of \$165 million and \$162 million as of June 27, 2014, and December 31, 2013, respectively.

#### **NOTE 4: 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 market. We determine cost on the basis of the average cost or first-in, first-out methods. Inventories consisted of the following (in millions):

	June 27, 2014	December 31, 2013
Raw materials and packaging	\$ 1,822	\$ 1,692
Finished goods	1,362	1,240
Other	352	345
<b>Total inventories</b>	<b>\$ 3,536</b>	<b>\$ 3,277</b>

## NOTE 5: 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 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.

All derivatives are carried at fair value in our condensed consolidated balance sheets 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 statements 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 value 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 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 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. Any ineffective portion of a financial instrument's change in fair value is immediately recognized into earnings.

The Company determines the fair values of its derivatives based on quoted market prices or pricing models using current market rates. Refer to Note 14. 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 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.

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 <sup>1</sup>	Fair Value <sup>1,2</sup>	
		June 27, 2014	December 31, 2013
<b>Assets</b>			
Foreign currency contracts	Prepaid expenses and other assets	\$ 92	\$ 211
Foreign currency contracts	Other assets	83	109
Commodity contracts	Prepaid expenses and other assets	—	1
Interest rate contracts	Prepaid expenses and other assets	3	—
Interest rate contracts	Other assets	218	283
Total assets		\$ 396	\$ 604
<b>Liabilities</b>			
Foreign currency contracts	Accounts payable and accrued expenses	\$ 129	\$ 84
Foreign currency contracts	Other liabilities	43	40
Commodity contracts	Accounts payable and accrued expenses	1	1
Interest rate contracts	Other liabilities	2	—
Total liabilities		\$ 175	\$ 125

<sup>1</sup> 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 14 for the net presentation of the Company's derivative instruments.

<sup>2</sup> Refer to Note 14 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 <sup>1</sup>	Fair Value <sup>1,2</sup>	
		June 27, 2014	December 31, 2013
<b>Assets</b>			
Foreign currency contracts	Prepaid expenses and other assets	\$ 16	\$ 21
Foreign currency contracts	Other assets	172	171
Commodity contracts	Prepaid expenses and other assets	27	33
Commodity contracts	Other assets	5	1
Other derivative instruments	Prepaid expenses and other assets	24	9
Total assets		\$ 244	\$ 235
<b>Liabilities</b>			
Foreign currency contracts	Accounts payable and accrued expenses	\$ 11	\$ 24
Foreign currency contracts	Other liabilities	10	—
Commodity contracts	Accounts payable and accrued expenses	6	23
Interest rate contracts	Other liabilities	2	3
Other derivative instruments	Accounts payable and accrued expenses	1	—
Other derivative instruments	Other liabilities	2	—
Total liabilities		\$ 32	\$ 50

<sup>1</sup> 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 14 for the net presentation of the Company's derivative instruments.

<sup>2</sup> Refer to Note 14 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 in the form of U.S. government securities 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 Company did not discontinue any cash flow hedging relationships during the six months ended June 27, 2014, or June 28, 2013. 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 qualified for the Company's foreign currency cash flow hedging program were \$9,161 million and \$8,450 million as of June 27, 2014, and December 31, 2013, respectively.

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 were designated and qualified for the Company's commodity cash flow hedging program were \$20 million and \$26 million as of June 27, 2014, and December 31, 2013, 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. The total notional value of these interest rate swap agreements that were designated and qualified for the Company's interest rate cash flow hedging program was \$1,828 million as of June 27, 2014, and December 31, 2013.

The following table presents the pretax impact that changes in the fair values of derivatives designated as cash flow hedges had on AOCI and earnings during the three months ended June 27, 2014 (in millions):

	Gain (Loss) Recognized in Other Comprehensive Income ("OCI")	Location of Gain (Loss) Recognized in Income <sup>1</sup>	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Foreign currency contracts	\$ (50)	Net operating revenues	\$ 18	\$ — <sup>2</sup>
Foreign currency contracts	(9)	Cost of goods sold	7	— <sup>2</sup>
Interest rate contracts	(40)	Interest expense	—	—
Commodity contracts	(1)	Cost of goods sold	—	—
<b>Total</b>	<b>\$ (100)</b>		<b>\$ 25</b>	<b>\$ —</b>

<sup>1</sup> 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 statements of income.

<sup>2</sup> Includes a de minimis amount of ineffectiveness in the hedging relationship.



The following table presents the pretax impact that changes in the fair values of derivatives designated as cash flow hedges had on AOCI and earnings during the six months ended June 27, 2014 (in millions):

	Gain (Loss) Recognized in OCI	Location of Gain (Loss) Recognized in Income <sup>1</sup>	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Foreign currency contracts	\$ (112)	Net operating revenues	\$ 43	\$ — <sup>2</sup>
Foreign currency contracts	(21)	Cost of goods sold	20	— <sup>2</sup>
Interest rate contracts	(91)	Interest expense	—	—
Commodity contracts	1	Cost of goods sold	1	—
Total	\$ (223)		\$ 64	\$ —

<sup>1</sup> 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 statements of income.

<sup>2</sup> Includes a de minimis amount of ineffectiveness in the hedging relationship.

The following table presents the pretax impact that changes in the fair values of derivatives designated as cash flow hedges had on AOCI and earnings during the three months ended June 28, 2013 (in millions):

	Gain (Loss) Recognized in OCI	Location of Gain (Loss) Recognized in Income <sup>1</sup>	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Foreign currency contracts	\$ 89	Net operating revenues	\$ 51	\$ 1
Foreign currency contracts	14	Cost of goods sold	8	—
Interest rate contracts	138	Interest expense	(3)	—
Commodity contracts	(1)	Cost of goods sold	(1)	—
Total	\$ 240		\$ 55	\$ 1

<sup>1</sup> 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 statements of income.

The following table presents the pretax impact that changes in the fair values of derivatives designated as cash flow hedges had on AOCI and earnings during the six months ended June 28, 2013 (in millions):

	Gain (Loss) Recognized in OCI	Location of Gain (Loss) Recognized in Income <sup>1</sup>	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Foreign currency contracts	\$ 220	Net operating revenues	\$ 70	\$ 1 <sup>2</sup>
Foreign currency contracts	35	Cost of goods sold	10	—
Interest rate contracts	151	Interest expense	(6)	— <sup>2</sup>
Commodity contracts	1	Cost of goods sold	(1)	—
Total	\$ 407		\$ 73	\$ 1

<sup>1</sup> 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 statements of income.

<sup>2</sup> Includes a de minimis amount of ineffectiveness in the hedging relationship.

As of June 27, 2014, the Company estimates that it will reclassify into earnings during the next 12 months approximately \$6 million of gains 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 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. As of June 27, 2014, such adjustments had cumulatively increased the carrying value of our long-term debt by \$67 million. 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 par 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 that related to our fair value hedges of this type were \$6,600 million and \$5,600 million as of June 27, 2014, and December 31, 2013, 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 are recognized in earnings. As a result, any difference is reflected in earnings as ineffectiveness. The total notional values of derivatives that related to our fair value hedges of this type were \$983 million and \$996 million as of June 27, 2014, and December 31, 2013, respectively.

The following table summarizes the pretax impact that changes in the fair values of derivatives designated as fair value hedges had on earnings during the three months ended June 27, 2014 and June 28, 2013 (in millions):

Fair Value Hedging Instruments	Location of Gain (Loss) Recognized in Income	Gain (Loss) Recognized in Income	
		Three Months Ended	
		June 27, 2014	June 28, 2013
Interest rate swaps	Interest expense	\$ 21	\$ (116)
Fixed-rate debt	Interest expense	(12)	131
Net impact to interest expense		\$ 9	\$ 15
Foreign currency contracts	Other income (loss) — net	\$ (37)	\$ (17)
Available-for-sale securities	Other income (loss) — net	30	14
Net impact to other income (loss) — net		\$ (7)	\$ (3)
Net impact of fair value hedging instruments		\$ 2	\$ 12

The following table summarizes the pretax impact that changes in the fair values of derivatives designated as fair value hedges had on earnings during the six months ended June 27, 2014 and June 28, 2013 (in millions):

Fair Value Hedging Instruments	Location of Gain (Loss) Recognized in Income	Gain (Loss) Recognized in Income	
		Six Months Ended	
		June 27, 2014	June 28, 2013
Interest rate swaps	Interest expense	\$ 26	\$ (151)
Fixed-rate debt	Interest expense	(15)	176
Net impact to interest expense		\$ 11	\$ 25
Foreign currency contracts	Other income (loss) — net	\$ (19)	\$ (7)
Available-for-sale securities	Other income (loss) — net	8	(2)
Net impact to other income (loss) — net		\$ (11)	\$ (9)
Net impact of fair value hedging instruments		\$ —	\$ 16

#### Hedges of Net Investments in Foreign Operations Strategy

The Company uses forward contracts to protect the value of our investments in a number of foreign subsidiaries. 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 gain (loss), a component of AOCI, to offset the changes in the values of the net investments being hedged. Any ineffective portions of net investment hedges are reclassified from AOCI into earnings during the period of change. The total notional values of derivatives that were designated and qualified for the Company's net investments hedging program were \$1,746 million and \$2,024 million as of June 27, 2014, and December 31, 2013, respectively.

The following table presents the pretax impact that changes in the fair values of derivatives designated as net investment hedges had on AOCI during the three and six months ended June 27, 2014 and June 28, 2013 (in millions):

	Gain (Loss) Recognized in OCI			
	Three Months Ended		Six Months Ended	
	June 27, 2014	June 28, 2013	June 27, 2014	June 28, 2013
Foreign currency contracts	\$ (74)	\$ 87	\$ (142)	\$ 30

The Company did not reclassify any deferred gains or losses related to net investment hedges from AOCI into earnings during the three and six months ended June 27, 2014 and June 28, 2013. In addition, the Company did not have any ineffectiveness related to net investment hedges during the three and six months ended June 27, 2014 and June 28, 2013.

***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 to primarily manage 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 fair values 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 values 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 statements 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. 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 or cost of goods sold in our condensed consolidated statements of income, as applicable. The total notional values of derivatives related to our foreign currency economic hedges were \$3,836 million and \$3,871 million as of June 27, 2014, and December 31, 2013, 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, and selling, general and administrative expenses in our condensed consolidated statements of income, as applicable. The total notional values of derivatives related to our economic hedges of this type were \$853 million and \$1,441 million as of June 27, 2014, and December 31, 2013, respectively.

The following tables present the pretax impact that changes in the fair values of derivatives not designated as hedging instruments had on earnings during the three and six months ended June 27, 2014 and June 28, 2013 (in millions):

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income	Three Months Ended	
		June 27, 2014	June 28, 2013
Foreign currency contracts	Net operating revenues	\$ (6)	\$ 6
Foreign currency contracts	Other income (loss) — net	21	6
Foreign currency contracts	Cost of goods sold	—	2
Interest rate contracts	Interest expense	—	(3)
Commodity contracts	Net operating revenues	2	(1)
Commodity contracts	Cost of goods sold	13	(75)
Commodity contracts	Selling, general and administrative expenses	4	(2)
Other derivative instruments	Selling, general and administrative expenses	17	4
Other derivative instruments	Other income (loss) — net	8	—
<b>Total</b>		<b>\$ 59</b>	<b>\$ (63)</b>

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income	Six Months Ended	
		June 27, 2014	June 28, 2013
Foreign currency contracts	Net operating revenues	\$ (18)	\$ 4
Foreign currency contracts	Other income (loss) — net	23	73
Interest rate contracts	Interest expense	—	(3)
Commodity contracts	Net operating revenues	—	(1)
Commodity contracts	Cost of goods sold	35	(144)
Commodity contracts	Selling, general and administrative expenses	1	(2)
Other derivative instruments	Selling, general and administrative expenses	14	24
Other derivative instruments	Other income (loss) — net	8	—
<b>Total</b>		<b>\$ 63</b>	<b>\$ (49)</b>

## **NOTE 6: DEBT AND BORROWING ARRANGEMENTS**

During the six months ended June 27, 2014, the Company retired \$1,000 million of long-term debt upon maturity and issued \$1,000 million total principal amount of notes due September 1, 2015, at a variable interest rate equal to the three-month London Interbank Offered Rate plus 0.01 percent.

## **NOTE 7: COMMITMENTS AND CONTINGENCIES**

### ***Guarantees***

As of June 27, 2014, we were contingently liable for guarantees of indebtedness owed by third parties of \$549 million, of which \$174 million related to variable interest entities. These 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 was individually significant. The amount represents 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 to 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.

During the period from 1970 to 1981, our Company owned Aqua-Chem, Inc., now known as Cleaver-Brooks, Inc. ("Aqua-Chem"). During that time, the Company purchased over \$400 million of insurance coverage, which also insures Aqua-Chem for some of its prior and future costs for certain product liability and other claims. A division of Aqua-Chem manufactured certain boilers that contained gaskets that Aqua-Chem purchased from outside suppliers. Several years after our Company sold this entity, Aqua-Chem received its first lawsuit relating to asbestos, a component of some of the gaskets. Aqua-Chem was first named as a defendant in asbestos lawsuits in or around 1985 and currently has approximately 40,000 active claims pending against it. In September 2002, Aqua-Chem notified our Company that it believed we were obligated for certain costs and expenses associated with its asbestos litigations. Aqua-Chem demanded that our Company reimburse it for approximately \$10 million for out-of-pocket litigation-related expenses. Aqua-Chem also demanded that the Company acknowledge a continuing obligation to Aqua-Chem for any future liabilities and expenses that are excluded from coverage under the applicable insurance or for which there is no insurance. Our Company disputes Aqua-Chem's claims, and we believe we have no obligation to Aqua-Chem for any of its past, present or future liabilities, costs or expenses. Furthermore, we believe we have substantial legal and factual defenses to Aqua-Chem's claims. The parties entered into litigation in Georgia to resolve this dispute, which was stayed by agreement of the parties pending the outcome of litigation filed in Wisconsin by certain insurers of Aqua-Chem. In that case, five plaintiff insurance companies filed a declaratory judgment action against Aqua-Chem, the Company and 16 defendant insurance companies seeking a determination of the parties' rights and liabilities under policies issued by the insurers and reimbursement for amounts paid by plaintiffs in excess of their obligations. During the course of the Wisconsin insurance coverage litigation, Aqua-Chem and the Company reached settlements with several of the insurers, including plaintiffs, who have paid or will pay funds into an escrow account for payment of costs arising from the asbestos claims against Aqua-Chem. On July 24, 2007, the Wisconsin trial court entered a final declaratory judgment regarding the rights and obligations of the parties under the insurance policies issued by the remaining defendant insurers, which judgment was not appealed. The judgment directs, among other things, that each insurer whose policy is triggered is jointly and severally liable for 100 percent of Aqua-Chem's losses up to policy limits. The court's judgment concluded the Wisconsin insurance coverage litigation. The Georgia litigation remains subject to the stay agreement. The Company and Aqua-Chem continued to negotiate with various insurers that were defendants in the Wisconsin insurance coverage litigation over those insurers' obligations to defend and indemnify Aqua-Chem for the asbestos-related claims. The Company anticipated that a final settlement with three of those insurers (the "Chartis insurers") would be finalized in May 2011, but such insurers repudiated their settlement commitments and, as a result, Aqua-Chem and the Company filed suit against them in Wisconsin state court to enforce the coverage-in-place settlement or, in the alternative, to obtain a declaratory judgment validating Aqua-Chem and the Company's interpretation of the court's judgment in the Wisconsin insurance coverage litigation. In February 2012, the parties filed and argued a number of cross-motions for summary judgment related to the issues of the enforceability of the settlement agreement and the exhaustion of policies underlying those of the Chartis insurers. The court granted defendants' motions for summary judgment that the 2011 Settlement Agreement and 2010 Term Sheet were not binding contracts but denied their similar motions related to the plaintiffs' claims for promissory and/or equitable estoppel. On or about May 15, 2012, the parties entered into a mutually agreeable settlement/stipulation resolving two major issues: exhaustion of underlying coverage and

control of defense. On or about January 10, 2013, the parties reached a settlement of the estoppel claims and all of the remaining coverage issues, with the exception of one disputed issue relating to the scope of the Chartis insurers' defense obligations in two policy years. The trial court granted summary judgment in favor of the Company and Aqua-Chem on that one open issue and entered a final appealable judgment to that effect following the parties' settlement. On January 23, 2013, the Chartis insurers filed a notice of appeal of the trial court's summary judgment ruling. On October 29, 2013, the Wisconsin Court of Appeals affirmed the grant of summary judgment in favor of the Company and Aqua-Chem. On November 27, 2013, the Chartis insurers filed a petition for review in the Supreme Court of Wisconsin, and on December 11, 2013, the Company filed its opposition to that petition. On April 16, 2014, the Supreme Court of Wisconsin denied the Chartis insurers' petition for review.

The Company is unable to estimate at this time the amount or range of reasonably possible loss it may ultimately incur as a result of asbestos-related claims against Aqua-Chem. The Company believes that assuming (1) the defense and indemnity costs for the asbestos-related claims against Aqua-Chem in the future are in the same range as during the past five years, and (2) the various insurers that cover the asbestos-related claims against Aqua-Chem remain solvent, regardless of the outcome of the coverage-in-place settlement litigation but taking into account the issues resolved to date, insurance coverage for substantially all defense and indemnity costs would be available for the next 10 to 15 years.

#### **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 or when a tax assessment is raised. The number of years subject to 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 13.

#### **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 \$533 million and \$537 million as of June 27, 2014, and December 31, 2013, respectively.

#### **NOTE 8: COMPREHENSIVE INCOME**

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

	Six Months Ended June 27, 2014		
	Shareowners of The Coca-Cola Company	Noncontrolling Interests	Total
Consolidated net income	\$ 4,214	\$ 17	\$ 4,231
Other comprehensive income:			
Net foreign currency translation adjustment	(47)	(5)	(52)
Net gain (loss) on derivatives <sup>1</sup>	(180)	—	(180)
Net unrealized gain (loss) on available-for-sale securities <sup>2</sup>	649	—	649
Net change in pension and other benefit liabilities	24	—	24
Total comprehensive income	\$ 4,660	\$ 12	\$ 4,672

<sup>1</sup> Refer to Note 5 for additional information related to the net gain or loss on derivative instruments designated and qualifying as cash flow hedging instruments.

<sup>2</sup> Refer to Note 3 for information related to the net unrealized gain or loss on available-for-sale securities.

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 June 27, 2014	Before-Tax Amount	Income Tax	After-Tax Amount
<b>Foreign currency translation adjustments:</b>			
Translation adjustment arising during the period	\$ 364	\$ (26)	\$ 338
Reclassification adjustments recognized in net income	—	—	—
Net foreign currency translation adjustments	364	(26)	338
<b>Derivatives:</b>			
Unrealized gains (losses) arising during the period	(102)	36	(66)
Reclassification adjustments recognized in net income	(25)	10	(15)
Net gain (loss) on derivatives <sup>1</sup>	(127)	46	(81)
<b>Available-for-sale securities:</b>			
Unrealized gains (losses) arising during the period	488	(150)	338
Reclassification adjustments recognized in net income	(4)	—	(4)
Net change in unrealized gain (loss) on available-for-sale securities <sup>2</sup>	484	(150)	334
<b>Pension and other benefit liabilities:</b>			
Net pension and other benefits arising during the period	11	(3)	8
Reclassification adjustments recognized in net income	15	(6)	9
Net change in pension and other benefit liabilities <sup>3</sup>	26	(9)	17
<b>Other comprehensive income (loss) attributable to The Coca-Cola Company</b>	<b>\$ 747</b>	<b>\$ (139)</b>	<b>\$ 608</b>

<sup>1</sup> Refer to Note 5 for additional information related to the net gain or loss on derivative instruments designated and qualifying as cash flow hedging instruments.

<sup>2</sup> Includes reclassification adjustments related to divestitures of certain available-for-sale securities. Refer to Note 3 for additional information related to these divestitures.

<sup>3</sup> Refer to Note 12 for additional information related to the Company's pension and other postretirement benefit liabilities.

Six Months Ended June 27, 2014	Before-Tax Amount	Income Tax	After-Tax Amount
<b>Foreign currency translation adjustments:</b>			
Translation adjustment arising during the period	\$ (120)	\$ 73	\$ (47)
Reclassification adjustments recognized in net income	—	—	—
Net foreign currency translation adjustments	(120)	73	(47)
<b>Derivatives:</b>			
Unrealized gains (losses) arising during the period	(225)	84	(141)
Reclassification adjustments recognized in net income	(64)	25	(39)
Net gain (loss) on derivatives <sup>1</sup>	(289)	109	(180)
<b>Available-for-sale securities:</b>			
Unrealized gains (losses) arising during the period	968	(316)	652
Reclassification adjustments recognized in net income	(3)	—	(3)
Net change in unrealized gain (loss) on available-for-sale securities <sup>2</sup>	965	(316)	649
<b>Pension and other benefit liabilities:</b>			
Net pension and other benefits arising during the period	8	(2)	6
Reclassification adjustments recognized in net income	29	(11)	18
Net change in pension and other benefit liabilities <sup>3</sup>	37	(13)	24
<b>Other comprehensive income (loss) attributable to The Coca-Cola Company</b>	<b>\$ 593</b>	<b>\$ (147)</b>	<b>\$ 446</b>

<sup>1</sup> Refer to Note 5 for additional information related to the net gain or loss on derivative instruments designated and qualifying as cash flow hedging instruments.

<sup>2</sup> Includes reclassification adjustments related to divestitures of certain available-for-sale securities. Refer to Note 3 for additional information related to these divestitures.

<sup>3</sup> Refer to Note 12 for additional information related to the Company's pension and other postretirement benefit liabilities.

Three Months Ended June 28, 2013	Before-Tax Amount	Income Tax	After-Tax Amount
<b>Foreign currency translation adjustments:</b>			
Translation adjustment arising during the period	\$ (1,004)	\$ (47)	\$ (1,051)
Reclassification adjustments recognized in net income	(2)	—	(2)
Net foreign currency translation adjustments	(1,006)	(47)	(1,053)
<b>Derivatives:</b>			
Unrealized gains (losses) arising during the period	240	(89)	151
Reclassification adjustments recognized in net income	(55)	21	(34)
Net gain (loss) on derivatives <sup>1</sup>	185	(68)	117
<b>Available-for-sale securities:</b>			
Unrealized gains (losses) arising during the period	39	(23)	16
Reclassification adjustments recognized in net income	2	—	2
Net change in unrealized gain (loss) on available-for-sale securities <sup>2</sup>	41	(23)	18
<b>Pension and other benefit liabilities:</b>			
Net pension and other benefits arising during the period	18	(4)	14
Reclassification adjustments recognized in net income	50	(18)	32
Net change in pension and other benefit liabilities <sup>3</sup>	68	(22)	46
Other comprehensive income (loss) attributable to The Coca-Cola Company	\$ (712)	\$ (160)	\$ (872)

<sup>1</sup> Refer to Note 5 for additional information related to the net gain or loss on derivative instruments designated and qualifying as cash flow hedging instruments.

<sup>2</sup> Includes reclassification adjustments related to divestitures of certain available-for-sale securities. Refer to Note 3 for additional information related to these divestitures.

<sup>3</sup> Refer to Note 12 for additional information related to the Company's pension and other postretirement benefit liabilities.

Six Months Ended June 28, 2013	Before-Tax Amount	Income Tax	After-Tax Amount
<b>Foreign currency translation adjustments:</b>			
Translation adjustment arising during the period	\$ (679)	\$ (107)	\$ (786)
Reclassification adjustments recognized in net income	(220)	—	(220)
Net foreign currency translation adjustments	(899)	(107)	(1,006)
<b>Derivatives:</b>			
Unrealized gains (losses) arising during the period	402	(153)	249
Reclassification adjustments recognized in net income	(73)	28	(45)
Net gain (loss) on derivatives <sup>1</sup>	329	(125)	204
<b>Available-for-sale securities:</b>			
Unrealized gains (losses) arising during the period	44	(20)	24
Reclassification adjustments recognized in net income	2	—	2
Net change in unrealized gain (loss) on available-for-sale securities <sup>2</sup>	46	(20)	26
<b>Pension and other benefit liabilities:</b>			
Net pension and other benefits arising during the period	25	(9)	16
Reclassification adjustments recognized in net income	98	(36)	62
Net change in pension and other benefit liabilities <sup>3</sup>	123	(45)	78
Other comprehensive income (loss) attributable to The Coca-Cola Company	\$ (401)	\$ (297)	\$ (698)

<sup>1</sup> Refer to Note 5 for additional information related to the net gain or loss on derivative instruments designated and qualifying as cash flow hedging instruments.

<sup>2</sup> Includes reclassification adjustments related to divestitures of certain available-for-sale securities. Refer to Note 3 for additional information related to these divestitures.

<sup>3</sup> Refer to Note 12 for additional information related to the Company's pension and other postretirement benefit liabilities.

The following table presents the amounts and line items in our condensed consolidated statements of income where adjustments reclassified from AOCI into income were recorded during the three and six months ended June 27, 2014 (in millions):

Description of AOCI Component	Location of Gain (Loss) Recognized in Income	Amount Reclassified from AOCI into Income	
		Three Months Ended June 27, 2014	Six Months Ended June 27, 2014
<b>Derivatives:</b>			
Foreign currency contracts	Net operating revenues	\$ (18)	\$ (43)
Foreign currency and commodity contracts	Cost of goods sold	(7)	(21)
	Income before income taxes	\$ (25)	\$ (64)
	Income taxes	10	25
	Consolidated net income	\$ (15)	\$ (39)
<b>Available-for-sale securities:</b>			
Sale of securities	Other income (loss) — net	\$ (4)	\$ (3)
	Income before income taxes	\$ (4)	\$ (3)
	Income taxes	—	—
	Consolidated net income	\$ (4)	\$ (3)
<b>Pension and other benefit liabilities:</b>			
Amortization of net actuarial loss	*	\$ 19	\$ 38
Amortization of prior service cost (credit)	*	(4)	(9)
	Income before income taxes	\$ 15	\$ 29
	Income taxes	(6)	(11)
	Consolidated net income	\$ 9	\$ 18

\*This component of AOCI is included in the Company's computation of net periodic benefit cost and is not reclassified out of AOCI into a single line item in our condensed consolidated statements of income in its entirety. Refer to Note 12 for additional information.

#### NOTE 9: CHANGES IN EQUITY

The following table provides 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):

	Shareowners of The Coca-Cola Company							Non-controlling Interests
	Total	Reinvested Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock	Capital Surplus	Treasury Stock		
December 31, 2013	\$ 33,440	\$ 61,660	\$ (3,432)	\$ 1,760	\$ 12,276	\$ (39,091)	\$ 267	
Comprehensive income (loss)	4,672	4,214	446	—	—	—	12	
Dividends paid/payable to shareowners of The Coca-Cola Company	(2,680)	(2,680)	—	—	—	—	—	
Dividends paid to noncontrolling interests	(21)	—	—	—	—	—	(21)	
Business combinations including purchase accounting adjustments	(28)	—	—	—	—	—	(28)	
Purchases of treasury stock	(1,878)	—	—	—	—	(1,878)	—	
Impact of employee stock option and restricted stock plans	796	—	—	—	399	397	—	
June 27, 2014	\$ 34,301	\$ 63,194	\$ (2,986)	\$ 1,760	\$ 12,675	\$ (40,572)	\$ 230	

#### NOTE 10: SIGNIFICANT OPERATING AND NONOPERATING ITEMS

##### Other Operating Charges

During the three months ended June 27, 2014, the Company incurred other operating charges of \$201 million. These charges consisted of \$89 million due to the Company's productivity and reinvestment program and \$66 million due to the integration of our German bottling and distribution operations. The Company also recorded a loss of \$25 million as a result of the



restructuring and transition of the Company's Russian juice operations to an existing joint venture with an unconsolidated bottling partner. In addition, a charge of \$1 million was incurred due to the write-down of receivables related to sales of concentrate to our bottling partner in Venezuela as a result of limited government-approved exchange rate conversion mechanisms. Refer to Note 11 for additional information on the Company's productivity, integration and restructuring initiatives. Refer to Note 15 for the impact these charges had on our operating segments.

During the six months ended June 27, 2014, the Company recorded other operating charges of \$329 million. These charges consisted of \$175 million due to the Company's productivity and reinvestment program and \$108 million due to the integration of our German bottling and distribution operations. In addition, the Company recorded a loss of \$25 million as a result of the restructuring and transition of the Company's Russian juice operations to an existing joint venture with an unconsolidated bottling partner. The Company also incurred a charge of \$21 million due to the write-down of receivables related to sales of concentrate to our bottling partner in Venezuela as a result of limited government-approved exchange rate conversion mechanisms. Refer to Note 11 for additional information on the Company's productivity, integration and restructuring initiatives. Refer to Note 15 for the impact these charges had on our operating segments.

During the three months ended June 28, 2013, the Company incurred other operating charges of \$132 million. These charges primarily consisted of \$113 million due to the Company's productivity and reinvestment program and \$20 million due to the integration of our German bottling and distribution operations. Refer to Note 11 for additional information on the Company's productivity, integration and restructuring initiatives. Refer to Note 15 for the impact these charges had on our operating segments.

During the six months ended June 28, 2013, the Company incurred other operating charges of \$253 million. These charges consisted of \$215 million due to the Company's productivity and reinvestment program and \$41 million primarily due to the integration of our German bottling and distribution operations. Refer to Note 11 for additional information on the Company's productivity, integration and restructuring initiatives. Refer to Note 15 for the impact these charges had on our operating segments.

#### ***Other Nonoperating Items***

##### *Equity Income (Loss) — Net*

During the three and six months ended June 27, 2014, the Company recorded net charges of \$6 million and \$33 million, respectively, in the line item equity income (loss) — net. During the three and six months ended June 28, 2013, the Company recorded net charges of \$3 million and \$42 million, respectively, in the line item equity income (loss) — net. These charges represent the Company's proportionate share of unusual or infrequent items recorded by certain of our equity method investees, including charges incurred by an equity method investee due to the devaluation of the Venezuelan bolivar. Refer to Note 15 for the impact these items had on our operating segments.

##### *Other Income (Loss) — Net*

During the three months ended June 27, 2014, the Company recorded a charge of \$140 million primarily due to the derecognition of intangible assets as a result of refranchising certain territories in North America to three of its unconsolidated bottling partners. Refer to Note 2 for more information related to this charge and Note 15 for the impact this charge had on our operating segments.

During the six months ended June 27, 2014, the Company recorded a charge of \$140 million primarily due to the derecognition of intangible assets as a result of refranchising certain territories in North America to three of its unconsolidated bottling partners. The Company also incurred a charge of \$226 million due to the expansion of the Venezuelan government's currency conversion markets. Refer to Note 2 for more information related to the North America refranchising, Note 1 for more information related to the charge due to the change in Venezuelan exchange rates and Note 15 for the impact these charges had on our operating segments.

During the three and six months ended June 28, 2013, the Company recorded a loss of \$144 million related to the then pending merger of four of its Japanese bottling partners. In 2012, the four bottlers announced their intent to merge as Coca-Cola East Japan Bottling Company, Ltd. ("CCEJ"), a publicly traded entity, through a share exchange. The merger was approved by the respective bottlers' shareowners in March 2013, and the transaction received final regulatory approval in May 2013. The terms of the merger agreement include the issuance of new shares of one of the publicly traded bottlers in exchange for 100 percent of the outstanding shares of the remaining three bottlers according to an agreed upon share exchange ratio. Based on the closing price of the shares on June 28, 2013, the value of the shares that the Company received in exchange for its investments in two of the non-publicly traded bottlers was less than the carrying value of those investments. As a result, we were required to write down the carrying value of these investments to their implied fair value, resulting in a loss. The merger was completed effective July 1, 2013.

During the three and six months ended June 28, 2013, the Company also recorded a gain of \$139 million due to Coca-Cola FEMSA, an equity method investee, issuing additional shares of its own stock during the period at a per share amount greater than the carrying value of the Company's per share investment. Accordingly, the Company is required to treat this type of transaction as if the Company sold a proportionate share of its investment in Coca-Cola FEMSA. Refer to Note 15 for the impact this gain had on our operating segments.

In addition to the items above, during the six months ended June 28, 2013, the Company recorded a charge of \$140 million in the line item other income (loss) — net due to the Venezuelan government announcing a currency devaluation. As a result of this devaluation, the Company remeasured the net assets related to its operations in Venezuela. Refer to Note 1 for more information related to this charge and Note 15 for the impact this charge had on our operating segments.

#### NOTE 11: PRODUCTIVITY, INTEGRATION AND RESTRUCTURING INITIATIVES

##### *Productivity and Reinvestment*

In February 2012, the Company announced a four-year 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 further integration of Coca-Cola Enterprises Inc.'s former North America business.

In February 2014, the Company announced that we are expanding our productivity and reinvestment program to drive an incremental \$1 billion in productivity by 2016 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. These savings will be reinvested in global brand-building initiatives, with an emphasis on increased media spending. 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.

As of June 27, 2014, the Company has incurred total pretax expenses of \$939 million related to our productivity and reinvestment program since the plan commenced. These expenses were recorded in the line item other operating charges in our condensed consolidated statements of income. Refer to Note 15 for the impact these charges had on our operating segments. 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; losses on disposal of certain 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 June 27, 2014 (in millions):

	Accrued Balance March 28, 2014	Costs Incurred Three Months Ended June 27, 2014	Payments	Noncash and Exchange	Accrued Balance June 27, 2014
Severance pay and benefits	\$ 68	\$ 8	\$ (32)	\$ (1)	43
Outside services	6	22	(24)	—	4
Other direct costs	16	59	(56)	(5)	14
Total	\$ 90	\$ 89	\$ (112)	\$ (6)	61

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 six months ended June 27, 2014 (in millions):

	Accrued Balance December 31, 2013	Costs Incurred Six Months Ended June 27, 2014	Payments	Noncash and Exchange	Accrued Balance June 27, 2014
Severance pay and benefits	\$ 88	\$ 14	\$ (58)	\$ (1)	43
Outside services	6	31	(33)	—	4
Other direct costs	18	130	(113)	(21)	14
Total	\$ 112	\$ 175	\$ (204)	\$ (22)	61

### Integration of Our German Bottling and Distribution Operations

In 2008, the Company began an integration initiative related to the 18 German bottling and distribution operations acquired in 2007. The Company incurred expenses of \$66 million and \$108 million related to this initiative during the three and six months ended June 27, 2014, and has incurred total pretax expenses of \$735 million related to this initiative since it commenced. These charges were recorded in the line item other operating charges in our condensed consolidated statements of income and impacted the Bottling Investments operating segment. The expenses recorded in connection with these integration activities have been primarily due to involuntary terminations. The Company had \$142 million and \$127 million accrued related to these integration costs as of June 27, 2014, and December 31, 2013, respectively.

We are currently reviewing additional restructuring opportunities within the German bottling and distribution operations, including integration costs related to information technology and other initiatives. If implemented, these initiatives will result in additional charges in future periods. However, as of June 27, 2014, the Company has not finalized any additional plans.

### NOTE 12: PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

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

	Pension Benefits		Other Benefits	
	Three Months Ended			
	June 27, 2014	June 28, 2013	June 27, 2014	June 28, 2013
Service cost	\$ 67	\$ 69	\$ 7	\$ 9
Interest cost	102	95	10	10
Expected return on plan assets	(180)	(165)	(3)	(3)
Amortization of prior service cost (credit)	—	—	(4)	(2)
Amortization of net actuarial loss	18	49	1	3
Net periodic benefit cost (credit)	\$ 7	\$ 48	\$ 11	\$ 17
Settlement charge	2	—	—	—
Total cost (credit) recognized in statements of income	\$ 9	\$ 48	\$ 11	\$ 17

	Pension Benefits		Other Benefits	
	Six Months Ended			
	June 27, 2014	June 28, 2013	June 27, 2014	June 28, 2013
Service cost	\$ 134	\$ 138	\$ 13	\$ 18
Interest cost	203	189	21	21
Expected return on plan assets	(358)	(329)	(6)	(5)
Amortization of prior service cost (credit)	(1)	(1)	(8)	(5)
Amortization of net actuarial loss	36	99	2	6
Net periodic benefit cost (credit)	\$ 14	\$ 96	\$ 22	\$ 35
Settlement charge	2	—	—	—
Total cost (credit) recognized in statements of income	\$ 16	\$ 96	\$ 22	\$ 35

During the six months ended June 27, 2014, the Company contributed \$165 million to our pension plans, and we anticipate making additional contributions of approximately \$6 million to our pension plans during the remainder of 2014. The Company contributed \$16 million to our pension plans during these six months ended June 28, 2013.

### NOTE 13: INCOME TAXES

Our effective tax rate reflects the benefits of having significant operations outside the United States, which are generally taxed at rates lower than the U.S. statutory rate of 35 percent. As a result of employment actions and capital investments made by the Company, certain tax jurisdictions provide income tax incentive grants, including Brazil, Costa Rica, Singapore and Swaziland. The terms of these grants expire from 2015 to 2023. We anticipate that we will be able to extend or renew the grants in these locations. In addition, our effective tax rate reflects the benefits of having significant earnings generated in investments accounted for under the equity method of accounting, which are generally taxed at rates lower than the U.S. statutory rate.

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 estimated effective tax rate for 2014 is 22.5 percent. However, in arriving at

this estimate we do not include the estimated impact of unusual and/or infrequent items, which may cause significant variations in the customary relationship between income tax expense and income before income taxes.

The Company recorded income tax expense of \$779 million (23.0 percent effective tax rate) and \$831 million (23.5 percent effective tax rate) during the three months ended June 27, 2014 and June 28, 2013, respectively. The Company recorded income tax expense of \$1,358 million (24.3 percent effective tax rate) and \$1,406 million (23.9 percent effective tax rate) during the six months ended June 27, 2014 and June 28, 2013, respectively.

The following table illustrates the tax expense (benefit) associated with unusual and/or infrequent items for the interim periods presented (in millions):

	Three Months Ended		Six Months Ended	
	June 27, 2014	June 28, 2013	June 27, 2014	June 28, 2013
Productivity and reinvestment program	\$ (34) <sup>1</sup>	\$ (38) <sup>7</sup>	\$ (66) <sup>1</sup>	\$ (78) <sup>7</sup>
Other productivity, integration and restructuring initiatives	— <sup>2</sup>	1 <sup>8</sup>	— <sup>2</sup>	1 <sup>8</sup>
Transaction gains and losses	(51) <sup>3</sup>	48 <sup>9</sup>	(51) <sup>3</sup>	48 <sup>9</sup>
Certain tax matters	26 <sup>4</sup>	(1) <sup>10</sup>	31 <sup>4</sup>	— <sup>10</sup>
Other — net	3 <sup>5</sup>	(8) <sup>11</sup>	8 <sup>6</sup>	(4) <sup>12</sup>

<sup>1</sup> Related to charges of \$89 million and \$175 million during the three and six months ended June 27, 2014, respectively. These charges were due to the Company's productivity and reinvestment program. Refer to Note 10 and Note 11.

<sup>2</sup> Related to charges of \$66 million and \$108 million during the three and six months ended June 27, 2014, respectively. These charges were due to the integration of our German bottling and distribution operations. Refer to Note 10 and Note 11.

<sup>3</sup> Related to a charge of \$140 million during the three and six months ended June 27, 2014, which was primarily due to the derecognition of intangible assets as a result of refranchising certain North America territories to three of its unconsolidated bottling partners. Refer to Note 2.

<sup>4</sup> Related to amounts required to be recorded for changes to our uncertain tax positions, including interest and penalties. The components of the net change in uncertain tax positions were individually insignificant.

<sup>5</sup> Related to charges of \$52 million that consisted of \$21 million due to a write-down of receivables related to sales of concentrate to our bottling partner in Venezuela, \$25 million due to the restructuring and transition of the Company's Russian juice operations to an existing joint venture with an unconsolidated bottling partner, and \$6 million due to our proportionate share of unusual or infrequent items recorded by certain of our equity method investees. Refer to Note 10.

<sup>6</sup> Related to charges of \$305 million that consisted of \$268 million due to the expansion of the Venezuelan government's currency conversion markets, including a write-down of receivables from our bottling partner in Venezuela, \$25 million due to the restructuring and transition of the Company's Russian juice operations to an existing joint venture with an unconsolidated bottling partner, and \$12 million due to our proportionate share of unusual or infrequent items recorded by certain of our equity method investees. Refer to Note 1 and Note 10.

<sup>7</sup> Related to charges of \$113 million and \$215 million during the three and six months ended June 28, 2013, respectively. These charges were due to the Company's productivity and reinvestment program. Refer to Note 10 and Note 11.

<sup>8</sup> Related to net charges of \$18 million and \$39 million during the three and six months ended June 28, 2013, respectively. These charges were primarily due to the integration of our German bottling and distribution operations. Refer to Note 10 and Note 11.

<sup>9</sup> Related to a net charge of \$11 million that primarily consisted of a loss of \$144 million due to the then pending merger of four of the Company's Japanese bottling partners, partially offset by a gain of \$139 million the Company recognized as a result of Coca-Cola FEMSA issuing additional shares of its own stock during the period at a per share amount greater than the carrying value of the Company's per share investment. Refer to Note 10 and Note 14.

<sup>10</sup> Related to amounts required to be recorded for changes to our uncertain tax positions, including interest and penalties. The components of the net change in uncertain tax positions were individually insignificant.

<sup>11</sup> Related to a net charge of \$26 million that primarily consisted of a charge of \$23 million due to the early extinguishment of certain long-term debt.

<sup>12</sup> Related to charges of \$202 million that primarily consisted of a charge of \$23 million due to the early extinguishment of certain long-term debt; a charge of \$149 million due to the devaluation of the Venezuelan bolivar; and a net charge of \$33 million due to our proportionate share of unusual or infrequent items recorded by certain of our equity investees. Refer to Note 1 and Note 10.

## NOTE 14: FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States define 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 accounting principles generally accepted in the United States, 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 and debt securities classified as trading or available-for-sale and derivative financial instruments. Additionally, the Company adjusts the fair value of long-term debt as a result of the Company's fair value hedging strategy.

### *Investments in Trading and Available-for-Sale Securities*

The fair values of our investments in trading and available-for-sale 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 trading and available-for-sale 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 exchange-traded contracts 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 and discount rates. 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 value of derivative instruments is an adjustment for nonperformance risk. The adjustment is based on the current one-year credit default swap ("CDS") rate 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 estimated fair value of our derivative instruments.

The following table summarizes those assets and liabilities measured at fair value on a recurring basis as of June 27, 2014 (in millions):

	Level 1	Level 2	Level 3	Netting Adjustment <sup>1</sup>	Fair Value Measurements
<b>Assets</b>					
Trading securities <sup>2</sup>	\$ 217	\$ 173	\$ 6	\$ —	\$ 396
Available-for-sale securities <sup>2</sup>	4,079	3,393	123 <sup>3</sup>	—	7,595
Derivatives <sup>4</sup>	14	626	—	(165)	475 <sup>5</sup>
<b>Total assets</b>	<b>\$ 4,310</b>	<b>\$ 4,192</b>	<b>\$ 129</b>	<b>\$ (165)</b>	<b>\$ 8,466</b>
<b>Liabilities</b>					
Derivatives <sup>4</sup>	\$ 3	\$ 204	\$ —	\$ (165)	\$ 42 <sup>5</sup>
<b>Total liabilities</b>	<b>\$ 3</b>	<b>\$ 204</b>	<b>\$ —</b>	<b>\$ (165)</b>	<b>\$ 42</b>

<sup>1</sup> Amounts represent the impact of legally enforceable master netting agreements that allow the Company to settle 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.

<sup>2</sup> Refer to Note 3 for additional information related to the composition of our trading securities and available-for-sale securities.

<sup>3</sup> Primarily related to long-term debt securities that mature in 2018.

<sup>4</sup> Refer to Note 5 for additional information related to the composition of our derivative portfolio.

<sup>5</sup> The Company's derivative financial instruments are recorded at fair value in our condensed consolidated balance sheet as follows: \$3 million in the line item prepaid expenses and other assets; \$472 million in the line item other assets; \$13 million in the line item accounts payable and accrued expenses; and \$29 million in the line item other liabilities. Refer to Note 5 for additional information related to the composition of our derivative portfolio.

The following table summarizes those assets and liabilities measured at fair value on a recurring basis as of December 31, 2013 (in millions):

	Level 1	Level 2	Level 3	Netting Adjustment <sup>1</sup>	Fair Value Measurements
<b>Assets</b>					
Trading securities <sup>2</sup>	\$ 206	\$ 163	\$ 3	\$ —	\$ 372
Available-for-sale securities <sup>2</sup>	1,453	3,281	108 <sup>3</sup>	—	4,842
Derivatives <sup>4</sup>	17	822	—	(150)	689 <sup>5</sup>
<b>Total assets</b>	<b>\$ 1,676</b>	<b>\$ 4,266</b>	<b>\$ 111</b>	<b>\$ (150)</b>	<b>\$ 5,903</b>
<b>Liabilities</b>					
Derivatives <sup>4</sup>	\$ 10	\$ 165	\$ —	\$ (151)	\$ 24 <sup>5</sup>
<b>Total liabilities</b>	<b>\$ 10</b>	<b>\$ 165</b>	<b>\$ —</b>	<b>\$ (151)</b>	<b>\$ 24</b>

<sup>1</sup> Amounts represent the impact of legally enforceable master netting agreements that allow the Company to settle 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.

<sup>2</sup> Refer to Note 3 for additional information related to the composition of our trading securities and available-for-sale securities.

<sup>3</sup> Primarily related to long-term debt securities that mature in 2018.

<sup>4</sup> Refer to Note 5 for additional information related to the composition of our derivative portfolio.

<sup>5</sup> The Company's derivative financial instruments are recorded at fair value in our condensed consolidated balance sheet as follows: \$129 million in the line item prepaid expenses and other assets; \$560 million in the line item other assets; \$12 million in the line item accounts payable and accrued expenses; and \$12 million in the line item other liabilities. Refer to Note 5 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 and six months ended June 27, 2014 and June 28, 2013.

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 and six months ended June 27, 2014 and June 28, 2013.

### ***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 accounting principles generally accepted in the United States. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges.

The Company did not record any significant impairment charges related to assets measured at fair value on a nonrecurring basis during the three and six months ended June 27, 2014.

In 2012, four of the Company's Japanese bottling partners announced their intent to merge as CCEJ, a publicly traded entity, through a share exchange. The merger was approved by the respective bottlers' shareowners in March 2013, and the transaction received final regulatory approval in May 2013. The terms of the merger agreement include the issuance of new shares of one of the publicly traded bottlers in exchange for 100 percent of the outstanding shares of the remaining three bottlers according to an agreed upon share exchange ratio. Based on the closing price of the shares on June 28, 2013, the value of the shares that the Company was to receive in exchange for its investments in two of the non-publicly traded bottlers was less than the carrying value of those investments. As a result, we were required to write down the carrying value of these investments to their implied fair value, resulting in a loss of \$144 million during the three and six months ended June 28, 2013. This loss was determined using Level 1 inputs. The merger was completed effective July 1, 2013.

During the three and six months ended June 28, 2013, the Company recognized a gain of \$139 million as a result of Coca-Cola FEMSA issuing additional shares of its own stock at a per share amount greater than the carrying value of the Company's per share investment. Accordingly, the Company is required to treat this type of transaction as if we sold a proportionate share of our investment in Coca-Cola FEMSA. This gain was determined using Level 1 inputs.

### ***Other Fair Value Disclosures***

The carrying amounts of cash and cash equivalents; short-term investments; receivables; accounts payable and accrued expenses; and loans and notes payable approximate their fair values because of the relatively short-term maturities of these instruments.

The fair value of our long-term debt is estimated using Level 2 inputs based on quoted prices for those or similar instruments. As of June 27, 2014, the carrying amount and fair value of our long-term debt, including the current portion, were \$20,162 million and \$20,760 million, respectively. As of December 31, 2013, the carrying amount and fair value of our long-term debt, including the current portion, were \$20,178 million and \$20,352 million, respectively.

## NOTE 15: OPERATING SEGMENTS

Effective January 1, 2014, the Company changed the name of the Pacific segment to Asia Pacific. This change did not impact the results of the segments, but the name of the segment has been updated in all information presented herein.

Information about our Company's operations as of and for the three months ended June 27, 2014 and June 28, 2013, by operating segment, is as follows (in millions):

	Eurasia & Africa	Europe	Latin America	North America	Asia Pacific	Bottling Investments	Corporate	Eliminations	Consolidated
<b>2014</b>									
Net operating revenues:									
Third party	\$ 732	\$ 1,385	\$ 1,105	\$ 5,710	\$ 1,550	\$ 2,042	\$ 50	\$ —	\$ 12,574
Intersegment	—	184	13	7	173	18	—	(395)	—
Total net revenues	732	1,569	1,118	5,717	1,723	2,060	50	(395)	12,574
Operating income (loss)	290	892	633	827	846	38	(356)	—	3,170
Income (loss) before income taxes	313	904	636	682	851	254	(256)	—	3,384
Identifiable operating assets	1,411	4,014	2,871	34,426	2,117	7,119	29,073	—	81,031
Noncurrent investments	1,189	115	807	51	149	9,557	2,590	—	14,458
<b>2013</b>									
Net operating revenues:									
Third party	\$ 765	\$ 1,293	\$ 1,139	\$ 5,708	\$ 1,573	\$ 2,218	\$ 53	\$ —	\$ 12,749
Intersegment	—	175	76	5	157	20	—	(433)	—
Total net revenues	765	1,468	1,215	5,713	1,730	2,238	53	(433)	12,749
Operating income (loss)	332	836	726	731	847	125	(354)	—	3,243
Income (loss) before income taxes	351	869	730	732	853	354	(364)	—	3,525
Identifiable operating assets	1,352	3,735	2,683	34,732	2,145	8,178	25,857	—	78,682
Noncurrent investments	1,179	95	562	38	131	8,754	70	—	10,829
As of December 31, 2013									
Identifiable operating assets	\$ 1,273	\$ 3,713	\$ 2,918	\$ 33,964	\$ 1,922	\$ 7,011	\$ 27,742	\$ —	\$ 78,543
Noncurrent investments	1,157	106	545	49	143	9,424	88	—	11,512

During the three months ended June 27, 2014, the results of our operating segments were impacted by the following items:

- Operating income (loss) and income (loss) before income taxes were reduced by \$8 million for North America, \$1 million for Asia Pacific, \$66 million for Bottling Investments and \$30 million for Corporate due to the Company's productivity and reinvestment program as well as other restructuring initiatives. Refer to Note 10 and Note 11 for additional information on each of the Company's productivity, restructuring and integration initiatives.
- Operating income (loss) and income (loss) before income taxes were reduced by \$25 million for Bottling Investments as a result of the restructuring and transition of the Company's Russian juice operations to an existing joint venture with an unconsolidated bottling partner. Refer to Note 10.
- Income (loss) before income taxes was reduced by \$21 million for Corporate as a result of a write-down of receivables related to sales of concentrate to our bottling partner in Venezuela due to limited government-approved exchange rate conversion mechanisms. Refer to Note 10.
- Income (loss) before income taxes was reduced by \$140 million for North America primarily due to the derecognition of intangible assets as a result of refranchising certain territories in North America to three of its unconsolidated bottling partners. Refer to Note 2 and Note 10.
- Income (loss) before income taxes was reduced by \$6 million for Bottling Investments due to the Company's proportionate share of unusual or infrequent items recorded by certain of our equity method investees. Refer to Note 10.

During the three months ended June 28, 2013, the results of our operating segments were impacted by the following items:

- Operating income (loss) and income (loss) before income taxes were reduced by \$6 million for Europe, \$55 million for North America, \$6 million for Asia Pacific, \$20 million for Bottling Investments and \$46 million for Corporate due to the Company's productivity and reinvestment program as well as other restructuring initiatives. Refer to Note 10 and Note 11.
- Income (loss) before income taxes was reduced by \$144 million for Corporate due to a loss related to the then pending merger of four of the Company's Japanese bottling partners. Refer to Note 10 and Note 14.



- Income (loss) before income taxes was increased by \$139 million for Corporate due to a gain the Company recognized as a result of Coca-Cola FEMSA issuing additional shares of its own stock during the period at a per share amount greater than the carrying value of the Company's per share investment. Refer to Note 10 and Note 14.
- Income (loss) before income taxes was reduced by \$23 million for Corporate due to a charge the Company recognized as a result of the early extinguishment of certain long-term debt.

Information about our Company's operations for the six months ended June 27, 2014 and June 28, 2013, by operating segment, is as follows (in millions):

	Eurasia & Africa	Europe	Latin America	North America	Asia Pacific	Bottling Investments	Corporate	Eliminations	Consolidated
<b>2014</b>									
Net operating revenues:									
Third party	\$ 1,390	\$ 2,519	\$ 2,199	\$ 10,500	\$ 2,760	\$ 3,699	\$ 83	\$ —	\$ 23,150
Intersegment	—	343	30	10	278	34	—	(695)	—
Total net revenues	1,390	2,862	2,229	10,510	3,038	3,733	83	(695)	23,150
Operating income (loss)	593	1,611	1,301	1,255	1,403	12	(629)	—	5,546
Income (loss) before income taxes	621	1,635	1,303	1,107	1,411	276	(764)	—	5,589
<b>2013</b>									
Net operating revenues:									
Third party	\$ 1,434	\$ 2,313	\$ 2,296	\$ 10,591	\$ 2,817	\$ 4,236	\$ 97	\$ —	\$ 23,784
Intersegment	—	332	147	9	303	40	—	(831)	—
Total net revenues	1,434	2,645	2,443	10,600	3,120	4,276	97	(831)	23,784
Operating income (loss)	614	1,519	1,489	1,072	1,449	164	(656)	—	5,651
Income (loss) before income taxes	640	1,563	1,494	1,074	1,457	463	(822)	—	5,869

During the six months ended June 27, 2014, the results of our operating segments were impacted by the following items:

- Operating income (loss) and income (loss) before income taxes were reduced by \$133 million for North America, \$8 million for Asia Pacific, \$108 million for Bottling Investments and \$34 million for Corporate due to the Company's productivity and reinvestment program as well as other restructuring initiatives. Refer to Note 10 and Note 11 for additional information on each of the Company's productivity, restructuring and integration initiatives.
- Operating income (loss) and income (loss) before income taxes were reduced by \$25 million for Bottling Investments as a result of the restructuring and transition of the Company's Russian juice operations to an existing joint venture with an unconsolidated bottling partner. Refer to Note 10.
- Income (loss) before income taxes was reduced by \$140 million for North America primarily due to the derecognition of intangible assets as a result of refranchising certain territories in North America to three of its unconsolidated bottling partners. Refer to Note 2 and Note 10.
- Income (loss) before income taxes was reduced by \$21 million for Bottling Investments and \$247 million for Corporate due to the expansion of the Venezuelan government's currency conversion markets, including a write-down of receivables related to concentrate sales to our bottling partner in Venezuela as well as our proportionate share of the charge incurred by this bottler, an equity method investee. Refer to Note 1 and Note 10.
- Income (loss) before income taxes was reduced by \$12 million for Bottling Investments due to the Company's proportionate share of unusual or infrequent items recorded by certain of our equity method investees. Refer to Note 10.

During the six months ended June 28, 2013, the results of our operating segments were impacted by the following items:

- Operating income (loss) and income (loss) before income taxes were reduced by \$2 million for Eurasia and Africa, \$6 million for Europe, \$137 million for North America, \$14 million for Asia Pacific, \$41 million for Bottling Investments and \$56 million for Corporate due to the Company's productivity and reinvestment program as well as other restructuring initiatives. Refer to Note 10 and Note 11.
- Income (loss) before income taxes was reduced by \$9 million for Bottling Investments and \$140 million for Corporate due to the devaluation of the Venezuelan bolivar, including our proportionate share of the charge incurred by an equity method investee that has operations in Venezuela. Refer to Note 1 and Note 10.
- Income (loss) before income taxes was reduced by \$144 million for Corporate due to a loss related to the then pending merger of four of the Company's Japanese bottling partners. Refer to Note 10 and Note 14.

- Income (loss) before income taxes was increased by \$139 million for Corporate due to a gain the Company recognized as a result of Coca-Cola FEMSA issuing additional shares of its own stock during the period at a per share amount greater than the carrying value of the Company's per share investment. Refer to Note 10 and Note 14.
- Income (loss) before income taxes was reduced by \$33 million for Bottling Investments due to the Company's proportionate share of unusual or infrequent items recorded by certain of our equity method investees.
- Income (loss) before income taxes was reduced by \$23 million for Corporate due to a charge the Company recognized as a result of the early extinguishment of certain long-term debt.

**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" or "our" mean The Coca-Cola Company and all entities included in our condensed consolidated financial statements.

**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, 2013. As a result, management must make numerous assumptions that involve a significant amount of judgment when performing recoverability and impairment tests of noncurrent assets in various regions around the world.

We perform recoverability and impairment tests of noncurrent assets in accordance with accounting principles generally accepted in the United States. 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 the charge as a reduction of equity income (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***

Investments classified as trading securities are not assessed for impairment since they are carried at fair value with the change in fair value included in net income. We review our investments in equity and debt securities that are accounted for using the equity method or cost method or that are classified as available-for-sale or held-to-maturity 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 in the prior period. 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 non-publicly 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 developing and emerging 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.

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 publicly traded bottlers accounted for as equity method investments (in millions):

June 27, 2014		Fair Value		Carrying Value		Difference
Coca-Cola FEMSA, S.A.B. de C.V.	\$	6,708	\$	2,311	\$	4,397
Coca-Cola Amatil Limited		1,962		843		1,119
Coca-Cola HBC AG		1,935		1,508		427
Coca-Cola İçecek A.Ş.		1,305		230		1,075
Coca-Cola East Japan Bottling Company, Ltd.		984		505		479
Embotelladora Andina S.A.		474		339		135
Corporación Lindley S.A		191		112		79
Coca-Cola Bottling Co. Consolidated		185		97		88
Total	\$	13,744	\$	5,945	\$	7,799

As of June 27, 2014, gross unrealized gains and losses on available-for-sale securities were \$ ,348 million and \$27 million, respectively. Management assessed each investment with unrealized losses to determine if the decline in fair value was other than temporary. Based on these assessments, the Company did not record any significant impairment charges related to available-for-sale securities during the three and six months ended June 27, 2014 and June 28, 2013. We will continue to monitor these investments in future periods. Refer to Note 3 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 might be impaired.

Management's assessments of the recoverability and 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 definite-lived intangible assets are consistent with those we use in our internal planning. When performing impairment tests of indefinite-lived intangible assets, 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, this 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 it 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 accounting principles generally accepted in the United States, we are required to ensure that assumptions used to determine fair value in our analyses are consistent with the assumptions 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 or assets in spite of realizing actual cash flows that are approximately equal to, or greater than, our previously forecasted amounts. The Company did not record any

significant impairment charges related to intangible assets during the three and six months ended June 27, 2014 and June 28, 2013.

We perform impairment tests of goodwill at our reporting unit level, which is one level below our operating segments. Our operating segments are primarily based on geographic responsibility, which is consistent with the way management runs our business. Our operating segments are subdivided into smaller geographic regions or territories that we sometimes refer to as "business units." These business units are also our reporting units. The Bottling Investments operating segment includes all Company-owned or consolidated bottling operations, regardless of geographic location, except for bottling operations managed by Coca-Cola Refreshments ("CCR"), which are included in our North America operating segment. Generally, each Company-owned or consolidated bottling operation within our Bottling Investments operating segment is its own reporting unit. Goodwill is assigned to the reporting unit or units that benefit from the synergies arising from each business combination.

The goodwill impairment test consists of a two-step process, if necessary. The first step is to compare the fair value of a reporting unit to its carrying value, including 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 hypothetical marketplace participants would use. If the fair value of the reporting unit is less than its carrying value, the second step of the impairment test must be performed in order to determine the amount of impairment loss, if any. The second step compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds its implied fair value, an impairment charge is recognized in an amount equal to that excess. The loss recognized cannot exceed the carrying amount of goodwill.

As of June 27, 2014, we did not have any reporting unit with a material amount of goodwill for which it is reasonably likely that it will fail step one of a goodwill impairment test in the near term. However, if macroeconomic conditions worsen or our current financial projections are not achieved, it is possible that we may experience significant impairments of some of our intangible assets, which would require us to recognize impairment charges. On June 7, 2007, our Company acquired Energy Brands Inc., also known as glacéau, for approximately \$4.1 billion. The Company allocated \$3.3 billion of the purchase price to various trademarks acquired in this business combination. While the combined fair value of the various trademarks acquired in this transaction significantly exceeds their combined carrying value as of June 27, 2014, the fair value of one trademark within the portfolio has declined and now approximates its carrying value. The operating results of this trademark for the six months ended June 27, 2014 are lower than our business plan projections for the current year. If the future operating results of this trademark do not support the current financial projections or if macroeconomic conditions change causing the cost of capital and/or discount rate to increase without an offsetting increase in the operating results, it is likely that we would be required to recognize an impairment charge related to this trademark. Management will continue to monitor the fair value of our intangible assets in future periods.

## 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.

Our organizational structure as of June 27, 2014, consisted of the following operating segments, the first six of which are sometimes referred to as "operating groups" or "groups": Eurasia and Africa; Europe; Latin America; North America; Asia Pacific; Bottling Investments; and Corporate. Effective January 1, 2014, the Company changed the name of our Pacific operating segment to Asia Pacific. Accordingly, all references to the operating segment, including the prior period segment information, has been adjusted to reflect this change. For further information regarding our operating segments, refer to Note 15 of Notes to Condensed Consolidated Financial Statements.

### *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 key 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 and syrups (in all cases 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, including our finished product operations in our North America operating segment, typically generate net operating revenues by selling sparkling beverages and a variety of still beverages, such as juices and juice drinks, energy and sports drinks, ready-to-drink teas and coffees, and certain water products, 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 and canning operations. For these concentrate operations, we recognize concentrate revenue and concentrate sales volume when we sell concentrate to the authorized unconsolidated bottling and canning 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 (unit case volume or concentrate sales volume, as appropriate), (2) structural changes, (3) changes in price, product and geographic mix and (4) foreign currency fluctuations. Refer to the heading "Net Operating Revenues" below.

"Structural changes" generally refers to acquisitions or dispositions of bottling, distribution or canning operations and consolidation or deconsolidation of bottling and distribution entities for accounting purposes. Typically, structural changes do not impact the Company's unit case volume on a consolidated basis or at the geographic operating segment level. We recognize unit case volume for all sales of Company beverage products 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.

In 2014, the Company began implementing a new beverage partnership model in North America. During the three months ended June 27, 2014, we refranchised certain territories that were previously managed by CCR to three of our unconsolidated bottling partners. The impact of this refranchising has been included as a structural change in our analysis of operating results for the three and six months ended June 27, 2014. In addition, for non-Company-owned and licensed beverage products in the refranchised territories, we have eliminated the unit case volume and associated concentrate sales from the base year when calculating 2014 versus 2013 volume growth rates on a consolidated basis as well as for the North America segment. Refer to the headings "Beverage Volume and "Net Operating Revenues" below. Refer to Note 2 of Notes to Condensed Consolidated Financial Statements.

During the three months ended June 27, 2014, the Company transitioned its Russian juice operations to an existing joint venture with an unconsolidated bottling partner. This transfer is included as a structural change in our analysis of operating results for our Bottling Investments segment for the three and six months ended June 27, 2014. In addition, we have eliminated the unit case volume and associated concentrate sales from the base year when calculating 2014 versus 2013 volume growth rates on a consolidated basis as well as for our Eurasia and Africa and Bottling Investments segments related to certain brands owned by the Russian juice company that have been discontinued as a result of this transition. Refer to the headings "Beverage Volume and "Net Operating Revenues" below.

Additionally, in January 2014, the Venezuelan government enacted a new law ("Fair Price Law") that imposes limits on profit margins earned in the country, which limits the amount of revenue the Company is able to recognize in 2014 as compared to 2013. The impact of the Fair Price Law has been included as a structural change in our analysis of operating results for the three and six months ended June 27, 2014. Refer to the heading "Net Operating Revenues" below.

In 2013, the Company sold a majority interest in our previously consolidated bottling operations in the Philippines ("Philippine bottling operations"), deconsolidated our bottling operations in Brazil ("Brazilian bottling operations") as a result of their combination with an independent bottling partner and acquired a majority interest in bottling operations in Myanmar. Accordingly, the impact to net operating revenues related to these items has been included as a structural change in our analysis of changes to net operating revenues. Refer to the heading "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 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 until the equity method investee has sold finished products manufactured from the concentrates or syrups to a third party or independent customer.

"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, 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.

### 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 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 and powders (in all cases 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, the number of selling days in a reporting period, 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 or syrups, may give rise to differences between unit case volume and concentrate sales volume growth rates.

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

	Percent Change 2014 versus 2013			
	Three Months Ended June 27, 2014		Six Months Ended June 27, 2014	
	Unit Cases <sup>1,2,3</sup>	Concentrate Sales <sup>4</sup>	Unit Cases <sup>1,2,3</sup>	Concentrate Sales <sup>4</sup>
Worldwide	3%	2%	2%	2% <sup>5</sup>
Eurasia & Africa	5%	2%	4%	1%
Europe	—	(2)	(2)	(2)
Latin America	—	—	—	(2)
North America	—	—	—	(1)
Asia Pacific	8	5	8	7 <sup>5</sup>
Bottling Investments	(1)	N/A	(5)	N/A

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

<sup>2</sup> Geographic segment data reflects unit case volume growth for all bottlers in the applicable geographic areas, both consolidated and unconsolidated.

<sup>3</sup> 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.

<sup>4</sup> Concentrate sales volume represents the actual amount of concentrates, syrups, beverage bases and powders 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 2014 had one less selling day when compared to the first quarter of 2013, and the fourth quarter of 2014 will have one additional day when compared to the fourth quarter of 2013.

<sup>5</sup> After considering the impact of structural changes, worldwide concentrate sales volume for the six months ended June 27, 2014 grew 1 percent, and Asia Pacific concentrate sales volume 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 a measure of the underlying strength of the Coca-Cola system because it measures trends at the consumer level.

#### *Three Months Ended June 27, 2014 versus Three Months Ended June 28, 2013*

In Eurasia and Africa, unit case volume increased 5 percent, which consisted of 3 percent growth in sparkling beverages and 12 percent growth in still beverages. The group's sparkling beverage growth reflected 2 percent growth in Trademark Coca-Cola, 3 percent growth in Trademark Sprite and 1 percent growth in Trademark Fanta. Growth in still beverages was led by our performance in juices and juice drinks, teas and packaged water. Eurasia and Africa benefited from unit case volume growth of 9 percent in the Middle East and North Africa business unit as well as in the Southern Africa business unit. The group's Central, East and West Africa business unit had unit case volume growth of 7 percent. The growth in these business units was partially offset by a decline in unit cases of 5 percent in the Russia, Ukraine and Belarus business unit as a result of economic instability in the region.

Total unit case volume in Europe was even, reflecting even volume in sparkling beverages primarily as a result of 1 percent growth in Trademark Coca-Cola offset by a 7 percent decline in Trademark Sprite. The group's still beverage volume was also even, reflecting growth in juices and juice drinks, sports drinks and energy drinks offset by a decline in packaged water. The Germany and Iberia business units had low single-digit volume growth and the segment's Northwest Europe and Nordics business unit had unit case growth of 2 percent, which included growth of 4 percent in France. This growth was offset by a volume decline of 4 percent in the group's Central and Southern Europe business unit which was impacted by adverse weather and flooding in the region.

In Latin America, unit case volume growth was even, reflecting growth in still beverages of 3 percent offset by a decline in sparkling beverages of 1 percent. The group reported volume growth of 8 percent in the Latin Center business unit as a result of 7 percent growth in Trademark Coca-Cola and 12 percent growth in Trademark Fanta. This growth in the Latin Center business unit was offset by a 3 percent decline in unit case volume in the Mexico business unit. The decline in unit case volume in Mexico was primarily due to the impact on sparkling beverages of a new excise tax that went into effect on January 1, 2014, which was partially offset by growth in packaged water.

Unit case volume in North America was even as a result of still beverage volume growth of 1 percent and even sparkling beverage volume. North America's volume in sparkling beverages included 1 percent growth in brand Coca-Cola and single-digit growth in both Trademark Fanta and Trademark Sprite, offset by a decline in Diet Coke. Growth in still beverages included strong performance in packaged water, sports drinks and teas, offset by volume declines in juices and juice drinks due to the impact of significant price increases taken to cover higher commodity costs.

In Asia Pacific, unit case volume increased 8 percent. Sparkling beverages grew 9 percent, including 6 percent growth in brand Coca-Cola. Still beverages grew 7 percent led by growth in packaged water. In addition, sports drinks and teas grew 10 percent and 4 percent, respectively. India reported double-digit unit case volume growth, including strong growth in Trademark Sprite and growth in juices and juice drinks and packaged water. China's unit case volume increased 9 percent, reflecting 10 percent growth in sparkling beverages and 7 percent growth in still beverages. The growth in China's sparkling beverages was driven by brand Coca-Cola, which grew 9 percent.

Unit case volume for Bottling Investments decreased 1 percent. This decrease primarily reflects the deconsolidation of our bottling operations in Brazil in July 2013, partially offset by growth in other key markets including China, India and Germany where we own or otherwise consolidate bottling operations. The Company's consolidated bottling operations accounted for 35 percent, 62 percent and 100 percent of the unit case volume in China, India and Germany, respectively.

#### *Six Months Ended June 27, 2014 versus Six Months Ended June 28, 2013*

Unit case volume in Eurasia and Africa increased 4 percent, which consisted of 2 percent growth in sparkling beverages and 10 percent growth in still beverages. The group's sparkling beverage growth included 1 percent growth in Trademark Coca-Cola and the growth in still beverages was led by juices and juice drinks and packaged water. This growth reflects a continued focus on improved marketplace execution and providing greater consumer choice in package and price options. Eurasia and Africa benefited from unit case volume growth of 7 percent and 5 percent in the Middle East and North Africa and Central, East and West Africa business units, respectively.

In Europe, unit case volume declined 2 percent, reflecting even volume in still beverages offset by a decrease of 2 percent in sparkling beverage volume. These declines reflect the ongoing weakness in consumer confidence and spending in the region as well as the impact of severe flooding in parts of Central Europe. The group reported a decline in unit case volume of 5 percent in the Central and Southern Europe business unit and a volume decline of 1 percent in the Iberia business unit. Unit case volume was even in Germany.

Unit case volume in Latin America was even as a result of growth in still beverages of 6 percent offset by a decline in sparkling beverages of 1 percent. The growth in still beverages was led by growth in packaged water and dairy. Brazil reported unit case growth of 2 percent, which was offset by volume declines of 2 percent and 1 percent in Mexico and Argentina, respectively. The decline in Mexico is primarily due to the impact of a new excise tax that went into effect on January 1, 2014.

In North America, unit case volume was even, reflecting 2 percent growth in still beverages offset by a decline of 1 percent in sparkling beverages. The still beverage growth in the group was led by 9 percent growth in packaged water, 6 percent growth in sports drinks and 4 percent growth in teas.

Unit case volume in Asia Pacific increased 8 percent, which consisted of 6 percent growth in sparkling and 10 percent growth in still beverage volume. The sparkling beverage growth was led by an 8 percent increase in Trademark Sprite, a 5 percent increase in Trademark Fanta and a 4 percent increase in brand Coca-Cola. Still beverage growth was led by packaged water and increases in sports drinks and teas of 13 percent and 6 percent, respectively. China's unit case volume grew 10 percent during the period, led by 6 percent growth in brand Coca-Cola and 5 percent growth in Trademark Sprite. India reported double-digit volume growth, and Japan reported unit case volume increases of 2 percent in both the sparkling and still beverage categories.

Unit case volume for Bottling Investments decreased 5 percent. This decrease primarily reflects the sale of a majority ownership interest in our previously consolidated bottling operations in the Philippines to Coca-Cola FEMSA, S.A.B. de C.V. ("Coca-Cola FEMSA") in January 2013, as well as the deconsolidation of our bottling operations in Brazil in July 2013. The unfavorable impact of these transactions on the group's unit case volume results was partially offset by growth in other key markets including China and India where we own or otherwise consolidate bottling operations. The Company's consolidated bottling operations accounted for 35 percent and 64 percent of the unit case volume in China and India, respectively.

#### ***Concentrate Sales Volume***

During the three months ended June 27, 2014, worldwide unit case volume grew 3 percent and concentrate sales volume grew 2 percent compared to the three months ended June 28, 2013. During the six months ended June 27, 2014, worldwide unit case volume grew 2 percent and concentrate sales volume grew 2 percent compared to the six months ended June 28, 2013. After considering the impact of structural changes, concentrate sales volume grew 1 percent during the six months ended June 27, 2014. The difference between the consolidated unit case volume and concentrate sales volume growth rates during the six months ended June 27, 2014, was primarily due to having one less selling day during the first quarter of 2014 when compared to the first quarter of 2013. In addition, this difference reflects the timing of concentrate shipments 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 or powders. Concentrate sales volume growth is calculated based on the actual amount of concentrate sold during the reporting period, which is impacted by the number of selling days. Conversely, unit case volume growth is calculated based on average daily sales, which is not impacted by the number of selling days in a reporting period.

#### ***Net Operating Revenues***

##### *Three Months Ended June 27, 2014 versus Three Months Ended June 28, 2013*

The Company's net operating revenues decreased \$175 million, or 1 percent. We estimate that consolidated net operating revenues were unfavorably impacted by approximately 1 percent due to the Fair Price Law in Venezuela, which imposes limits on profit margins earned in the country.



The following table illustrates, on a percentage basis, the estimated impact of key factors resulting in the increase (decrease) in net operating revenues by operating segment:

	Percent Change 2014 versus 2013				Total
	Volume <sup>1</sup>	Structural Changes	Price, Product & Geographic Mix	Currency Fluctuations	
Consolidated	2%	(3)%	2 %	(2)%	(1)%
Eurasia & Africa	2%	—%	3 %	(9)%	(4)%
Europe	(2)	—	3	6	7
Latin America	—	(4)	7	(11)	(8)
North America	—	—	1	(1)	—
Asia Pacific	5	—	—	(5)	—
Bottling Investments	8	(14)	(1)	(1)	(8)
Corporate	*	*	*	*	*

\*Calculation is not meaningful.

<sup>1</sup> Represents the percent change in net operating revenues attributable to the increase (decrease) in concentrate sales volume for our geographic operating segments (expressed in equivalent unit cases) after considering the impact of structural changes. For our Bottling Investments operating segment, this represents the percent change in net operating revenues attributable to the increase (decrease) in unit case volume after considering the impact of structural changes. Our Bottling Investments operating segment data reflects unit case volume growth for consolidated bottlers only. 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.

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 favorably impacted our consolidated net operating revenues by 2 percent. Price, product and geographic mix for our operating segments was impacted by a variety of factors and events including, but not limited to, the following:

- Eurasia and Africa — favorable price mix in the majority of the segment's business units coupled with favorable geographic mix;
- Europe — favorable impact as a result of consolidating the juice and smoothie business of Fresh Trading Ltd. ("innocent") in May 2013 and favorable price mix in a majority of the segment's business units; and
- Latin America — favorable price mix in all four of the segment's business units and the impact of inflationary environments in several markets, partially offset by the unfavorable impact of the Fair Price Law enacted in Venezuela.

Fluctuations in foreign currency exchange rates decreased our consolidated net operating revenues by 2 percent. This unfavorable impact was primarily due to a stronger U.S. dollar compared to certain foreign currencies, including the South African rand, Mexican peso, Brazilian real, Australian dollar and Japanese yen, which had an unfavorable impact on our Eurasia and Africa, Latin America, Asia Pacific and Bottling Investments operating segments. The unfavorable impact of a stronger U.S. dollar compared to the currencies listed above was partially offset by the impact of a weaker U.S. dollar compared to certain other foreign currencies, including the euro and U.K. pound sterling, which had a favorable impact on our Europe and Bottling Investments operating segments. Refer to the heading "Liquidity, Capital Resources and Financial Position — Foreign Exchange" below. The effect that foreign currency exchange rate fluctuations had on net operating revenues reflects a decrease in Venezuelan bolivar-denominated revenues resulting from the impact of the Fair Price Law.

Six Months Ended June 27, 2014 versus Six Months Ended June 28, 2013

The Company's net operating revenues decreased \$634 million, or 3 percent. The following table illustrates, on a percentage basis, the estimated impact of key factors resulting in the increase (decrease) in net operating revenues by operating segment:

	Percent Change 2014 versus 2013				Total
	Volume <sup>1</sup>	Structural Changes	Price, Product & Geographic Mix	Currency Fluctuations	
Consolidated	1%	(3)%	2%	(3)%	(3)%
Eurasia & Africa	1%	—%	6%	(10)%	(3)%
Europe	(2)	—	6	4	8
Latin America	(2)	(2)	9	(14)	(9)
North America	(1)	—	1	(1)	(1)
Asia Pacific	6	—	(3)	(6)	(3)
Bottling Investments	6	(16)	(2)	(1)	(13)
Corporate	*	*	*	*	*

\*Calculation is not meaningful.

<sup>1</sup> Represents the percent change in net operating revenues attributable to the increase (decrease) in concentrate sales volume for our geographic operating segments (expressed in equivalent unit cases) after considering the impact of structural changes. For our Bottling Investments operating segment, this represents the percent change in net operating revenues attributable to the increase (decrease) in unit case volume after considering the impact of structural changes. Our Bottling Investments operating segment data reflects unit case volume growth for consolidated bottlers only. 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.

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 favorably impacted our consolidated net operating revenues by 2 percent. Price, product and geographic mix for our operating segments was impacted by a variety of factors and events including, but not limited to, the following:

- Eurasia and Africa — favorable price mix in the majority of the segment's business units coupled with favorable geographic mix;
- Europe — favorable impact as a result of consolidating the juice and smoothie business of innocent in May 2013, favorable price mix in a majority of the segment's business units and positive geographic mix;
- Latin America — favorable price mix in all four of the segment's business units and the impact of inflationary environments in several markets, partially offset by the unfavorable impact of the Fair Price Law enacted in Venezuela; and
- Asia Pacific — unfavorable price mix in two of the segment's business units and unfavorable geographic mix.

Fluctuations in foreign currency exchange rates decreased our consolidated net operating revenues by 3 percent. This unfavorable impact was primarily due to a stronger U.S. dollar compared to certain foreign currencies, including the South African rand, Mexican peso, Brazilian real, Australian dollar and Japanese yen, which had an unfavorable impact on our Eurasia and Africa, Latin America, Asia Pacific and Bottling Investments operating segments. The unfavorable impact of a stronger U.S. dollar compared to the currencies listed above was partially offset by the impact of a weaker U.S. dollar compared to certain other foreign currencies, including the euro and U.K. pound sterling, which had a favorable impact on our Europe and Bottling Investments operating segments. Refer to the heading "Liquidity, Capital Resources and Financial Position — Foreign Exchange" below. The effect that foreign currency exchange rate fluctuations had on net operating revenues reflects a decrease in Venezuelan bolivar-denominated revenues resulting from the impact of the Fair Price Law.

Net operating revenue growth rates are impacted by sales volume; structural changes; price, product and geographic mix; and foreign currency fluctuations. The size and timing of structural changes are not consistent from period to period. As a result, anticipating the impact of such events on future net operating revenues, and other financial statement line items, usually is not possible. However, we expect the structural changes discussed above to have an unfavorable 1 to 2 percent impact on our consolidated net operating revenues during the remainder of 2014. We estimate that the Venezuelan Fair Price Law will reduce our Latin America segment net operating revenues for the full year 2014 by approximately 5 percent.

### Gross Profit

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 have been, and will continue to be, included as a component of net income in each reporting period. During the three and six months ended June 27, 2014, the Company recorded gains of \$13 million and \$35 million, respectively, in the line item cost of goods sold in our condensed consolidated statements of income related to the changes in the fair value of these derivative instruments. Refer to Note 5 of Notes to Condensed Consolidated Financial Statements.

Our gross profit margin increased to 61.7 percent during the three months ended June 27, 2014, compared to 60.9 percent during the three months ended June 28, 2013. In addition, our gross profit margin increased to 61.5 percent, during the six months ended June 27, 2014, compared to 60.8 percent during the six months ended June 28, 2013. These increases are partially due to the deconsolidation of our Philippine bottling operations in January 2013 and the deconsolidation of our Brazilian bottling operations in July 2013. Refer to the heading "Structural Changes, Acquired Brands and Newly Licensed Brands" above for additional information regarding the impact of the deconsolidation of our Philippine and Brazilian bottling operations.

### Selling, General and Administrative Expenses

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

	Three Months Ended		Six Months Ended	
	June 27, 2014	June 28, 2013	June 27, 2014	June 28, 2013
Stock-based compensation expense	\$ 73	\$ 45	\$ 112	\$ 92
Advertising expenses	926	889	1,633	1,669
Bottling and distribution expenses <sup>1</sup>	2,124	2,155	4,197	4,317
Other operating expenses	1,261	1,296	2,431	2,489
Total selling, general and administrative expenses	\$ 4,384	\$ 4,385	\$ 8,373	\$ 8,567

<sup>1</sup> Includes operating expenses as well as general and administrative expenses related to our Bottling Investments operating segment and our finished product operations in our North America operating segment.

During the three and six months ended June 27, 2014, selling, general and administrative expenses decreased \$1 million and \$194 million, respectively, versus the prior year comparable periods. The increase in stock compensation expense during the three and six months ended June 27, 2014 was primarily due to reversals in 2013 of previously recognized expenses related to the Company's long-term incentive programs. The increase in advertising expenses during the three months ended June 27, 2014 reflects the Company's increased investments to strengthen our brands, partially offset by a foreign currency exchange impact of 3 percent. The decrease in advertising expenses during the six months ended June 27, 2014 reflects increased marketing investments to strengthen our brands offset by a foreign currency exchange impact of 4 percent and the impact of having one less selling day compared to the prior year comparable period. The decrease in bottling and distribution expenses during the three months ended June 27, 2014 reflects the impact of the Company's deconsolidation of our Brazilian bottling operations in July 2013. The decrease in bottling and distribution expenses during the six months ended June 27, 2014 reflects the impact of the Company's sale of a majority interest in our previously consolidated Philippine bottling operations in January 2013, the deconsolidation of our Brazilian bottling operations in July 2013 and the impact of having one less selling day compared to the prior year comparable period. During the three and six months ended June 27, 2014, fluctuations in foreign currency exchange rates decreased total selling, general and administrative expenses by 1 percent and 2 percent, respectively.

During the six months ended June 27, 2014, the Company contributed \$165 million to our pension plans, and we anticipate making additional contributions of approximately \$6 million to our pension plans during the remainder of 2014. Our full year pension expense is currently expected to decrease by approximately \$155 million compared to 2013. The anticipated decrease is primarily due to the favorable impact of an increase in the weighted-average discount rate used to calculate the Company's benefit obligation, pension contributions and favorable returns on plan assets in 2013. Refer to the heading "Liquidity, Capital Resources and Financial Position" below and Note 12 of Notes to Condensed Consolidated Financial Statements for information related to our pension contributions.

As of June 27, 2014, we had \$605 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 2.35 years. 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 were as follows (in millions):

	Three Months Ended		Six Months Ended	
	June 27, 2014	June 28, 2013	June 27, 2014	June 28, 2013
Eurasia & Africa	\$ —	\$ —	\$ —	\$ 2
Europe	—	6	—	6
Latin America	—	—	—	—
North America	58	55	133	134
Asia Pacific	1	5	8	13
Bottling Investments	91	20	133	41
Corporate	51	46	55	57
Total other operating charges	\$ 201	\$ 132	\$ 329	\$ 253

During the three months ended June 27, 2014, the Company incurred other operating charges of \$201 million, which included charges of \$89 million due to the Company's productivity and reinvestment program and \$66 million due to the integration of our German bottling and distribution operations. In addition, the Company incurred a charge of \$25 million as a result of the restructuring and transition of the Company's Russian juice operations to an existing joint venture with an unconsolidated bottling partner, and a charge of \$21 million due to the Company recording a write-down on receivables from our bottling partner in Venezuela due to limited government-approved exchange rate conversion mechanisms. Refer to Note 11 of Notes to Condensed Consolidated Financial Statements and see below for additional information on our productivity, integration and restructuring initiatives. Refer to Note 10 of Notes to Condensed Consolidated Financial Statements for additional information on the Company's restructuring of the Russian juice operations and the write-down of the Venezuela receivables. Refer to Note 15 of Notes to Condensed Consolidated Financial Statements for additional information related to the impact these charges had on our operating segments.

During the three months ended June 28, 2013, the Company incurred other operating charges of \$132 million, which primarily consisted of charges of \$113 million due to the Company's productivity and reinvestment program and \$20 million due to the integration of our German bottling and distribution operations. Refer to Note 11 of Notes to Condensed Consolidated Financial Statements and below for additional information. Refer to Note 15 of Notes to Condensed Consolidated Financial Statements for additional information related to the impact these charges had on our operating segments.

During the six months ended June 27, 2014, the Company incurred other operating charges of \$329 million, which consisted of charges of \$175 million due to the Company's productivity and reinvestment program and \$108 million due to the Company's integration of our German bottling and distribution operations. In addition, the Company incurred a charge of \$25 million as a result of the restructuring and transition of the Company's Russian juice operations to an existing joint venture with an unconsolidated bottling partner, and a charge of \$21 million due to the Company recording a write-down on receivables from our bottling partner in Venezuela due to limited government-approved exchange rate conversion mechanisms. Refer to Note 11 of Notes to Condensed Consolidated Financial Statements and see below for additional information on our productivity, integration and restructuring initiatives. Refer to Note 10 of Notes to Condensed Consolidated Financial Statements for additional information on the Company's restructuring of the Russian juice operations and the write-down of the Venezuela receivables. Refer to Note 15 of Notes to Condensed Consolidated Financial Statements for additional information related to the impact these charges had on our operating segments.

During the six months ended June 28, 2013, the Company incurred other operating charges of \$253 million, which primarily consisted of charges of \$215 million due to the Company's productivity and reinvestment program and \$41 million primarily due to the Company's integration of our German bottling and distribution operations. Refer to Note 11 of Notes to Condensed Consolidated Financial Statements and below for additional information. Refer to Note 15 of Notes to Condensed Consolidated Financial Statements for additional information related to the impact these charges had on our operating segments.

### *Productivity and Reinvestment Program*

In February 2012, the Company announced a four-year productivity and reinvestment program. This program will further enable our efforts to strengthen our brands and reinvest our resources to drive long-term profitable growth. The first component of this program is a global productivity initiative that will target annualized savings of \$350 million to \$400 million. This initiative is focused on four primary areas: global supply chain optimization; global marketing and innovation effectiveness; operating expense leverage and operational excellence; and data and information technology systems standardization. The second component of our productivity and reinvestment program involves a new integration initiative in North America related to our acquisition of Coca-Cola Enterprises Inc.'s ("CCE") former North America business. The Company has identified incremental synergies, primarily in the area of our North American product supply operations, which will enable us to better service our customers and consumers. We believe these efforts will create annualized savings of \$200 million to \$250 million.

As a combined productivity and reinvestment program, the Company anticipates generating annualized savings of \$550 million to \$650 million. The savings generated by this program will be reinvested in brand-building initiatives.

In February 2014, the Company announced the expansion of our productivity and reinvestment program to drive an incremental \$1 billion in productivity by 2016 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. These savings will be reinvested in global brand-building initiatives, with an emphasis on increased media spending. 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.

During the three and six months ended June 27, 2014, the Company incurred expenses of \$89 million and \$175 million, respectively, related to our productivity and reinvestment program. We have incurred total pretax expenses of \$939 million since the initiative commenced in 2012. Refer to Note 11 of Notes to Condensed Consolidated Financial Statements for additional information.

### *Integration of Our German Bottling and Distribution Operations*

The Company's integration initiatives include costs related to the integration of 18 German bottling and distribution operations acquired in 2007. The expenses recorded in connection with these integration activities have been primarily due to involuntary terminations. The Company began these integration initiatives in 2008 and has incurred total pretax expenses of \$735 million related to this initiative since it commenced. We are currently reviewing additional restructuring opportunities within the German bottling and distribution operations, including integration costs related to information technology and other initiatives. If implemented, these initiatives will result in additional charges in future periods. However, as of June 27, 2014, the Company has not finalized any additional plans. Refer to Note 11 of Notes to Condensed Consolidated Financial Statements.

### *Operating Income and Operating Margin*

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

	Three Months Ended		Six Months Ended	
	June 27, 2014	June 28, 2013	June 27, 2014	June 28, 2013
Eurasia & Africa	9.1 %	10.2 %	10.7 %	10.9 %
Europe	28.1	25.8	29.0	26.9
Latin America	20.0	22.4	23.5	26.3
North America	26.1	22.5	22.6	19.0
Asia Pacific	26.7	26.1	25.3	25.6
Bottling Investments	1.2	3.9	0.2	2.9
Corporate	(11.2)	(10.9)	(11.3)	(11.6)
Total	100.0 %	100.0 %	100.0 %	100.0 %

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

	Three Months Ended		Six Months Ended	
	June 27, 2014	June 28, 2013	June 27, 2014	June 28, 2013
Consolidated	<b>25.2 %</b>	25.4 %	<b>24.0 %</b>	23.8 %
Eurasia & Africa	<b>39.6 %</b>	43.4 %	<b>42.6 %</b>	42.8 %
Europe	<b>64.4</b>	64.7	<b>64.0</b>	65.7
Latin America	<b>57.3</b>	63.7	<b>59.2</b>	64.9
North America	<b>14.5</b>	12.8	<b>12.0</b>	10.1
Asia Pacific	<b>54.6</b>	53.8	<b>50.8</b>	51.4
Bottling Investments	<b>1.8</b>	5.6	<b>0.3</b>	3.9
Corporate	*	*	*	*

\*Calculation is not meaningful.

*Three Months Ended June 27, 2014 versus Three Months Ended June 28, 2013*

During the three months ended June 27, 2014, foreign currency exchange rates unfavorably impacted consolidated operating income by 5 percent due to a stronger U.S. dollar compared to certain foreign currencies, including the South African rand, Mexican peso, Brazilian real, Australian dollar and Japanese yen, which had an unfavorable impact on our Eurasia and Africa, Latin America, Asia Pacific and Bottling Investments operating segments. The unfavorable impact of a stronger U.S. dollar compared to the currencies listed above was partially offset by the impact of a weaker U.S. dollar compared to certain other foreign currencies, including the euro and U.K. pound sterling, which had a favorable impact on our Europe and Bottling Investments operating segments. Refer to the heading "Liquidity, Capital Resources and Financial Position — Foreign Exchange" below.

The Company's Eurasia and Africa segment reported operating income of \$290 million and \$332 million for the three months ended June 27, 2014 and June 28, 2013, respectively. The segment was unfavorably impacted by fluctuations in foreign currency exchange of 11 percent. The unfavorable impact of foreign currency was offset by favorable pricing across many of the segment's markets.

Operating income for Europe for the three months ended June 27, 2014 and June 28, 2013, was \$892 million and \$836 million, respectively. The Europe segment was favorably impacted by foreign currency exchange fluctuations of 5 percent.

Latin America reported operating income of \$633 million and \$726 million for the three months ended June 27, 2014 and June 28, 2013, respectively. Operating income in 2014 was unfavorably impacted by foreign currency exchange fluctuations of 12 percent and the impact of the Venezuelan Fair Price Law of 15 percent, partially offset by favorable price mix in all of the segment's business units.

Operating income for North America for the three months ended June 27, 2014 and June 28, 2013, was \$827 million and \$731 million, respectively. The segment's operating income was favorably impacted by price mix.

Asia Pacific's operating income for the three months ended June 27, 2014 and June 28, 2013, was \$846 million and \$847 million, respectively. Operating income for the segment reflects a 5 percent increase in concentrate sales, offset by the unfavorable impact of foreign currency of 8 percent.

Operating income for our Bottling Investments segment for the three months ended June 27, 2014 and June 28, 2013, was \$38 million and \$125 million, respectively. The primary reason for the decrease in operating income was the deconsolidation of the Company's Brazilian bottling operations in July 2013. In addition, fluctuations in foreign currency unfavorably impacted the segment's 2014 operating income by 3 percent.

The Corporate segment's operating loss for the three months ended June 27, 2014 and June 28, 2013, was \$356 million and \$354 million, respectively. Operating loss for the Corporate segment was favorably impacted by reduced pension and other postretirement benefit expenses, partially offset by increased stock compensation expense and the timing of other operating expenses.

*Six Months Ended June 27, 2014 versus Six Months Ended June 28, 2013*

During the six months ended June 27, 2014, foreign currency exchange rates unfavorably impacted consolidated operating income by 7 percent due to a stronger U.S. dollar compared to certain foreign currencies, including the South African rand, Mexican peso, Brazilian real, Australian dollar and Japanese yen, which had an unfavorable impact on our Eurasia and Africa, Latin America, Asia Pacific and Bottling Investments operating segments. The unfavorable impact of a stronger U.S. dollar

compared to the currencies listed above was partially offset by the impact of a weaker U.S. dollar compared to certain other foreign currencies, including the euro and U.K. pound sterling, which had a favorable impact on our Europe and Bottling Investments operating segments. Refer to the heading "Liquidity, Capital Resources and Financial Position — Foreign Exchange" below.

Operating income for the six months ended June 27, 2014, was unfavorably impacted by one less selling day during the first quarter of 2014 when compared to the first quarter of 2013. This impact was disproportionately more unfavorable for our finished goods businesses, particularly in our North America and Bottling Investments operating segments.

The Company's Eurasia and Africa segment reported operating income of \$593 million and \$614 million for the six months ended June 27, 2014 and June 28, 2013, respectively. The segment was unfavorably impacted by fluctuations in foreign currency exchange of 13 percent. The unfavorable impact of the foreign currency was offset by favorable pricing across many of the segment's markets.

Operating income for Europe for the six months ended June 27, 2014 and June 28, 2013, was \$1,611 million and \$1,519 million, respectively. The Europe group was favorably impacted by foreign currency fluctuations of 3 percent as well as favorable pricing in several of the segment's business units.

Latin America reported operating income of \$1,301 million and \$1,489 million for the six months ended June 27, 2014 and June 28, 2013, respectively. Operating income in 2014 was unfavorably impacted by foreign currency exchange fluctuations of 16 percent and the impact of the Venezuelan Fair Price Law of 7 percent, partially offset by favorable price mix in all of the segment's business units.

Operating income for North America for the six months ended June 27, 2014 and June 28, 2013, was \$1,255 million and \$1,072 million, respectively. The segment was favorably impacted by positive price mix, lower commodity costs and product mix, partially offset by increased marketing investments.

Asia Pacific's operating income for the six months ended June 27, 2014 and June 28, 2013, was \$1,403 million and \$1,449 million, respectively. Operating income for the segment was unfavorably impacted by foreign currency fluctuations of 8 percent as well as unfavorable shifts in product and channel mix in 2014.

Operating income for our Bottling Investments segment for the six months ended June 27, 2014 and June 28, 2013, was \$12 million and \$164 million, respectively. The primary reason for the decrease in operating income was the deconsolidation of the Company's Philippine and Brazilian bottling operations in January and July of 2013, respectively. In addition, fluctuations in foreign currency unfavorably impacted the segment's 2014 operating income by 3 percent.

The Corporate segment's operating loss for the six months ended June 27, 2014 and June 28, 2013, was \$629 million and \$656 million, respectively. Operating loss for the Corporate segment was unfavorably impacted by foreign currency fluctuations of 1 percent, offset by a decrease in charges related to the Company's productivity and reinvestment programs of \$22 million during the six months ended June 27, 2014, as compared to the six months ended June 28, 2013.

Based on spot rates as of the beginning of July 2014 and our hedging coverage in place, the Company expects currencies, including the Venezuelan bolivar, to have a 3 percent unfavorable impact on our consolidated operating income for the remainder of 2014.

The Company estimates that the Venezuelan Fair Price Law will negatively impact our consolidated operating income for the full year 2014 by 2 percent.

#### ***Interest Income***

During the three months ended June 27, 2014, interest income was \$144 million, compared to \$129 million during the three months ended June 28, 2013, an increase of \$15 million. During the six months ended June 27, 2014, interest income was \$267 million, compared to \$245 million during the six months ended June 28, 2013, an increase of \$22 million. These increases primarily reflect higher cash balances and higher average interest rates in certain of our international locations, partially offset by the unfavorable impact of fluctuations in foreign currency exchange rates due to a stronger U.S. dollar against most major currencies.

#### ***Interest Expense***

During the three months ended June 27, 2014, interest expense was \$107 million, compared to \$122 million during the three months ended June 28, 2013, a decrease of \$15 million. This decrease primarily reflects the charge the Company incurred in 2013 due to the early extinguishment of debt, partially offset by the impact of additional long-term debt the Company issued during late 2013 and 2014 and interest rate swaps on our fixed-rate debt. Refer to Note 5 of Notes to Condensed Consolidated Financial Statements for information on the Company's hedging program. Refer to the heading "Liquidity, Capital Resources

and Financial Position — Cash Flows from Financing Activities" below for additional information related to the Company's long-term debt.

During the six months ended June 27, 2014, interest expense was \$231 million, compared to \$224 million during the six months ended June 28, 2013, an increase of \$7 million. This increase primarily reflects the impact of additional long-term debt the Company issued during late 2013 and 2014 and interest rate swaps on our fixed-rate debt. Refer to Note 5 of Notes to Condensed Consolidated Financial Statements for information on the Company's hedging program. Refer to the heading "Liquidity, Capital Resources and Financial Position — Cash Flows from Financing Activities" below for additional information related to the Company's long-term debt.

**Equity Income (Loss) — Net**

*Three Months Ended June 27, 2014 versus Three Months Ended June 28, 2013*

Equity income (loss) — net represents the Company's proportionate share of net income or loss from each of our equity method investments. During the three months ended June 27, 2014, equity income was \$254 million, compared to equity income of \$246 million during the three months ended June 28, 2013, an increase of \$8 million. This increase is primarily driven by the deconsolidation of the Company's Brazilian bottling operations in July 2013, which resulted in the Company beginning to account for its investment in these operations under the equity method of accounting, partially offset by the impact of challenging economic conditions around the world where many of our equity method investees operate. Refer to the heading "Structural Changes, Acquired Brands and Newly Licensed Brands" for additional information on the Brazilian bottling transaction.

The Company recorded net charges of \$6 million and \$3 million in the line item equity income (loss) — net during the three months ended June 27, 2014 and June 28, 2013, respectively. These amounts represent the Company's proportionate share of unusual or infrequent items recorded by certain of our equity method investees.

*Six Months Ended June 27, 2014 versus Six Months Ended June 28, 2013*

During the six months ended June 27, 2014, equity income was \$325 million, compared to equity income of \$333 million during the six months ended June 28, 2013, a decrease of \$8 million. This decrease reflects, among other items, the unfavorable impact of the challenging economic conditions around the world where many of our equity method investees operate partially offset by the deconsolidation of the Company's Brazilian bottling operations in July 2013, which resulted in the Company beginning to account for its investment in these operations under the equity method of accounting. Refer to the heading "Structural Changes, Acquired Brands and Newly Licensed Brands" for additional information on the Brazilian bottling transaction.

The Company recorded net charges of \$33 million and \$42 million in the line item equity income (loss) — net during the six months ended June 27, 2014 and June 28, 2013, respectively. These amounts represent the Company's proportionate share of unusual or infrequent items recorded by certain of our equity method investees, including charges incurred by an equity method investee due to the devaluation of the Venezuelan bolivar. Refer to the heading "Liquidity, Capital Resources and Financial Position — Foreign Exchange" below for additional information on Venezuela's currency devaluation.

**Other Income (Loss) — Net**

*Three Months Ended June 27, 2014 versus Three Months Ended June 28, 2013*

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; realized and unrealized gains and losses on trading securities; realized gains and losses on available-for-sale securities; gains and losses related to the acquisition, disposal or merger of bottling companies and other investments; other-than-temporary impairments of available-for-sale securities; and the accretion of expense related to certain acquisitions. The foreign currency exchange gains and losses are primarily the result of the remeasurement of certain monetary assets and liabilities from nonfunctional 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 consolidated balance sheets. Refer to Note 5 of Notes to Condensed Consolidated Financial Statements.

During the three months ended June 27, 2014, other income (loss) — net was a loss of \$77 million. This loss included a \$140 million charge the Company recorded primarily due to the derecognition of intangible assets as a result of refranchising certain territories in North America to three of its unconsolidated bottling partners. This charge was partially offset by net gains of \$28 million related to trading securities and available-for-sale securities. None of the other items included in other income (loss) — net during the three months ended June 27, 2014, was individually significant. Refer to Note 2 of Notes to Condensed Consolidated Financial Statements for additional information on the North America refranchising.



During the three months ended June 28, 2013, other income (loss) — net was income of \$29 million. This income included a gain of \$139 million as a result of Coca-Cola FEMSA issuing additional shares of its own stock at a per share amount greater than the carrying value of the Company's per share investment. Other income (loss) — net also included a loss of \$144 million related to the then pending merger of four of the Company's Japanese bottling partners. None of the other items included in other income (loss) — net during the three months ended June 28, 2013, was individually significant. Refer to Note 10 of Notes to Condensed Consolidated Financial Statements for additional information on the Coca-Cola FEMSA share gain as well as the loss related to the then pending merger of certain of our Japanese bottling partners.

*Six Months Ended June 27, 2014 versus Six Months Ended June 28, 2013*

During the six months ended June 27, 2014, other income (loss) — net was a loss of \$318 million. This loss included net foreign currency exchange losses of \$266 million and a charge of \$140 million the Company recorded primarily due to the derecognition of intangible assets as a result of refranchising certain territories in North America to three of its unconsolidated bottling partners. The net foreign currency exchange losses were primarily related to a charge of \$226 million due to the expansion of the Venezuelan government's currency conversion markets. These losses were partially offset by net gains of \$30 million related to trading securities and available-for-sale securities. None of the other items included in other income (loss) — net during the six months ended June 27, 2014, was individually significant. Refer to Note 2 of Notes to Condensed Consolidated Financial Statements for additional information on the North America refranchising. Refer to the heading "Liquidity, Capital Resources and Financial Position — Foreign Exchange" below for additional information on the charge due to the change in Venezuelan exchange rates.

During the six months ended June 28, 2013, other income (loss) — net was a loss of \$136 million. This loss included net foreign currency exchange losses of \$181 million and a loss of \$144 million related to the then pending merger of four of the Company's Japanese bottling partners. The unfavorable impact of the previous items was partially offset by a gain of \$139 million as a result of Coca-Cola FEMSA issuing additional shares of its own stock at a per share amount greater than the carrying value of the Company's per share investment. The net foreign currency exchange losses were primarily related to a charge of \$140 million due to the devaluation of the Venezuelan bolivar. Refer to the heading "Liquidity, Capital Resources and Financial Position — Foreign Exchange" below for additional information on Venezuela's currency devaluation. Refer to Note 10 of Notes to Condensed Consolidated Financial Statements for additional information on the Coca-Cola FEMSA share gain as well as the loss related to the merger of certain of our Japanese bottling partners.

While we are in discussions with, and in some cases have signed non-binding letters of intent with, various parties regarding the refranchising of additional territories in North America, the Company has not finalized or approved any definitive agreements. If the Company completes any future transactions with a similar structure to the transactions closed during the six months ended June 27, 2014, due to our accounting policy election, we will be required to record additional noncash losses as a result of the derecognition of the related intangible assets. We expect the value of these intangible assets will be recovered through future quarterly payments to be received from the bottlers. Refer to Note 2 of Notes to Condensed Consolidated Financial Statements.

**Income Taxes**

Our effective tax rate reflects the benefits of having significant operations outside the United States, which are generally taxed at rates lower than the U.S. statutory rate of 35 percent. As a result of employment actions and capital investments made by the Company, certain tax jurisdictions provide income tax incentive grants, including Brazil, Costa Rica, Singapore and Swaziland. The terms of these grants expire from 2015 to 2023. We anticipate that we will be able to extend or renew the grants in these locations. In addition, our effective tax rate reflects the benefits of having significant earnings generated in investments accounted for under the equity method of accounting, which are generally taxed at rates lower than the U.S. statutory rate.

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 estimated effective tax rate for 2014 is 22.5 percent. However, in arriving at this estimate we do not include the estimated impact of unusual and/or infrequent items, which may cause significant variations in the customary relationship between income tax expense and income before income taxes.

The Company recorded income tax expense of \$779 million (23.0 percent effective tax rate) and \$831 million (23.5 percent effective tax rate) during the three months ended June 27, 2014 and June 28, 2013, respectively. The Company recorded income tax expense of \$1,358 million (24.3 percent effective tax rate) and \$1,406 million (23.9 percent effective tax rate) during the six months ended June 27, 2014 and June 28, 2013, respectively.

The following table illustrates the tax expense (benefit) associated with unusual and/or infrequent items for the interim periods presented (in millions):

	Three Months Ended		Six Months Ended	
	June 27, 2014	June 28, 2013	June 27, 2014	June 28, 2013
Productivity and reinvestment program	\$ (34) <sup>1</sup>	\$ (38) <sup>7</sup>	\$ (66) <sup>1</sup>	\$ (78) <sup>7</sup>
Other productivity, integration and restructuring initiatives	— <sup>2</sup>	1 <sup>8</sup>	— <sup>2</sup>	1 <sup>8</sup>
Transaction gains and losses	(51) <sup>3</sup>	48 <sup>9</sup>	(51) <sup>3</sup>	48 <sup>9</sup>
Certain tax matters	26 <sup>4</sup>	(1) <sup>10</sup>	31 <sup>4</sup>	— <sup>10</sup>
Other — net	3 <sup>5</sup>	(8) <sup>11</sup>	8 <sup>6</sup>	(4) <sup>12</sup>

<sup>1</sup> Related to charges of \$89 million and \$175 million during the three and six months ended June 27, 2014, respectively. These charges were due to the Company's productivity and reinvestment program. Refer to Note 10 and Note 11 of Notes to Condensed Consolidated Financial Statements.

<sup>2</sup> Related to charges of \$66 million and \$108 million during the three and six months ended June 27, 2014, respectively. These charges were due to the integration of our German bottling and distribution operations. Refer to Note 10 and Note 11 of Notes to Condensed Consolidated Financial Statements.

<sup>3</sup> Related to a charge of \$140 million during the three and six months ended June 27, 2014, which was primarily due to the derecognition of intangible assets as a result of refranchising certain North America territories to three of its unconsolidated bottling partners. Refer to Note 2 of Notes to Condensed Consolidated Financial Statements.

<sup>4</sup> Related to amounts required to be recorded for changes to our uncertain tax positions, including interest and penalties. The components of the net change in uncertain tax positions were individually insignificant.

<sup>5</sup> Related to charges of \$52 million that consisted of \$21 million due to a write-down of receivables from our bottling partner in Venezuela, \$25 million due to the restructuring and transition of the Company's Russian juice operations to an existing joint venture with an unconsolidated bottling partner, and \$6 million due to our proportionate share of unusual or infrequent items recorded by certain of our equity method investees. Refer to Note 10 of Notes to Condensed Consolidated Financial Statements.

<sup>6</sup> Related to charges of \$305 million that consisted of \$268 million due to the expansion of the Venezuelan government's currency conversion markets, including a write-down of receivables from our bottling partner in Venezuela, \$25 million due to the restructuring and transition of the Company's Russian juice operations to an existing joint venture with an unconsolidated bottling partner, and \$12 million due to our proportionate share of unusual or infrequent items recorded by certain of our equity method investees. Refer to Note 10 of Notes to Condensed Consolidated Financial Statements.

<sup>7</sup> Related to charges of \$113 million and \$215 million during the three and six months ended June 28, 2013, respectively. These charges were due to the Company's productivity and reinvestment program. Refer to Note 10 and Note 11 of Notes to Condensed Consolidated Financial Statements.

<sup>8</sup> Related to net charges of \$18 million and \$39 million during the three and six months ended June 28, 2013, respectively. These charges were primarily due to the integration of our German bottling and distribution operations. Refer to Note 10 and Note 11 of Notes to Condensed Consolidated Financial Statements.

<sup>9</sup> Related to a net charge of \$11 million that primarily consisted of a loss of \$144 million due to the then pending merger of four of the Company's Japanese bottling partners, partially offset by a gain of \$139 million the Company recognized as a result of Coca-Cola FEMSA issuing additional shares of its own stock during the period at a per share amount greater than the carrying value of the Company's per share investment. Refer to Note 10 and Note 14 of Notes to Condensed Consolidated Financial Statements.

<sup>10</sup> Related to amounts required to be recorded for changes to our uncertain tax positions, including interest and penalties. The components of the net change in uncertain tax positions were individually insignificant.

<sup>11</sup> Related to a net charge of \$26 million that primarily consisted of a charge of \$23 million due to the early extinguishment of certain long-term debt.

<sup>12</sup> Related to charges of \$202 million that primarily consisted of a charge of \$23 million due to the early extinguishment of certain long-term debt; a charge of \$149 million due to the devaluation of the Venezuelan bolivar; and a net charge of \$33 million due to our proportionate share of unusual or infrequent items recorded by certain of our equity investees. Refer to Note 1 and Note 10 of Notes to Condensed Consolidated Financial Statements.

## LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL POSITION

We believe our ability to generate cash 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 throughout the remainder of 2014. 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 domestically and continue to have the ability to borrow funds domestically at reasonable interest rates. 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. In addition to the Company's cash balances, commercial paper program, and our ability to issue long-term debt, we also had \$6,321 million in lines of credit available for general corporate purposes as of June 27, 2014. These backup lines of credit expire at various times between 2014 and 2019.

We have significant operations outside the United States. Unit case volume outside the United States represented 81 percent of the Company's worldwide unit case volume for the six months ended June 27, 2014. We earn a substantial amount of our consolidated operating income and income before income taxes in foreign subsidiaries that either sell concentrate to our local bottling partners or, in certain instances, sell finished products directly to our customers to fulfill the demand for Company beverage products outside the United States. A significant portion of these foreign earnings is considered to be indefinitely reinvested in foreign jurisdictions where the Company has made, and will continue to make, substantial investments to support the ongoing development and growth of our international operations. Accordingly, no U.S. federal and state income taxes have been provided on the portion of our foreign earnings that is considered to be indefinitely reinvested in foreign jurisdictions. The Company's cash, cash equivalents, short-term investments and marketable securities held by our foreign subsidiaries totaled \$19.6 billion as of June 27, 2014. With the exception of an insignificant amount, for which U.S. federal and state income taxes have already been provided, we do not intend, nor do we foresee a need, to repatriate these funds. Additionally, the absence of a government-approved market mechanism to convert local currency to U.S. dollars in Argentina and Venezuela restricts the Company's ability to pay dividends from these locations. The Company's subsidiaries in Argentina and Venezuela held \$185 million and \$178 million, respectively, of cash, cash equivalents, short-term investments and marketable securities as of June 27, 2014. See further discussion of the Venezuela markets in the "Foreign Exchange" section below.

Net operating revenues in the United States were \$9.6 billion for the six months ended June 27, 2014, or 41 percent of the Company's consolidated net operating revenues. We expect existing domestic cash, cash equivalents, short-term investments, marketable securities, cash flows from operations and the issuance of domestic debt to continue to be sufficient to fund our domestic operating activities and cash commitments for investing and financing activities. In addition, we expect existing foreign cash, cash equivalents, short-term investments, marketable securities and cash flows from operations to continue to be sufficient to fund our foreign operating activities and cash commitments for investing activities.

In the future, should we require more capital to fund significant discretionary activities in the United States than is generated by our domestic operations and is available through the issuance of domestic debt, we could elect to repatriate future periods' earnings from foreign jurisdictions. This alternative could result in a higher effective tax rate in the future. While the likelihood is remote, the Company could also elect to repatriate earnings from foreign jurisdictions that have previously been considered to be indefinitely reinvested. Upon distribution of those earnings in the form of dividends or otherwise, the Company would be subject to additional U.S. income taxes (net of an adjustment for foreign tax credits) and withholding taxes payable to various foreign jurisdictions, where applicable. This alternative could also result in a higher effective tax rate in the period in which such a determination is made to repatriate prior periods' foreign earnings.

Based on all of the aforementioned factors, the Company believes its current liquidity position is strong, and we will continue to meet all of our financial commitments for the foreseeable future.

### *Cash Flows from Operating Activities*

Net cash provided by operating activities for the six months ended June 27, 2014 and June 28, 2013, was \$4,470 million and \$3,956 million, respectively, an increase of \$514 million. This increase primarily reflects the incremental pension contributions that were made in the first quarter of 2013 compared to 2014 as well as efficient management of working capital, partially offset by an unfavorable impact from currency exchange rates and the deconsolidation of our Brazilian bottling operations in July 2013.

### ***Cash Flows from Investing Activities***

Net cash used in investing activities for the six months ended June 27, 2014 and June 28, 2013, was \$3,128 million and \$2,708 million, respectively, an increase of \$420 million.

#### ***Purchases of Investments and Proceeds from Disposals of Investments***

During the six months ended June 27, 2014, purchases of investments were \$7,895 million and proceeds from disposals of investments were \$6,192 million, resulting in a net cash outflow of \$1,703 million. During the six months ended June 28, 2013, purchases of investments were \$7,077 million and proceeds from disposals of investments were \$5,224 million, resulting in a net cash outflow of \$1,853 million. The purchases during these six months ended June 27, 2014, include our investment in Green Mountain Coffee Roasters, Inc. ("GMCR"), now known as Keurig Green Mountain, Inc., partially offset by the net purchases and proceeds of our short-term investments that were made as part of the Company's overall cash management strategy. Refer to Note 2 of Notes to Condensed Consolidated Financial Statements for additional information on our investment in GMCR.

#### ***Acquisitions of Businesses, Equity Method Investments and Nonmarketable Securities***

During the six months ended June 27, 2014, the Company's acquisitions of businesses, equity method investments and nonmarketable securities totaled \$32 million, which primarily included a joint investment with one of our bottling partners in a dairy company in Ecuador, which is accounted for under the equity method of accounting. During the six months ended June 28, 2013, the Company's acquisitions of businesses, equity method investments and nonmarketable securities totaled \$08 million, which primarily included our acquisition of the majority of the remaining outstanding shares of innocent and a majority interest in bottling operations in Myanmar. Refer to Note 2 of Notes to Condensed Consolidated Financial Statements for additional information on these transactions.

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

During the six months ended June 27, 2014, proceeds from disposals of businesses, equity method investments and nonmarketable securities were \$45 million, which represented the proceeds from the sale of the Company's distribution assets, certain working capital items, and the exclusive rights to distribute certain beverage brands not owned by the Company, but distributed by CCR, to three unconsolidated bottling partners as part of the North America refranchising. During the six months ended June 28, 2013, proceeds from disposals of businesses, equity method investments and nonmarketable securities were \$90 million, which primarily included the sale of a majority ownership interest in our Philippine bottling operations to Coca-Cola FEMSA. Refer to Note 2 of Notes to Condensed Consolidated Financial Statements for additional information.

#### ***Purchases of Property, Plant and Equipment— Net***

Purchases of property, plant and equipment (net of disposals) for these six months ended June 27, 2014, were \$896 million. The Company currently expects our 2014 full year capital expenditures to be between \$2.5 billion and \$3.0 billion, primarily in our Bottling Investments operating segment and our finished product operations in our North America operating segment.

During the six months ended June 28, 2013, cash outflows for investing activities included purchases of property, plant and equipment (net of disposals) of \$1,012 million.

### ***Cash Flows from Financing Activities***

Our financing activities include net borrowings, share issuances and share repurchases. Net cash provided by financing activities during these six months ended June 27, 2014 and June 28, 2013, totaled \$62 million and \$136 million, respectively.

#### ***Debt Financing***

Issuances and payments of debt included both short-term and long-term financing activities. On June 27, 2014, we had \$6,321 million in lines of credit available for general corporate purposes. These backup lines of credit expire at various times between 2014 and 2019.

During the six months ended June 27, 2014, the Company had issuances of debt of \$21,267 million, which included \$474 million of net issuances of commercial paper and short-term debt with maturities of 90 days or less and \$19,796 million of issuances of commercial paper and short-term debt with maturities greater than 90 days. The Company's total issuances of debt also included long-term debt issuances of \$997 million, net of related discounts and issuance costs. Refer below for additional details on our long-term debt issuances.

The Company made payments of debt of \$18,122 million during the six months ended June 27, 2014, which included \$17,096 million of payments related to commercial paper and short-term debt with maturities greater than 90 days and payments of long-term debt of \$1,026 million, which included the retirement of certain long-term debt.

During the six months ended June 27, 2014, the Company retired \$1,000 million of long-term debt upon maturity and issued \$1,000 million total principal amount of notes due September 1, 2015, at a variable interest rate equal to the three-month London Interbank Offered Rate ("LIBOR") plus 0.01 percent.

As of June 27, 2014, the carrying value of the Company's long-term debt included \$490 million of fair value adjustments related to the debt assumed in connection with our acquisition of CCE's former North America business. 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.

During the six months ended June 28, 2013, the Company had issuances of debt of \$22,779 million, which included \$2,493 million of net issuances of commercial paper and short-term debt with maturities of 90 days or less and \$17,766 million of issuances of commercial paper and short-term debt with maturities greater than 90 days. The Company's total issuances of debt also included long-term debt issuances of \$2,520 million, net of related discounts and issuance costs. Refer below for additional details on our long-term debt issuances.

The Company made payments of debt of \$19,454 million during the six months ended June 28, 2013, which included \$18,184 million of payments related to commercial paper and short-term debt with maturities greater than 90 days and payments of long-term debt of \$1,270 million, which included the early extinguishment of certain long-term debt.

During the three months ended June 28, 2013, the Company extinguished \$1,254 million of long-term debt prior to maturity and recorded a charge of \$23 million in the line item interest expense in our condensed consolidated statement of income. The general terms of the notes that were extinguished are as follows:

- \$225 million total principal amount of notes due August 15, 2013, at a fixed interest rate of 5.0 percent;
- \$675 million total principal amount of notes due March 3, 2014, at a fixed interest rate of 7.375 percent; and
- \$354 million total principal amount of notes due March 1, 2015, at a fixed interest rate of 4.25 percent.

During the first quarter of 2013, the Company issued \$2,500 million of long-term debt. The general terms of the notes issued are as follows:

- \$500 million total principal amount of notes due March 5, 2015, at a variable interest rate equal to the three-month LIBOR minus 0.02 percent;
- \$1,250 million total principal amount of notes due April 1, 2018, at a fixed interest rate of 1.15 percent; and
- \$750 million total principal amount of notes due April 1, 2023, at a fixed interest rate of 2.5 percent.

#### *Issuances of Stock*

During the six months ended June 27, 2014, the Company received cash proceeds from issuances of stock of \$650 million, a decrease of \$301 million when compared to cash proceeds of \$951 million from stock issuances during the six months ended June 28, 2013. This decrease is primarily due to a reduction in the exercise of stock options by Company employees.

#### *Share Repurchases*

During the six months ended June 27, 2014, the Company repurchased 47.2 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 \$39.79 per share, for a total cost of \$1,878 million. However, due to the timing of settlements, the total cash outflow for treasury stock purchases was \$1,953 million during the six months ended June 27, 2014. The total cash outflow for treasury stock during the first six months of 2014 includes treasury stock that was purchased and settled during the six months ended June 27, 2014, as well as stock purchased in December 2013 that settled in early 2014; however, it does not include treasury stock that was purchased but did not settle during the six months ended June 27, 2014. In addition, the cash flow impact of the Company's treasury stock activity also includes shares surrendered to the Company to satisfy minimum 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 impact of the Company's issuances of stock and share repurchases during the six months ended June 27, 2014, resulted in a net cash outflow of \$1,303 million. During 2014, the Company expects to purchase between \$2.5 billion and \$3.0 billion of treasury shares, net of proceeds from the issuance of stock due to the exercise of employee stock options.

During the six months ended June 28, 2013, the Company repurchased 73.5 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 \$39.93 per share, for a total cost of \$2,935 million. However, due to the timing of settlements, the total cash outflow for treasury stock purchases during the six months ended June 28, 2013, was \$2,978 million. The total cash outflow for treasury stock during the first six months of 2013 includes treasury stock that was purchased and settled during the six months ended June 28, 2013, as well as

stock purchased in December 2012 that settled in early 2013; however, it does not include treasury stock that was purchased but did not settle during the six months ended June 28, 2013. In addition, the cash flow impact of the Company's treasury stock activity also includes shares surrendered to the Company to satisfy minimum 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 impact of the Company's issuances of stock and share repurchases during the six months ended June 28, 2013, resulted in a net cash outflow of \$2,027 million.

#### *Dividends*

The Company paid dividends of \$1,342 million and \$1,249 million during the six months ended June 27, 2014 and June 28, 2013, respectively. As a result of timing, the Company only paid one quarter of dividends during the six months ended June 27, 2014 and June 28, 2013. The Company's dividend for the second quarter of 2014 and 2013 was paid on July 1, 2014 and July 1, 2013, respectively.

Our Board of Directors approved the Company's regular quarterly dividend of \$0.305 per share at its July 2014 meeting. This dividend is payable on October 1, 2014, to shareowners of record as of September 15, 2014.

#### *Foreign Exchange*

Our international operations are subject to certain opportunities and risks, including foreign 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, and to fluctuations in foreign currencies.

Our Company conducts business in more than 200 countries. Due to our global operations, weaknesses in the currencies of some of these countries are often offset by strengths 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 consolidated operating income for the three and six months ended June 27, 2014, by 5 percent and 7 percent, respectively. As a result of the U.S. dollar continuing to strengthen against other currencies, including many of those that we do not traditionally hedge, the Company expects foreign currency exchange rates to have an unfavorable impact on our consolidated results through the end of the year. Based on spot rates as of the beginning of July 2014 and our hedging coverage in place, the Company expects currencies, including the Venezuelan bolivar, to have a 3 percent unfavorable impact on our consolidated operating income for the remainder of 2014.

In February 2013, the Venezuelan government devalued its currency to an official rate of exchange ("official rate") of 6.3 bolivars per U.S. dollar provided by the Commission for the Administration of Foreign Exchange ("CADIVI"). At that time, the Company remeasured the net monetary assets of our Venezuelan subsidiary at the official rate. As a result of the devaluation, we recognized a loss of \$140 million in the line item other income (loss) — net in our condensed consolidated statement of income during the six months ended June 28, 2013.

Beginning in October 2013, the government authorized certain companies that operate in designated industry sectors to exchange a limited volume of bolivars for U.S. dollars at a bid rate established via weekly auctions under a system referred to as "SICAD 1." During the first quarter of 2014, the government expanded the types of transactions that may be subject to the weekly SICAD 1 auction process while retaining the official rate of 6.3 bolivars per U.S. dollar; replaced CADIVI with a new foreign currency administration, the National Center for Foreign Commerce ("CENCOEX"); and introduced another currency exchange mechanism ("SICAD 2"). The SICAD 2 rate is intended to more closely resemble a market-driven exchange rate than the official rate and SICAD 1. As a result of these changes, an entity may be able to convert bolivars to U.S. dollars at one of three legal exchange rates, which as of March 28, 2014, were 6.3 (official rate), 10.8 (SICAD 1) and 50.9 (SICAD 2). We analyzed the multiple rates available and the Company's estimates of the applicable rate at which future transactions could be settled, including the payment of dividends. Based on this analysis, we determined that the SICAD 1 rate is the most appropriate rate to use for remeasurement given our circumstances. Therefore, as of March 28, 2014, we remeasured the net monetary assets of our Venezuelan subsidiary using an exchange rate of 10.8 bolivars per U.S. dollar, which was the SICAD 1 rate on that date. We recorded a charge of \$226 million related to the change in exchange rates in the line item other income (loss) — net in our condensed consolidated statement of income.

If the bolivar devalues further, or if we are able to access currency at different rates that are reasonable to the Company, it would result in our Company recognizing additional foreign currency exchange gains or losses in our condensed consolidated financial statements. As of June 27, 2014, our Venezuelan subsidiary held net monetary assets of \$263 million, including \$178 million of cash, cash equivalents, short-term investments and marketable securities. Despite the additional currency conversion mechanisms, the Company's ability to pay dividends from Venezuela is still restricted due to the low volume of U.S. dollars available for conversion.

In addition to the foreign currency exchange exposure related to our Venezuelan subsidiary's net monetary assets, we also sell concentrate to our bottling partner in Venezuela from outside the country. These sales are denominated in U.S. dollars and the carrying value of the receivables related to these sales was \$281 million as of June 27, 2014. If a government-approved exchange rate mechanism is not available for our bottling partner in Venezuela to convert bolivars and pay for these receivables and for future concentrate sales, the receivables balance will continue to increase. We will continue to monitor the collectability and convertibility of these receivables. We also have certain U.S. dollar denominated intangible assets associated with products sold in Venezuela, which had a carrying value of \$107 million as of June 27, 2014. If the bolivar further devalues, it could result in the impairment of these intangible assets.

The Company will continue to manage its foreign currency exchange exposures to mitigate, over time, a portion of the impact of exchange rate changes on net income and earnings per share.

### Overview of Financial Position

The following table illustrates the change in the individual line items of the Company's condensed consolidated balance sheet as of June 27, 2014, compared to our consolidated balance sheet as of December 31, 2013 (in millions):

	June 27, 2014	December 31, 2013	Increase (Decrease)	Percent Change
Cash and cash equivalents	\$ 11,618	\$ 10,414	\$ 1,204	12 %
Short-term investments	6,524	6,707	(183)	(3)
Marketable securities	3,467	3,147	320	10
Trade accounts receivable — net	5,870	4,873	997	20
Inventories	3,536	3,277	259	8
Prepaid expenses and other assets	2,856	2,886	(30)	(1)
Equity method investments	10,857	10,393	464	4
Other investments	3,601	1,119	2,482	222
Other assets	4,805	4,661	144	3
Property, plant and equipment — net	14,918	14,967	(49)	—
Trademarks with indefinite lives	6,798	6,744	54	1
Bottlers' franchise rights with indefinite lives	7,284	7,415	(131)	(2)
Goodwill	12,296	12,312	(16)	—
Other intangible assets	1,059	1,140	(81)	(7)
<b>Total assets</b>	<b>\$ 95,489</b>	<b>\$ 90,055</b>	<b>\$ 5,434</b>	<b>6 %</b>
Accounts payable and accrued expenses	\$ 10,575	\$ 9,577	\$ 998	10 %
Loans and notes payable	20,081	16,901	3,180	19
Current maturities of long-term debt	1,519	1,024	495	48
Accrued income taxes	454	309	145	47
Long-term debt	18,643	19,154	(511)	(3)
Other liabilities	3,447	3,498	(51)	(1)
Deferred income taxes	6,469	6,152	317	5
<b>Total liabilities</b>	<b>\$ 61,188</b>	<b>\$ 56,615</b>	<b>\$ 4,573</b>	<b>8 %</b>
<b>Net assets</b>	<b>\$ 34,301</b>	<b>\$ 33,440</b>	<b>\$ 861</b> <sup>1</sup>	<b>3 %</b>

<sup>1</sup> Includes a decrease in net assets of \$52 million resulting from 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 increased \$1,204 million, or 12 percent, primarily in anticipation of the second quarter 2014 dividend payment, which was made on July 1, 2014.
- Trade accounts receivable — net increased \$997 million, or 20 percent, due to the increase associated with the Company's peak summer selling season, as well as an increase in the receivables balance of our subsidiary in Venezuela for which we do not currently have a mechanism to convert local currency to U.S. dollars. Refer to the heading "Foreign Exchange" above for additional information on the Company's Venezuelan subsidiary.
- Other investments increased \$2,482 million, or 222 percent, primarily due to the Company's investment in GMCR, which is accounted for as an available-for-sale security. Refer to Note 2 of Notes to Condensed Consolidated Financial Statements for additional information on this investment.

- Accounts payable and accrued expenses increased \$998 million, or 10 percent, primarily due to the Company's second quarter 2014 dividend payment, which was payable to shareholders of record as of June 16, 2014. This payment was made on July 1, 2014.
- Loans and notes payable increased \$3,180 million, or 19 percent, and current maturities of long-term debt increased \$495 million, or 48 percent, primarily due to the net issuances of commercial paper during the six months ended June 27, 2014, and the reclassification of long-term debt that is scheduled to mature within a year out of the line item long-term debt.
- Long-term debt decreased \$511 million, or 3 percent, primarily due to the maturity or reclassification of certain portions of the Company's long-term debt during these six months ended June 27, 2014. Long-term debt that is scheduled to mature within a year is reclassified out of the line item long-term debt into the line item current maturities of long-term debt. This decrease was partially offset by the Company's issuance of long-term debt during the first quarter of 2014. Refer to the heading "Cash Flows from Financing Activities" above and Note 6 of Notes to Condensed Consolidated Financial Statements for additional information.

**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, 2013.

**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. 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 June 27, 2014.

*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 June 27, 2014, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**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, 2013. The following updates and restates the descriptions of the Aqua-Chem litigation and the Paw Paw, Michigan, environmental matter to reflect developments that occurred during the three months ended June 27, 2014.

*Aqua-Chem Litigation*

On December 20, 2002, the Company filed a lawsuit (The Coca-Cola Company v. Aqua-Chem, Inc., Civil Action No. 2002CV631-50) in the Superior Court of Fulton County, Georgia (the "Georgia Case"), seeking a declaratory judgment that the Company has no obligation to its former subsidiary, Aqua-Chem, Inc., now known as Cleaver-Brooks, Inc. ("Aqua-Chem"), for any past, present or future liabilities or expenses in connection with any claims or lawsuits against Aqua-Chem. Subsequent to the Company's filing but on the same day, Aqua-Chem filed a lawsuit (Aqua-Chem, Inc. v. The Coca-Cola Company, Civil Action No. 02CV012179) in the Circuit Court, Civil Division of Milwaukee County, Wisconsin (the "Wisconsin Case"). In the Wisconsin Case, Aqua-Chem sought a declaratory judgment that the Company is responsible for all liabilities and expenses not covered by insurance in connection with certain of Aqua-Chem's general and product liability claims arising from occurrences prior to the Company's sale of Aqua-Chem in 1981, and a judgment for breach of contract in an amount exceeding \$9 million for costs incurred by Aqua-Chem to date in connection with such claims. The Wisconsin Case initially was stayed, pending final resolution of the Georgia Case, and later was voluntarily dismissed without prejudice by Aqua-Chem.

The Company owned Aqua-Chem from 1970 to 1981. During that time, the Company purchased over \$400 million of insurance coverage, which also insures Aqua-Chem for some of its prior and future costs for certain product liability and other claims. The Company sold Aqua-Chem to Lyonnaise American Holding, Inc., in 1981 under the terms of a stock sale agreement. The 1981 agreement, and a subsequent 1983 settlement agreement, outlined the parties' rights and obligations concerning past and future claims and lawsuits involving Aqua-Chem. Cleaver-Brooks, a division of Aqua-Chem,



manufactured boilers, some of which contained asbestos gaskets. Aqua-Chem was first named as a defendant in asbestos lawsuits in or around 1985 and currently has approximately 40,000 active claims pending against it.

The parties agreed in 2004 to stay the Georgia Case pending the outcome of insurance coverage litigation filed by certain Aqua-Chem insurers on March 26, 2004. In the coverage action, five plaintiff insurance companies filed suit (Century Indemnity Company, et al. v. Aqua-Chem, Inc., The Coca-Cola Company, et al., Case No. 04CV002852) in the Circuit Court, Civil Division of Milwaukee County, Wisconsin, against the Company, Aqua-Chem and 16 insurance companies. Several of the policies that were the subject of the coverage action had been issued to the Company during the period (1970 to 1981) when the Company owned Aqua-Chem. The complaint sought a determination of the respective rights and obligations under the insurance policies issued with regard to asbestos-related claims against Aqua-Chem. The action also sought a monetary judgment reimbursing any amounts paid by the plaintiffs in excess of their obligations. Two of the insurers, one with a \$15 million policy limit and one with a \$25 million policy limit, asserted cross-claims against the Company, alleging that the Company and/or its insurers are responsible for Aqua-Chem's asbestos liabilities before any obligation is triggered on the part of the cross-claimant insurers to pay for such costs under their policies.

Aqua-Chem and the Company filed and obtained a partial summary judgment determination in the coverage action that the insurers for Aqua-Chem and the Company were jointly and severally liable for coverage amounts, but reserving judgment on other defenses that might apply. During the course of the Wisconsin insurance coverage litigation, Aqua-Chem and the Company reached settlements with several of the insurers, including plaintiffs, who have paid or will pay funds into an escrow account for payment of costs arising from the asbestos claims against Aqua-Chem. On July 24, 2007, the Wisconsin trial court entered a final declaratory judgment regarding the rights and obligations of the parties under the insurance policies issued by the remaining defendant insurers, which judgment was not appealed. The judgment directs, among other things, that each insurer whose policy is triggered is jointly and severally liable for 100 percent of Aqua-Chem's losses up to policy limits. The court's judgment concluded the Wisconsin insurance coverage litigation.

The Company and Aqua-Chem continued to pursue and obtain coverage agreements for the asbestos-related claims against Aqua-Chem with those insurance companies that did not settle in the Wisconsin insurance coverage litigation. The Company anticipated that a final settlement with three of those insurers (the "Chartis insurers") would be finalized in May 2011, but the Chartis insurers repudiated their settlement commitments and, as a result, Aqua-Chem and the Company filed suit against them in Wisconsin state court to enforce the coverage-in-place settlement or, in the alternative, to obtain a declaratory judgment validating Aqua-Chem and the Company's interpretation of the court's judgment in the Wisconsin insurance coverage litigation.

In February 2012, the parties filed and argued a number of cross-motions for summary judgment related to the issues of the enforceability of the settlement agreement and the exhaustion of policies underlying those of the Chartis insurers. The court granted defendants' motions for summary judgment that the 2011 Settlement Agreement and 2010 Term Sheet were not binding contracts but denied their similar motions related to plaintiffs' claims for promissory and/or equitable estoppel. On or about May 15, 2012, the parties entered into a mutually agreeable settlement/stipulation resolving two major issues: exhaustion of underlying coverage and control of defense. On or about January 10, 2013, the parties reached a settlement of the estoppel claims and all of the remaining coverage issues, with the exception of one disputed issue relating to the scope of the Chartis insurers' defense obligations in two policy years. The trial court granted summary judgment in favor of the Company and Aqua-Chem on that one open issue and entered a final appealable judgment to that effect following the parties' settlement. On January 23, 2013, the Chartis insurers filed a notice of appeal of the trial court's summary judgment ruling. On October 29, 2013, the Wisconsin Court of Appeals affirmed the grant of summary judgment in favor of the Company and Aqua-Chem. On November 27, 2013, the Chartis insurers filed a petition for review in the Supreme Court of Wisconsin, and on December 11, 2013, the Company filed its opposition to that petition. On April 16, 2014, the Supreme Court of Wisconsin denied the Chartis insurers' petition for review.

The Georgia Case remains subject to the stay agreed to in 2004.

#### *Environmental Matters*

The Company's juice plant in Paw Paw, Michigan, uses ammonia in its refrigeration equipment. The plant's use of ammonia is subject to the U.S. Clean Air Act's Risk Management Program (the "RMP"). Under the RMP, our plant must develop, maintain and implement a plan to prevent, mitigate and respond to potential releases of ammonia into the environment. Following an inspection regarding compliance with the RMP, the U.S. Environmental Protection Agency (the "EPA") sent a notice dated March 12, 2013, to the Paw Paw juice plant alleging certain violations of the RMP and indicating that it may pursue an administrative enforcement action proposing civil penalties of \$278,000. In May 2014, the Company reached a settlement with the EPA regarding this matter under which it paid \$165,900 in civil penalties and, therefore, considers this matter concluded.

### 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, 2013, 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 June 27, 2014, 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 <sup>1</sup>	Average Price Paid Per Share	Total Number of Shares Purchased as Part of the Publicly Announced Plan <sup>2</sup>	Maximum Number of Shares That May Yet Be Purchased Under the Publicly Announced Plan
March 29, 2014, through April 25, 2014	2,627,975	\$ 39.69	2,600,000	398,261,664
April 26, 2014, through May 23, 2014	10,384,536	\$ 40.79	10,341,800	387,919,864
May 24, 2014, through June 27, 2014	13,334,023	\$ 41.15	13,329,997	374,589,867
Total	26,346,534	\$ 40.86	26,271,797	

<sup>1</sup> 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, totaling 27,975 shares, 42,736 shares and 4,026 shares for the fiscal months of April, May and June 2014, respectively.

<sup>2</sup> 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 time periods (including shares purchased pursuant to the terms of preset trading plans meeting the requirements of Rule 10b5-1 under the Exchange Act).

### 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 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.)*

- 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 April 25, 2013 — incorporated herein by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K filed April 26, 2013.
- 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 Registration Statement on Form S-3 (Registration No. 33-50743) filed on October 25, 1993.
- 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 Registration Statement on Form S-3 (Registration No. 33-50743) filed on October 25, 1993.
- 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 March 5, 2009.
- 4.5 Form of Note for 5.350% Notes due November 15, 2017 — incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed October 31, 2007.
- 4.6 Form of Note for 4.875% Notes due March 15, 2019 — incorporated herein by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K filed on March 5, 2009.
- 4.7 Form of Note for 1.500% Notes due November 15, 2015 — incorporated herein by reference to Exhibit 4.6 to the Company's Current Report on Form 8-K filed November 18, 2010.
- 4.8 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 November 18, 2010.
- 4.9 Form of Exchange and Registration Rights Agreement among the Company, the representatives of the initial purchasers of the Notes and the other parties named therein — incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed August 8, 2011.
- 4.10 Form of Note for 1.80% Notes due September 1, 2016 — incorporated herein by reference to Exhibit 4.13 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011.
- 4.11 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.
- 4.12 Form of Note for 0.750% Notes due March 13, 2015 — incorporated herein by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K filed on March 14, 2012.
- 4.13 Form of Note for 1.650% Notes due March 14, 2018 — incorporated herein by reference to Exhibit 4.6 to the Company's Current Report on Form 8-K filed on March 14, 2012.
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- 4.15 Form of Note for 1.150% Notes due 2018 — incorporated herein by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K filed March 5, 2013.
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- 4.20 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.

- 4.21 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.
- 4.22 Form of Note for Floating Rate Notes due 2015 — incorporated herein by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed on March 7, 2014.
- 10.1 The Coca-Cola Company 2014 Equity Plan — incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed April 23, 2014.
- 10.2 Letter, dated April 24, 2014 from the Company to Kathy N. Waller — incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed April 25, 2014.
- 12.1 Computation of Ratios of Earnings to Fixed Charges.
- 31.1 Rule 13a-14(a)/15d-14(a) Certification, executed by Muhtar Kent, Chairman of the Board of Directors, Chief Executive Officer and President of The Coca-Cola Company.
- 31.2 Rule 13a-14(a)/15d-14(a) Certification, executed by Kathy N. Waller, 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 Muhtar Kent, Chairman of the Board of Directors, Chief Executive Officer and President of The Coca-Cola Company, and by Kathy N. Waller, Executive Vice President and Chief Financial Officer of The Coca-Cola Company.
- 101 The following financial information from The Coca-Cola Company's Quarterly Report on Form 10-Q for the quarter ended June 27, 2014, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Statements of Income for the three and six months ended June 27, 2014, and June 28, 2013, (ii) Condensed Consolidated Statements of Comprehensive Income for the three and six months ended June 27, 2014, and June 28, 2013, (iii) Condensed Consolidated Balance Sheets as of June 27, 2014, and December 31, 2013, (iv) Condensed Consolidated Statements of Cash Flows for the six months ended June 27, 2014, and June 28, 2013, and (v) Notes to Condensed Consolidated Financial Statements.

**SIGNATURE**

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)**

Date: July 30, 2014

/s/ LARRY M. MARK

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Larry M. Mark  
Vice President and Controller  
(As Principal Accounting Officer)

Date: July 30, 2014

/s/ MARK RANDAZZA

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Mark Randazza  
Vice President and Assistant Controller  
(On behalf of the Registrant)

## EXHIBIT INDEX

### Exhibit No.

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- 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.
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**THE COCA-COLA COMPANY AND SUBSIDIARIES**  
**COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**

	Six Months Ended June 27, 2014	Year Ended December 31,				
		2013	2012	2011	2010	2009
(In millions except ratio)						
<b>EARNINGS:</b>						
Income from continuing operations before income taxes	\$ 5,589	\$ 11,477	\$ 11,809	\$ 11,458	\$ 14,207	\$ 8,902
Fixed charges	277	553	486	505	792	422
Less:						
Capitalized interest, net	—	(1)	(1)	(1)	(1)	(4)
Equity (income) loss — net of dividends	(124)	(201)	(426)	(269)	(671)	(359)
Adjusted earnings	\$ 5,742	\$ 11,828	\$ 11,868	\$ 11,693	\$ 14,327	\$ 8,961
<b>FIXED CHARGES:</b>						
Gross interest incurred	\$ 231	\$ 464	\$ 398	\$ 418	\$ 734	\$ 359
Interest portion of rent expense	46	89	88	87	58	63
Total fixed charges	\$ 277	\$ 553	\$ 486	\$ 505	\$ 792	\$ 422
Ratio of earnings to fixed charges	20.7	21.4	24.4	23.2	18.1	21.2

As of June 27, 2014, the Company was contingently liable for guarantees of indebtedness owed by third parties, including certain variable interest entities, in the amount of \$49 million. Fixed charges for these contingent liabilities have not been included in the computation of the above ratios, as the amounts are immaterial and, in the opinion of management, it is not probable that the Company will be required to satisfy the guarantees. The interest amount in the above table does not include interest expense associated with unrecognized tax benefits.



## CERTIFICATIONS

I, Muhtar Kent, Chairman of the Board of Directors, Chief Executive Officer and President of The Coca-Cola Company, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Coca-Cola Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2014

/s/ MUHTAR KENT

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Muhtar Kent  
*Chairman of the Board of Directors,  
Chief Executive Officer and President*

## CERTIFICATIONS

I, Kathy N. Waller, Executive Vice President and Chief Financial Officer of The Coca-Cola Company, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Coca-Cola Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2014

/s/ KATHY N. WALLER

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Kathy N. Waller  
Executive Vice President and  
Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of The Coca-Cola Company (the "Company") on Form 10-Q for the period ended June 27, 2014 (the "Report"), I, Muhtar Kent, Chairman of the Board of Directors, Chief Executive Officer and President of the Company and I, Kathy N. Waller, Executive Vice President and Chief Financial Officer of the Company, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) to my knowledge, the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ MUHTAR KENT

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Muhtar Kent  
*Chairman of the Board of Directors,  
Chief Executive Officer and President*  
July 30, 2014

/s/ KATHY N. WALLER

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Kathy N. Waller  
*Executive Vice President and  
Chief Financial Officer*  
July 30, 2014