

COCA COLA CO  
Form 10-Q/A  
April 30, 2014

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

(Amendment No. 1)

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

For the quarterly period ended March 28, 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

(Exact name of Registrant as specified in its Charter)

Delaware

58-0628465

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

One Coca-Cola Plaza

30313

Atlanta, Georgia

(Zip Code)

(Address of principal executive offices)

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 April 21, 2014

\$0.25 Par Value

4,395,182,857 Shares



Explanatory Note

The Coca-Cola Company is filing this Amendment No. 1 (the "Form 10-Q/A") to our Quarterly Report on Form 10-Q for the quarter ended March 28, 2014 (the "Form 10-Q"), filed with the Securities and Exchange Commission ("SEC") on April 24, 2014, for the sole purpose of correcting an error in the second paragraph of "Liquidity, Capital Resources and Financial Position" section of Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of the Form 10-Q. Specifically, in the fifth sentence of that paragraph, "\$14.1 billion" should have been "\$17.1 billion," so that the sentence, as corrected, reads: "The Company's cash, cash equivalents, short-term investments and marketable securities held by our foreign subsidiaries totaled \$17.1 billion as of March 28, 2014." No other changes have been made to the Form 10-Q. This Form 10-Q/A continues to speak as of the original filing date of the Form 10-Q, does not reflect events that may have occurred subsequent to the original filing date, and does not modify or update any related disclosures made in the Form 10-Q.

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):

March 28, 2014	Fair Value	Carrying Value	Difference
Coca-Cola FEMSA, S.A.B. de C.V.	\$6,025	\$2,223	\$3,802
Coca-Cola Amatil Limited	2,220	793	1,427
Coca-Cola HBC AG	2,133	1,472	661
Coca-Cola İçecek A.Ş.	1,154	203	951
Coca-Cola East Japan Bottling Company, Ltd.	987	504	483
Embotelladora Andina S.A.	453	342	111
Coca-Cola Bottling Co. Consolidated	212	85	127
Total	\$13,184	\$5,622	\$7,562

As of March 28, 2014, gross unrealized gains and losses on available-for-sale securities were \$875 million and \$39 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 months ended March 28, 2014, and March 29, 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 occur 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 months ended March 28, 2014, and March 29, 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 March 28, 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, 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 values as of March 28, 2014, the fair value of one trademark within the portfolio only slightly exceeds its carrying value. If the future operating results of this trademark do not achieve the current near-term 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 March 28, 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 New License Agreements

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

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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 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 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.

"License agreements" 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 new license agreements 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 for the three months ended March 28, 2014, is as follows:

	Percent Change 2014 versus 2013		
	Unit Cases <sup>1,2,3</sup>	Concentrate Sales <sup>4</sup>	% <sup>5</sup>
Worldwide	2	% 2	% <sup>5</sup>
Eurasia & Africa	2	% 1	%
Europe	(4	) (2	)
Latin America	1	(4	)
North America	—	(1	)
Asia Pacific	7	9	5
Bottling Investments	(10	) 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 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 was even and Asia Pacific concentrate sales volume grew 8 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 March 28, 2014, versus Three Months Ended March 29, 2013

In Eurasia and Africa, unit case volume increased 2 percent, which consisted of 1 percent growth in sparkling beverages and 7 percent growth in still beverages. Growth in still beverages was led by our performance in juice and juice drinks, teas and packaged water. Russia reported unit case volume growth of 6 percent, including growth of 9 percent in brand Coca-Cola. Eurasia and Africa also benefited from unit case volume growth of 5 percent in the group's Middle East and North Africa

business unit and growth of 3 percent in the Central, East and West Africa business unit. This growth in these business units was partially offset by a decline in unit cases of 4 percent in the Southern Africa business unit, resulting from increased competition and poor weather including flooding in parts of South Africa.

Unit case volume in Europe declined 4 percent. The group's unit case volume in sparkling beverages declined 5 percent, partially offset by unit case volume growth in still beverages of 1 percent. The underlying macroeconomic environment in Europe continued to be volatile during the period reflecting ongoing weakness in consumer confidence and spending in several key markets. In addition, the results were impacted by the shift in timing of Easter holiday sales which negatively impacted the first quarter of 2014. The group's Central and Southern Europe business unit reported a volume decline of 6 percent and the Iberia business unit reported a decline of 4 percent. The Northwest Europe and Nordics business unit had a decline of 4 percent, which reflected the impact of a competitive pricing environment. The group continues to manage through difficult macroeconomic conditions with ongoing brand-building programs and an occasion, brand, price, package and channel segmentation strategy.

In Latin America, unit case volume growth was 1 percent, which consisted of growth in still beverages of 9 percent partially offset by a decline in sparkling beverages of 1 percent. The group's still beverage growth reflected increases in the packaged water and juice and juice drinks categories. The group reported volume growth of 5 percent in the Latin Center business unit, which was primarily a result of 6 percent growth in brand Coca-Cola. Brazil reported volume growth of 4 percent reflecting positive results from our marketing campaigns centered around the Carnival holiday and the upcoming FIFA World Cup™ as well as favorable weather. These increases were offset by a low single-digit decline in unit case volume in Mexico. This decline was primarily due to the impact of a new excise tax that went into effect on January 1, 2014.

Unit case volume in North America was even. Sparkling beverage volume declined 1 percent during the period and still beverages grew 3 percent. Volume was impacted by the shift in timing of Easter holiday sales which negatively impacted the first quarter of 2014. North America's volume in sparkling beverages included growth of 3 percent and 1 percent in Trademark Fanta and Trademark Sprite, respectively, and brand Coca-Cola was even during the period. Growth in still beverages included strong performance in packaged water, sports drinks and teas. The growth in packaged water of 10 percent was primarily due to growth in Dasani. The increase in sports drinks reflected 9 percent growth in Trademark Powerade.

In Asia Pacific, unit case volume increased 7 percent. Sparkling beverages grew 3 percent, including 2 percent growth in brand Coca-Cola, 4 percent growth in Trademark Sprite and 2 percent growth in Trademark Fanta. Still beverages grew 13 percent during the period led by growth in packaged water of 24 percent. In addition, sports drinks, teas and juice and juice drinks grew 18 percent, 8 percent and 3 percent, respectively. India reported 6 percent unit case volume growth, including 5 percent growth in Trademark Sprite and growth in packaged water. Japan's unit case volume grew 3 percent, which reflected a 3 percent increase in sparkling beverages and a 4 percent increase in still beverages. China's unit case volume increased 12 percent during the period, reflecting 6 percent growth in sparkling beverages and 21 percent growth in still beverages. The growth in China's still beverages was driven by packaged water, reflecting the Company's focus on driving more profitable growth in the category through immediate consumption. The Asia Pacific group's volume results included a decline of 6 percent in Thailand as a result of current political unrest.

Unit case volume for Bottling Investments decreased 10 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 during 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 where we own or otherwise consolidate bottling operations. The Company's consolidated bottling operations accounted for 36 percent, 68 percent and 100 percent of the unit case volume in China, India and Germany, respectively, where unit case volume growth during the period was 12 percent, 6 percent and flat, respectively.

#### Concentrate Sales Volume

During the three months ended March 28, 2014, worldwide unit case volume grew 2 percent and concentrate sales volume grew 2 percent compared to the three months ended March 29, 2013. After considering the impact of

structural changes, concentrate sales volume was even during the three months ended March 28, 2014. The difference between the consolidated unit case volume and concentrate sales volume growth rates during the three months ended March 28, 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 in various markets, including Mexico, Russia, Spain and Uzbekistan, 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 March 28, 2014, versus Three Months Ended March 29, 2013

The Company's net operating revenues decreased \$459 million, or 4 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	—%	(2	)%2	%(4	)%(4	)%
Eurasia & Africa	1	%—%	9	%(12	)%(2	)%
Europe	(2	) —	10	2	10	
Latin America	(4	) —	11	(17	) (10	)
North America	(1	) —	—	(1	) (2	)
Asia Pacific	8	—	(6	) (7	) (5	)
Bottling Investments	4	(17	) (4	) (1	) (18	)
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 New License Agreements" above for additional information related to the structural changes that impacted our Bottling Investments operating segment.

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 was favorably impacted by price mix in the majority of our markets coupled with favorable geographic mix.

• Europe was favorably impacted as a result of consolidating the juice and smoothie business of Fresh Trading Ltd. ("innocent") in May 2013 as well as favorable pricing in a majority of our business units and positive geographic mix.

• Latin America was favorably impacted by price mix in all four of the segment's business units and the inflationary environments in several markets.

• Asia Pacific was unfavorably impacted by geographic mix as well as shifts in product and package mix within individual markets.

Fluctuations in foreign currency exchange rates decreased our consolidated net operating revenues by 4 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.

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 future 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 percent impact on our 2014 net operating revenues, with the full impact occurring in the first six months.

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## 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 months ended March 28, 2014, and March 29, 2013, the Company recorded gains of \$22 million and losses of \$71 million, respectively, in the line item cost of goods sold in our condensed consolidated statements of income. Refer to Note 5 of Notes to Condensed Consolidated Financial Statements.

Our gross profit margin increased to 61.4 percent during the three months ended March 28, 2014, compared to 60.8 percent during the three months ended March 29, 2013. This increase is 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 New License Agreements" 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	
	March 28, 2014	March 29, 2013
Stock-based compensation expense	\$39	\$47
Advertising expenses	707	780
Bottling and distribution expenses <sup>1</sup>	2,073	2,162
Other operating expenses	1,170	1,193
Total selling, general and administrative expenses	\$3,989	\$4,182

<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 months ended March 28, 2014, selling, general and administrative expenses decreased \$193 million versus the prior year comparable period. The decrease in advertising expenses during the three months ended March 28, 2014, was primarily due to a foreign currency exchange impact of 4 percent and the timing of certain marketing expenses primarily in the prior year. The decrease in bottling and distribution expenses during the three months ended March 28, 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 day in the first quarter of 2014 when compared to the first quarter of 2013. During the three months ended March 28, 2014, fluctuations in foreign currency exchange rates decreased total selling, general and administrative expenses by 2 percent.

During the three months ended March 28, 2014, the Company contributed \$157 million to our pension plans, and we anticipate making additional contributions of approximately \$18 million to our pension plans during the remainder of 2014. Our full year pension expense is currently expected to decrease by approximately \$160 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 March 28, 2014, we had \$686 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 2.5 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	
	March 28, 2014	March 29, 2013
Eurasia & Africa	\$—	\$2
Europe	—	—
Latin America	—	—
North America	75	79
Asia Pacific	7	8
Bottling Investments	42	21
Corporate	4	11
Total other operating charges	\$128	\$121

During the three months ended March 28, 2014, the Company incurred other operating charges of \$128 million, which consisted of charges of \$86 million due to the Company's productivity and reinvestment program and \$42 million due to the Company's other restructuring and integration initiatives, including the integration of our German bottling and distribution operations. 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 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 March 29, 2013, the Company incurred other operating charges of \$121 million. These charges primarily consisted of \$102 million due to the Company's productivity and reinvestment program and \$21 million due to the Company's other restructuring and integration initiatives, including 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 on our productivity and reinvestment program as well as the Company's integration initiative in Germany. 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 beginning 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, expanded savings through global supply chain optimization data and information technology system 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 be increasing 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 months ended March 28, 2014, the Company incurred expenses of \$86 million related to our productivity and reinvestment program. We have incurred total pretax expenses of \$850 million since the initiative

commenced in 2012. Refer to Note 11 of Notes to Condensed Consolidated Financial Statements for additional information.

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### 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 \$669 million related to this initiative since it commenced. The Company announced further plans in April 2014 which will result in future charges of approximately \$50 million. 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 March 28, 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		
	March 28, 2014	March 29, 2013	
Eurasia & Africa	12.7	% 11.7	%
Europe	30.3	28.4	
Latin America	28.2	31.7	
North America	18.0	14.2	
Asia Pacific	23.4	25.0	
Bottling Investments	(1.1	) 1.6	
Corporate	(11.5	) (12.6	)
Total	100.0	% 100.0	%

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

	Three Months Ended		
	March 28, 2014	March 29, 2013	
Consolidated	22.5	% 21.8	%
Eurasia & Africa	46.0	% 42.2	%
Europe	63.4	67.0	
Latin America	61.1	65.9	
North America	8.9	7.0	
Asia Pacific	46.0	48.4	
Bottling Investments	(1.6	) 1.9	
Corporate	*	*	

\* Calculation is not meaningful.

Three Months Ended March 28, 2014, versus Three Months Ended March 29, 2013

During the three months ended March 28, 2014, foreign currency exchange rates unfavorably impacted consolidated operating income by 11 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 three months ended March 28, 2014, was unfavorably impacted by one fewer selling day 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 \$303 million and \$282 million for the three months ended March 28, 2014, and March 29, 2013, respectively. The segment's 2014 operating income was unfavorably impacted by

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fluctuations in foreign currency exchange of 16 percent. The unfavorable impact of the foreign currency was offset by favorable pricing across many of our markets.

Operating income for Europe for the three months ended March 28, 2014, and March 29, 2013, was \$719 million and \$683 million, respectively. In 2014, Europe was favorably impacted by foreign currency fluctuations of 1 percent. Latin America reported operating income of \$668 million and \$763 million for the three months ended March 28, 2014, and March 29, 2013, respectively. Operating income in 2014 was unfavorably impacted by foreign currency exchange fluctuations of 21 percent, offset by favorable price mix in all of the segment's business units.

Operating income for North America for the three months ended March 28, 2014, and March 29, 2013, was \$428 million and \$341 million, respectively. Foreign currency fluctuations had a 1 percent unfavorable impact on North America's operating income in 2014. The operating segment was unfavorably impacted by one less selling day in 2014 as well as the shift in timing of Easter holiday sales which negatively impacted the first quarter of 2014. These unfavorable impacts were favorably offset by gains and losses on the Company's economic hedges in 2014 and a decrease in charges related to the Company's productivity and reinvestment programs of \$7 million during the three months ended March 28, 2014, as compared to the three months ended March 29, 2013.

Asia Pacific's operating income for the three months ended March 28, 2014, and March 29, 2013, was \$557 million and \$602 million, respectively. Operating income for the segment was unfavorably impacted by foreign currency fluctuations of 9 percent as well as unfavorable shifts in geographic and product and channel mix in 2014.

Operating loss for our Bottling Investments segment for the three months ended March 28, 2014, was \$26 million compared to operating income of \$39 million for the three months ended March 29, 2013. Fluctuations in foreign currency impacted the segment's 2014 operating income by 1 percent, and 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.

The Corporate segment's operating loss for the three months ended March 28, 2014, and March 29, 2013, was \$273 million and \$302 million, respectively. Operating loss for the Corporate segment was favorably impacted by reduced pension and other postretirement benefit expenses, partially offset by unfavorable foreign currency exchange fluctuations of 4 percent.

Based on spot rates as of the beginning of April 2014 and our hedging coverage in place, the Company expects currencies, including the Venezuelan bolivar, to have a 7 percent unfavorable impact on both the second quarter and full year consolidated operating income. Additionally, in January 2014, in an effort to control inflation, pricing and product shortages, the Venezuelan government imposed a cap on profit margins earned by businesses in Venezuela. We are currently evaluating the impact the new law may have on our 2014 operating income.

#### Interest Income

During the three months ended March 28, 2014, interest income was \$123 million, compared to \$116 million during the three months ended March 29, 2013, an increase of \$7 million. This increase primarily reflects 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 March 28, 2014, interest expense was \$124 million, compared to \$102 million during the three months ended March 29, 2013, an increase of \$22 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. See below for additional information related to the Company's long-term debt.

#### Equity Income (Loss) — Net

Three Months Ended March 28, 2014, versus Three Months Ended March 29, 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 March 28, 2014, equity income was \$71 million, compared to equity income of \$87 million during the three months ended March 29, 2013, a decrease of \$16 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, the consolidation of innocent which had previously been accounted for

as an equity method investee and fluctuations in foreign currency exchange rates due to a stronger U.S. dollar against most major currencies. The unfavorable impact of these items was partially offset by the deconsolidation of the Company's Philippine and Brazilian bottling operations in January 2013 and July 2013, respectively, which resulted in the Company beginning to account for its investments in these operations under the equity method of accounting. Refer to Note 2 of Notes to Condensed Consolidated Financial Statements

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for additional information on the Philippine and Brazilian bottling transactions.

The Company recorded net charges of \$27 million and \$39 million in the line item equity income (loss) — net during the three months ended March 28, 2014, and March 29, 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 March 28, 2014, versus Three Months Ended March 29, 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 monetary assets and liabilities from certain currencies into functional currencies. The effects of the remeasurement of these assets and liabilities are partially offset by the impact of our economic hedging program for certain exposures on our consolidated balance sheets. Refer to Note 5 of Notes to Condensed Consolidated Financial Statements.

During the three months ended March 28, 2014, other income (loss) — net was a loss of \$241 million. This loss was primarily due to net foreign exchange losses of \$226 million as a result of the expansion of the Venezuelan government's currency conversion markets during the period. With the option to use the new conversion mechanism, the Company was required to reevaluate the exchange rate previously used for remeasurement and select the rate that best represents our economic circumstances and that the Company would have access to and intend to use for settling transactions. After completing this analysis, the Company remeasured the net assets related to its operations in Venezuela. None of the other items included in other income (loss) — net during the three months ended March 28, 2014, were individually significant. Refer to the heading "Liquidity, Capital Resources and Financial Position — Foreign Exchange" below and Note 10 of Notes to Condensed Consolidated Financial Statements for additional information on the remeasurement of the Venezuelan currency.

During the three months ended March 29, 2013, other income (loss) — net was a loss of \$165 million. The loss was primarily due to net foreign currency exchange losses of \$178 million, partially offset by net gains of \$16 million related to trading securities and the sale of available-for-sale securities as well as dividend income of \$4 million. The net foreign currency exchange losses were primarily due 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 and Note 10 of Notes to Condensed Consolidated Financial Statements for additional information on Venezuela's currency devaluation.

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 expect each of these grants to be renewed indefinitely. 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 23.0 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 \$579 million (26.2 percent effective tax rate) and \$575 million (24.6 percent effective tax rate) during the three months ended March 28, 2014, and March 29, 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		
	March 28, 2014	March 29, 2013	
Productivity and reinvestment program	\$(32)	) <sup>1</sup> \$(40)	) <sup>1</sup>
Other productivity, integration and restructuring initiatives	—	<sup>2</sup> —	<sup>2</sup>
Certain tax matters	5	<sup>3</sup> 1	<sup>3</sup>
Other — net	5	<sup>4</sup> 4	<sup>5</sup>

Related to charges of \$86 million and \$102 million during the three months ended March 28, 2014, and March 29,<sup>1</sup> 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.

Related to net charges of \$42 million and \$21 million during the three months ended March 28, 2014, and<sup>2</sup> March 29, 2013, respectively. These charges were due to the Company's other restructuring and integration initiatives that are outside the scope of the Company's productivity and reinvestment program. Refer to Note 10 and Note 11 of Notes to Condensed Consolidated Financial Statements.

Related to amounts required to be recorded for changes to our uncertain tax positions, including interest and<sup>3</sup> penalties. The components of the net change in uncertain tax positions were individually insignificant.

Related to charges of \$253 million that primarily consisted of \$247 million due to the devaluation of the Venezuelan<sup>4</sup> bolivar and \$6 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 of Notes to Condensed Consolidated Financial Statements.

Related to charges of \$176 million that primarily consisted of \$149 million due to the devaluation of the Venezuelan<sup>5</sup> bolivar and \$30 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 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 March 28, 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 three months ended March 28, 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 \$17.1 billion as of March 28, 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 \$277 million and \$182 million, respectively, of cash, cash equivalents, short-term investments and marketable securities as of March 28, 2014. See further discussion of the Venezuela markets in the "Foreign Exchange" section below.

Net operating revenues in the United States were \$4.4 billion for the three months ended March 28, 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. Refer to Note 14 of Notes to Consolidated Financial Statements in the Company's 2013 Annual Report on Form 10-K for further information related to our income taxes and undistributed earnings of the Company's foreign subsidiaries.

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 three months ended March 28, 2014, and March 29, 2013, was \$1,066 million and \$478 million, respectively, an increase of \$588 million. This increase primarily reflects the incremental pension contributions that were made in the first quarter of 2013 and a reduction in the use of working capital during the three months ended March 28, 2014, partially offset by the unfavorable impact of foreign currency exchange in 2014.

#### Cash Flows from Investing Activities

Net cash used in investing activities for the three months ended March 28, 2014, and March 29, 2013, was \$2,213 million and \$1,218 million, respectively, an increase of \$995 million.

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

During the three months ended March 28, 2014, purchases of investments were \$4,369 million and proceeds from disposals of investments were \$2,595 million, resulting in a net cash outflow of \$1,774 million. During the three months ended March 29, 2013, purchases of investments were \$3,506 million and proceeds from disposals of investments were \$2,225 million, resulting in a net cash outflow of \$1,281 million. The purchases during the three months ended March 28, 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 three months ended March 28, 2014, and March 29, 2013, the Company's acquisitions of businesses, equity method investments and nonmarketable securities totaled \$85 million and \$28 million, respectively, none of which were individually significant.

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

There were no proceeds from disposals of businesses, equity method investments and nonmarketable securities during the three months ended March 28, 2014. During the three months ended March 29, 2013, proceeds from disposals of businesses, equity method investments and nonmarketable securities were \$690 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 the three months ended March 28, 2014, were \$381 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 three months ended March 29, 2013, cash outflows for investing activities included purchases of property, plant and equipment (net of disposals) of \$463 million.

### Cash Flows from Financing Activities

Our financing activities include net borrowings, share issuances and share repurchases. Net cash provided by financing activities during the three months ended March 28, 2014, and March 29, 2013, totaled \$205 million and \$1,435 million, respectively.

#### Debt Financing

Issuances and payments of debt included both short-term and long-term financing activities. On March 28, 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 three months ended March 28, 2014, the Company had issuances of debt of \$10,926 million, which included \$476 million of net issuances of commercial paper and short-term debt with maturities of 90 days or less and \$9,429 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 \$1,021 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 \$9,567 million during the three months ended March 28, 2014, which included \$8,556 million of payments related to commercial paper and short-term debt with maturities greater than 90 days and payments of long-term debt of \$1,011 million, which included the early extinguishment of certain long-term debt as described further below.

During the first quarter of 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 March 28, 2014, the carrying value of the Company's long-term debt included \$502 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 three months ended March 29, 2013, the Company had issuances of debt of \$12,585 million, which included \$1,161 million of net issuances of commercial paper and short-term debt with maturities of 90 days or less and \$8,935 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 \$2,489 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 \$10,065 million during the three months ended March 29, 2013, which included \$10,054 million of payments related to commercial paper and short-term debt with maturities greater than 90 days and payments of long-term debt of \$11 million.

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.

In addition, during the first quarter of 2013, the Company issued redemption notices for certain amounts of our existing long-term debt. This transaction was completed in April 2013 and included the following notes:

\$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.

#### Issuances of Stock

During the three months ended March 28, 2014, the Company received cash proceeds from issuances of stock of \$191 million, a decrease of \$226 million when compared to cash proceeds of \$417 million from stock issuances during the three months ended March 29, 2013. This decrease is primarily due to a reduction in the exercise of stock options by

Company employees.

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### Share Repurchases

During the three months ended March 28, 2014, the Company repurchased 20.9 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 \$38.44 per share, for a total cost of \$804 million. However, due to the timing of settlements, the total cash outflow for treasury stock purchases was \$875 million during the three months ended March 28, 2014. The total cash outflow for treasury stock during the first three months of 2014 includes treasury stock that was purchased and settled during the three months ended March 28, 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 three months ended March 28, 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 three months ended March 28, 2014, resulted in a net cash outflow of \$684 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 three months ended March 29, 2013, the Company repurchased 39.3 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 \$38.47 per share, for a total cost of \$1,513 million. However, due to the timing of settlements, the total cash outflow for treasury stock purchases during the three months ended March 29, 2013, was \$1,523 million. The total cash outflow for treasury stock during the first three months of 2013 includes treasury stock that was purchased and settled during the three months ended March 29, 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 three months ended March 29, 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 three months ended March 29, 2013, resulted in a net cash outflow of \$1,106 million.

### Dividends

The Company did not have any cash payments for dividends during the three months ended March 28, 2014, and March 29, 2013. On April 1, 2014, the Company paid \$1,342 million of dividends that were declared during the fourth quarter of 2013. On April 1, 2013, the Company paid \$1,247 million of dividends that were declared during the fourth quarter of 2012.

Our Board of Directors approved the Company's regular quarterly dividend of \$0.305 per share at its April 2014 meeting. This dividend is payable on July 1, 2014, to shareowners of record as of June 16, 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 months ended March 28, 2014, by 11 percent when compared to the three months ended March 29, 2013. 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 April 2014 and our hedging coverage in place, the Company expects currencies, including the Venezuelan bolivar, to have a 7 percent unfavorable impact on both the second quarter and full year consolidated operating income.

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 three months ended March 29, 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 currently 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. 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 March 28, 2014, our Venezuelan subsidiary held net monetary assets of \$266 million, including \$182 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 \$222 million as of March 28, 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 March 28, 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 March 28, 2014, compared to our consolidated balance sheet as of December 31, 2013 (in millions):

	March 28, 2014	December 31, 2013	Increase (Decrease)	Percent Change	
Cash and cash equivalents	\$9,131	\$10,414	\$(1,283)	(12)	)%
Short-term investments	6,918	6,707	211	3	
Marketable securities	3,384	3,147	237	8	
Trade accounts receivable — net	5,233	4,873	360	7	
Inventories	3,357	3,277	80	2	
Prepaid expenses and other assets	3,029	2,886	143	5	
Equity method investments	10,283	10,393	(110)	(1)	)
Other investments	2,844	1,119	1,725	154	
Other assets	4,655	4,661	(6)	—	
Property, plant and equipment — net	14,860	14,967	(107)	(1)	)
Trademarks with indefinite lives	6,745	6,744	1	—	
Bottlers' franchise rights with indefinite lives	7,403	7,415	(12)	—	
Goodwill	12,343	12,312	31	—	
Other intangible assets	1,104	1,140	(36)	(3)	)
Total assets	\$91,289	\$90,055	\$1,234	1	%
Accounts payable and accrued expenses	\$9,959	\$9,577	\$382	4	%
Loans and notes payable	18,250	16,901	1,349	8	
Current maturities of long-term debt	1,551	1,024	527	51	
Accrued income taxes	296	309	(13)	(4)	)
Long-term debt	18,640	19,154	(514)	(3)	)
Other liabilities	3,414	3,498	(84)	(2)	)
Deferred income taxes	6,257	6,152	105	2	
Total liabilities	\$58,367	\$56,615	\$1,752	3	%
Net assets	\$32,922	\$33,440	\$(518)	(2)	)%

<sup>1</sup> Includes a decrease in net assets of \$389 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:

Other investments increased \$1,725 million, or 154 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.

• Current maturities of long-term debt increased \$527 million, or 51 percent, primarily due to 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 \$514 million, or 3 percent, primarily due to the maturity or reclassification of certain portions of the Company's long-term debt during the three months ended March 28, 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 6. Exhibits

Exhibit No.

- 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.

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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)

/s/ LARRY M. MARK  
Larry M. Mark  
Vice President and Controller  
(As Principal Accounting Officer)

Date: April 30, 2014

/s/ MARK RANDAZZA  
Mark Randazza  
Vice President and Assistant Controller  
(On Behalf of the Registrant)

Date: April 30, 2014

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