

COCA COLA CO
Form 10-Q
October 30, 2018

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

FORM 10-Q
(Mark One)

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

For the quarterly period ended September 28, 2018

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

For the transition period from _____ to _____

Commission File Number 001-02217

(Exact name of Registrant as specified in its charter)

Delaware 58-0628465

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

One Coca-Cola Plaza 30313
Atlanta, Georgia (Zip Code)

(Address of principal executive offices)

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

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

Yes No

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

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

Large accelerated filer
~~Accelerated filer~~
filer

Non-accelerated
filer
Smaller reporting company

(Do not check if a smaller reporting company)

Emerging
growth
company

If
an
emerging
growth

company,
indicate
by
check
mark
if
the
Registrant
has
elected
not
to
use
the
extended
transition
period
for
complying
with
any
new
or
revised
financial
accounting
standards
provided
pursuant
to
Section
13(a)
of
the
Exchange
Act.

o
Indicate by check mark if the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No y

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class of Common Stock	Outstanding as of October 26, 2018
\$0.25 Par Value	4,256,513,898 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, 2017, and those described from time to time in our future reports filed with the Securities and Exchange Commission.

Part I. Financial Information

Item 1. Financial Statements (Unaudited)

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

(In millions except per share data)

	Three Months Ended		Nine Months Ended	
	September 28,	September 29,	September 28,	September 29,
	2018	2017	2018	2017
NET OPERATING REVENUES	\$8,245	\$ 9,078	\$24,798	\$ 27,898
Cost of goods sold	3,059	3,394	9,049	10,566
GROSS PROFIT	5,186	5,684	15,749	17,332
Selling, general and administrative expenses	2,505	3,245	7,769	9,777
Other operating charges	155	194	916	1,310
OPERATING INCOME	2,526	2,245	7,064	6,245
Interest income	171	175	506	495
Interest expense	206	208	677	631
Equity income (loss) — net	347	358	813	883
Other income (loss) — net	9	(896)	(143)	(1,187)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	2,847	1,674	7,563	5,805
Income taxes from continuing operations	528	230	1,628	1,805
NET INCOME FROM CONTINUING OPERATIONS	2,319	1,444	5,935	4,000
Income (loss) from discontinued operations (net of income taxes of \$26, \$0, \$82 and \$0, respectively)	(501)	—	(386)	—
CONSOLIDATED NET INCOME	1,818	1,444	5,549	4,000
Less: Net income (loss) attributable to noncontrolling interests	(62)	(3)	(15)	0
NET INCOME ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY	\$1,880	\$ 1,447	\$5,564	\$ 4,000
Basic net income per share from continuing operations ¹	\$0.55	\$ 0.34	\$1.40	\$ 0.94
Basic net income (loss) per share from discontinued operations ²	(0.10)	—	(0.09)	—
BASIC NET INCOME PER SHARE ³	\$0.44	\$ 0.34	\$1.31	\$ 0.94
Diluted net income per share from continuing operations ¹	\$0.54	\$ 0.33	\$1.38	\$ 0.92
Diluted net income (loss) per share from discontinued operations ²	(0.10)	—	(0.09)	—
DILUTED NET INCOME PER SHARE	\$0.44	\$ 0.33	\$1.29	\$ 0.92
DIVIDENDS PER SHARE	\$0.39	\$ 0.37	\$1.17	\$ 1.11
AVERAGE SHARES OUTSTANDING — BASIC	4,255	4,266	4,258	4,275
Effect of dilutive securities	40	54	39	52
AVERAGE SHARES OUTSTANDING — DILUTED	4,295	4,320	4,297	4,327

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

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

³ Certain columns may not add due to rounding.

Refer to Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended		Nine Months Ended	
	September 28, 2018	September 29, 2017	September 28, 2018	September 29, 2017
CONSOLIDATED NET INCOME	\$1,818	\$ 1,444	\$5,549	\$ 4,000
Other comprehensive income:				
Net foreign currency translation adjustments	(210	)693	(1,635	)1,511
Net gains (losses) on derivatives	(30	)(96	) 22	(394
Net unrealized gain (loss) on available-for-sale securities	10	1	(91	)165
Net change in pension and other benefit liabilities	56	49	372	82
TOTAL COMPREHENSIVE INCOME (LOSS)	1,644	2,091	4,217	5,364
Less: Comprehensive income (loss) attributable to noncontrolling interests	60	(2	) 9	2
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY	\$1,584	\$ 2,093	\$4,208	\$ 5,362

Refer to Notes to Condensed Consolidated Financial Statements.

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

(In millions except par value)

	September 28, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,065	\$ 6,006
Short-term investments	4,727	9,352
TOTAL CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS	13,792	15,358
Marketable securities	5,055	5,317
Trade accounts receivable, less allowances of \$482 and \$477, respectively	3,702	3,667
Inventories	2,627	2,655
Prepaid expenses and other assets	2,066	2,000
Assets held for sale	—	219
Assets held for sale — discontinued operations	6,171	7,329
TOTAL CURRENT ASSETS	33,413	36,545
EQUITY METHOD INVESTMENTS	20,899	20,856
OTHER INVESTMENTS	1,051	1,096
OTHER ASSETS	4,535	4,230
DEFERRED INCOME TAX ASSETS	2,720	330
PROPERTY, PLANT AND EQUIPMENT , less accumulated depreciation of \$8,011 and \$8,246, respectively	7,404	8,203
TRADEMARKS WITH INDEFINITE LIVES	6,668	6,729
BOTTLERS' FRANCHISE RIGHTS WITH INDEFINITE LIVES	51	138
GOODWILL	9,856	9,401
OTHER INTANGIBLE ASSETS	280	368
TOTAL ASSETS	\$ 86,877	\$ 87,896
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 10,317	\$ 8,748
Loans and notes payable	12,973	13,205
Current maturities of long-term debt	6,341	3,298
Accrued income taxes	313	410
Liabilities held for sale	—	37
Liabilities held for sale — discontinued operations	1,486	1,496
TOTAL CURRENT LIABILITIES	31,430	27,194
LONG-TERM DEBT	25,523	31,182
OTHER LIABILITIES	7,246	8,021
DEFERRED INCOME TAX LIABILITIES	2,500	2,522
THE COCA-COLA COMPANY SHAREOWNERS' EQUITY		
Common stock, \$0.25 par value; Authorized — 11,200 shares; Issued — 7,040 and 7,040 shares, respectively	1,760	1,760
Capital surplus	16,266	15,864
Reinvested earnings	64,028	60,430
Accumulated other comprehensive income (loss)	(12,070)	(10,305)
Treasury stock, at cost — 2,784 and 2,781 shares, respectively	(51,720)	(50,677)
EQUITY ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY	18,264	17,072

EQUITY ATTRIBUTABLE TO NONCONTROLLING INTERESTS	1,914	1,905
TOTAL EQUITY	20,178	18,977
TOTAL LIABILITIES AND EQUITY	\$ 86,877	\$ 87,896

Refer to Notes to Condensed Consolidated Financial Statements.

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

	Nine Months Ended		
	September 28, 2018	September 29, 2017	
OPERATING ACTIVITIES			
Consolidated net income	\$5,549	\$ 4,000	
(Income) loss from discontinued operations	386	—	
Net income from continuing operations	5,935	4,000	
Depreciation and amortization	807	926	
Stock-based compensation expense	167	167	
Deferred income taxes	(5	)606
Equity (income) loss — net of dividends	(385)(559)
Foreign currency adjustments	(154	)322
Significant (gains) losses on sales of assets — net	(14	)942
Other operating charges	662	918	
Other items	116	(9)
Net change in operating assets and liabilities	(1,649)(1,451)
Net cash provided by operating activities	5,480	5,862	
INVESTING ACTIVITIES			
Purchases of investments	(6,809)(13,459)
Proceeds from disposals of investments	11,079	12,701	
Acquisitions of businesses, equity method investments and nonmarketable securities	(598)(538)
Proceeds from disposals of businesses, equity method investments and nonmarketable securities	1,354	2,790	
Purchases of property, plant and equipment	(917)(1,194)
Proceeds from disposals of property, plant and equipment	95	72	
Other investing activities	33	(101)
Net cash provided by (used in) investing activities	4,237	271	
FINANCING ACTIVITIES			
Issuances of debt	21,379	24,899	
Payments of debt	(23,572)(22,424)
Issuances of stock	891	1,320	
Purchases of stock for treasury	(1,596)(3,087)
Dividends	(3,321)(3,165)
Other financing activities	(165)(42)
Net cash provided by (used in) financing activities	(6,384)(2,499)
CASH FLOWS FROM DISCONTINUED OPERATIONS			
Net cash provided by (used in) operating activities from discontinued operations	210	—	
Net cash provided by (used in) investing activities from discontinued operations	(128)—	
Net cash provided by (used in) financing activities from discontinued operations	—	—	
Net cash provided by (used in) discontinued operations	82	—	
EFFECT OF EXCHANGE RATE CHANGES ON CASH, CASH EQUIVALENTS, RESTRICTED CASH AND RESTRICTED CASH EQUIVALENTS			
	(249	)310
CASH AND RESTRICTED CASH EQUIVALENTS			
CASH, CASH EQUIVALENTS, RESTRICTED CASH AND RESTRICTED CASH EQUIVALENTS			

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Net increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents during the period	3,166	3,944
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of period	6,373	8,850
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	9,539	12,794
Less: Restricted cash and restricted cash equivalents at end of period	474	266
Cash and cash equivalents at end of period	\$9,065	\$ 12,528

Refer to Notes to Condensed Consolidated Financial Statements.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all information and notes required by U.S. GAAP for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the Notes to Consolidated Financial Statements included in the Annual Report on Form 10-K of The Coca-Cola Company for the year ended December 31, 2017.

When used in these notes, the terms "The Coca-Cola Company," "Company," "we," "us" and "our" mean The Coca-Cola Company and all entities included in our condensed consolidated financial statements. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 28, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018. Sales of our nonalcoholic ready-to-drink beverages are somewhat seasonal, with the second and third calendar quarters accounting for the highest sales volumes. The volume of sales in the beverage business may be affected by weather conditions.

Each of our interim reporting periods, other than the fourth interim reporting period, ends on the Friday closest to the last day of the corresponding quarterly calendar period. The third quarter of 2018 and the third quarter of 2017 ended on September 28, 2018 and September 29, 2017, respectively. Our fourth interim reporting period and our fiscal year end on December 31 regardless of the day of the week on which December 31 falls.

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

Advertising Costs

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

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

Shipping and Handling Costs

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

handling activities are services promised to customers. If revenue is recognized for the related goods before the shipping and handling activities occur, the related costs of those shipping and handling activities are accrued. Refer to Note 3 for additional information regarding revenue recognition.

Sales, Use, Value-Added and Excise Taxes

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

Net Income

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

	Three Months Ended		Nine Months Ended	
	September 28, 2018	September 29, 2017	September 28, 2018	September 29, 2017
CONTINUING OPERATIONS				
Net income from continuing operations	\$2,319	\$ 1,444	\$5,935	\$ 4,000
Less: Net income (loss) from continuing operations attributable to noncontrolling interests	(7)	(3)	(5)	0
Net income from continuing operations attributable to shareowners of The Coca-Cola Company	\$2,326	\$ 1,447	\$5,940	\$ 4,000
DISCONTINUED OPERATIONS				
Net income (loss) from discontinued operations	\$(501)	\$ —	\$(386)	\$ —
Less: Net income (loss) from discontinued operations attributable to noncontrolling interests	(55)	—	(10)	—
Net income (loss) from discontinued operations attributable to shareowners of The Coca-Cola Company	\$(446)	\$ —	\$(376)	\$ —
CONSOLIDATED				
Consolidated net income	\$1,818	\$ 1,444	\$5,549	\$ 4,000
Less: Net income (loss) attributable to noncontrolling interests	(62)	(3)	(15)	0
Net income attributable to shareowners of The Coca-Cola Company	\$1,880	\$ 1,447	\$5,564	\$ 4,000

Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents

We classify time deposits and other investments that are highly liquid and have maturities of three months or less at the date of purchase as cash equivalents or restricted cash equivalents, as applicable. Restricted cash and restricted cash equivalents generally consist of amounts held by our captive insurance companies, which are included in the line item other assets on our consolidated balance sheets, and amounts classified in assets held for sale and assets held for sale — discontinued operations. We manage our exposure to counterparty credit risk through specific minimum credit standards, diversification of counterparties and procedures to monitor our concentrations of credit risk.

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

	September 28, December 31,	
	2018	2017
Cash and cash equivalents	\$ 9,065	\$ 6,006
Cash and cash equivalents included in assets held for sale	—	13
Cash and cash equivalents included in assets held for sale — discontinued operations	157	97
Cash and cash equivalents included in other assets ¹	317	257
Cash, cash equivalents, restricted cash and restricted cash equivalents	\$ 9,539	\$ 6,373
	September 29, December 31,	
	2017	2016
Cash and cash equivalents	\$ 12,528	\$ 8,555
Cash and cash equivalents included in assets held for sale	10	49
Cash and cash equivalents included in other assets ¹	256	246
Cash, cash equivalents, restricted cash and restricted cash equivalents	\$ 12,794	\$ 8,850

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

Hyperinflationary Economies

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

Venezuela has been designated as a hyperinflationary economy. We sell concentrate to our bottling partner in Venezuela from outside the country. These sales are denominated in U.S. dollars. We also have certain U.S. dollar-denominated intangible assets associated with products sold in Venezuela. As a result of weaker sales and the volatility of foreign currency exchange rates resulting from continued political instability, we recorded impairment charges of \$34 million during the nine months ended September 29, 2017 in the line item other operating charges in our condensed consolidated statement of income. As a result of these impairment charges, the remaining carrying value of all U.S. dollar-denominated intangible assets associated with products sold in Venezuela is zero.

Recently Issued Accounting Guidance

Recently Adopted Accounting Guidance

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

In January 2016, the FASB issued ASU 2016-01, Financial Instruments — Overall: Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"), which addresses certain aspects of the recognition,

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

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

The impact of the adoption of ASU 2016-15 on our consolidated statement of cash flows was a change in presentation related to our proceeds from the settlement of corporate-owned life insurance policies. We revised our condensed consolidated statement of cash flows to reflect these proceeds in the line item other investing activities, which were previously presented in the line item net change in operating assets and liabilities. During the nine months ended September 29, 2017, the amount of proceeds received from the settlement of corporate-owned life insurance policies was \$56 million.

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

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

Prior to the adoption of ASU 2016-18, we presented the transfer of cash and cash equivalents into or out of our captive insurance companies in the line items purchases of investments and proceeds from disposals of investments in our consolidated statement of cash flows. We did not present the purchases of investments and proceeds from disposals of investments within our captive insurance companies. Cash flows related to cash and cash equivalents included in our insurance captives are now presented in the line items purchases of investments and proceeds from disposals of investments within the investing activities section of our consolidated statement of cash flows. During the nine months ended September 29, 2017, the purchases of investments and proceeds from disposals of investments within our captive insurance companies were \$533 million and \$529 million, respectively.

Prior to the adoption of ASU 2016-18, we treated the change in cash and cash equivalents included in assets held for sale as an adjustment to the line item other investing activities within our consolidated statement of cash flows. With the adoption of this ASU, we no longer make this adjustment and we revised the prior year to remove this adjustment. During the nine months ended September 29, 2017, the change in cash and cash equivalents included in assets held for sale was \$39 million. Refer to the heading "Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents" above for additional disclosures required by this ASU.

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

In March 2017, the FASB issued ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost ("ASU 2017-07"), which requires that the service cost component of the Company's net periodic pension cost and net periodic postretirement benefit cost be included in the same line item as other compensation costs arising from services rendered by employees, with the non-service components of net periodic benefit cost and other benefit plan charges and credits being classified outside of a subtotal of income from operations. ASU 2017-07 was effective for the Company beginning January 1, 2018 and was adopted retrospectively for the presentation of the other components of net periodic benefit cost and other benefit plan charges and credits in our condensed consolidated statements of income. As part of our adoption, we elected to use a practical expedient which allows us to use information previously disclosed in our note on pension and other postretirement benefit plans as the estimation basis for applying the retrospective presentation requirements of this ASU. For the three and nine months ended September 29, 2017, we reclassified \$125 million and \$65 million of expense, respectively, related to

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

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

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

Accounting Guidance Not Yet Adopted

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

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

In August 2017, the FASB issued ASU 2017-12, Targeted Improvements to Accounting for Hedging Activities, which eliminates the requirement to separately measure and report hedge ineffectiveness and requires companies to recognize all elements of hedge accounting that impact earnings in the same line item in the statement of income where the hedged item resides. The amendments include new alternatives for measuring the hedged item for fair value hedges of interest rate risk and ease the requirements for effectiveness testing, hedge documentation and applying the critical terms match method. Finally, the standard introduces new alternatives that permit companies to reduce the risk of material error if the shortcut method is misapplied. ASU 2017-12 is effective for the Company beginning January 1, 2019 and is required to be applied prospectively. The Company is currently evaluating the impact that ASU 2017-12 will have on our consolidated financial statements.

In February 2018, the FASB issued ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which permits entities to reclassify the disproportionate income tax effects of the Tax Reform Act on items within accumulated other comprehensive income (loss) ("AOCI") to reinvested earnings. These disproportionate income tax effect items are referred to as "stranded tax effects." Amendments in this update only relate to the reclassification of the income tax effects of the Tax Reform Act. Other accounting guidance that requires the effect of changes in tax laws or rates to be included in net income from continuing operations is not affected by this update. ASU 2018-02 is effective for the Company beginning January 1, 2019 and should be applied either in the period of adoption or retrospectively to each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Reform Act is recognized. We have elected to apply this standard in the period of adoption, and will recognize a cumulative effect adjustment to the opening balance of retained earnings as of January 1, 2019. We expect this cumulative effect adjustment to increase retained earnings by less than \$600 million.

NOTE 2: ACQUISITIONS AND DIVESTITURES

Acquisitions

During the nine months ended September 28, 2018, our Company's acquisitions of businesses, equity method investments and nonmarketable securities totaled \$598 million, which included the acquisition of a minority interest in BA Sports Nutrition, LLC ("BodyArmor"). We account for our minority interest in BodyArmor as an equity method investment based on our equity ownership percentage and our representation on their Management Committee. We obtained an option to acquire the remaining ownership interests in BodyArmor based on an agreed-upon formula, which becomes exercisable in 2021. Upon the expiration of the Company's option, BodyArmor has the option to sell their remaining interests to the Company based on the same agreed upon formula. The Company also acquired additional ownership interests in the Company's franchise bottlers in the United Arab Emirates and in Oman, both of which were previously equity method investees of the Company. As a result of the additional interest acquired in the Oman bottler, we obtained a controlling interest, resulting in its consolidation.

During the nine months ended September 29, 2017, our Company's acquisitions of businesses, equity method investments and nonmarketable securities totaled \$538 million, which primarily related to the acquisition of AdeS, a plant-based beverage business, by the Company and several of its bottling partners in Latin America. Additionally, in conjunction with the refranchising of Coca-Cola Refreshments' ("CCR") Southwest operating unit ("Southwest Transaction"), we obtained an equity interest in AC Bebidas, S. de R.L. de C.V. ("AC Bebidas"), a subsidiary of Arca Continental, S.A.B. de C.V. ("Arca").

Divestitures

During the nine months ended September 28, 2018, proceeds from disposals of businesses, equity method investments and nonmarketable securities totaled \$1,354 million, which primarily related to the proceeds from the refranchising of our Canadian and Latin American bottling operations, as well as the sale of our equity ownership in Corporación Lindley S.A. ("Lindley").

During the nine months ended September 29, 2017, proceeds from disposals of businesses, equity method investments and nonmarketable securities totaled \$2,790 million, which primarily related to proceeds from the refranchising of certain bottling territories in North America and our China bottling operations.

Corporación Lindley S.A.

On September 26, 2018, we sold our equity ownership in Lindley to AC Bebidas, an equity method investee. We received net cash proceeds of \$507 million and recognized a net gain of \$370 million during the three and nine months ended September 28, 2018, which was included in the line item other income (loss) — net in our condensed consolidated statements of income.

Refranchising of Latin American Bottling Operations

As of December 31, 2017, certain of the Company's bottling operations in Latin America were classified as held for sale. During the three months ended June 29, 2018, the Company sold its bottling operations in Latin America to Coca-Cola FEMSA, S.A.B. de C.V. ("Coca-Cola FEMSA"), an equity method investee. We received net cash proceeds of \$289 million during the nine months ended September 28, 2018 as a result of these sales and recognized net gains of \$11 million and \$47 million during the three and nine months ended September 28, 2018, respectively, which were included in the line item other income (loss) — net in our condensed consolidated statements of income.

Refranchising of China Bottling Operations

On April 1, 2017, the Company sold a substantial portion of its bottling operations in China to the two local franchise bottlers. The remaining bottling operations and cost method investment were sold on July 1, 2017. We received net cash proceeds of \$963 million as a result of these sales and recognized gains of \$79 million and \$88 million during the three and nine months ended September 29, 2017, respectively, which were included in the line item other income (loss) — net in our condensed consolidated statements of income.

North America Refranchising — United States

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

Each CBA generally has a term of 10 years and is renewable, in most cases by the bottler and in some cases by the Company, indefinitely for successive additional terms of 10 years each. Under the CBA, except for the CBA entered into in conjunction with the Southwest Transaction and for additional territories sold to AC Bebidas as well as the CBA entered into with Liberty Coca-Cola Beverages, the bottlers make ongoing quarterly payments to the Company based on their gross profit in the refranchised territories throughout the term of the CBA, including renewals, in exchange for the grant of the exclusive territory rights. Liberty Coca-Cola Beverages, the co-owners of which are former management of CCR, will make ongoing quarterly payments based on the gross profit in its refranchised territories upon the earlier of reaching a predefined level of profitability or the 41st quarter following the closing date. Contemporaneously with the grant of these rights, the Company sold the distribution assets, certain working capital items, and the exclusive rights to distribute certain beverage brands not owned by the Company, but distributed by

CCR, in each of these territories, excluding the territory included in the Southwest Transaction, to the respective bottlers in exchange for cash.

During the nine months ended September 28, 2018 and September 29, 2017, cash proceeds from these sales totaled \$3 million and \$1,814 million, respectively. Included in the cash proceeds for the nine months ended September 29, 2017 was \$279 million from Coca-Cola Bottling Co. Consolidated ("CCBCC"), an equity method investee. Also included in the cash proceeds for the nine months ended September 29, 2017, was \$216 million from AC Bebidas, an equity method investee.

Under the applicable accounting guidance, we were required to derecognize all of the tangible assets sold as well as the intangible assets transferred, including distribution rights, customer relationships and an allocated portion of goodwill related to these territories. We recognized net gains of \$10 million and net charges of \$762 million during the three months ended September 28, 2018 and September 29, 2017, respectively. During the nine months ended September 28, 2018 and September 29, 2017, the Company recognized net charges of \$94 million and \$2,533 million, respectively. These net charges were included in the line item other income (loss) — net in our condensed consolidated statements of income. The net charges in 2018 were primarily related to post-closing adjustments as contemplated by the related agreements. The net charges in 2017 were primarily related to the derecognition of the intangible assets transferred or reclassified as held for sale. In total, we expect to recover the value of the intangible assets transferred to the bottlers under the CBAs through the future quarterly payments; however, as the payments for the territory rights are dependent on the bottlers' future gross profit in these territories, they are considered a form of contingent consideration.

There is diversity in practice as it relates to the accounting for contingent consideration by the seller. The seller can account for the future contingent payments received as a gain contingency, recognizing the amounts in the statement of income only after the related contingencies are resolved and the gain is realized, which in this arrangement will be quarterly as the bottlers earn gross profit in the transferred territories. Alternatively, the seller can record a receivable for the contingent consideration at fair value on the date of sale and record any future differences between the payments received and this receivable in the statement of income as they occur. We elected the gain contingency treatment since the quarterly payments will be received throughout the terms of the CBAs, including all subsequent renewals, regardless of the cumulative amount received as compared to the value of the intangible assets transferred. During the three months ended September 28, 2018 and September 29, 2017, the Company recorded charges of \$12 million and \$72 million, respectively, primarily related to payments made to certain of our unconsolidated bottling partners in order to convert the bottling agreements for their legacy territories and any previously refranchised territories to a single form of CBA with additional requirements. During the nine months ended September 28, 2018 and September 29, 2017, the Company recorded charges of \$33 million and \$287 million, respectively, related to such payments. The additional requirements generally include a binding national governance model, mandatory incidence pricing and additional core performance requirements, among other things. As a result of these conversions, the legacy territories and any previously refranchised territories for each of the related bottling partners will be governed under similar CBAs, which will provide consistency across each such bottler's respective territory, as well as consistency with other U.S. bottlers that have been granted or converted to this form of CBA. The charges related to these payments were included in the line item other income (loss) — net in our condensed consolidated statements of income during the three and nine months ended September 28, 2018 and September 29, 2017.

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

North America Refranchising — Canada

On September 28, 2018, the Company completed its North America refranchising with the sale of its Canadian bottling operations. We received initial net cash proceeds of \$518 million and recognized a net charge of \$285 million during the three and nine months ended September 28, 2018, which was included in the line item other income (loss) — net in our condensed consolidated statements of income.

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

Assets and Liabilities Held for Sale

As of December 31, 2017, the Company had certain bottling operations in North America and Latin America that met the criteria to be classified as held for sale, which requires us to present the related assets and liabilities as separate line items in our condensed consolidated balance sheet. As these bottling territories met the criteria to be classified as held for sale, we were required to record their assets and liabilities at the lower of carrying value or fair value less any costs to sell based on the agreed-upon sale price and present the related assets and liabilities as separate line items in our consolidated balance sheet. These operations were refranchised in 2018.

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

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

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

² Consists of total liabilities relating to North America refranchising of \$5 million and the refranchising of Latin American bottling operations of \$32 million, which are included in the Bottling Investments operating segment. We determined that the bottling operations included in the table above did not meet the criteria to be classified as discontinued operations under the applicable guidance.

Discontinued Operations

In October 2017, the Company and Anheuser-Busch InBev ("ABI") completed the transition of ABI's controlling interest in Coca-Cola Beverages Africa Proprietary Limited ("CCBA") to the Company for \$3,150 million. We plan to hold a controlling interest in CCBA temporarily. We are currently in discussions with several potential buyers and anticipate that we will divest a portion of our ownership interest in the first half of 2019, which will result in the Company no longer having a controlling interest in CCBA. Accordingly, we have presented the financial position and results of operations of CCBA as discontinued operations in the accompanying condensed consolidated financial statements. As CCBA met the criteria to be classified as held for sale, we were required to record their assets and liabilities at the lower of carrying value or fair value less any costs to sell and present the related assets and liabilities as separate line items in our consolidated balance sheet. During the three and nine months ended September 28, 2018, we recorded an allowance for reduction of assets held for sale of \$554 million. Refer to Note 15.

The preliminary goodwill recorded at the time of the transaction was \$4,262 million, none of which is tax deductible. This goodwill is in part due to the significant synergies that are expected from the consolidation of the bottling system in Southern and East Africa, especially within the country of South Africa. The accounting for the business combination is currently incomplete, although preliminary purchase accounting entries have been recorded, including a \$411 million preliminary allocation of goodwill to other reporting units expected to benefit from this transaction. The balance sheet line items that are expected to be impacted by the completion of purchase accounting are assets held for sale — discontinued operations and liabilities held for sale — discontinued operations.

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

	September 28, 2018	December 31, 2017
Cash, cash equivalents and short-term investments	\$ 157	\$ 97
Trade accounts receivable, less allowances	283	299
Inventories	257	299
Prepaid expenses and other assets	81	52
Equity method investments	5	7
Other assets	28	29
Property, plant and equipment — net	1,473	1,436
Goodwill	3,693	4,248
Other intangible assets	748	862
Allowance for reduction of assets held for sale	(554) —
Assets held for sale — discontinued operations	\$ 6,171	\$ 7,329
Accounts payable and accrued expenses	\$ 580	\$ 598
Loans and notes payable	425	404
Current maturities of long-term debt	6	6
Accrued income taxes	35	40
Long-term debt	15	19
Other liabilities	9	10
Deferred income taxes	416	419
Liabilities held for sale — discontinued operations	\$ 1,486	\$ 1,496

NOTE 3: REVENUE RECOGNITION

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

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

Our Company markets, manufactures and sells concentrates and finished goods. In our domestic and international concentrate operations, we typically generate net operating revenues by selling concentrates, syrups and certain finished beverages to authorized bottling operations (to which we typically refer as our "bottlers" or our "bottling partners"). Our bottling partners either combine the concentrates with sweeteners (depending on the product), still water and/or sparkling water, or combine the syrups with sparkling water to produce finished beverages. The finished beverages are packaged in authorized containers, such as cans and refillable and nonrefillable glass and plastic bottles, bearing our trademarks or trademarks licensed to us and are then sold to retailers directly or, in some cases, through wholesalers or other bottlers. In addition, outside the United States, our bottling partners are typically authorized to manufacture fountain syrups, using our concentrate, which they sell to fountain retailers for use in producing beverages for immediate consumption, or to authorized fountain wholesalers who in turn sell and distribute the fountain syrups to fountain retailers. Our concentrate operations are included in our geographic operating segments. Our finished product operations generate net operating revenues by selling sparkling soft drinks and a variety of other finished nonalcoholic beverages, such as water, enhanced water and sports drinks; juice, dairy and plant-based beverages; tea and coffee; and energy drinks, to retailers or to distributors and wholesalers who distribute them to

retailers. These operations consist primarily of Company-owned or -controlled bottling, sales and distribution operations, which are included in our Bottling Investments operating segment. In certain markets, the Company also operates non-bottling finished product operations in which we sell finished beverages to distributors and wholesalers that are generally not one of the Company's bottling partners. These operations are generally included in one of our geographic operating segments. In the United States, we manufacture fountain syrups and sell them to fountain retailers, who use the fountain syrups to produce beverages for immediate consumption, or to authorized fountain wholesalers or bottling partners who resell the fountain syrups to fountain

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

Our customers and bottling partners may be entitled to cash discounts, funds for promotional and marketing activities, volume-based incentive programs, support for infrastructure programs and other similar programs. In some markets, in an effort to allow our Company and our bottling partners to grow together through shared value, aligned financial objectives and the flexibility necessary to meet consumers' always changing needs and tastes, we worked with our bottling partners to develop and implement an incidence-based concentrate pricing model. Under this model, the concentrate price we charge is impacted by a number of factors, including, but not limited to, bottler pricing, the channels in which the finished products produced from the concentrate are sold, and package mix. The amounts associated with the arrangements described above are defined as variable consideration under ASC 606 and an estimate of which is included in the transaction price as a component of net operating revenues in our condensed consolidated statement of income upon completion of our performance obligations. The total revenue recorded, including any variable consideration, cannot exceed the amount for which it is probable that a significant reversal will not occur when uncertainties related to variability are resolved. As a result, we are recognizing revenue based on our faithful depiction of the consideration that we expect to receive. In making our estimates of variable consideration, we consider past results and make significant assumptions related to: (1) customer sales volumes; (2) customer ending inventories; (3) customer selling price per unit; (4) selling channels; and (5) discount rates, rebates and other pricing allowances, as applicable. In gathering data to estimate our variable consideration, we generally calculate our estimates using a portfolio approach at the country and product line level rather than at the individual contract level. The result of making these estimates will impact the line items trade accounts receivable and accounts payable and accrued expenses in our condensed consolidated balance sheet. The actual amounts ultimately paid and/or received may be different from our estimates. The change in the amount of variable consideration recognized during the three and nine months ended September 28, 2018 related to performance obligations satisfied in prior periods was immaterial.

In addition to changes in the timing of when we record variable consideration, ASC 606 provided clarification about the classification of certain costs relating to revenue arrangements with customers. As a result, during the three and nine months ended September 28, 2018, we recorded certain amounts in cost of goods sold or selling, general and administrative expenses that were previously classified as reductions in net operating revenues. The Company also re-evaluated the principal versus agent considerations pertaining to certain of its arrangements with third-party manufacturers and co-packers. We recorded certain costs in net operating revenues which were previously recorded in cost of goods sold related to arrangements in which we concluded we did not control the goods before they were delivered to our customers.

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

	Three Months Ended September 28, 2018			Nine Months Ended September 28, 2018		
	As Reported	Balances without Adoption of ASC 606	Increase (Decrease) Due to Adoption	As Reported	Balances without Adoption of ASC 606	Increase (Decrease) Due to Adoption
Net operating revenues	\$8,245	\$ 8,108	\$ 137	¹ \$24,798	\$ 24,310	\$ 488
Cost of goods sold	3,059	2,847	212	9,049	8,438	611
Gross profit	5,186	5,261	(75)	15,749	15,872	(123)
Selling, general and administrative expenses	2,505	2,620	(115)	7,769	7,884	(115)
Operating income	2,526	2,486	40	7,064	7,072	(8)
Income from continuing operations before income taxes	2,847	2,807	40	7,563	7,571	(8)
Income taxes from continuing operations	528	541	(13)	1,628	1,622	6
Net income from continuing operations	2,319	2,292	27	5,935	5,937	(2)
Income (loss) from discontinued operations	(501)	(501)	—	(386)	(388)	2
Consolidated net income	1,818	1,791	27	5,549	5,549	—
Net income attributable to shareowners of The Coca-Cola Company	1,880	1,853	27	5,564	5,564	—

¹ The increase was primarily due to the reclassification of shipping and handling costs.

	September 28, 2018		
	As Reported	Balances without Adoption of ASC 606	Increase (Decrease) Due to Adoption
ASSETS			
Trade accounts receivable	\$3,702	\$ 3,652	\$ 50
Prepaid expenses and other assets	2,066	2,068	(2)
Total current assets	33,413	33,365	48
Deferred income tax assets	2,720	2,673	47
Total assets	86,877	86,782	95
LIABILITIES AND EQUITY			
Accounts payable and accrued expenses	\$10,317	\$ 9,928	\$ 389
Total current liabilities	31,430	31,041	389
Deferred income tax liabilities	2,500	2,537	(37)
Reinvested earnings	64,028	64,285	(257)
Total equity	20,178	20,435	(257)
Total liabilities and equity	86,877	86,782	95

¹ The increase was primarily due to incremental estimated variable consideration receivables from third-party customers.

² The increase was primarily due to incremental estimated variable consideration payables due to third-party customers.

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

	United States	International	Total
Three Months Ended September 28, 2018			
Concentrate operations	\$ 1,191	\$ 4,162	\$ 5,353
Finished product operations	1,776	1,116	2,892
Total	\$ 2,967	\$ 5,278	\$ 8,245
Nine Months Ended September 28, 2018			
Concentrate operations	\$ 3,565	\$ 12,358	\$ 15,923
Finished product operations	5,034	3,841	8,875
Total	\$ 8,599	\$ 16,199	\$ 24,798

Refer to Note 16 for additional revenue disclosures by operating segment.

NOTE 4: INVESTMENTS

Equity Securities

Effective January 1, 2018, we adopted ASU 2016-01, which requires us to measure all equity investments that do not result in consolidation and are not accounted for under the equity method at fair value and recognize any changes in earnings. We recognize dividend income on the date of record, which is reported in other income (loss) — net in our condensed consolidated statements of income. We use quoted market prices to determine the fair value of equity securities with readily determinable fair values. For equity securities without readily determinable fair values, we have elected the measurement alternative under which we measure these investments at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Management assesses each of these investments on an individual basis. Additionally, on a quarterly basis, management is required to make a qualitative assessment of whether the investment is impaired. During the three and nine months ended September 28, 2018, the Company did not recognize any fair value adjustments for equity securities without readily determinable fair values. We recognized a cumulative effect adjustment of \$409 million, net of tax, to increase the opening balance of reinvested earnings with an offset to AOCI as of January 1, 2018 in connection with the adoption of ASU 2016-01.

For fiscal periods beginning prior to January 1, 2018, marketable equity securities not accounted for under the equity method were classified as trading or available-for-sale. Both realized and unrealized gains and losses on equity securities classified as trading securities were recognized in net income. For equity securities classified as available-for-sale, realized gains and losses were included in net income. Unrealized gains and losses on equity securities classified as available-for-sale were recognized in AOCI, net of deferred taxes. In addition, the Company held equity securities without readily determinable fair values that were recorded at cost. For these cost method investments, we recognized dividend income on the date of record. Cost method investments were reported as other investments in our condensed consolidated balance sheets, and dividend income from cost method investments was reported in other income (loss) — net in our condensed consolidated statements of income. We reviewed all of our cost method investments quarterly to determine if impairment indicators were present; however, we were not required to determine the fair value of these investments unless impairment indicators existed. When impairment indicators did exist, we generally used discounted cash flow analyses to determine the fair value. We estimated that the fair values of our cost method investments approximated or exceeded their carrying values as of December 31, 2017. Our cost method investments had a carrying value of \$143 million as of December 31, 2017.

As of September 28, 2018, the carrying values of our equity securities were included in the following line items in our condensed consolidated balance sheet (in millions):

Fair Value	Measurement
with	Alternative
Changes	— No Readily
Recognized	Determinable
in Income	Fair Value

Marketable securities	\$ 306	\$ —
Other investments	966	85
Other assets	976	—
Total equity securities	\$ 2,248	\$ 85

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The calculation of net unrealized gains and losses recognized during the period related to equity securities still held at September 28, 2018 is as follows (in millions):

	Three Months Ended September 28, 2018	Nine Months Ended September 28, 2018
Net gains (losses) recognized during the period related to equity securities	\$ 62	\$ 21
Less: Net gains (losses) recognized during the period related to equity securities sold during the period	5	13
Net unrealized gains (losses) recognized during the period related to equity securities still held at the end of the period	\$ 57	\$ 8

As of December 31, 2017, our equity securities consisted of the following (in millions):

	Cost	Gross Unrealized Gains	Estimated Fair Value
Trading securities	\$324	\$75	\$395
Available-for-sale securities	1,276	685 (66)	1,895
Total equity securities	\$1,600	\$760\$ (70)	\$ 2,290

As of December 31, 2017, the Company had equity securities classified as available-for-sale in which our cost basis exceeded the fair value. Management assessed each of the available-for-sale securities that were in a gross unrealized loss position on an individual basis to determine if the decline in fair value was other than temporary. 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 equity securities was not other than temporary and did not record any impairment charges.

As of December 31, 2017, the fair values of our equity securities were included in the following line items in our condensed consolidated balance sheet (in millions):

	Trading Securities	Available-for-Sale Securities
Marketable securities	\$ 283	\$ 52
Other investments	—	953
Other assets	112	890
Total equity securities	\$ 395	\$ 1,895

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

	Three Months Ended	Nine Months Ended
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	September 29, 2017	September 29, 2017
Gross gains \$	10	\$ 45
Gross losses (4)		(12)
Proceeds	49	189

Debt Securities

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

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

	Cost	Gross Unrealized Gains	Losses	Estimated Fair Value
September 28, 2018				
Trading securities	\$40	\$—	\$—	\$ 40
Available-for-sale securities	5,809	63	(63)	5,809
Total debt securities	\$5,849	\$63	\$(63)	\$ 5,849
December 31, 2017				
Trading securities	\$12	\$—	\$—	\$ 12
Available-for-sale securities	5,782	157	(27)	5,912
Total debt securities	\$5,794	\$157	\$(27)	\$ 5,924

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

	September 28, 2018		December 31, 2017	
	Trading Securities	Available-for-Sale Securities	Trading Securities	Available-for-Sale Securities
Cash and cash equivalents	\$—	\$ 815	\$—	\$ 667
Marketable securities	40	4,709	12	4,970
Other assets	—	285	—	275
Total debt securities	\$40	\$ 5,809	\$12	\$ 5,912

The contractual maturities of these available-for-sale debt securities as of September 28, 2018 were as follows (in millions):

	Cost	Estimated Fair Value
Within 1 year	\$1,542	\$ 1,537
After 1 year through 5 years	3,934	3,927
After 5 years through 10 years	116	132
After 10 years	217	213
Total	\$5,809	\$ 5,809

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

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

	Three Months Ended September 28, 2018		Nine Months Ended September 28, 2018	
	September 29, 2017	September 29, 2017	September 29, 2017	September 29, 2017
Gross gains	\$ 11	\$ 1	\$ 19	\$ 6
Gross losses	(8)	(3)	(21)	(9)
Proceeds	3,421	4,161	9,744	10,571

Captive Insurance Companies

In accordance with local insurance regulations, our captive insurance companies are required to meet and maintain minimum solvency capital requirements. The Company elected to invest a majority of its solvency capital in a portfolio of marketable equity and debt securities. These securities are included in the disclosures above. The Company uses one of its consolidated captive insurance companies to reinsure group annuity insurance contracts that cover the pension obligations of certain of our European and Canadian pension plans. This captive's solvency capital

funds included equity and debt securities of \$1,142 million as of September 28, 2018 and \$1,159 million as of December 31, 2017, which are classified in the line item other assets in our condensed consolidated balance sheets because the assets are not available to satisfy our current obligations.

NOTE 5: INVENTORIES

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

	September 28, 2018	December 31, 2017
Raw materials and packaging	\$ 1,743	\$ 1,729
Finished goods	675	693
Other	209	233
Total inventories	\$ 2,627	\$ 2,655

NOTE 6: HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS

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

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

All derivative instruments are carried at fair value in our condensed consolidated balance 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 statements of income in which the hedged items are recorded in the same period the hedged items affect earnings. Due to the high degree of effectiveness between the hedging instruments and the underlying exposures being hedged, fluctuations in the values of the derivative instruments are generally offset by changes in the fair values or cash flows of the underlying exposures being hedged. The changes in the fair values of derivatives that were not designated and/or did not qualify as hedging instruments are immediately recognized into earnings.

For derivatives that will be accounted for as hedging instruments, the Company formally designates and documents, at inception, the financial instrument as a hedge of a specific underlying exposure, the risk management objective and the strategy for undertaking the hedge transaction. In addition, the Company formally assesses, both at the inception and at least quarterly thereafter, whether the financial instruments used in hedging transactions are effective at offsetting changes in either the fair values or cash flows of the related underlying exposures. 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 15. The notional amounts of the derivative financial instruments do not necessarily represent

amounts exchanged by the parties and, therefore, are not a direct measure of our exposure to the financial risks described above. The amounts exchanged are calculated by reference to the notional amounts and by other terms of the derivatives, such as interest rates, foreign currency exchange rates, commodity rates or other financial indices. The Company does not view the fair values of its derivatives in isolation but rather in relation to the fair values or cash flows of the underlying hedged transactions or other exposures. Virtually all of our derivatives are straightforward over-the-counter instruments with liquid markets.

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

Derivatives Designated as Hedging Instruments Balance Sheet Location ¹	Fair Value ^{1,2}	
	September 28, 2018	December 31, 2017
Assets:		
Foreign currency contracts	Prepaid expenses and other assets	\$ 57 \$ 45
Foreign currency contracts	Other assets	133 79
Interest rate contracts	Other assets	25 52
Total assets		\$ 215 \$ 176
Liabilities:		
Foreign currency contracts	Accounts payable and accrued expenses	\$ 26 \$ 69
Foreign currency contracts	Other liabilities	4 9
Foreign currency contracts	Liabilities held for sale — discontinued operations	— 8
Commodity contracts	Liabilities held for sale — discontinued operations	— 4
Interest rate contracts	Accounts payable and accrued expenses	— 30
Interest rate contracts	Other liabilities	68 39
Total liabilities		\$ 98 \$ 159

¹ All of the Company's derivative instruments are carried at fair value in our condensed consolidated balance sheets after considering the impact of legally enforceable master netting agreements and cash collateral held or placed with the same counterparties, as applicable. Current disclosure requirements mandate that derivatives must also be disclosed without reflecting the impact of master netting agreements and cash collateral. Refer to Note 15 for the net presentation of the Company's derivative instruments.

² Refer to Note 15 for additional information related to the estimated fair value.

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

Derivatives Not Designated as Hedging Instruments	Balance Sheet Location ¹	Fair Value ^{1,2}	
		September 28, 2018	December 31, 2017
Assets:			
Foreign currency contracts	Prepaid expenses and other assets	\$ 146	\$ 20
Foreign currency contracts	Other assets	9	27
Commodity contracts	Prepaid expenses and other assets	11	25
Commodity contracts	Other assets	—	1
Other derivative instruments	Prepaid expenses and other assets	9	8
Total assets		\$ 175	\$ 81
Liabilities:			
Foreign currency contracts	Accounts payable and accrued expenses	\$ 28	\$ 69
Foreign currency contracts	Other liabilities	54	28
Foreign currency contracts	Liabilities held for sale — discontinued operations	1	—
Commodity contracts	Accounts payable and accrued expenses	9	7
Commodity contracts	Other liabilities	1	—

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Other derivative instruments	Accounts payable and accrued expenses	1	1
Other derivative instruments	Other liabilities	1	1
Total liabilities		\$ 95	\$ 106

¹ All of the Company's derivative instruments are carried at fair value in our condensed consolidated balance sheets after considering the impact of legally enforceable master netting agreements and cash collateral held or placed with the same counterparties, as applicable. Current disclosure requirements mandate that derivatives must also be disclosed without reflecting the impact of master netting agreements and cash collateral. Refer to Note 15 for the net presentation of the Company's derivative instruments.

² Refer to Note 15 for additional information related to the estimated fair value.

Credit Risk Associated with Derivatives

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

Cash Flow Hedging Strategy

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

The Company maintains a foreign currency cash flow hedging program to reduce the risk that our eventual U.S. dollar net cash inflows from sales outside the United States and U.S. dollar net cash outflows from procurement activities will be adversely affected by fluctuations in foreign currency exchange rates. We enter into forward contracts and purchase foreign currency options (principally euros and Japanese yen) and collars to hedge certain portions of forecasted cash flows denominated in foreign currencies. When the U.S. dollar strengthens against the foreign currencies, the decline in the present value of future foreign currency cash flows is partially offset by gains in the fair value of the derivative instruments. Conversely, when the U.S. dollar weakens, the increase in the present value of future foreign currency cash flows is partially offset by losses in the fair value of the derivative instruments. The total notional values of derivatives that were designated and qualify for the Company's foreign currency cash flow hedging program were \$2,874 million and \$4,068 million as of September 28, 2018 and December 31, 2017, respectively.

The Company uses cross-currency swaps to hedge the changes in cash flows of certain of its foreign currency denominated debt and other monetary assets or liabilities due to changes in foreign currency exchange rates. For this hedging program, the Company records the change in carrying value of these foreign currency denominated assets and liabilities due to changes in exchange rates into earnings each period. The changes in fair value of the cross-currency swap derivatives are recorded in AOCI with an immediate reclassification into earnings for the change in fair value attributable to fluctuations in foreign currency exchange rates. The total notional values of derivatives that have been designated as cash flow hedges for the Company's foreign currency denominated assets and liabilities were \$3,028 million and \$1,851 million as of September 28, 2018 and December 31, 2017, 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 have been designated and qualify for this program were \$2 million and \$35 million as of September 28, 2018 and December 31, 2017, 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 \$500 million as of December 31, 2017. During the nine months ended September 28, 2018, we discontinued the cash flow hedge relationship related to these swaps. We reclassified a loss of \$8 million into earnings as a result of the

discontinuance. As of September 28, 2018, we did not have any interest rate swaps designated as a cash flow hedge.

The following tables present the pretax impact that changes in the fair values of derivatives designated as cash flow hedges had on AOCI and earnings (in millions):

	Gain (Loss) Recognized in OCI	Location of Gain (Loss) Recognized in Income ¹	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
Three Months Ended September 28, 2018					
Foreign currency contracts	\$ 2	Net operating revenues	\$ 43	\$ —	2
Foreign currency contracts	3	Cost of goods sold	4	—	2
Foreign currency contracts	—	Interest expense	(2)) —	
Foreign currency contracts	20	Other income (loss) — net	23	2	
Interest rate contracts	—	Interest expense	(9)) —	
Total	\$ 25		\$ 59	\$ 2	
Three Months Ended September 29, 2017					
Foreign currency contracts	\$ (35)	) Net operating revenues	\$ 116	\$ —	2
Foreign currency contracts	(11)	) Cost of goods sold	(4)	) —	2
Foreign currency contracts	—	Interest expense	(2)) —	
Foreign currency contracts	100	Other income (loss) — net	100	7	
Interest rate contracts	(1)	) Interest expense	(9)) —	
Commodity contracts	—	Cost of goods sold	(1)) —	
Total	\$ 53		\$ 200	\$ 7	

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

² Includes a de minimis amount of ineffectiveness in the hedging relationship.

	Gain (Loss) Recognized in OCI	Location of Gain (Loss) Recognized in Income ¹	Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Gain (Loss) Recognized in Income (Ineffective Portion and Amount Excluded from Effectiveness Testing)	
Nine Months Ended September 28, 2018					
Foreign currency contracts	\$ 10	Net operating revenues	\$ 97	\$ 1	
Foreign currency contracts	13	Cost of goods sold	5	—	2
Foreign currency contracts	—	Interest expense	(6)) —	
Foreign currency contracts	46	Other income (loss) — net	3	4	
Foreign currency contracts	—	Income from discontinued operations	—	(3))

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Interest rate contracts	22	Interest expense	(29) (8)
Commodity contracts	—	Income from discontinued operations	—	(5)
Total	\$ 91		\$ 70	\$ (11)
Nine Months Ended September 29, 2017					
Foreign currency contracts	\$ (216	) Net operating revenues	\$ 339	\$ (1)
Foreign currency contracts	(27	) Cost of goods sold	1	—	²
Foreign currency contracts	—	Interest expense	(7) —	
Foreign currency contracts	113	Other income (loss) — net	152	7	
Interest rate contracts	(25	) Interest expense	(26	) 2	
Commodity contracts	(1	) Cost of goods sold	—	—	
Total	\$ (156	)	\$ 459	\$ 8	

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

² Includes a de minimis amount of ineffectiveness in the hedging relationship.

As of September 28, 2018, the Company estimates that it will reclassify into earnings during the next 12 months \$10 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 Company also uses cross-currency interest rate swaps to hedge the changes in the fair value of foreign currency denominated debt relating to changes in foreign currency exchange rates and benchmark interest rates. The changes in fair values of derivatives designated as fair value hedges and the offsetting changes in fair values of the hedged items are recognized in earnings. The ineffective portions of these hedges are immediately recognized in earnings. As of September 28, 2018, such adjustments had cumulatively decreased the carrying value of our long-term debt by \$46 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 face value of the hedged item is amortized to earnings over the remaining life of the hedged item, or immediately if the hedged item has matured. The total notional values of derivatives related to our fair value hedges of this type were \$8,185 million and \$8,121 million as of September 28, 2018 and December 31, 2017, respectively.

The Company also uses fair value hedges to minimize exposure to changes in the fair value of certain available-for-sale securities from fluctuations in foreign currency exchange rates. The changes in fair values of derivatives designated as fair value hedges and the offsetting changes in fair values of the hedged items due to changes in foreign currency exchange rates are recognized in earnings. As a result, any difference is reflected in earnings as ineffectiveness. The total notional value of derivatives related to fair value hedges of this type was \$311 million as of December 31, 2017. As of September 28, 2018, we did not have any fair value hedges of this type. The following tables summarize the pretax impact that changes in the fair values of derivatives designated as fair value hedges had on earnings (in millions):

Hedging Instruments and Hedged Items	Location of Gain (Loss) Recognized in Income	Gain (Loss) Recognized in Income ¹	
		Three Months Ended September 28, 2018	September 29, 2017
Interest rate contracts	Interest expense	\$ (38)	\$ 19
Fixed-rate debt	Interest expense	41	(15)
Net impact to interest expense		\$ 3	\$ 4
Foreign currency contracts	Other income (loss) — net	\$ —	\$ (23)
Available-for-sale securities	Other income (loss) — net	—	26
Net impact to other income (loss) — net		\$ —	\$ 3
Net impact of fair value hedging instruments		\$ 3	\$ 7

Hedging Instruments and Hedged Items	Location of Gain (Loss) Recognized in Income	Gain (Loss) Recognized in Income ¹	
		Nine Months Ended September 28, 2018	September 29, 2017
Interest rate contracts	Interest expense	\$ (57)	\$ (46)
Fixed-rate debt	Interest expense	50	42
Net impact to interest expense		\$ (7)	\$ (4)
Foreign currency contracts	Other income (loss) — net	\$ (6)	\$ (66)
Available-for-sale securities	Other income (loss) — net	—	72
Net impact to other income (loss) — net		\$ —	\$ 6
Net impact of fair value hedging instruments		\$ (7)	\$ 2

¹ The net impacts represent the ineffective portions of the hedge relationships and the amounts excluded from the assessment of hedge effectiveness.

Hedges of Net Investments in Foreign Operations Strategy

The Company uses forward contracts and a portion of its foreign currency denominated debt, a non-derivative financial instrument, to protect the value of our net investments in a number of foreign operations. For derivative instruments that are designated and qualify as hedges of net investments in foreign operations, the changes in fair values of the derivative instruments are recognized in net foreign currency translation adjustment, a component of AOCI, to offset the changes in the values of the net investments being hedged. For non-derivative financial instruments that are designated and qualify as hedges

of net investments in foreign operations, the change in the carrying value of the designated portion of the non-derivative financial instrument due to changes in foreign currency exchange rates is recorded in net foreign currency translation adjustment. Any ineffective portions of net investment hedges are reclassified from AOCI into earnings during the period of change.

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

	Notional Amount		Gain (Loss) Recognized in OCI			
	as of		Three Months Ended		Nine Months Ended	
	September 28, 2018	December 31, 2017	September 28, 2018	September 29, 2017	September 28, 2018	September 29, 2017
Foreign currency contracts	\$388	\$ —	\$6	\$ (4)	\$6	\$ (19)
Foreign currency denominated debt	12,800	13,147	53	(549)	347	(1,475)
Total	\$13,188	\$13,147	\$59	\$(553)	\$353	\$(1,494)

The Company did not reclassify any gains or losses related to net investment hedges from AOCI into earnings during the three and nine months ended September 28, 2018 and September 29, 2017. In addition, the Company did not have any ineffectiveness related to net investment hedges during the three and nine months ended September 28, 2018 and September 29, 2017. The cash inflows and outflows associated with the Company's derivative contracts designated as net investment hedges are classified in the line item other investing activities in our condensed consolidated statements of cash flows.

Economic (Nondesignated) Hedging Strategy

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

The Company uses foreign currency economic hedges to offset the earnings impact that fluctuations in foreign currency exchange rates have on certain monetary assets and liabilities denominated in nonfunctional currencies. The changes in fair value of economic hedges used to offset those monetary assets and liabilities are immediately recognized into earnings in the line item other income (loss) — net in our condensed consolidated 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, including those related to certain acquisition and divestiture activities. The changes in fair values of economic hedges used to offset the variability in U.S. dollar net cash flows are recognized into earnings in the line items net operating revenues, cost of goods sold or other income (loss) — net in our condensed consolidated statements of income, as applicable. The total notional values of derivatives related to our foreign currency economic hedges were \$11,094 million and \$6,827 million as of September 28, 2018 and December 31, 2017, 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 \$310 million and \$357 million as of September 28, 2018 and December 31, 2017, respectively.

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

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income	Gain (Loss) Recognized in Income Three Months Ended	
		September 28, 2018	September 29, 2017
Foreign currency contracts	Net operating revenues	\$ 8	\$ (5)
Foreign currency contracts	Cost of goods sold	7	—
Foreign currency contracts	Other income (loss) — net	29	47
Foreign currency contracts	Income from discontinued operations	2	—
Commodity contracts	Net operating revenues	—	12
Commodity contracts	Cost of goods sold	3	(15)
Commodity contracts	Selling, general and administrative expenses	—	3
Other derivative instruments	Selling, general and administrative expenses	18	8
Other derivative instruments	Other income (loss) — net	—	1
Total		\$ 67	\$ 51
Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income	Gain (Loss) Recognized in Income Nine Months Ended	
		September 28, 2018	September 29, 2017
Foreign currency contracts	Net operating revenues	\$ 34	\$ (23)
Foreign currency contracts	Cost of goods sold	6	—
Foreign currency contracts	Other income (loss) — net	(87)	149
Foreign currency contracts	Income from discontinued operations	(3)	—
Interest rate contracts	Interest expense	(1)	—
Commodity contracts	Net operating revenues	—	7
Commodity contracts	Cost of goods sold	10	13
Commodity contracts	Income from discontinued operations	5	—
Other derivative instruments	Selling, general and administrative expenses	11	33
Other derivative instruments	Other income (loss) — net	—	2
Total		\$(25)	\$ 181

NOTE 7: DEBT AND BORROWING ARRANGEMENTS

During the nine months ended September 28, 2018, the Company retired upon maturity \$2,026 million total principal amount of notes and debentures. The general terms of the notes and debentures retired are as follows:

\$26 million total principal amount of debentures due January 29, 2018, at a fixed interest rate of 9.66 percent;

\$750 million total principal amount of notes due March 14, 2018, at a fixed interest rate of 1.65 percent; and

\$1,250 million total principal amount of notes due April 1, 2018, at a fixed interest rate of 1.15 percent.

The Company also extinguished a portion of the long-term debt that was assumed in connection with our acquisition of Coca Cola Enterprises Inc.'s former North America business ("Old CCE"). The extinguished notes had a total principal amount of \$94 million that was due to mature on May 15, 2098, at a fixed interest rate of 7.00 percent.

Related to this extinguishment, the Company recorded a net gain of \$27 million in the line item interest expense in our condensed consolidated statements of income during the three and nine months ended September 28, 2018.

NOTE 8: COMMITMENTS AND CONTINGENCIES

Guarantees

As of September 28, 2018, we were contingently liable for guarantees of indebtedness owed by third parties of \$560 million, of which \$243 million was related to variable interest entities. Our guarantees are primarily related to third-party customers, bottlers, vendors and container manufacturing operations and have arisen through the normal course of business. These guarantees have various terms, and none of these guarantees is individually significant.

These amounts represent the maximum potential future payments that we could be required to make under the guarantees; however, we do not consider it probable that we will be required to satisfy these guarantees.

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

Legal Contingencies

The Company is involved in various legal proceedings. We establish reserves for specific legal proceedings when we determine that the likelihood of an unfavorable outcome is probable and the amount of loss can be reasonably estimated. Management has also identified certain other legal matters where we believe an unfavorable outcome is reasonably possible and/or for which no estimate of possible losses can be made. Management believes that the total liabilities 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.

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 14.

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

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

agreement was audited and confirmed by the IRS in five successive audit cycles covering the subsequent 11 years through 2006, with the last audit concluding as recently as 2009.

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

The Company firmly believes that the IRS' claims are without merit and is pursuing, and will continue to pursue, all available administrative and judicial remedies necessary to vigorously defend its position. To that end, the Company filed a petition in the U.S. Tax Court on December 14, 2015, and the IRS filed its answer on February 12, 2016. On October 4, 2017, the IRS

filed an amended answer to the Company's petition in which it increased its transfer pricing adjustment by \$385 million resulting in an additional tax adjustment of \$135 million.

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

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

The Company regularly assesses the likelihood of adverse outcomes resulting from tax disputes such as this and other examinations for all open years to determine the adequacy of its tax reserves.

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 \$398 million and \$480 million as of September 28, 2018 and December 31, 2017, respectively.

NOTE 9: OTHER COMPREHENSIVE INCOME

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

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

	September 28, 2018	December 31, 2017
Foreign currency translation adjustments	\$ (10,616)	\$ (8,957)
Accumulated derivative net gains (losses)	(97)	(119)
Unrealized net gains (losses) on available-for-sale securities ¹	(7)	493
Adjustments to pension and other benefit liabilities	(1,350)	(1,722)
Accumulated other comprehensive income (loss)	\$ (12,070)	\$ (10,305)

¹ The change in the balance from December 31, 2017 includes the \$409 million reclassification to retained earnings upon the adoption of ASU

2016-01. Refer to Note 1 and Note 4.

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

	Nine Months Ended September 28, 2018		
	Shareowners of The Coca-Cola Company	Noncontrolling Interests	Total
Consolidated net income	\$5,564	\$ (15)	\$5,549
Other comprehensive income:			
Net foreign currency translation adjustments	(1,659)	24	(1,635)
Net gains (losses) on derivatives ¹	22	—	22
Net change in unrealized gain (loss) on available-for-sale debt securities ²	(91)	—	(91)
Net change in pension and other benefit liabilities ³	372	—	372
Total comprehensive income	\$4,208	\$ 9	\$4,217

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

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

³ Refer to Note 13 for additional information related to the Company's pension and other postretirement benefit liabilities.

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

Three Months Ended September 28, 2018	Before-Tax Amount	Income Tax	After-Tax Amount
Foreign currency translation adjustments:			
Translation adjustments arising during the period	\$ (446)	\$ 19	\$ (427)
Reclassification adjustments recognized in net income	170	—	170
Gains (losses) on intra-entity transactions that are of a long-term investment nature	(119)	—	(119)
Gains (losses) on net investment hedges arising during the period ¹	59	(15)	44
Net foreign currency translation adjustments	\$ (336)	\$ 4	\$ (332)

Derivatives:			
Gains (losses) arising during the period	\$ 19	\$ (7)	\$ 12
Reclassification adjustments recognized in net income	(58)	16	(42)
Net gains (losses) on derivatives ¹	\$ (39)	\$ 9	\$ (30)
Available-for-sale debt securities:			
Unrealized gains (losses) arising during the period	\$ (13)	\$ 24	\$ 11
Reclassification adjustments recognized in net income	(3)	2	(1)
Net change in unrealized gain (loss) on available-for-sale debt securities ²	\$ (16)	\$ 26	\$ 10
Pension and other benefit liabilities:			
Net pension and other benefit liabilities arising during the period	\$ 7	\$ —	\$ 7
Reclassification adjustments recognized in net income	65	(16)	49
Net change in pension and other benefit liabilities ³	\$ 72	\$ (16)	\$ 56
Other comprehensive income (loss) attributable to shareowners of The Coca-Cola Company	\$ (319)	\$ 23	\$ (296)

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

² Includes reclassification adjustments related to divestitures of certain available-for-sale debt securities. Refer to Note 4 for additional information related to these divestitures.

³ Refer to Note 13 for additional information related to the Company's pension and other postretirement benefit liabilities.

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Nine Months Ended September 28, 2018	Before-Tax Amount	Income Tax	After-Tax Amount
Foreign currency translation adjustments:			
Translation adjustments arising during the period	\$ (1,431)	\$ (66)	\$ (1,497)
Reclassification adjustments recognized in net income	268	—	268
Gains (losses) on intra-entity transactions that are of a long-term investment nature	(695)	—	(695)
Gains (losses) on net investment hedges arising during the period ¹	353	(88)	265
Net foreign currency translation adjustments	\$ (1,505)	\$ (154)	\$ (1,659)
Derivatives:			
Gains (losses) arising during the period	\$ 84	\$ (21)	\$ 63
Reclassification adjustments recognized in net income	(56)	15	(41)
Net gains (losses) on derivatives ¹	\$ 28	\$ (6)	\$ 22
Available-for-sale debt securities:			
Unrealized gains (losses) arising during the period	\$ (139)	\$ 45	\$ (94)
Reclassification adjustments recognized in net income	2	1	3
Net change in unrealized gain (loss) on available-for-sale debt securities ²	\$ (137)	\$ 46	\$ (91)
Pension and other benefit liabilities:			
Net pension and other benefit liabilities arising during the period	\$ 278	\$ (62)	\$ 216
Reclassification adjustments recognized in net income	209	(53)	156
Net change in pension and other benefit liabilities ³	\$ 487	\$ (115)	\$ 372
Other comprehensive income (loss) attributable to shareowners of The Coca-Cola Company	\$ (1,127)	\$ (229)	\$ (1,356)

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

² Includes reclassification adjustments related to divestitures of certain available-for-sale debt securities. Refer to Note 4 for additional information related to these divestitures.

³ Refer to Note 13 for additional information related to the Company's pension and other postretirement benefit liabilities.

Three Months Ended September 29, 2017	Before-Tax Amount	Income Tax	After-Tax Amount
Foreign currency translation adjustments:			
Translation adjustments arising during the period	\$ 162	\$ (174)	\$ (12)
Reclassification adjustments recognized in net income	(17)	—	(17)
Gains (losses) on intra-entity transactions that are of a long-term investment nature	1,063	—	1,063
Gains (losses) on net investment hedges arising during the period ¹	(553)	211	(342)
Net foreign currency translation adjustments	\$ 655	\$ 37	\$ 692
Derivatives:			
Gains (losses) arising during the period	\$ 54	\$ (19)	\$ 35
Reclassification adjustments recognized in net income	(207)	76	(131)
Net gains (losses) on derivatives ¹	\$ (153)	\$ 57	\$ (96)
Available-for-sale securities:			
Unrealized gains (losses) arising during the period	\$ 20	\$ (17)	\$ 3
Reclassification adjustments recognized in net income	(4)	2	(2)
Net change in unrealized gain (loss) on available-for-sale securities ²	\$ 16	\$ (15)	\$ 1
Pension and other benefit liabilities:			
Net pension and other benefit liabilities arising during the period	\$ (120)	\$ 49	\$ (71)
Reclassification adjustments recognized in net income	193	(73)	120
Net change in pension and other benefit liabilities ³	\$ 73	\$ (24)	\$ 49
	\$ 591	\$ 55	\$ 646

Other comprehensive income (loss) attributable to shareowners of The Coca-Cola Company

- ¹ Refer to Note 6 for additional information related to the net gains or losses on derivative instruments designated and qualifying as cash flow hedging instruments.
- ² Includes reclassification adjustments related to divestitures of certain available-for-sale securities. Refer to Note 4 and Note 11 for additional information related to these divestitures.
- ³ Refer to Note 13 for additional information related to the Company's pension and other postretirement benefit liabilities.

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Nine Months Ended September 29, 2017	Before-Tax Amount	Income Tax	After-Tax Amount
Foreign currency translation adjustments:			
Translation adjustments arising during the period	\$ (793)	\$ (142)	\$ (935)
Reclassification adjustments recognized in net income	103	(6)	97
Gains (losses) on intra-entity transactions that are of a long-term investment nature	3,270	—	3,270
Gains (losses) on net investment hedges arising during the period ¹	(1,494)	571	(923)
Net foreign currency translation adjustments	\$ 1,086	\$ 423	\$ 1,509
Derivatives:			
Gains (losses) arising during the period	\$ (159)	\$ 56	\$ (103)
Reclassification adjustments recognized in net income	(466)	175	(291)
Net gains (losses) on derivatives ¹	\$ (625)	\$ 231	\$ (394)
Available-for-sale securities:			
Unrealized gains (losses) arising during the period	\$ 365	\$ (123)	\$ 242
Reclassification adjustments recognized in net income	(117)	40	(77)
Net change in unrealized gain (loss) on available-for-sale securities ²	\$ 248	\$ (83)	\$ 165
Pension and other benefit liabilities:			
Net pension and other benefit liabilities arising during the period	\$ (161)	\$ 73	\$ (88)
Reclassification adjustments recognized in net income	266	(96)	170
Net change in pension and other benefit liabilities ³	\$ 105	\$ (23)	\$ 82
Other comprehensive income (loss) attributable to shareowners of The Coca-Cola Company	\$ 814	\$ 548	\$ 1,362

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

² Includes reclassification adjustments related to divestitures of certain available-for-sale securities. Refer to Note 4 and Note 11 for additional information related to these divestitures.

³ Refer to Note 13 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 (in millions):

Description of AOCI Component	Financial Statement Line Item	Amount Reclassified from AOCI into Income	
		Three Months Ended September 28, 2018	Nine Months Ended September 28, 2018
Foreign currency translation adjustments:			
Divestitures, deconsolidations and other ^{1,2}	Other income (loss) — net	\$ 170	\$ 268
	Income from continuing operations before income taxes	170	268
	Consolidated net income	\$ 170	\$ 268
Derivatives:			
Foreign currency contracts	Net operating revenues	\$(43)	\$(98)
Foreign currency contracts	Cost of goods sold	(4)	(5)
Foreign currency contracts	Other income (loss) — net	(25)	(7)
Divestitures, deconsolidations and other	Other income (loss) — net	3	3
Foreign currency and commodity contracts	Income from discontinued operations	—	8
Foreign currency and interest rate contracts	Interest expense	11	43
	Income from continuing operations before income taxes	(58)	(56)
	Income taxes from continuing operations	16	15
	Consolidated net income	\$(42)	\$(41)
Available-for-sale debt securities:			
Sale of debt securities	Other income (loss) — net	\$(3)	\$ 2
	Income from continuing operations before income taxes	(3)	2
	Income taxes from continuing operations	2	1
	Consolidated net income	\$(1)	\$ 3
Pension and other benefit liabilities:			
Curtailment charges	Other income (loss) — net	\$ 5	\$ 5
Settlement charges	Other income (loss) — net	35	121
Recognized net actuarial loss	Other income (loss) — net	30	95
Recognized prior service cost (credit)	Other income (loss) — net	(5)	(8)
Divestitures, deconsolidations and other ²	Other income (loss) — net	—	(4)
	Income from continuing operations before income taxes	65	209

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Income taxes from continuing operations	(16)	(53)
Consolidated net income	\$49	\$ 156

¹ Primarily related to the reversal of the cumulative translation adjustments resulting from the substantial liquidation of the Company's former Russian juice operations and the deconsolidation of our Canadian bottling operations.

² Primarily related to the refranchising of our Latin American bottling operations.

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NOTE 10: CHANGES IN EQUITY

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

Three Months Ended	Common Shares Outstanding	Total	Shareowners of The Coca-Cola Company					Non-controlling Interests
			Reinvested Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock	Capital Surplus	Treasury Stock	
June 29, 2018	4,253	\$20,176	\$63,808	\$ (11,774)	\$ 1,760	\$ 16,117	\$(51,588)	\$ 1,853
Comprehensive income (loss)	—	1,644	1,880	(296)	—	—	—	60
Dividends paid/payable to shareowners of The Coca-Cola Company	—	(1,660)	(1,660)	—	—	—	—	—
Dividends paid to noncontrolling interests	—	(6)	—	—	—	—	—	(6)
Purchases of treasury stock	(6)	(241)	—	—	—	—	(241)	—
Impact related to stock compensation plans	9	258	—	—	—	149	109	—
Other activities	—	7	—	—	—	—	—	7
September 28, 2018	4,256	\$20,178	\$64,028	\$ (12,070)	\$ 1,760	\$ 16,266	\$(51,720)	\$ 1,914
Nine Months Ended	Common Shares Outstanding	Total	Shareowners of The Coca-Cola Company					Non-controlling Interests
			Reinvested Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock	Capital Surplus	Treasury Stock	
December 31, 2017	4,259	\$18,977	\$60,430	\$ (10,305)	\$ 1,760	\$ 15,864	\$(50,677)	\$ 1,905
Adoption of accounting standards ¹	—	2,605	3,014	(409)	—	—	—	—
Comprehensive income (loss)	—	4,217	5,564	(1,356)	—	—	—	9
Dividends paid/payable to shareowners of The Coca-Cola Company	—	(4,980)	(4,980)	—	—	—	—	—
Dividends paid to noncontrolling interests	—	(19)	—	—	—	—	—	(19)
Business combinations including purchase accounting adjustments	—	13	—	—	—	—	—	13
Purchases of treasury stock	(33)	(1,451)	—	—	—	—	(1,451)	—
Impact related to stock compensation plans	30	810	—	—	—	402	408	—
Other activities	—	6	—	—	—	—	—	6
September 28, 2018	4,256	\$20,178	\$64,028	\$ (12,070)	\$ 1,760	\$ 16,266	\$(51,720)	\$ 1,914

¹ Refer to Note 1, Note 3, Note 4 and Note 14.

Three Months Ended	Common Shares Outstanding	Total	Shareowners of The Coca-Cola Company					Non-controlling Interests
			Reinvested Earnings	Other Comprehensive Income (Loss)	Common Stock	Capital Surplus	Treasury Stock	
June 30, 2017	4,268	\$22,089	\$64,890	\$ (10,489)	\$ 1,760	\$ 15,473	\$(49,633)	\$ 88
Comprehensive income (loss)	—	2,091	1,447	646	—	—	—	(2)
Dividends paid/payable to shareowners of The Coca-Cola Company	—	(1,578)	(1,578)	—	—	—	—	—
Dividends paid to noncontrolling interests	—	(1)	—	—	—	—	—	(1)
Deconsolidation of certain entities	—	(58)	—	—	—	—	—	(58)
Purchases of treasury stock	(18)	(823)	—	—	—	—	(823)	—
Impact related to stock compensation plans	12	426	—	—	—	226	200	—
Other activities	—	6	—	—	—	—	—	6
September 29, 2017	4,262	\$22,152	\$64,759	\$ (9,843)	\$ 1,760	\$ 15,699	\$(50,256)	\$ 33
Nine Months Ended	Common Shares Outstanding	Total	Shareowners of The Coca-Cola Company					Non-controlling Interests
			Reinvested Earnings	Other Comprehensive Income (Loss)	Common Stock	Capital Surplus	Treasury Stock	
December 31, 2016	4,288	\$23,220	\$65,502	\$ (11,205)	\$ 1,760	\$ 14,993	\$(47,988)	\$ 158
Comprehensive income (loss)	—	5,364	4,000	1,362	—	—	—	2
Dividends paid/payable to shareowners of The Coca-Cola Company	—	(4,743)	(4,743)	—	—	—	—	—
Dividends paid to noncontrolling interests	—	(15)	—	—	—	—	—	(15)
Deconsolidation of certain entities	—	(153)	—	—	—	—	—	(153)
Purchases of treasury stock	(69)	(3,012)	—	—	—	—	(3,012)	—
Impact related to stock compensation plans	43	1,453	—	—	—	709	744	—
Other activities	—	38	—	—	—	(3)	—	41
September 29, 2017	4,262	\$22,152	\$64,759	\$ (9,843)	\$ 1,760	\$ 15,699	\$(50,256)	\$ 33

NOTE 11: SIGNIFICANT OPERATING AND NONOPERATING ITEMS

Other Operating Charges

During the three months ended September 28, 2018, the Company recorded other operating charges of \$155 million. These charges primarily consisted of \$107 million related to the Company's productivity and reinvestment program. In addition, other operating charges included \$38 million related to costs incurred to rebrand certain of our North America bottling operations. Costs related to rebranding include, among other items, internal and external costs for individuals directly working on the rebranding efforts, severance, and costs associated with the implementation of information technology systems to facilitate consistent data standards and availability throughout our North America bottling system. Other operating charges also included \$4 million related to tax litigation expense. Refer to Note 8 for additional information related to the tax litigation. Refer to Note 12 for additional information on the Company's productivity and reinvestment program. Refer to Note 16 for the impact these charges had on our operating segments. During the nine months ended September 28, 2018, the Company recorded other operating charges of \$916 million. These charges primarily consisted of \$450 million of CCR asset impairments and \$313 million related to the Company's productivity and reinvestment program. In addition, other operating charges included \$117 million related to costs incurred to rebrand certain of our North America bottling operations. Other operating charges also included \$31 million related to tax litigation expense. Refer to Note 8 for additional information related to the tax litigation. Refer to Note 12 for additional information on the Company's productivity and reinvestment program. Refer to Note 15 for information on how the Company determined the asset impairment charges. Refer to Note 16 for the impact these charges had on our operating segments.

During the three months ended September 29, 2017, the Company recorded other operating charges of \$194 million. These charges primarily consisted of \$129 million related to the Company's productivity and reinvestment program. In addition, other operating charges included \$47 million related to costs incurred to rebrand certain of our North America bottling operations. Other operating charges also included \$18 million related to tax litigation expense. Refer to Note 8 for additional information related to the tax litigation. Refer to Note 12 for additional information on the Company's productivity and reinvestment program. Refer to Note 16 for the impact these charges had on our operating segments.

During the nine months ended September 29, 2017, the Company recorded other operating charges of \$1,310 million. These charges primarily consisted of \$737 million of CCR asset impairments and \$355 million related to the Company's productivity and reinvestment program. In addition, other operating charges included \$133 million related to costs incurred to rebrand certain of our bottling operations, \$43 million related to tax litigation expense and \$34 million related to impairments of Venezuelan intangible assets. Refer to Note 1 for additional information about the Venezuelan intangible assets and Note 15 for information on how the Company determined the asset impairment charges. Refer to Note 8 for additional information related to the tax litigation. Refer to Note 12 for additional information on the Company's productivity and reinvestment program. Refer to Note 16 for the impact these charges had on our operating segments.

Other Nonoperating Items

Interest Expense

During the three and nine months ended September 28, 2018, the Company recorded a net gain of \$27 million related to the extinguishment of long-term debt. Refer to Note 7.

During the nine months ended September 29, 2017, the Company recorded a net charge of \$38 million related to the extinguishment of long-term debt.

Equity Income (Loss) — Net

During the three and nine months ended September 28, 2018, the Company recorded a net gain of \$19 million and a net charge of \$65 million, respectively. During the three and nine months ended September 29, 2017, the Company recorded net charges of \$16 million and \$37 million, respectively. These amounts represent the Company's proportionate share of significant operating and nonoperating items recorded by certain of our equity method investees. Refer to Note 16 for the impact these items had on our operating segments.

Other Income (Loss) — Net

During the three months ended September 28, 2018, the Company recognized a net gain of \$370 million related to the sale of our equity ownership in Lindley and a net gain of \$64 million related to realized and unrealized gains and losses on equity securities and trading debt securities as well as realized gains and losses on available-for-sale debt securities. The Company also recognized a net gain of \$33 million related to economic hedging activity associated with certain acquisition and divestiture activities, and a gain of \$11 million related to the refranchising of our Latin American bottling operations. These gains were partially offset by net charges of \$275 million due to the refranchising of certain bottling territories in North America and an other-than-temporary impairment charge of \$205 million related to our equity method investee in Indonesia. The Company also recorded charges of \$35 million related to pension settlements and charges of \$12 million primarily related to payments made to convert the bottling agreements for certain North America bottling partners' territories to a single form of CBA with additional requirements. Refer to Note 1 and Note 4 for additional information on equity and debt securities. Refer to Note 2 for additional information on refranchising activities, North America conversion payments and the sale of our equity ownership in Lindley. Refer to Note 6 for additional information on our hedging activities. Refer to Note 15 for information on how the Company determined the impairment charge. Refer to Note 16 for the impact these items had on our operating segments.

During the nine months ended September 28, 2018, the Company recorded charges of \$379 million due to the refranchising of certain bottling territories in North America and other-than-temporary impairment charges of \$257 million related to two of our equity method investees. The Company also recorded charges of \$121 million related to pension settlements, charges of \$33 million primarily related to the reversal of the cumulative translation adjustments resulting from the substantial liquidation of the Company's former Russian juice operations and charges of \$33 million primarily related to payments made to convert the bottling agreements for certain North America bottling partners' territories to a single form of CBA with additional requirements. These charges were partially offset by a net gain of \$370 million related to the sale of our equity ownership in Lindley and a net gain of \$47 million related to the refranchising of our Latin American bottling operations. The Company also recognized a net gain of \$33 million related to economic hedging activity associated with certain acquisition and divestiture activities, and a net gain of \$15 million related to realized and unrealized gains and losses on equity securities and trading debt securities as well as realized gains and losses on available-for-sale debt securities. Refer to Note 1 and Note 4 for additional information on equity and debt securities. Refer to Note 2 for additional information on refranchising activities, North America conversion payments and the sale of our equity ownership in Lindley. Refer to Note 6 for additional information on our hedging activities. Refer to Note 15 for information on how the Company determined the impairment charges. Refer to Note 16 for the impact these items had on our operating segments.

During the three months ended September 29, 2017, the Company recorded charges of \$762 million due to the refranchising of certain bottling territories in North America and net charges of \$166 million resulting from special termination benefits and curtailment credits primarily related to North America refranchising and the Company's productivity and reinvestment program. The Company also recorded charges of \$72 million primarily related to payments made to convert the bottling agreements for certain North America bottling partners' territories to a single form of CBA with additional requirements. Additionally, the Company also recorded an other-than-temporary impairment charge of \$50 million related to one of our international equity method investees, primarily driven by foreign currency exchange rate fluctuations. These charges were partially offset by a gain of \$79 million related to the refranchising of our remaining China bottling operations and related cost method investment. Refer to Note 2 for additional information on the refranchising of our China bottling operations, North America refranchising and the conversion payments. Refer to Note 16 for the impact these items had on our operating segments.

During the nine months ended September 29, 2017, the Company recognized net charges of \$1,473 million due to the refranchising of certain bottling territories in North America and charges of \$181 million resulting from special termination benefits and curtailment credits primarily related to North America refranchising and the Company's productivity and reinvestment program. The Company also recorded charges of \$287 million primarily related to payments made to convert the bottling agreements for certain North America bottling partners' territories to a single form of CBA with additional requirements. The Company also recorded an other-than-temporary impairment charge

of \$50 million related to one of our international equity method investees, primarily driven by foreign currency exchange rate fluctuations and a charge of \$26 million related to our former German bottling operations. These charges were partially offset by a gain of \$445 million related to the integration of Coca-Cola West Co., Ltd. ("CCW") and Coca-Cola East Japan Co., Ltd. ("CCEJ") to establish Coca-Cola Bottlers Japan Inc., now known as Coca-Cola Bottlers Japan Holdings Inc. ("CCBJHI"). In exchange for our previously existing equity interests in CCW and CCEJ, we received an approximate 17 percent equity interest in CCBJHI. The Company also recognized a gain of \$88 million related to the refranchising of our China bottling operations and related cost method investment and a gain of \$25 million as a result of Coca-Cola FEMSA, an equity method investee, issuing additional shares of its stock during the period at a per share amount greater than the carrying value of the Company's per share investment. Refer to Note 2 for additional information on the North America refranchising, the conversion payments and the refranchising of our China bottling operations. Refer to Note 16 for the impact these items had on our operating segments.

NOTE 12: PRODUCTIVITY AND REINVESTMENT PROGRAM

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

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

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

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

The Company has incurred total pretax expenses of \$3,435 million related to our productivity and reinvestment program since it commenced. These expenses were recorded in the line items other operating charges and other income (loss) — net in our condensed consolidated statements of income. Refer to Note 16 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; 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 September 28, 2018 (in millions):

	Accrued Balance June 29, 2018	Costs Incurred Three Months Ended September 28, 2018	Payments	Noncash and Exchange	Accrued Balance September 28, 2018
Severance pay and benefits	\$ 79	\$ 56	\$ (26)	\$(27)	\$ 82
Outside services	6	18	(21)	—	3
Other direct costs	13	58	(29)	(27)	15
Total	\$ 98	\$ 132	\$ (76)	\$(54)	\$ 100

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 nine months ended September 28, 2018 (in millions):

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	Accrued Balance December 31, 2017	Costs Incurred Nine Months Ended September 28, 2018	Payments	Noncash and Exchange	Accrued Balance September 28, 2018
Severance pay and benefits	\$ 190	\$ 137	\$ (180)	\$ (65)	\$ 82
Outside services	1	56	(54)	—	3
Other direct costs	15	184	(157)	(27)	15
Total	\$ 206	\$ 377	\$ (391)	\$ (92)	\$ 100

NOTE 13: 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			
	September 28, 2018	September 29, 2017	September 28, 2018	September 29, 2017
Service cost	\$30	\$ 49	\$ 3	\$ 4
Interest cost	75	76	6	7
Expected return on plan assets ¹	(160)	(164	) (3	) (3
Amortization of prior service credit	(1	)—	(4	) (4
Amortization of net actuarial loss	29	44	1	2
Net periodic benefit cost (income)	(27	)5	3	6
Curtailment charges ²	5	2	—	—
Settlement charges ²	35	150	—	—
Special termination benefits ²	8	15	—	—
Total cost recognized in condensed consolidated statements of income	\$21	\$ 172	\$ 3	\$ 6

¹ The weighted-average expected long-term rates of return on plan assets used in computing 2018 net periodic benefit cost are 8.0 percent for pension benefit plans and 4.5 percent for other benefit plans.

² The curtailment charges, settlement charges and special termination benefits were primarily related to North America refranchising and the Company's productivity and reinvestment program. Refer to Note 2 and Note 12.

	Pension Benefits		Other Benefits	
	Nine Months Ended			
	September 28, 2018	September 29, 2017	September 28, 2018	September 29, 2017
Service cost	\$93	\$ 149	\$ 8	\$ 13
Interest cost	221	232	18	22
Expected return on plan assets ¹	(490)	(488	) (10	) (9
Amortization of prior service cost (credit)	3	—	(11	) (13
Amortization of net actuarial loss	92	133	3	6
Net periodic benefit cost (income)	(81	)26	8	19
Curtailment charges (credits) ²	5	2	—	(42
Settlement charges ²	121	150	—	—
Special termination benefits ²	8	72	—	—
Total cost (income) recognized in condensed consolidated statements of income	\$53	\$ 250	\$ 8	\$ (23

¹ The weighted-average expected long-term rates of return on plan assets used in computing 2018 net periodic benefit cost are 8.0 percent for pension benefit plans and 4.5 percent for other benefit plans.

The curtailment charges (credits), settlement charges and special termination benefits were primarily related to

² North America refranchising and the Company's productivity and reinvestment program. Refer to Note 2 and Note 12.

All of the amounts in the tables above, other than service cost, were recorded in the line item other income (loss) — net in our condensed consolidated statements of income. During the nine months ended September 28, 2018, the Company contributed \$98 million to our pension plans, and we anticipate making additional contributions of approximately \$2 million during the remainder of 2018. The Company contributed \$88 million to our pension plans during the nine months ended September 29, 2017.

NOTE 14: INCOME TAXES

At the end of each interim period, we make our best estimate of the effective tax rate expected to be applicable for the full fiscal year. This estimate reflects, among other items, our best estimate of operating results and foreign currency exchange rates. Based on current tax laws, the Company's effective tax rate in 2018 is expected to be 20.3 percent before considering the potential impact of further clarification of certain matters related to the Tax Reform Act and any unusual or special items that may affect our effective tax rate.

On September 17, 2015, the Company received a Statutory Notice of Deficiency from the IRS for the tax years 2007 through 2009, after a five-year audit. Refer to Note 8.

The Company recorded income taxes from continuing operations of \$528 million (18.5 percent effective tax rate) and \$230 million (13.7 percent effective tax rate) during the three months ended September 28, 2018 and September 29, 2017, respectively. The Company recorded income taxes from continuing operations of \$1,628 million (21.5 percent effective tax rate) and \$1,805 million (31.1 percent effective tax rate) during the nine months ended September 28, 2018 and September 29, 2017, respectively. During the three and nine months ended September 28, 2018, the Company recorded income taxes from discontinued operations of \$26 million (negative 5.6 percent effective tax rate) and \$82 million (negative 27.2 percent effective tax rate), respectively.

The following table illustrates the income tax expense (benefit) associated with significant operating and nonoperating items for the interim periods presented (in millions):

	Three Months Ended		Nine Months Ended	
	September 28, 2018	September 29, 2017	September 28, 2018	September 29, 2017
Asset impairments	\$ — ¹	\$ — ⁹	\$(116) ¹	\$(164) ⁹
Productivity and reinvestment program	(33) ²	(44) ¹⁰	(90) ²	(127) ¹⁰
Transaction gains and losses	107 ³	(361) ¹¹	74 ⁴	172 ¹²
Certain tax matters	(14) ⁵	(40) ¹³	(60) ⁶	(110) ¹⁴
Other — net	27 ⁷	(12) ¹⁵	12 ⁸	(41) ¹⁶

¹ Related to charges of \$205 million and \$257 million during the three and nine months ended September 28, 2018, respectively, due to other-than-temporary impairments of certain of our equity method investees and charges of \$450 million during the nine months ended September 28, 2018 due to impairments of certain CCR assets. Refer to Note 11 and Note 15.

² Related to charges of \$107 million and \$313 million during the three and nine months ended September 28, 2018, respectively, due to the Company's productivity and reinvestment program. Also related to pension settlement charges of \$35 million and \$74 million during the three and nine months ended September 28, 2018, respectively. Refer to Note 11, Note 12 and Note 13.

³ Related primarily to a net gain of \$370 million on the sale of our equity ownership in Lindley and a gain of \$11 million related to the refranchising of our Latin American bottling operations partially offset by net charges of \$275 million as a result of the refranchising of certain bottling territories in North America, charges of \$38 million related to costs incurred to refranchise certain of our North America bottling operations and charges of \$12 million related to payments made to convert the bottling agreements for certain North America bottling partners' territories to a single form of CBA with additional requirements. Refer to Note 2 and Note 11.

⁴ Related primarily to net charges of \$379 million as a result of the refranchising of certain bottling territories in North America, charges of \$117 million related to costs incurred to refranchise certain of our North America bottling operations, charges of \$47 million related to pension settlements, charges of \$33 million primarily related to the reversal of the cumulative translation adjustments resulting from the substantial liquidation of the Company's former Russian juice operations and charges of \$33 million related to payments made to convert the bottling agreements for certain North America bottling partners' territories to a single form of CBA with additional requirements. These charges were partially offset by a \$370 million net gain related to the sale of our equity ownership in Lindley and a net gain of \$47 million related to the refranchising of our Latin American bottling operations. Refer to Note 2, Note 11 and Note 13.

⁵

Includes \$125 million of income tax benefit related to tax adjustments made in accordance with U.S. Securities and Exchange Commission ("SEC") Staff Accounting Bulletin No. 118 ("SAB 118") with respect to the adjustment of our original provisional estimate of the impact of the Tax Reform Act. The Company also recorded \$27 million of excess tax benefits associated with the Company's share-based compensation arrangements. These tax benefits were partially offset by a net tax charge of \$3 million primarily related to changes to our uncertain tax positions, including interest and penalties, as well as for agreed-upon tax matters.

Includes \$114 million of excess tax benefits associated with the Company's share-based compensation arrangements partially offset by \$45 million primarily related to changes to our uncertain tax positions, including interest and ⁶ penalties, as well as for agreed-upon tax matters. The Company also recorded charges of \$9 million of income tax expense related to tax adjustments made in accordance with SAB 118 with respect to the adjustment of our original provisional estimate of the impact of the Tax Reform Act.

7 Related to a net gain of \$64 million related to realized and unrealized gains and losses on equity securities and trading debt securities as well as realized gains and losses on available-for-sale debt securities, a net gain of \$27 million related to the extinguishment of long-term debt and a net benefit of \$19 million due to our proportionate share of unusual or infrequent items recorded by certain of our equity method investees, partially offset by a charge of \$4 million due to tax litigation expense. Refer to Note 4, Note 7, Note 8 and Note 11.

8 Related primarily to a net charge of \$65 million due to our proportionate share of unusual or infrequent items recorded by certain of our equity method investees, a charge of \$31 million due to tax litigation expense, partially offset by a net gain of \$27 million related to the extinguishment of long-term debt and a net gain of \$15 million related to realized and unrealized gains and losses on equity securities and trading debt securities as well as realized gains and losses on available-for-sale debt securities. Refer to Note 4, Note 7, Note 8 and Note 11.

9 Related to charges of \$50 million and \$821 million during the three and nine months ended September 29, 2017, respectively, due to the impairment of certain assets. Refer to Note 11 and Note 15.

10 Related to charges of \$129 million and \$355 million during the three and nine months ended September 29, 2017, respectively. These charges were due to the Company's productivity and reinvestment program. Refer to Note 12. Related primarily to \$762 million of charges as a result of the refranchising of certain bottling territories in North America, \$213 million related to costs incurred to refranchise certain of our bottling operations

11 and \$72 million primarily related to payments made to convert the bottling agreements for certain North America bottling partners' territories to a single form of CBA with additional requirements. These charges were partially offset by a \$79 million gain related to the refranchising of our remaining China bottling operations and related cost method investment. Refer to Note 2 and Note 11.

12 Related primarily to \$1,473 million of net charges as a result of the refranchising of certain bottling territories in North America, \$314 million of charges related to costs incurred to refranchise certain of our bottling operations, \$287 million of charges primarily related to payments made to convert the bottling agreements for certain North America bottling partners' territories to a single form of CBA with additional requirements and a \$26 million charge related to our former German bottling operations. These charges were partially offset by a \$445 million gain related to the merger of CCW and CCEJ, an \$88 million gain related to the refranchising of our China bottling operations and related cost method investment and a \$25 million gain related to Coca-Cola FEMSA, an equity method investee, issuing additional shares of its stock. Refer to Note 2 and Note 11.

13 Related to \$40 million of excess tax benefits associated with the Company's share-based compensation arrangements.

14 Related to \$122 million of excess tax benefits associated with the Company's share-based compensation arrangements and the tax benefit associated with the reversal of valuation allowances in certain of the Company's foreign jurisdictions, both of which were partially offset by changes to our uncertain tax positions, including interest and penalties.

15 Related primarily to an \$18 million charge related to tax litigation expense and a \$16 million net charge due to our proportionate share of unusual or infrequent items recorded by certain of our equity method investees. Refer to Note 11.

16 Related primarily to a net charge of \$38 million related to the extinguishment of long-term debt, a \$43 million charge related to tax litigation expense and a net charge of \$37 million due to our proportionate share of unusual or infrequent items recorded by certain of our equity method investees. Refer to Note 11.

In October 2016, the FASB issued ASU 2016-16, which requires the Company to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. ASU 2016-16 was effective for the Company beginning January 1, 2018 and was adopted using a modified retrospective basis. We recorded a \$2.9 billion cumulative effect adjustment to increase the opening balance of reinvested earnings with the majority of the offset being recorded as a deferred tax asset. This amount is primarily related to trademarks and other intangible assets and was recorded as a deferred tax asset in the line item deferred income tax assets in our condensed consolidated balance sheet.

The Company evaluates the recoverability of our deferred tax assets in accordance with U.S. GAAP. We perform our recoverability tests on a quarterly basis, or more frequently, to determine whether it is more likely than not that any of our deferred tax assets will not be realized within their life cycle based on the available evidence. The Company's deferred tax asset valuation allowances are primarily the result of uncertainties regarding the future realization of recorded tax benefits on tax loss carryforwards from operations in various jurisdictions.

The Tax Reform Act was signed into law on December 22, 2017. Among other things, the Tax Reform Act reduces the U.S. federal corporate tax rate from 35.0 percent to 21.0 percent effective for tax years beginning after December 31, 2017, transitions the U.S. method of taxation from a worldwide tax system to a modified territorial system and requires companies to pay a one-time transition tax over a period of eight years on the mandatory deemed repatriation of prescribed foreign earnings as of December 31, 2017. We are applying the guidance in SAB 118 when accounting for the enactment date effects of the Tax Reform Act. As of September 28, 2018, we have not completed our accounting for the tax effects of the Tax Reform Act; however, in certain cases, we have made a reasonable estimate of the effects of the Tax Reform Act. We will continue to make and refine our calculations as additional analysis is completed. Our estimates may also be affected as we gain a more thorough understanding of the Tax Reform Act. These changes could be material to income tax expense.

The one-time transition tax is based on our total accumulated post-1986 prescribed foreign earnings and profits ("E&P") estimated to be approximately \$42 billion, the majority of which was previously considered to be indefinitely reinvested and,

accordingly, no U.S. federal and state income taxes had been provided. During the three and nine months ended September 28, 2018, we recognized \$0.2 billion of additional provisional transition tax expense. This amount was in addition to our reasonable estimate of \$4.6 billion originally recorded as a provisional tax amount for our one-time transition tax liability. During the three and nine months ended September 28, 2018, we recognized a \$0.2 billion benefit to our provisional deferred tax for the related withholding taxes and state income taxes. This amount was a reduction to the original reasonable estimate of \$0.6 billion provisional deferred tax for the related withholding taxes and state income taxes. Because of the complexities of the Tax Reform Act, we are still finalizing our calculation of the total accumulated post-1986 prescribed E&P for the applicable foreign entities. Further, the transition tax is based in part on the amount of those earnings held in cash and other specified assets. This amount may change when we finalize the calculation of post-1986 prescribed foreign E&P and finalize the amounts held in cash or other specified assets. No additional income taxes have been provided for any additional outside basis differences inherent in these entities, as these amounts, as of September 28, 2018, continue to be provisionally indefinitely reinvested. Determining the amount of unrecognized deferred tax liability related to any additional outside basis differences in these entities (i.e., basis differences in excess of that subject to the one-time transition tax) is not practicable.

We also remeasured and adjusted certain U.S. deferred tax assets and liabilities based on the rates at which they are expected to reverse in the future, which is generally 21.0 percent. However, as of September 28, 2018, we are still analyzing certain aspects of the Tax Reform Act and refining our calculations, which could affect the measurement of these balances or give rise to new deferred tax amounts. The provisional amount recorded related to the remeasurement and adjustments of our deferred tax balance was a tax benefit of \$1.6 billion. Upon further analyses of certain aspects of the Tax Reform Act and refinement of our calculations during the three months ended September 28, 2018, we reduced our provisional amount by \$11 million (a 0.4 percentage point decrease to our effective tax rate), which resulted in a net increase in our provisional amount of \$123 million (a 1.6 percentage point increase to our effective tax rate) during the nine months ended September 28, 2018. These adjustments are included as a component of income taxes from continuing operations. We do not consider the accounting for the enactment date remeasurement of deferred tax assets and liabilities to be complete.

The Global Intangible Low-Taxed Income ("GILTI") provisions of the Tax Reform Act require the Company to include in its U.S. income tax return foreign subsidiary earnings in excess of an allowable return on the foreign subsidiary's tangible assets. As of September 28, 2018, because we are still evaluating the GILTI provisions and our analysis of future taxable income that is subject to GILTI, we have included GILTI related to current year operations only in our estimated annual effective tax rate and have not provided additional GILTI on deferred items. The Company has not yet elected an accounting policy related to how it will account for GILTI and therefore has not provided any deferred tax impacts of GILTI in its condensed consolidated financial statements for the three and nine months ended September 28, 2018.

NOTE 15: FAIR VALUE MEASUREMENTS

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

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

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

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

Recurring Fair Value Measurements

In accordance with U.S. GAAP, certain assets and liabilities are required to be recorded at fair value on a recurring basis. For our Company, the only assets and liabilities that are adjusted to fair value on a recurring basis are investments in equity securities with readily determinable fair values, debt securities classified as trading or available-for-sale and derivative financial instruments. Additionally, the Company adjusts the carrying value of certain long-term debt as a result of the Company's fair value hedging strategy.

Investments in Debt and Equity Securities

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

Derivative Financial Instruments

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

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

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

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

September 28, 2018	Level 1	Level 2	Level 3	Other ³	Netting Adjustment	Fair Value Measurements
Assets:						
Equity securities with readily determinable values ¹	\$ 1,984	\$ 193	\$ 5	\$ 66	\$ —	\$ 2,248
Debt securities ¹	—	5,830	19	—	—	5,849
Derivatives ²	5	385	—	—	(264)	126 ⁶
Total assets	\$ 1,989	\$ 6,408	\$ 24	\$ 66	\$ (264)	\$ 8,223
Liabilities:						
Derivatives ²	\$(4)	\$(189)	\$ —	\$ —	\$ 147	\$(46) ⁶
Total liabilities	\$(4)	\$(189)	\$ —	\$ —	\$ 147	\$(46)

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

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

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

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

not meet the offsetting requirements. Refer to Note 6.

⁵ The Company is obligated to return \$118 million in cash collateral it has netted against its derivative position. The Company's derivative financial instruments are recorded at fair value in our condensed consolidated balance sheet as follows: \$126 million in the line item other assets; \$1 million in the line item liabilities held for sale —
⁶ discontinued operations; and \$45 million in the line item other liabilities. Refer to Note 6 for additional information related to the composition of our derivative portfolio.

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December 31, 2017	Level 1	Level 2	Level 3	Other ⁴	Netting Adjustment	⁵ Fair Value Measurements	
Assets:							
Trading securities ¹	\$212	\$127	\$ 3	\$ 65	\$ —	\$ 407	
Available-for-sale securities ¹	1,899	5,739	169	³ —	—	7,807	
Derivatives ²	7	250	—	—	(198)	⁶ 59	⁸
Total assets	\$2,118	\$6,116	\$ 172	\$ 65	\$ (198)	\$ 8,273	
Liabilities:							
Derivatives ²	\$(3)	\$(262)	\$ —	\$ —	\$ 147	⁷ \$ (118)	⁸
Total liabilities	\$(3)	\$(262)	\$ —	\$ —			