COCA COLA CO
Form 10-Q
July 27, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
(Mark One)
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2017
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 (State or other jurisdiction of incorporation or organization)	58-0628465 (I.R.S. Employer Identification No.)
One Coca-Cola Plaza Atlanta, Georgia (Address of principal executive offices)	30313 (Zip Code)

Registrant's telephone number, including area code: (404) 676-2121
Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ý No o
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 ý No o
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 ý
Accelerated filer o
Non-accelerated filer o
(Do not check if a smaller reporting company)
Smaller reporting company o
Emerging growth company o
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 ý
Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class of Common Stock	Outstanding as of July 24, 2017
$0.25 Par Value	4,265,304,181 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, 2016, and those described from time to time in our future reports filed with the Securities and Exchange Commission.

Part I. Financial Information
Item 1. Financial Statements (Unaudited)
THE COCA-COLA COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)
(In millions except per share data)

	Three Months Ended		Six Months Ended	
	June 30, 2017	July 1, 2016	June 30, 2017	July 1, 2016
NET OPERATING REVENUES	$9,702	$11,539	$18,820	$21,821
Cost of goods sold	3,659	4,471	7,172	8,540
GROSS PROFIT	6,043	7,068	11,648	13,281
Selling, general and administrative expenses	3,142	3,912	6,457	7,673
Other operating charges	823	297	1,131	608
OPERATING INCOME	2,078	2,859	4,060	5,000
Interest income	165	164	320	308
Interest expense	231	162	423	303
Equity income (loss) — net	409	305	525	397
Other income (loss) — net	203	1,133	(351)	791
INCOME BEFORE INCOME TAXES	2,624	4,299	4,131	6,193
Income taxes	1,252	839	1,575	1,240
CONSOLIDATED NET INCOME	1,372	3,460	2,556	4,953
Less: Net income (loss) attributable to noncontrolling interests	1	12	3	22
NET INCOME ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY	$1,371	$3,448	$2,553	$4,931
BASIC NET INCOME PER SHARE[1]	$0.32	$0.80	$0.60	$1.14
DILUTED NET INCOME PER SHARE[1]	$0.32	$0.79	$0.59	$1.13
DIVIDENDS PER SHARE	$0.37	$0.35	$0.74	$0.70
AVERAGE SHARES OUTSTANDING	4,273	4,323	4,280	4,325
Effect of dilutive securities	54	54	50	54
AVERAGE SHARES OUTSTANDING ASSUMING DILUTION	4,327	4,377	4,330	4,379

[1] Calculated based on net income attributable to shareowners of The Coca-Cola Company.
Refer to Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended		Six Months Ended	
	June 30, 2017	July 1, 2016	June 30, 2017	July 1, 2016
CONSOLIDATED NET INCOME	$1,372	$3,460	$2,556	$4,953
Other comprehensive income:				
Net foreign currency translation adjustment	(103)	606	818	329
Net gain (loss) on derivatives	(177)	(138)	(298)	(565)
Net unrealized gain (loss) on available-for-sale securities	5	109	164	161
Net change in pension and other benefit liabilities	(8)	58	33	89
TOTAL COMPREHENSIVE INCOME (LOSS)	1,089	4,095	3,273	4,967
Less: Comprehensive income (loss) attributable to noncontrolling interests	1	11	4	15
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY	$1,088	$4,084	$3,269	$4,952

Refer to Notes to Condensed Consolidated Financial Statements.

THE COCA-COLA COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(In millions except par value)

	June 30, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$11,718	$ 8,555
Short-term investments	11,016	9,595
TOTAL CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS	22,734	18,150
Marketable securities	4,490	4,051
Trade accounts receivable, less allowances of $473 and $466, respectively	4,024	3,856
Inventories	2,790	2,675
Prepaid expenses and other assets	2,866	2,481
Assets held for sale	2,057	2,797
TOTAL CURRENT ASSETS	38,961	34,010
EQUITY METHOD INVESTMENTS	20,845	16,260
OTHER INVESTMENTS	1,158	989
OTHER ASSETS	4,318	4,248
PROPERTY, PLANT AND EQUIPMENT, less accumulated depreciation of $10,441 and $10,621, respectively	8,672	10,635
TRADEMARKS WITH INDEFINITE LIVES	6,527	6,097
BOTTLERS' FRANCHISE RIGHTS WITH INDEFINITE LIVES	772	3,676
GOODWILL	9,449	10,629
OTHER INTANGIBLE ASSETS	444	726
TOTAL ASSETS	$91,146	$ 87,270
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$10,363	$ 9,490
Loans and notes payable	14,355	12,498
Current maturities of long-term debt	3,478	3,527
Accrued income taxes	351	307
Liabilities held for sale	283	710
TOTAL CURRENT LIABILITIES	28,830	26,532
LONG-TERM DEBT	31,805	29,684
OTHER LIABILITIES	4,092	4,081
DEFERRED INCOME TAXES	4,330	3,753
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	15,473	14,993
Reinvested earnings	64,890	65,502
Accumulated other comprehensive income (loss)	(10,489)	(11,205)
Treasury stock, at cost — 2,772 and 2,752 shares, respectively	(49,633)	(47,988)
EQUITY ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY	22,001	23,062
EQUITY ATTRIBUTABLE TO NONCONTROLLING INTERESTS	88	158
TOTAL EQUITY	22,089	23,220
TOTAL LIABILITIES AND EQUITY	$91,146	$ 87,270

Refer to Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended	
	June 30, 2017	July 1, 2016
OPERATING ACTIVITIES		
Consolidated net income	$2,556	$4,953
Depreciation and amortization	629	903
Stock-based compensation expense	114	119
Deferred income taxes	620	(178)
Equity (income) loss — net of dividends	(303)	(224)
Foreign currency adjustments	33	118
Significant (gains) losses on sales of assets — net	259	(762)
Other operating charges	970	210
Other items	(68)	(125)
Net change in operating assets and liabilities	(1,419)	(1,194)
Net cash provided by operating activities	3,391	3,820
INVESTING ACTIVITIES		
Purchases of investments	(10,047)	(9,045)
Proceeds from disposals of investments	8,337	9,518
Acquisitions of businesses, equity method investments and nonmarketable securities	(520)	(723)
Proceeds from disposals of businesses, equity method investments and nonmarketable securities	2,055	420
Purchases of property, plant and equipment	(832)	(1,085)
Proceeds from disposals of property, plant and equipment	42	41
Other investing activities	(259)	(63)
Net cash provided by (used in) investing activities	(1,224)	(937)
FINANCING ACTIVITIES		
Issuances of debt	18,586	15,947
Payments of debt	(14,910)	(12,750)
Issuances of stock	917	1,108
Purchases of stock for treasury	(2,197)	(2,156)
Dividends	(1,584)	(3,017)
Other financing activities	(15)	85
Net cash provided by (used in) financing activities	797	(783)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	199	238
CASH AND CASH EQUIVALENTS		
Net increase (decrease) during the period	3,163	2,338
Balance at beginning of period	8,555	7,309
Balance at end of period	$11,718	$9,647

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, 2016.

When used in these notes, the terms "The Coca-Cola Company," "Company," "we," "us" and "our" mean The Coca-Cola Company and all entities included in our Condensed Consolidated Financial Statements. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. Sales of our nonalcoholic ready-to-drink beverages are somewhat seasonal, with the second and third calendar quarters accounting for the highest sales volumes. The volume of sales in the beverage business may be affected by weather conditions.

Each of our interim reporting periods, other than the fourth interim reporting period, ends on the Friday closest to the last day of the corresponding quarterly calendar period. The second quarter of 2017 and the second quarter of 2016 ended on June 30, 2017 and July 1, 2016, 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.

Advertising Costs

The Company's accounting policy related to advertising costs for annual reporting purposes, as disclosed in Note 1 of our 2016 Annual Report on Form 10-K, is to expense production costs of print, radio, television and other advertisements as of the first date the advertisements take place. All other marketing expenditures are expensed in the annual period in which the expenditure is incurred.

For interim reporting purposes, we allocate our estimated full year marketing expenditures that benefit multiple interim periods to each of our interim reporting periods. We use the proportion of each interim period's actual unit case volume to the estimated full year unit case volume as the basis for the allocation. This methodology results in our marketing expenditures being recognized at a standard rate per unit case. At the end of each interim reporting period, we review our estimated full year unit case volume and our estimated full year marketing expenditures 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.

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. During the six months ended July 1, 2016, the Venezuelan government devalued its currency and changed its official and most preferential exchange rate, which should be used for purchases of certain essential goods, to 10 bolivars per U.S. dollar from 6.3. The official and most preferential rate is now known as DIPRO. The Venezuelan government also announced a new rate known as DICOM, which is allowed to float freely and is expected to fluctuate based on supply and demand. Management determined that the DICOM rate was the most appropriate legally available rate to remeasure the net monetary assets of our Venezuelan subsidiary.

In addition to the foreign currency exchange exposure related to our Venezuelan subsidiary's net monetary assets, we also sell concentrate to our bottling partner in Venezuela from outside the country. These sales are denominated in U.S. dollars. We also have certain U.S. dollar-denominated intangible assets associated with products sold in Venezuela. As a result of weaker sales and the volatility of foreign currency exchange rates resulting from continued political instability, we recorded impairment charges of $14 million and $34 million during the three and six months ended June 30, 2017, respectively, in the line item other

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operating charges in our condensed consolidated statements of income. As a result of these impairment charges, the remaining carrying value of all U.S. dollar-denominated intangible assets associated with products sold in Venezuela is zero.

Recently Issued Accounting Guidance

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, which will replace 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. The core principle of ASU 2014-09 is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. ASU 2014-09 also requires additional disclosures about the nature, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. ASU 2014-09 allows for adoption either on a full retrospective basis to each prior reporting period presented or on a modified retrospective basis with the cumulative effect of initially applying the new guidance recognized at the date of initial application, which will be effective for the Company beginning January 1, 2018.

The Company plans to adopt ASU 2014-09 and its amendments on a modified retrospective basis. We expect that ASU 2014-09's broad definition of variable consideration will require the Company to estimate and record certain variable payments resulting from collaborative funding arrangements, rebates and other pricing allowances earlier than it currently does. While we do not expect this change to have a material impact on our net operating revenues on an annual basis, we do expect that it will have an impact on our revenue in interim periods. Additionally, as a result of electing certain of the practical expedients available under the ASU, the Company expects there will be some reclassifications to or from net operating revenues, cost of goods sold, and selling, general and administrative expenses. As we continue our assessment, the Company is also identifying and preparing to implement changes to our accounting policies and practices, business processes, systems and controls to support the new revenue recognition and disclosure requirements. We are in the process of quantifying the identified differences that will result from applying the new guidance. Our assessment will be completed during fiscal year 2017.

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes. The amendments in this update are intended to simplify the presentation of deferred income taxes and require that deferred tax liabilities and assets be classified as noncurrent in a consolidated statement of financial position. These amendments may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. The standard was prospectively adopted by the Company on January 1, 2017. Had the Company retrospectively adopted the standard, as of December 31, 2016, the line items prepaid expenses and other assets and accounts payable and accrued expenses in our condensed consolidated balance sheet would have been reduced by $80 million and $692 million, respectively, as a result of reclassifying the current deferred tax assets and liabilities. The offsetting impact for the reclassifications as of December 31, 2016 would have increased the noncurrent line items other assets and deferred income taxes in our condensed consolidated balance sheet by $54 million and $666 million, respectively.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments — Overall: Recognition and Measurement of Financial Assets and Financial Liabilities, which addresses certain aspects of the recognition, measurement, presentation and disclosure of financial instruments. The amendment will be effective for the Company beginning January 1, 2018 and will require us to recognize any changes in the fair value of certain equity investments in net income. These changes are currently recognized in other comprehensive income ("OCI").

In February 2016, the FASB issued ASU 2016-02, Leases, which requires lessees to recognize on the balance sheet a right-of-use asset, representing their right to use the underlying asset for the lease term, and a lease liability for all leases with terms greater than 12 months. The guidance also requires qualitative and quantitative disclosures designed to assess the amount, timing and uncertainty of cash flows arising from leases. 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. ASU 2016-02 is effective for the Company beginning January 1, 2019 and we are currently evaluating the impact that ASU 2016-02 will have on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation — Stock Compensation: Improvements to Employee Share-Based Payment Accounting. The standard is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and forfeitures. The Company adopted ASU 2016-09 on January 1, 2017 by prospectively recognizing excess tax benefits and tax deficiencies in our consolidated statement of income as the awards vested or were settled. Effective January 1, 2017, the Company also prospectively presented excess tax benefits as an operating activity, rather than a financing activity, in our consolidated statement of cash flows. Had these changes been required to be adopted retrospectively, during the three and six months ended July 1, 2016, the Company would have recognized an additional $24 million and $120 million, respectively, of excess tax benefits in our condensed consolidated statements of income. Additionally, during the six months ended July 1, 2016, the Company would have reduced our financing activities and increased our operating activities by $120 million, in our condensed consolidated statement of cash flows. The Company has elected, consistent with past practice, to estimate the number of awards that are expected to vest to determine the amount of stock-based compensation expense recognized in earnings.
In June 2016, the FASB issued ASU 2016-13, Financial Instruments — Measurement of Credit Losses on Financial Instruments, which requires measurement and recognition of expected credit losses for financial assets held. ASU 2016-13 is effective for the Company beginning January 1, 2020 and we are currently evaluating the impact that ASU 2016-13 will have on our consolidated financial statements.
In October 2016, the FASB issued ASU 2016-16, Intra-Entity Transfers of Assets Other Than Inventory, 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 is effective for the Company beginning January 1, 2018 and will be applied using a modified retrospective basis. While we are still evaluating the impact of this ASU, we currently expect the cumulative-effect adjustment to be approximately $2.7 billion. This amount will be recorded as a deferred tax asset in the line item other assets in our consolidated balance sheet.
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 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 generally described as restricted cash or restricted cash equivalents. ASU 2016-18 is effective for the Company beginning January 1, 2018 and is required to be applied using a retrospective transition method to each period presented. The Company is currently evaluating the impact that ASU 2016-18 will have on our consolidated cash flows.
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 is required to be applied prospectively and will be effective for the Company beginning January 1, 2018. The impact on our consolidated financial statements will depend on the facts and circumstances of any specific future transactions.
In February 2017, the FASB issued ASU 2017-05, Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets, which defines the term "in-substance nonfinancial asset" and clarifies the scope and accounting of a financial asset that meets the definition. ASU 2017-05 also provides guidance for partial sales of nonfinancial assets. ASU 2017-05 may be adopted under a retrospective or modified retrospective approach and is effective for the Company beginning January 1, 2018. We are currently evaluating the impact that ASU 2017-05 will have on our consolidated financial statements.
In March 2017, the FASB issued ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, 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 other components of net periodic benefit cost being classified outside of a subtotal of income from operations. Of the components of net periodic benefit cost, only the service cost component will be eligible for asset capitalization. ASU 2017-07 is effective for the Company beginning January 1, 2018 and is required to be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the income statement. ASU 2017-07 allows a practical expedient for the estimation basis for applying the retrospective presentation requirements

and requires the prospective adoption, on and after the effective date, for the capitalization of the service cost component of net periodic pension cost and net periodic postretirement benefit cost in assets. The Company is currently evaluating the impact that ASU 2017-07 will have on our consolidated financial statements.

NOTE 2: ACQUISITIONS AND DIVESTITURES

Acquisitions

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

During the six months ended July 1, 2016, our Company's acquisitions of businesses, equity method investments and nonmarketable securities totaled $723 million, which primarily related to our acquisition of Xiamen Culiangwang Beverage Technology Co., Ltd. ("China Green"), a maker of plant-based protein beverages in China, and a minority investment in CHI Limited ("CHI"), a Nigerian producer of value-added dairy and juice beverages, which is accounted for under the equity method of accounting. Under the terms of the agreement for our investment in CHI, the Company is obligated to acquire the remaining ownership interest from the existing shareowners in 2019 based on an agreed-upon formula.

Divestitures

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

During the six months ended July 1, 2016, proceeds from disposals of businesses, equity method investments and nonmarketable securities totaled $420 million, primarily related to proceeds from the refranchising of certain bottling territories in North America.

Refranchising of China Bottling Operations

In November 2016, the Company entered into definitive agreements for the sale of the Company-owned bottling operations in China to the two existing local franchise bottlers and to sell a related cost method investment to one of the franchise bottlers. As a result, the Company's bottling operations in China and a related cost method investment were classified as held for sale as of December 31, 2016. On April 1, 2017, the Company sold a substantial portion of its bottling operations in China to the two local franchise bottlers. We received $740 million as a result of these sales and recognized a gain of $9 million, which was included in the line item other income (loss) — net in our condensed consolidated statement of income. On June 30, 2017, we received an advance payment of $191 million related to the remaining bottling operations and cost method investment, which has been reflected in the line item accounts payable and accrued expenses in our condensed consolidated balance sheet. The remaining bottling operations and cost method investment were sold on July 1, 2017.

North America Refranchising

In conjunction with implementing a new beverage partnership model in North America, the Company refranchised bottling territories that were previously managed by CCR to certain of our unconsolidated bottling partners. These territories generally border these bottlers' existing territories, allowing each bottler to better service local customers and provide more efficient execution. By entering into comprehensive beverage agreements ("CBAs") with each of the bottlers, we granted certain exclusive territory rights for the distribution, promotion, marketing and sale of Company-owned and licensed beverage products as defined by the CBA. In some cases, the Company has entered into, or agreed to enter into, manufacturing agreements that authorize certain bottlers that have executed a CBA to manufacture certain beverage products. If a bottler has not entered into a specific manufacturing agreement, then under the CBA for these territories, CCR retains the rights to produce these beverage products, and the bottlers will purchase from CCR (or other Company-authorized manufacturing bottlers) substantially all of the related finished products needed in order to service the customers in these territories.

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, the bottlers will 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.

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.

In 2016, the Company formed a new National Product Supply System ("NPSS") to facilitate optimal operation of the U.S. product supply system. Under the NPSS, the Company and several of its existing independent producing bottlers administer key national product supply activities for these bottlers. Additionally, we have sold or are in the process of selling certain production

facilities from CCR to these independent producing bottlers in exchange for cash, excluding production facilities included in the Southwest Transaction.

During the six months ended June 30, 2017 and July 1, 2016, cash proceeds from these sales totaled $1,118 million and $404 million, respectively. Included in the cash proceeds for the six months ended June 30, 2017 and July 1, 2016, was $224 million and $181 million, respectively, from Coca-Cola Bottling Co. Consolidated ("CCBCC"), an equity method investee.

Under the applicable accounting guidance, we were required to derecognize all of the tangible assets sold as well as the intangible assets transferred, including distribution rights, customer relationships and an allocated portion of goodwill related to these territories. We recognized losses of $1,274 million and $199 million during the three months ended June 30, 2017 and July 1, 2016, respectively. During the six months ended June 30, 2017 and July 1, 2016, the Company recognized losses of $1,771 million and $568 million, respectively. These losses primarily related to the derecognition of the intangible assets transferred or reclassified as held for sale and were included in the line item other income (loss) — net in our condensed consolidated statements of income. See further discussion of assets and liabilities held for sale below. 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 income statement only after the related contingencies are resolved and the gain is realized, which in this arrangement will be quarterly as the bottlers earn gross profit in the transferred territories. Alternatively, the seller can record a receivable for the contingent consideration at fair value on the date of sale and record any future differences between the payments received and this receivable in the income statement as they occur. We elected the gain contingency treatment since the quarterly payments will be received throughout the terms of the CBAs, including all subsequent renewals, regardless of the cumulative amount received as compared to the value of the intangible assets transferred.

During the three and six months ended June 30, 2017, the Company incurred charges of $109 million and $215 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. 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, and consistency with other U.S. bottlers that have been granted or converted to this form of CBA. The expense related to these payments was included in the line item other income (loss) — net in our condensed consolidated statement of income during the three and six months ended June 30, 2017.

On April 1, 2017, the Company refranchised the Southwest operating unit of CCR, which includes Texas and parts of Oklahoma, New Mexico and Arkansas, in the Southwest Transaction. In conjunction with the Southwest Transaction, Arca contributed its existing beverage business to AC Bebidas. CCR contributed its Southwest operating unit, including all of its assets and liabilities, to AC Bebidas in exchange for an approximate 20 percent interest in AC Bebidas. Arca owns the remaining interest in AC Bebidas. After post-closing adjustments, CCR will have made cash payments of approximately $112 million of cash, 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. AC Bebidas will participate in the NPSS as it relates to its U.S. territory. 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. As a condition of the closing of the Southwest Transaction, we anticipate acquiring certain trademarks and a related business from AC Bebidas in the second half of 2017.

Coca-Cola European Partners

In August 2015, the Company entered into an agreement to merge our German bottling operations with Coca-Cola Enterprises, Inc. ("CCE") and Coca-Cola Iberian Partners, S.A.U., formerly known as Coca-Cola Iberian Partners, S.A. ("CCIP"), to create Coca-Cola European Partners plc ("CCEP"). On May 28, 2016, the transaction closed and we exchanged our German bottling operations for an 18 percent interest in CCEP. As a result of recording our interest in CCEP at fair value based on its quoted market price, the deconsolidation of our German bottling operations, and the related reversal of its cumulative translation

adjustments, we recognized a gain of $1,400 million. This gain was partially offset by a $77 million loss incurred as a result of reclassifying losses related to our net investment hedges of our German bottling operations from accumulated other comprehensive income (loss) ("AOCI") into earnings as well as transaction costs incurred resulting in a net gain of $1,292 million during the three and six months ended July 1, 2016. Refer to Note 8. With the exception of the transaction costs, the net gain was recorded in the line item other income (loss) — net in our condensed consolidated statement of income. The Company accounts for its 18 percent interest in CCEP as an equity method investment based on our equity ownership percentage, our representation on CCEP's Board of Directors, material intercompany transactions and other governance rights.

Keurig Green Mountain, Inc.

In March 2016, a JAB Holding Company-led investor group acquired Keurig Green Mountain, Inc. ("Keurig"), including the shares held by the Company, for $92 per share. As a result of the transaction, the Company received proceeds of $2,380 million, which were recorded in the line item proceeds from disposals of investments in our condensed consolidated statement of cash flows, and recorded a gain of $18 million related to the disposal of our shares of Keurig in the line item other income (loss) — net in our condensed consolidated statement of income during the six months ended July 1, 2016.

Assets and Liabilities Held for Sale

As of June 30, 2017, the Company had entered into agreements, or otherwise approved plans, to refranchise additional bottling territories. For bottling territories that 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 condensed consolidated balance sheet. The Company expects that these bottling territories will be refranchised at various times throughout the remainder of 2017.

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

	June 30, 2017	December 31, 2016
Cash, cash equivalents and short-term investments	$ 21	$ 49
Trade accounts receivable, less allowances	289	43
Inventories	187	264
Prepaid expenses and other assets	32	114
Equity method investments	—	1
Other investments	42	42
Other assets	17	17
Property, plant and equipment — net	1,252	1,780
Bottlers' franchise rights with indefinite lives	1,127	1,388
Goodwill	353	390
Other intangible assets	47	51
Allowance for reduction of assets held for sale	(1,310)	(1,342)
Total assets	$ 2,057 [1]	$ 2,797 [3]
Accounts payable and accrued expenses	$ 267	$ 393
Accrued income taxes	8	13
Other liabilities	8	1
Deferred income taxes	—	303
Total liabilities	$ 283 [2]	$ 710 [4]

[1] Consists of total assets relating to North America refranchising of $1,724 million, China bottling operations of $316 million and other assets held for sale of $17 million, which are included in the Bottling Investments operating segment and Corporate.

[2]

Consists of total liabilities relating to North America refranchising of $189 million and China bottling operations of $94 million, which are included in the Bottling Investments operating segment.

[3] Consists of total assets relating to North America refranchising of $1,247 million, China bottling operations of $1,533 million and other assets held for sale of $17 million, which are included in the Bottling Investments operating segment and Corporate.

[4] Consists of total liabilities relating to North America refranchising of $224 million, China bottling operations of $483 million and other liabilities held for sale of $3 million, which are included in the Bottling Investments operating segment and Corporate.

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

NOTE 3: INVESTMENTS

Investments in debt and marketable securities, other than investments accounted for under the equity method, are classified as trading, available-for-sale or held-to-maturity. Our marketable equity investments are classified as either trading or available-for-sale with their cost basis determined by the specific identification method. Our investments in debt securities are carried at either amortized cost or fair value. Investments in debt securities that the Company has the positive intent and ability to hold to maturity are carried at amortized cost and classified as held-to-maturity. Investments in debt securities that are not classified as held-to-maturity are carried at fair value and classified as either trading or available-for-sale. Realized and unrealized gains and losses on trading securities and realized gains and losses on available-for-sale securities are included in net income. Unrealized gains and losses, net of deferred taxes, on available-for-sale securities are included in our condensed consolidated balance sheets as a component of AOCI, except for the change in fair value attributable to the currency risk being hedged. Refer to Note 5 for additional information related to the Company's fair value hedges of available-for-sale securities.

Trading Securities

As of June 30, 2017 and December 31, 2016, our trading securities had a fair value of $415 million and $384 million, respectively, and consisted primarily of equity securities. The Company had net unrealized gains on trading securities of $109 million and $39 million as of June 30, 2017 and December 31, 2016, respectively.

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

	June 30, 2017	December 31, 2016
Marketable securities	$ 309	$ 282
Other assets	106	102
Total	$ 415	$ 384

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

As of June 30, 2017 and December 31, 2016, the Company did not have any held-to-maturity securities. As of June 30, 2017, available-for-sale securities consisted of the following (in millions):

		Gross Unrealized		Estimated
	Cost	Gains	Losses	Fair Value
Available-for-sale securities:[1]				
Equity securities	$ 1,268	$ 634	$ (31)	$ 1,871
Debt securities	6,076	117	(22)	6,171
Total	$ 7,344	$ 751	$ (53)	$ 8,042

[1] Refer to Note 14 for additional information related to the estimated fair value.

As of December 31, 2016, available-for-sale securities consisted of the following (in millions):

		Gross Unrealized		Estimated
	Cost	Gains	Losses	Fair Value
Available-for-sale securities:[1]				
Equity securities	$ 1,252	$ 425	$ (22)	$ 1,655
Debt securities	4,700	89	(31)	4,758
Total	$ 5,952	$ 514	$ (53)	$ 6,413

[1] Refer to Note 14 for additional information related to the estimated fair value.

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

	Three Months Ended		Six Months Ended	
	June 30, 2017	July 1, 2016	June 30, 2017	July 1, 2016
Gross gains	$14	$ 10	$40	$ 110
Gross losses	(7)	(6)	(14)	(36)
Proceeds	3,456	2,301	6,550	6,817

As of June 30, 2017 and December 31, 2016, the Company had investments classified as available-for-sale in which our cost basis exceeded the fair value of our investment. 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 investments was not other than temporary and did not record any impairment charges.

The Company uses two of its consolidated insurance captives to reinsure group annuity insurance contracts that cover the pension obligations of certain of our European and Canadian pension plans. In accordance with local insurance regulations, our insurance captives are required to meet and maintain minimum solvency capital requirements. The Company elected to invest its solvency capital in a portfolio of available-for-sale securities, which are classified in the line item other assets in our condensed consolidated balance sheets because the assets are not available to satisfy our current obligations. As of June 30, 2017 and December 31, 2016, the Company's available-for-sale securities included solvency capital funds of $1,047 million and $985 million, respectively.

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

	June 30, 2017	December 31, 2016
Cash and cash equivalents	$ 1,795	$ 682
Marketable securities	4,180	3,769
Other investments	1,014	849
Other assets	1,053	1,113
Total	$ 8,042	$ 6,413

The contractual maturities of these available-for-sale securities as of June 30, 2017, were as follows (in millions):

	Cost	Estimated Fair Value
Within 1 year	$2,261	$ 2,305
After 1 year through 5 years	3,358	3,385
After 5 years through 10 years	142	158
After 10 years	315	323
Equity securities	1,268	1,871
Total	$7,344	$ 8,042

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

Cost Method Investments

Cost method investments are initially recorded at cost, and we record dividend income when applicable dividends are declared. Cost method investments are reported as other investments in our condensed consolidated balance sheets, and dividend income from cost method investments is reported in other income (loss) — net in our condensed consolidated statements of income. We review all of our cost method investments quarterly to determine if impairment indicators are present; however, we are not required to determine the fair value of these investments unless impairment indicators exist. When impairment indicators exist, we generally use discounted cash flow analyses to determine the fair value. We estimate that the fair values of our cost method investments approximated or exceeded their carrying values as of June 30, 2017 and December 31, 2016. Our cost method investments had carrying values of $144 million and $140 million as of June 30, 2017 and December 31, 2016, respectively.

NOTE 4: INVENTORIES

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

	June 30, 2017	December 31, 2016
Raw materials and packaging	$ 1,709	$ 1,565
Finished goods	828	844
Other	253	266
Total inventories	$ 2,790	$ 2,675

NOTE 5: HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS

The Company is directly and indirectly affected by changes in certain market conditions. These changes in market conditions may adversely impact the Company's financial performance and are referred to as "market risks." When deemed appropriate, our Company uses derivatives as a risk management tool to mitigate the potential impact of certain market risks. The primary market risks managed by the Company through the use of derivative 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 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 statement of income as the changes in the fair values of the hedged items attributable to the risk being hedged. The changes in the fair values of derivatives that have been designated and qualify as cash flow hedges or hedges of net investments in foreign operations are recorded in AOCI and are reclassified into the line item in our condensed consolidated statement of income in which the hedged items are recorded in the same period the hedged items affect earnings. Due to the high degree of effectiveness between the hedging instruments and the underlying exposures being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the fair values or cash flows of the

underlying exposures being hedged. The changes in 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 14. The notional amounts of the derivative financial instruments do not necessarily represent amounts exchanged by the parties and, therefore, are not a direct measure of our exposure to the financial risks described above. The amounts exchanged are calculated by reference to the notional amounts and by other terms of the derivatives, such as interest rates, foreign currency exchange rates, 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] June 30, 2017	Fair Value[1,2] December 31, 2016
Assets:			
Foreign currency contracts	Prepaid expenses and other assets	$229	$ 400
Foreign currency contracts	Other assets	43	60
Interest rate contracts	Other assets	69	105
Total assets		$341	$ 565
Liabilities:			
Foreign currency contracts	Accounts payable and accrued expenses	$72	$ 40
Foreign currency contracts	Other liabilities	49	54
Commodity contracts	Accounts payable and accrued expenses	1	1
Interest rate contracts	Accounts payable and accrued expenses	31	36
Interest rate contracts	Other liabilities	51	47
Total liabilities		$204	$ 178

[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 14 for the net presentation of the Company's derivative instruments.
[2] Refer to Note 14 for additional information related to the estimated fair value.

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

Derivatives Not Designated as Hedging Instruments	Balance Sheet Location[1]	Fair Value[1,2] June 30, 2017	December 31, 2016
Assets:			
Foreign currency contracts	Prepaid expenses and other assets	$46	$ 284
Foreign currency contracts	Other assets	10	—
Commodity contracts	Prepaid expenses and other assets	14	27
Commodity contracts	Other assets	1	1
Other derivative instruments	Prepaid expenses and other assets	6	4
Other derivative instruments	Other assets	1	1
Total assets		$78	$ 317
Liabilities:			
Foreign currency contracts	Accounts payable and accrued expenses	$43	$ 60
Foreign currency contracts	Other liabilities	17	16
Commodity contracts	Accounts payable and accrued expenses	7	16
Commodity contracts	Other liabilities	2	1
Interest rate contracts	Accounts payable and accrued expenses	—	8
Interest rate contracts	Other liabilities	—	1
Other derivative instruments	Accounts payable and accrued expenses	4	2
Other derivative instruments	Other liabilities	1	5
Total liabilities		$74	$ 109

[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 14 for the net presentation of the Company's derivative instruments.

[2] Refer to Note 14 for additional information related to the estimated fair value.

Credit Risk Associated with Derivatives

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

Cash Flow Hedging Strategy

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

The Company maintains a foreign currency cash flow hedging program to reduce the risk that our eventual U.S. dollar net cash inflows from sales outside the United States and U.S. dollar net cash outflows from procurement activities will be adversely affected by fluctuations in foreign currency exchange rates. We enter into forward contracts and

purchase foreign currency options (principally euros and Japanese yen) and collars to hedge certain portions of forecasted cash flows denominated in foreign currencies. When the U.S. dollar strengthens against the foreign currencies, the decline in the present value of future foreign currency cash flows is partially offset by gains in the fair value of the derivative instruments. Conversely, when the U.S. dollar weakens, the increase in the present value of future foreign currency cash flows is partially offset by losses in the fair value of the derivative instruments. The total notional values of derivatives that were designated and qualify for the Company's foreign currency cash flow hedging program were $4,776 million and $6,074 million as of June 30, 2017 and December 31, 2016, respectively.

The Company uses cross-currency swaps to hedge the changes in cash flows of certain of its foreign currency denominated debt due to changes in foreign currency exchange rates. For this hedging program, the Company records the change in carrying value of the foreign currency denominated debt 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 for the Company's cross-currency swaps were $1,851 million as of both June 30, 2017 and December 31, 2016.

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 $7 million and $12 million as of June 30, 2017 and December 31, 2016, 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 values of these interest rate swap agreements that were designated and qualified for the Company's interest rate cash flow hedging program were $500 million and $1,500 million as of June 30, 2017 and December 31, 2016, respectively.

The following table presents the pretax impact that changes in the fair values of derivatives designated as cash flow hedges had on AOCI and earnings during the three months ended June 30, 2017 (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)
Foreign currency contracts	$ (94)	Net operating revenues	$ 116	$ (1)[2]
Foreign currency contracts	(5)	Cost of goods sold	2	—
Foreign currency contracts	—	Interest expense	(3)	—
Foreign currency contracts	(2)	Other income (loss) — net	25	8
Interest rate contracts	(25)	Interest expense	(9)	2
Commodity contracts	—	Cost of goods sold	—	—
Total	$ (126)		$ 131	$ 9

[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.

The following table presents the pretax impact that changes in the fair values of derivatives designated as cash flow hedges had on AOCI and earnings during the six months ended June 30, 2017 (in millions):

	Gain (Loss) Recognized in OCI	Location of Gain (Loss) Recognized in Income[1]	Gain (Loss) Reclassified from AOCI into Income	Gain (Loss) Recognized in Income (Ineffective Portion and

			(Effective Portion)	Amount Excluded from Effectiveness Testing)
Foreign currency contracts	$ (181)	Net operating revenues	$ 223	$ (1)
Foreign currency contracts	(16)	Cost of goods sold	5	— [2]
Foreign currency contracts	—	Interest expense	(5)	—
Foreign currency contracts	13	Other income (loss) — net	52	— [2]
Interest rate contracts	(24)	Interest expense	(17)	2
Commodity contracts	(1)	Cost of goods sold	1	—
Total	$ (209)		$ 259	$ 1

[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.

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The following table presents the pretax impact that changes in the fair values of derivatives designated as cash flow hedges had on AOCI and earnings during the three months ended July 1, 2016 (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)
Foreign currency contracts	$ 46	Net operating revenues	$ 138	$ (1)
Foreign currency contracts	(19)	Cost of goods sold	13	(1)
Foreign currency contracts	—	Interest expense	(2)	—
Foreign currency contracts	(53)	Other income (loss) — net	(45)	—
Interest rate contracts	(95)	Interest expense	(2)	—
Commodity contracts	1	Cost of goods sold	—	—
Total	$ (120)		$ 102	$ (2)

[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.

The following table presents the pretax impact that changes in the fair values of derivatives designated as cash flow hedges had on AOCI and earnings during the six months ended July 1, 2016 (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)
Foreign currency contracts	$ (300)	Net operating revenues	$ 278	$ (1)
Foreign currency contracts	(43)	Cost of goods sold	33	(1)
Foreign currency contracts	—	Interest expense	(4)	—
Foreign currency contracts	(11)	Other income (loss) — net	(2)	—
Interest rate contracts	(252)	Interest expense	(4)	—
Commodity contracts	1	Cost of goods sold	—	—
Total	$ (605)		$ 301	$ (2)

[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.

As of June 30, 2017, the Company estimates that it will reclassify into earnings during the next 12 months $271 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 June 30, 2017, such adjustments had cumulatively increased the carrying value of our long-term debt by $10 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 that related to our fair value hedges of this type were $6,984 million and $6,158 million as of June 30, 2017 and December 31, 2016, 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 values of derivatives that related to our fair value hedges of this type were $1,147 million and $1,163 million as of June 30, 2017 and December 31, 2016, respectively.

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

Hedging Instruments and Hedged Items	Location of Gain (Loss) Recognized in Income	Gain (Loss) Recognized in Income[1] Three Months Ended June 30, 2017	July 1, 2016
Interest rate contracts	Interest expense	$ (23)	$ 92
Fixed-rate debt	Interest expense	24	(86)
Net impact to interest expense		$ 1	$ 6
Foreign currency contracts	Other income (loss) — net	$ (24)	$ (21)
Available-for-sale securities	Other income (loss) — net	24	26
Net impact to other income (loss) — net		$ —	$ 5
Net impact of fair value hedging instruments		$ 1	$ 11

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

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

Hedging Instruments and Hedged Items	Location of Gain (Loss) Recognized in Income	Gain (Loss) Recognized in Income[1] Six Months Ended June 30, 2017	July 1, 2016
Interest rate contracts	Interest expense	$ (65)	$ 398
Fixed-rate debt	Interest expense	57	(363)
Net impact to interest expense		$ (8)	$ 35
Foreign currency contracts	Other income (loss) — net	$ (43)	$ 30
Available-for-sale securities	Other income (loss) — net	46	(32)
Net impact to other income (loss) — net		$ 3	$ (2)
Net impact of fair value hedging instruments		$ (5)	$ 33

[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 investments in a number of foreign subsidiaries. For derivative instruments that are designated and qualify as hedges of net investments in foreign operations, the changes in fair values of the derivative instruments are recognized in net foreign currency translation 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 as of		Gain (Loss) Recognized in OCI Three Months Ended		Gain (Loss) Recognized in OCI Six Months Ended	
	June 30, 2017	December 31, 2016	June 30, 2017	July 1, 2016	June 30, 2017	July 1, 2016
Foreign currency contracts	$50	$ 100	$(2)	$(81)	$(15)	$(226)
Foreign currency denominated debt	12,569	11,113	(928)	265	(926)	(256)
Total	$12,619	$ 11,213	$(930)	$ 184	$(941)	$(482)

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The Company did not reclassify any gains or losses related to net investment hedges from AOCI into earnings during the three and six months ended June 30, 2017. In addition, the Company did not have any ineffectiveness related to net investment hedges during the three and six months ended June 30, 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.

The Company reclassified net deferred losses of $77 million related to the deconsolidation of our German bottling operations from AOCI into earnings during the three and six months ended July 1, 2016. Refer to Note 2.

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 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. The changes in fair values of economic hedges used to offset the variability in U.S. dollar net cash flows are recognized into earnings in the line items net operating revenues or cost of goods sold in our condensed consolidated statements of income, as applicable. The total notional values of derivatives related to our foreign currency economic hedges were $7,141 million and $5,276 million as of June 30, 2017 and December 31, 2016, 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 $367 million and $447 million as of June 30, 2017 and December 31, 2016, respectively.

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

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income	Three Months Ended June 30, 2017	July 1, 2016
Foreign currency contracts	Net operating revenues	$(8)	$ (3)
Foreign currency contracts	Cost of goods sold	—	7
Foreign currency contracts	Other income (loss) — net	66	(54)
Commodity contracts	Net operating revenues	(2)	4
Commodity contracts	Cost of goods sold	(3)	54
Commodity contracts	Selling, general and administrative expenses	(2)	6
Other derivative instruments	Selling, general and administrative expenses	13	—
Other derivative instruments	Other income (loss) — net	1	(4)
Total		$65	$ 10

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

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income	Six Months Ended June 30, 2017	July 1, 2016
Foreign currency contracts	Net operating revenues	$(18)	$(28)
Foreign currency contracts	Cost of goods sold	—	4
Foreign currency contracts	Other income (loss) — net	102	(116)
Commodity contracts	Net operating revenues	(5)	3
Commodity contracts	Cost of goods sold	28	77
Commodity contracts	Selling, general and administrative expenses	(3)	4
Other derivative instruments	Selling, general and administrative expenses	25	8
Other derivative instruments	Other income (loss) — net	1	(14)
Total		$130	$(62)

NOTE 6: DEBT AND BORROWING ARRANGEMENTS

During the six months ended June 30, 2017, the Company issued U.S. dollar- and euro-denominated debt of $1,000 million and €2,500 million, respectively. The carrying value of this debt as of June 30, 2017, was $3,842 million. The general terms of the notes issued are as follows:

- $500 million total principal amount of notes due May 25, 2022, at a fixed interest rate of 2.20 percent;
- $500 million total principal amount of notes due May 25, 2027, at a fixed interest rate of 2.90 percent;
- €1,500 million total principal amount of notes due March 8, 2019, at a variable interest rate equal to the three-month Euro Interbank Offered Rate ("EURIBOR") plus 0.25 percent;
- €500 million total principal amount of notes due March 9, 2021, at a fixed interest rate of 0.00 percent; and
- €500 million total principal amount of notes due March 8, 2024, at a fixed interest rate of 0.50 percent.

During the six months ended June 30, 2017, the Company retired upon maturity €2,000 million total principal amount of notes due March 9, 2017, at a variable interest rate equal to the three-month EURIBOR plus 0.15 percent. The Company also extinguished a portion of the long-term debt that was assumed in connection with our acquisition of CCE's former North America business ("Old CCE"). The extinguished notes had a carrying value of $360 million, which included fair value adjustments recorded as part of purchase accounting. The general terms of the notes extinguished were as follows:

- $95.6 million total principal amount of notes due August 15, 2019, at a fixed interest rate of 4.50 percent;
- $11.7 million total principal amount of notes due September 15, 2022, at a fixed interest rate of 8.00 percent;
- $36.5 million total principal amount of notes due September 15, 2023, at a fixed interest rate of 6.75 percent;
- $9.9 million total principal amount of notes due October 1, 2026, at a fixed interest rate of 7.00 percent;
- $53.8 million total principal amount of notes due November 15, 2026, at a fixed interest rate of 6.95 percent;
- $41.3 million total principal amount of notes due September 15, 2028, at a fixed interest rate of 6.75 percent;
- $32.0 million total principal amount of notes due October 15, 2036, at a fixed interest rate of 6.70 percent;
- $3.4 million total principal amount of notes due March 18, 2037, at a fixed interest rate of 5.71 percent;
- $24.3 million total principal amount of notes due January 15, 2038, at a fixed interest rate of 6.75 percent; and
- $4.7 million total principal amount of notes due May 15, 2098, at a fixed interest rate of 7.00 percent.

The Company recorded a net charge of $38 million in the line item interest expense in our condensed consolidated statement of income during the three and six months ended June 30, 2017. This net charge was due to the extinguishment of long-term debt described above.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Guarantees

As of June 30, 2017, we were contingently liable for guarantees of indebtedness owed by third parties of $612 million, of which $233 million related to variable interest entities. These guarantees are primarily related to third-party customers, bottlers, vendors and container manufacturing operations and have arisen through the normal course of business. These guarantees have various terms, and none of these guarantees was individually significant. The amount represents the maximum potential future payments that we could be required to make under the guarantees; however, we do not consider it probable that we will be required to satisfy these guarantees.

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

Legal Contingencies

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

Tax Audits

The Company is involved in various tax matters, with respect to some of which the outcome is uncertain. We establish reserves to remove some or all of the tax benefit of any of our tax positions at the time we determine that it becomes uncertain based upon one of the following conditions: (1) the tax position is not "more likely than not" to be sustained, (2) the tax position is "more likely than not" to be sustained, but for a lesser amount, or (3) the tax position is "more likely than not" to be sustained, but not in the financial period in which the tax position was originally taken. For purposes of evaluating whether or not a tax position is uncertain, (1) we presume the tax position will be examined by the relevant taxing authority that has full knowledge of all relevant information; (2) the technical merits of a tax position are derived from authorities such as legislation and statutes, legislative intent, regulations, rulings and case law and their applicability to the facts and circumstances of the tax position; and (3) each tax position is evaluated without consideration of the possibility of offset or aggregation with other tax positions taken. A number of years may elapse before a particular uncertain tax position is audited and finally resolved or when a tax assessment is raised. The number of years subject to tax assessments varies depending on the tax jurisdiction. The tax benefit that has been previously reserved because of a failure to meet the "more likely than not" recognition threshold would be recognized in our income tax expense in the first interim period when the uncertainty disappears under any one of the following conditions: (1) the tax position is "more likely than not" to be sustained, (2) the tax position, amount, and/or timing is ultimately settled through negotiation or litigation, or (3) the statute of limitations for the tax position has expired. Refer to Note 13.

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.

The Company has followed the same transfer pricing methodology for these licenses since the methodology was agreed with the IRS in a 1996 closing agreement that applied back to 1987. The closing agreement provides prospective penalty protection as long as the Company follows the prescribed methodology and material facts and circumstances and relevant Federal tax law have not changed. On February 11, 2016, the IRS notified the Company, without further explanation, that the IRS has determined that material facts and circumstances and relevant Federal tax law have changed and that it may assert penalties. The Company does not agree with this determination. 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 plans to pursue all available administrative and judicial remedies necessary to resolve this matter. 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. A trial date has been set for March 5, 2018. The Company intends to

vigorously defend its position and is confident in its ability to prevail on the merits. 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. The Company regularly assesses the likelihood of adverse outcomes resulting from examinations such as this to determine the adequacy of its tax reserves. The Company believes that the final adjudication of this matter will not have a material impact on its consolidated financial position, results of operations or cash flows. However, the ultimate outcome of disputes of this nature is uncertain, and if the IRS were to prevail on its assertions, the additional tax, interest and any potential penalties could have a material adverse impact on the Company's financial position, results of operations and cash flows.

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 $510 million and $527 million as of June 30, 2017 and December 31, 2016, respectively.

NOTE 8: 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):

	June 30, 2017	December 31, 2016
Foreign currency translation adjustments	$(8,963)	$(9,780)
Accumulated derivative net gains (losses)	16	314
Unrealized net gains (losses) on available-for-sale securities	469	305
Adjustments to pension and other benefit liabilities	(2,011)	(2,044)
Accumulated other comprehensive income (loss)	$(10,489)	$(11,205)

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

	Six Months Ended June 30, 2017		
	Shareowners of The Coca-Cola Company	Noncontrolling Interests	Total
Consolidated net income	$2,553	$ 3	$2,556
Other comprehensive income:			
Net foreign currency translation adjustment	817	1	818
Net gain (loss) on derivatives[1]	(298)	—	(298)
Net change in unrealized gain (loss) on available-for-sale securities[2]	164	—	164
Net change in pension and other benefit liabilities[3]	33	—	33
Total comprehensive income	$3,269	$ 4	$3,273

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

[2] Refer to Note 3 for additional information related to the net unrealized gain or loss on available-for-sale securities.

[3] Refer to Note 12 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 June 30, 2017	Before-Tax Amount	Income Tax	After-Tax Amount
Foreign currency translation adjustments:			
Translation adjustments arising during the period	$ (1,427)	$ (15)	$ (1,442)
Reclassification adjustments recognized in net income	120	(6)	114
Gains (losses) on intra-entity transactions that are of a long-term-investment nature	1,799	—	1,799
Gains (losses) on net investment hedges arising during the period[1]	(930)	356	(574)
Net foreign currency translation adjustments	(438)	335	(103)
Derivatives:			
Gains (losses) arising during the period	(135)	43	(92)
Reclassification adjustments recognized in net income	(139)	54	(85)
Net gains (losses) on derivatives[1]	(274)	97	(177)
Available-for-sale securities:			
Unrealized gains (losses) arising during the period	87	(19)	68
Reclassification adjustments recognized in net income	(94)	31	(63)
Net change in unrealized gain (loss) on available-for-sale securities[2]	(7)	12	5
Pension and other benefit liabilities:			
Net pension and other benefit liabilities arising during the period	(37)	5	(32)
Reclassification adjustments recognized in net income	32	(8)	24
Net change in pension and other benefit liabilities[3]	(5)	(3)	(8)
Other comprehensive income (loss) attributable to shareowners of The Coca-Cola Company	$ (724)	$ 441	$ (283)

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

2 Includes reclassification adjustments related to divestitures of certain available-for-sale securities. Refer to Note 3 and Note 10 for additional information related to these divestitures.

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

Six Months Ended June 30, 2017	Before-Tax Amount	Income Tax	After-Tax Amount
Foreign currency translation adjustments:			
Translation adjustments arising during the period	$ (955)	$ 32	$ (923)
Reclassification adjustments recognized in net income	120	(6)	114
Gains (losses) on intra-entity transactions that are of a long-term-investment nature	2,207	—	2,207
Gains (losses) on net investment hedges arising during the period[1]	(941)	360	(581)
Net foreign currency translation adjustments	431	386	817
Derivatives:			
Gains (losses) arising during the period	(213)	75	(138)
Reclassification adjustments recognized in net income	(259)	99	(160)
Net gains (losses) on derivatives[1]	(472)	174	(298)
Available-for-sale securities:			
Unrealized gains (losses) arising during the period	345	(106)	239
Reclassification adjustments recognized in net income	(113)	38	(75)
Net change in unrealized gain (loss) on available-for-sale securities[2]	232	(68)	164
Pension and other benefit liabilities:			
Net pension and other benefit liabilities arising during the period	(41)	24	(17)
Reclassification adjustments recognized in net income	73	(23)	50

Net change in pension and other benefit liabilities[3]	32	1	33
Other comprehensive income (loss) attributable to shareowners of The Coca-Cola Company	$ 223	$ 493	$ 716

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

2 Includes reclassification adjustments related to divestitures of certain available-for-sale securities. Refer to Note 3 and Note 10 for additional information related to these divestitures.

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

Three Months Ended July 1, 2016	Before-Tax Amount	Income Tax	After-Tax Amount
Foreign currency translation adjustments:			
Translation adjustment arising during the period	$ 428	$(108)	$ 320
Reclassification adjustments recognized in income	126	—	126
Gains (losses) on net investment hedges arising during the period[1]	184	(70)	114
Reclassification adjustments for net investment hedges recognized in net income[1]	77	(30)	47
Net foreign currency translation adjustments	815	(208)	607
Derivatives:			
Gains (losses) arising during the period	(122)	47	(75)
Reclassification adjustments recognized in net income	(100)	37	(63)
Net gains (losses) on derivatives[1]	(222)	84	(138)
Available-for-sale securities:			
Unrealized gains (losses) arising during the period	161	(49)	112
Reclassification adjustments recognized in net income	(4)	1	(3)
Net change in unrealized gain (loss) on available-for-sale securities[2]	157	(48)	109
Pension and other benefit liabilities:			
Net pension and other benefit liabilities arising during the period	(18)	4	(14)
Reclassification adjustments recognized in net income	106	(34)	72
Net change in pension and other benefit liabilities[3]	88	(30)	58
Other comprehensive income (loss) attributable to shareowners of The Coca-Cola Company	$ 838	$(202)	$ 636

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

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

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

Six Months Ended July 1, 2016	Before-Tax Amount	Income Tax	After-Tax Amount
Foreign currency translation adjustments:			
Translation adjustment arising during the period	$ 462	$(2)	$ 460
Reclassification adjustments recognized in income	126	—	126
Gains (losses) on net investment hedges arising during the period[1]	(482)	185	(297)
Reclassification adjustments for net investment hedges recognized in net income[1]	77	(30)	47
Net foreign currency translation adjustments	183	153	336
Derivatives:			
Gains (losses) arising during the period	(607)	229	(378)
Reclassification adjustments recognized in net income	(299)	112	(187)
Net gains (losses) on derivatives[1]	(906)	341	(565)
Available-for-sale securities:			
Unrealized gains (losses) arising during the period	294	(77)	217
Reclassification adjustments recognized in net income	(74)	18	(56)
Net change in unrealized gain (loss) on available-for-sale securities[2]	220	(59)	161
Pension and other benefit liabilities:			
Net pension and other benefit liabilities arising during the period	(12)	1	(11)
Reclassification adjustments recognized in net income	149	(49)	100
Net change in pension and other benefit liabilities[3]	137	(48)	89
	$ (366)	$ 387	$ 21

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

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

[2] Includes reclassification adjustments related to divestitures of certain available-for-sale securities. Refer to Note 3 for additional information related to these divestitures.

[3] Refer to Note 12 for additional information related to the Company's pension and other postretirement benefit liabilities.

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

Description of AOCI Component	Financial Statement Line Item	Amount Reclassified from AOCI into Income Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Foreign currency translation adjustments:			
Divestitures, deconsolidations and other[1]	Other income (loss) — net	$ 120	$ 120
	Income before income taxes	120	120
	Income taxes	(6)	(6)
	Consolidated net income	$ 114	$ 114
Derivatives:			
Foreign currency contracts	Net operating revenues	$ (115)	$ (222)
Foreign currency and commodity contracts	Cost of goods sold	(2)	(6)
Foreign currency contracts	Other income (loss) — net	(33)	(52)
Divestitures, deconsolidations and other[1]	Other income (loss) — net	1	1
Foreign currency and interest rate contracts	Interest expense	10	20
	Income before income taxes	(139)	(259)
	Income taxes	54	99
	Consolidated net income	$ (85)	$ (160)
Available-for-sale securities:			
Divestitures, deconsolidations and other[1]	Other income (loss) — net	$ (87)	$ (87)
Sale of securities	Other income (loss) — net	(7)	(26)
	Income before income taxes	(94)	(113)
	Income taxes	31	38
	Consolidated net income	$ (63)	$ (75)
Pension and other benefit liabilities:			
Curtailment charge	Other operating charges	$ (18)	$ (18)
Divestitures, deconsolidations and other[1]	Other income (loss) — net	7	7
Recognized net actuarial loss (gain)	*	47	93
Recognized prior service cost (credit)	*	(4)	(9)
	Income before income taxes	32	73
	Income taxes	(8)	(23)
	Consolidated net income	$ 24	$ 50

[1] Primarily 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. ("CCBJI"). Refer to Note 10.
*This component of AOCI is included in the Company's computation of net periodic benefit cost and is not reclassified out of AOCI into a single line item in our condensed consolidated statements of income in its entirety. Refer to Note 12 for additional information.

NOTE 9: CHANGES IN EQUITY

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

			Shareowners of The Coca-Cola Company					
	Common Shares Outstanding	Total	Reinvested Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock	Capital Surplus	Treasury Stock	Non-controlling Interests
December 31, 2016	4,288	$23,220	$65,502	$ (11,205)	$1,760	$14,993	$(47,988)	$ 158
Comprehensive income (loss)	—	3,273	2,553	716	—	—	—	4
Dividends paid/payable to shareowners of The Coca-Cola Company	—	(3,165)	(3,165)	—	—	—	—	—
Dividends paid to noncontrolling interests	—	(14)	—	—	—	—	—	(14)
Deconsolidation of certain entities	—	(95)	—	—	—	—	—	(95)
Purchases of treasury stock	(51)	(2,189)	—	—	—		(2,189)	—
Impact related to stock compensation plans	31	1,027	—	—	—	483	544	—
Other activities	—	32	—	—	—	(3)	—	35
June 30, 2017	4,268	$22,089	$64,890	$ (10,489)	$1,760	$15,473	$(49,633)	$ 88

NOTE 10: SIGNIFICANT OPERATING AND NONOPERATING ITEMS

Other Operating Charges

During the three months ended June 30, 2017, the Company recorded other operating charges of $823 million. These charges primarily consisted of $653 million of CCR asset impairments and $87 million related to the Company's productivity and reinvestment program. In addition, other operating charges included $44 million related to costs incurred to refranchise certain of our bottling operations. Costs related to refranchising include, among other items, internal and external costs for individuals directly working on the refranchising 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 $14 million related to the impairment of a Venezuelan intangible asset and $19 million related to tax litigation expense. Refer to Note 1 for additional information about the Venezuelan intangible asset and Note 14 for information on how the Company determined the asset impairment charges. Refer to Note 11 for additional information on the Company's productivity, integration and restructuring initiatives. Refer to Note 15 for the impact these charges had on our operating segments.

During the six months ended June 30, 2017, the Company recorded other operating charges of $1,131 million. These charges primarily consisted of $737 million of CCR asset impairments and $226 million related to the Company's productivity and reinvestment program. In addition, other operating charges included $101 million related to costs incurred to refranchise certain of our bottling operations, $34 million related to impairments of Venezuelan intangible assets and $25 million related to tax litigation expense. Refer to Note 1 for additional information about the Venezuelan intangible assets and Note 14 for information on how the Company determined the asset impairment charges. Refer to Note 11 for additional information on the Company's productivity, integration and restructuring initiatives. Refer to Note 15 for the impact these charges had on our operating segments.

During the three months ended July 1, 2016, the Company incurred other operating charges of $297 million. These charges included $65 million due to the Company's productivity and reinvestment program and $41 million due to the integration of our German bottling operations. In addition, the Company recorded charges of $52 million related to costs incurred to refranchise our North America bottling territories. These costs include, among other items, internal and external costs for individuals directly working on the refranchising efforts, severance and costs associated with the implementation of information technology systems to facilitate consistent data standards and availability throughout

the North America bottling system. The Company also recorded a charge of $100 million related to a cash contribution we made to The Coca-Cola Foundation and charges of $32 million related to noncapitalizable transaction costs associated with pending and closed transactions. Refer to Note 11 for additional information on the Company's productivity, integration and restructuring initiatives and Note 15 for the impact these charges had on our operating segments.

During the six months ended July 1, 2016, the Company incurred other operating charges of $608 million. These charges primarily consisted of $128 million due to the Company's productivity and reinvestment program and $240 million due to the integration of our German bottling operations. In addition, the Company recorded charges of $97 million related to costs incurred to refranchise our North America bottling territories. The Company also recorded a charge of $100 million related to a cash contribution we made to The Coca-Cola Foundation and charges of $33 million related to noncapitalizable transaction costs associated with pending and closed transactions. Refer to Note 11 for additional information on the Company's productivity, integration and restructuring initiatives. Refer to Note 15 for the impact these charges had on our operating segments.

Other Nonoperating Items

Interest Expense

During the three and six months ended June 30, 2017, the Company recorded a net charge of $38 million related to the extinguishment of long-term debt. Refer to Note 6.

Equity Income (Loss) — Net

During the three and six months ended June 30, 2017, the Company recorded a net gain of $37 million and a net charge of $21 million, respectively. During the three and six months ended July 1, 2016, the Company recorded net charges of $18 million and $21 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 15 for the impact these items had on our operating segments.

Other Income (Loss) — Net

During the three months ended June 30, 2017, the Company recognized a gain of $445 million related to the integration of CCW and CCEJ to establish CCBJI. In exchange for our previously existing equity interests in CCW and CCEJ, we received an approximate 17 percent equity interest in CCBJI with a fair market value of $1,112 million as of April 1, 2017. The Company accounts for its 17 percent interest in CCBJI as an equity method investment based on our equity ownership percentage, our representation on CCBJI's Board of Directors, material intercompany transactions and other governance rights. The Company also recognized a $25 million gain as a result of Coca-Cola FEMSA, S.A.B. de C.V. ("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 and a gain of $9 million related to refranchising a substantial portion of our China bottling operations. These gains were partially offset by a net charge of $214 million due to the refranchising of certain bottling territories in North America and charges of $109 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 incurred a charge of $26 million related to our former German bottling operations. 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 15 for the impact these items had on our operating segments.

During the six months ended June 30, 2017, the Company recognized a net charge of $711 million due to the refranchising of certain bottling territories in North America and charges of $215 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 incurred a charge of $26 million related to our former German bottling operations. These losses were partially offset by a gain of $445 million related to the integration of CCW and CCEJ to establish CCBJI. In exchange for our previously existing equity interests in CCW and CCEJ, we received an approximate 17 percent equity interest in CCBJI. The Company also recognized a $25 million gain 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 and a gain of $9 million related to refranchising a substantial portion of our China bottling operations. 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 15 for the impact these items had on our operating segments.

During the three months ended July 1, 2016, the Company recognized a gain of $1,323 million due to the deconsolidation of our German bottling operations. This gain was partially offset by losses of $199 million due to the refranchising of territories in North America. Refer to Note 2 for additional information on the deconsolidation of our

German bottling operations and the North America refranchising. Refer to Note 15 for the impact these items had on our operating segments.

During the six months ended July 1, 2016, the Company recognized a gain of $1,323 million due to the deconsolidation of our German bottling operations and a gain of $18 million resulting from the Company's disposal of its investment in Keurig. These gains were partially offset by losses of $568 million due to the refranchising of territories in North America. Refer to Note 2 for additional information on the deconsolidation of our German bottling operations, the Keurig investment disposal and the North America refranchising. Refer to Note 15 for the impact these items had on our operating segments.

NOTE 11: PRODUCTIVITY, INTEGRATION AND RESTRUCTURING INITIATIVES

Productivity and Reinvestment

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 its plans to transition 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 $2,634 million related to this program since it commenced. These expenses were recorded in the line item other operating charges in our condensed consolidated statements of income. Refer to Note 15 for the impact these charges had on our operating segments. Outside services reported in the table below primarily relate to expenses in connection with legal, outplacement and consulting activities. Other direct costs reported in the table below include, among other items, internal and external costs associated with the development, communication, administration and implementation of these initiatives; accelerated depreciation on certain fixed assets; contract termination fees; and relocation costs.

The following table summarizes the balance of accrued expenses related to these productivity and reinvestment initiatives and the changes in the accrued amounts as of and for the three months ended June 30, 2017 (in millions):

	Accrued Balance March 31, 2017	Costs Incurred Three Months Ended June 30, 2017	Payments	Noncash and Exchange	Accrued Balance June 30, 2017
Severance pay and benefits	$ 177	$ 10	$ (22)	$ (3)	$ 162
Outside services	10	27	(25)	(1)	11
Other direct costs	18	50	(51)	(1)	16
Total	$ 205	$ 87	$ (98)	$ (5)	$ 189

The following table summarizes the balance of accrued expenses related to these productivity and reinvestment initiatives and the changes in the accrued amounts as of and for the six months ended June 30, 2017 (in millions):

	Accrued Balance December 31, 2016	Costs Incurred Six Months	Payments	Noncash and Exchange	Accrued Balance June 30, 2017

		Ended June 30, 2017			
Severance pay and benefits	$ 123	$ 100	$ (58	)$ (3	)$ 162
Outside services	6	43	(38	)—	11
Other direct costs	22	83	(85	)(4	)16
Total	$ 151	$ 226	$ (181	)$ (7	)$ 189

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Integration of Our German Bottling Operations

In 2008, the Company began the integration of our German bottling operations acquired in 2007. The Company incurred total pretax expenses of $1,367 million related to this initiative since it commenced, including expenses of $41 million and $240 million incurred during the three and six months ended July 1, 2016, respectively. These charges were recorded in the line item other operating charges in our condensed consolidated statements of income and impacted the Bottling Investments operating segment. The expenses recorded in connection with these integration activities were primarily due to involuntary terminations. During the year ended December 31, 2016, the Company deconsolidated our German bottling operations. Therefore, there was no remaining accrual balance as of December 31, 2016.

NOTE 12: PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

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

	Pension Benefits		Other Benefits	
	Three Months Ended			
	June 30, 2017	July 1, 2016	June 30, 2017	July 1, 2016
Service cost	$50	$ 60	$4	$ 6
Interest cost	78	80	7	7
Expected return on plan assets[1]	(163)	(165)	(3)	(2)
Amortization of prior service cost (credit)	—	(1)	(4)	(4)
Amortization of net actuarial loss	45	46	2	1
Net periodic benefit cost	10	20	6	8
Curtailment charges (credits)[2]	—	—	(42)	—
Special termination benefits[2]	39	5	—	—
Total cost recognized in condensed consolidated statements of income	$49	$ 25	$(36)	$ 8

[1] The weighted-average expected long-term rates of return on plan assets used in computing 2017 net periodic benefit cost are 8.0 percent for pension benefits and 4.5 percent for other benefits.

[2] The curtailment credits and special termination benefits were primarily related to North America refranchising and the Company's productivity, restructuring and integration initiatives. Refer to Note 2 and Note 11.

	Pension Benefits		Other Benefits	
	Six Months Ended			
	June 30, 2017	July 1, 2016	June 30, 2017	July 1, 2016
Service cost	$100	$ 119	$9	$ 11
Interest cost	156	160	15	15
Expected return on plan assets[1]	(324)	(329)	(6)	(5)
Amortization of prior service cost (credit)	—	(1)	(9)	(9)
Amortization of net actuarial loss	89	92	4	3
Net periodic benefit cost	21	41	13	15
Curtailment charges (credits)[2]	—	—	(42)	—
Special termination benefits[2]	57	13	—	—
Total cost recognized in condensed consolidated statements of income	$78	$ 54	$(29)	$ 15

[1] The weighted-average expected long-term rates of return on plan assets used in computing 2017 net periodic benefit cost are 8.0 percent for pension benefits and 4.5 percent for other benefits.

[2] The curtailment credits and special termination benefits were primarily related to North America refranchising and the Company's productivity, restructuring and integration initiatives. Refer to Note 2 and Note 11.

During the six months ended June 30, 2017, the Company contributed $55 million to our pension plans, and we anticipate making additional contributions of approximately $37 million during the remainder of 2017. The Company contributed $502 million to our pension plans during the six months ended July 1, 2016.

NOTE 13: INCOME TAXES

Our effective tax rate reflects the benefits of having significant operations outside the United States, which are generally taxed at rates lower than the U.S. statutory rate of 35.0 percent. As a result of employment actions and capital investments made by the Company, certain tax jurisdictions provide income tax incentive grants, including Brazil, Costa Rica, Singapore and Swaziland. The terms of these grants expire from 2017 to 2036. We anticipate that we will be able to extend or renew the grants in these locations. In addition, our effective tax rate reflects the benefits of having significant earnings generated in investments accounted for under the equity method of accounting, which are generally taxed at rates lower than the U.S. statutory rate.

At the end of each interim period, we make our best estimate of the effective tax rate expected to be applicable for the full fiscal year. This estimate reflects, among other items, our best estimate of operating results and foreign currency exchange rates. Based on current tax laws, the Company's estimated effective tax rate for 2017 is 24.0 percent. However, in arriving at this estimate we do not include the estimated impact of significant operating and nonoperating items, which may cause significant variations in the customary relationship between income tax expense and income before income taxes.

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 7.

The Company recorded income tax expense of $1,252 million (47.7 percent effective tax rate) and $839 million (19.5 percent effective tax rate) during the three months ended June 30, 2017 and July 1, 2016, respectively. The Company recorded income tax expense of $1,575 million (38.1 percent effective tax rate) and $1,240 million (20.0 percent effective tax rate) during the six months ended June 30, 2017 and July 1, 2016, 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		Six Months Ended	
	June 30, 2017	July 1, 2016	June 30, 2017	July 1, 2016
Asset impairments	$(164) [1]	$ —	$(164) [1]	$ —
Productivity and reinvestment program	(31) [2]	(24) [8]	(83) [2]	(45) [8]
Other productivity, integration and restructuring initiatives	—	— [9]	—	— [9]
Transaction gains and losses	707 [3]	26 [10]	533 [4]	(117) [11]
Certain tax matters	(40) [5]	83 [12]	(70) [5]	77 [12]
Other — net	(12) [6]	(45) [13]	(29) [7]	(46) [14]

1 Related to charges of $667 million and $771 million during the three and six months ended June 30, 2017, respectively, due to the impairment of certain assets. Refer to Note 10 and Note 14.

2 Related to charges of $87 million and $226 million during the three and six months ended June 30, 2017, respectively. These charges were due to the Company's productivity and reinvestment program. Refer to Note 11.

3 Related to a net gain of $82 million which primarily consisted of a $445 million gain related to the merger of CCW and CCEJ, a $25 million gain related to Coca-Cola FEMSA, an equity method investee, issuing additional shares of its stock and a $9 million gain related to refranchising a substantial portion of our China bottling operations. These gains were partially offset by a net charge of $214 million as a result of the refranchising of certain bottling territories in North America, charges of $109 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, a charge of $44 million related to costs incurred to refranchise certain of our bottling operations and a charge of $26 million related to our former German bottling operations. Refer to Note 2 and Note 10.

4 Related to charges of $583 million which primarily consisted of $711 million of net charges as a result of the refranchising of certain bottling territories in North America, charges of $215 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, $101 million related to costs incurred to refranchise certain of our bottling operations and a charge of $26 million 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, a $25 million gain related to Coca-Cola FEMSA, an equity method investee, issuing additional shares of its stock and a $9 million gain related to refranchising a substantial portion of our China bottling operations. Refer to Note 2 and Note 10.

5 Related to $29 million and $82 million of excess tax benefits associated with the Company's share-based compensation arrangements during the three and six months ended June 30, 2017, respectively, 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. The components of the net change in uncertain tax positions were individually insignificant.

6 Related to charges of $22 million which primarily consisted of a $38 million net charge related to the extinguishment of long-term debt and $19 million due to tax litigation expense partially offset by a $37 million net gain due to our proportionate share of unusual or infrequent items recorded by certain of our equity method investees. Refer to Note 10.

7 Related to charges of $86 million which primarily consisted of a $38 million net charge related to the extinguishment of long-term debt, $25 million due to tax litigation expense and a $21 million net charge due to our proportionate share of unusual or infrequent items recorded by certain of our equity method investees. Refer to Note 10.

8 Related to charges of $65 million and $128 million during the three and six months ended July 1, 2016, respectively. These charges were due to the Company's productivity and reinvestment program. Refer to Note 11.

9 Related to charges of $41 million and $240 million during the three and six months ended July 1, 2016, respectively. These charges were due to the integration of our German bottling operations. Refer to Note 11.

[10] Related to a net gain of $1,040 million which primarily consisted of a $1,292 million gain related to the deconsolidation of our German bottling operations, partially offset by $199 million of losses due to the refranchising of territories in North America and $52 million of costs incurred to refranchise our North America bottling territories. Refer to Note 2 and Note 10.
[11] Related to a net gain of $643 million which primarily consisted of a $1,292 million gain related to the deconsolidation of our German bottling operations and an $18 million gain related to the disposal of our investment in Keurig. These gains were partially offset by charges of $665 million related to $568 million of losses due to the refranchising of territories in North America and $97 million related to costs incurred to refranchise our North America bottling territories. Refer to Note 2 and Note 10.
[12] Primarily related to amounts required to be recorded for changes to our uncertain tax positions, including interest and penalties.
[13] Related to charges of $125 million which included a $100 million cash contribution to The Coca-Cola Foundation, an $18 million charge due to our proportionate share of unusual or infrequent items recorded by certain of our equity method investees and a $7 million charge due to tax litigation expense. Refer to Note 10.
[14] Related to charges of $131 million which included a $100 million cash contribution to The Coca-Cola Foundation, a $21 million charge due to our proportionate share of unusual or infrequent items recorded by certain of our equity method investees and a $10 million charge due to tax litigation expense. Refer to Note 10.

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.

NOTE 14: 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 and 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 Trading and Available-for-Sale Securities

The fair values of our investments in trading and available-for-sale securities using quoted market prices from daily exchange traded markets are based on the closing price as of the balance sheet date and are classified as Level 1. The fair values of our investments in trading and available-for-sale securities classified as Level 2 are priced using quoted market prices for similar instruments or non-binding 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 value 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 estimated fair value of our derivative instruments.

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

June 30, 2017	Level 1	Level 2	Level 3	Other[4]	Netting Adjustment[5]	Fair Value Measurements
Assets:						
Trading securities[1]	$221	$120	$ 9	$ 65	$ —	$ 415
Available-for-sale securities[1]	2,948	4,942	152 [3]	—	—	8,042
Derivatives[2]	9	410	—	—	(333) [6]	86 [8]
Total assets	$3,178	$5,472	$ 161	$ 65	$ (333)	$ 8,543
Liabilities:						
Derivatives[2]	$(1)	$(277)	$ —	$ —	$ 215 [7]	$ (63) [8]
Total liabilities	$(1)	$(277)	$ —	$ —	$ 215	$ (63)

[1] Refer to Note 3 for additional information related to the composition of our trading securities and available-for-sale securities.

[2] Refer to Note 5 for additional information related to the composition of our derivative portfolio.

[3] Primarily related to debt securities that mature in 2018.

[4] 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 3.

[5] Amounts represent the impact of legally enforceable master netting agreements that allow the Company to settle positive and negative positions and also cash collateral held or placed with the same counterparties. There are no amounts subject to legally enforceable master netting agreements that management has chosen not to offset or that do not meet the offsetting requirements. Refer to Note 5.

[6] The Company is obligated to return $140 million in cash collateral it has netted against its net asset derivative position.

[7] The Company has the right to reclaim $22 million in cash collateral it has netted against its derivative position.

[8] The Company's derivative financial instruments are recorded at fair value in our condensed consolidated balance sheets as follows: $86 million in the line item other assets and $63 million in the line item other liabilities. Refer to Note 5 for additional information related to the composition of our derivative portfolio.

December 31, 2016	Level 1	Level 2	Level 3	Other[4]	Netting Adjustment[5]	Fair Value Measurements
Assets:						
Trading securities[1]	$202	$115	$ 4	$ 63	$ —	$ 384
Available-for-sale securities[1]	1,655	4,619	139 [3]	—	—	6,413
Derivatives[2]	4	878	—	—	(369) [6]	513 [8]
Total assets	$1,861	$5,612	$ 143	$ 63	$ (369)	$ 7,310
Liabilities:						
Derivatives[2]	$11	$276	$ —	$ —	$ (192) [7]	$ 95 [8]
Total liabilities	$11	$276	$ —	$ —	$ (192)	$ 95

[1] Refer to Note 3 for additional information related to the composition of our trading securities and available-for-sale securities.

[2] Refer to Note 5 for additional information related to the composition of our derivative portfolio.

[3] Primarily related to long-term debt securities that mature in 2018.

[4] 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 3.

[5] Amounts represent the impact of legally enforceable master netting agreements that allow the Company to settle positive and negative positions and also cash collateral held or placed with the same counterparties. There are no amounts subject to legally enforceable master netting agreements that management has chosen not to offset or that do not meet the offsetting requirements. Refer to Note 5.

[6] The Company is obligated to return $201 million in cash collateral it has netted against its derivative position.

[7] The Company has the right to reclaim $17 million in cash collateral it has netted against its derivative position.

[8] The Company's derivative financial instruments are recorded at fair value in our condensed consolidated balance sheets as follows: $347 million in the line item prepaid expenses and other assets; $166 million in the line item other assets; $42 million in the line item accounts payable and accrued expenses; and $53 million in the line item other liabilities. Refer to Note 5 for additional information related to the composition of our derivative portfolio.

Gross realized and unrealized gains and losses on Level 3 assets and liabilities were not significant for the three and six months ended June 30, 2017 and July 1, 2016.

The Company recognizes transfers between levels within the hierarchy as of the beginning of the reporting period. Gross transfers between levels within the hierarchy were not significant for the three and six months ended June 30, 2017 and July 1, 2016.

Nonrecurring Fair Value Measurements

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company records assets and liabilities at fair value on a nonrecurring basis as required by U.S. GAAP. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges.

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

	Gains (Losses) Three Months Ended		Six Months Ended	
	June 30, 2017	July 1, 2016	June 30, 2017	July 1, 2016
Assets held for sale[1]	$(1,145)	$(131)	$(1,512)	$(446)
Intangible assets	(338)[2]	—	(442)[2]	—
Other long-lived assets	(329)[3]	—	(329)[3]	—
Valuation of shares in equity method investee	25[4]	—	25[4]	—
Total	$(1,787)	$(131)		