COCA COLA CO
Form 10-Q
April 30, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended April 3, 2015
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File No. 001-02217
(Exact name of Registrant as specified in its Charter)

Delaware (State or other jurisdiction of incorporation or organization)	58-0628465 (IRS 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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company 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 at April 27, 2015
$0.25 Par Value	4,358,700,821 Shares

THE COCA-COLA COMPANY AND SUBSIDIARIES
Table of Contents

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, 2014, 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	
	April 3, 2015	March 28, 2014
NET OPERATING REVENUES	$10,711	$10,576
Cost of goods sold	4,103	4,083
GROSS PROFIT	6,608	6,493
Selling, general and administrative expenses	4,079	3,989
Other operating charges	233	128
OPERATING INCOME	2,296	2,376
Interest income	155	123
Interest expense	447	124
Equity income (loss) — net	2	71
Other income (loss) — net	(25)	(241)
INCOME BEFORE INCOME TAXES	1,981	2,205
Income taxes	415	579
CONSOLIDATED NET INCOME	1,566	1,626
Less: Net income attributable to noncontrolling interests	9	7
NET INCOME ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY	$1,557	$1,619
BASIC NET INCOME PER SHARE[1]	$0.36	$0.37
DILUTED NET INCOME PER SHARE[1]	$0.35	$0.36
DIVIDENDS PER SHARE	$0.330	$0.305
AVERAGE SHARES OUTSTANDING	4,365	4,401
Effect of dilutive securities	57	63
AVERAGE SHARES OUTSTANDING ASSUMING DILUTION	4,422	4,464

[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	
	April 3, 2015	March 28, 2014
CONSOLIDATED NET INCOME	$1,566	$1,626
Other comprehensive income:		
Net foreign currency translation adjustment	(1,486)	(389)
Net gain (loss) on derivatives	334	(99)
Net unrealized gain (loss) on available-for-sale securities	(211)	315
Net change in pension and other benefit liabilities	65	7
TOTAL COMPREHENSIVE INCOME	268	1,460
Less: Comprehensive income (loss) attributable to noncontrolling interests	3	3
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY	$265	$1,457

Refer to Notes to Condensed Consolidated Financial Statements.

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

	April 3, 2015	December 31, 2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$8,211	$ 8,958
Short-term investments	8,366	9,052
TOTAL CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS	16,577	18,010
Marketable securities	3,472	3,665
Trade accounts receivable, less allowances of $362 and $331, respectively	4,461	4,466
Inventories	3,219	3,100
Prepaid expenses and other assets	3,605	3,066
Assets held for sale	785	679
TOTAL CURRENT ASSETS	32,119	32,986
EQUITY METHOD INVESTMENTS	9,851	9,947
OTHER INVESTMENTS	4,044	3,678
OTHER ASSETS	4,602	4,407
PROPERTY, PLANT AND EQUIPMENT, less accumulated depreciation of $10,638 and $10,625, respectively	14,346	14,633
TRADEMARKS WITH INDEFINITE LIVES	6,424	6,533
BOTTLERS' FRANCHISE RIGHTS WITH INDEFINITE LIVES	6,620	6,689
GOODWILL	11,993	12,100
OTHER INTANGIBLE ASSETS	1,017	1,050
TOTAL ASSETS	$91,016	$ 92,023
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$8,853	$ 9,234
Loans and notes payable	14,383	19,130
Current maturities of long-term debt	2,040	3,552
Accrued income taxes	689	400
Liabilities held for sale	158	58
TOTAL CURRENT LIABILITIES	26,123	32,374
LONG-TERM DEBT	26,087	19,063
OTHER LIABILITIES	4,296	4,389
DEFERRED INCOME TAXES	5,432	5,636
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	13,361	13,154
Reinvested earnings	63,524	63,408
Accumulated other comprehensive income (loss)	(7,069)	(5,777)
Treasury stock, at cost — 2,680 and 2,674 shares, respectively	(42,739)	(42,225)
EQUITY ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY	28,837	30,320
EQUITY ATTRIBUTABLE TO NONCONTROLLING INTERESTS	241	241
TOTAL EQUITY	29,078	30,561
TOTAL LIABILITIES AND EQUITY	$91,016	$ 92,023

Refer to Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended	
	April 3, 2015	March 28, 2014
OPERATING ACTIVITIES		
Consolidated net income	$1,566	$1,626
Depreciation and amortization	473	473
Stock-based compensation expense	60	39
Deferred income taxes	8	13
Equity (income) loss — net of dividends	8	(65)
Foreign currency adjustments	(46)	280
Significant (gains) losses on sales of assets — net	33	—
Other operating charges	139	84
Other items	522	46
Net change in operating assets and liabilities	(1,189)	(1,430)
Net cash provided by operating activities	1,574	1,066
INVESTING ACTIVITIES		
Purchases of investments	(4,003)	(4,369)
Proceeds from disposals of investments	3,746	2,595
Acquisitions of businesses, equity method investments and nonmarketable securities	(603)	(85)
Proceeds from disposals of businesses, equity method investments and nonmarketable securities	229	—
Purchases of property, plant and equipment	(516)	(449)
Proceeds from disposals of property, plant and equipment	21	68
Other investing activities	314	27
Net cash provided by (used in) investing activities	(812)	(2,213)
FINANCING ACTIVITIES		
Issuances of debt	16,373	10,926
Payments of debt	(15,755)	(9,567)
Issuances of stock	279	191
Purchases of stock for treasury	(654)	(875)
Dividends	(1,441)	—
Other financing activities	21	(470)
Net cash provided by (used in) financing activities	(1,177)	205
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(332)	(341)
CASH AND CASH EQUIVALENTS		
Net increase (decrease) during the period	(747)	(1,283)
Balance at beginning of period	8,958	10,414
Balance at end of period	$8,211	$9,131

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 generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the Notes to Consolidated Financial Statements included in the Annual Report on Form 10-K of The Coca-Cola Company for the year ended December 31, 2014.
When used in these notes, the terms "The Coca-Cola Company," "Company," "we," "us" or "our" mean The Coca-Cola Company and all entities included in our condensed consolidated financial statements. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended April 3, 2015, are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. 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 first quarter of 2015 and 2014 ended on April 3, 2015 and March 28, 2014, 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 2014 Annual Report on Form 10-K, is to expense production costs of print, radio, television and other advertisements as of the first date the advertisements take place. All other marketing expenditures are expensed in the annual period in which the expenditure is incurred.
For interim reporting purposes, we allocate our estimated full year marketing expenditures that benefit multiple interim periods to each of our interim reporting periods. We use the proportion of each interim period's actual unit case volume to the estimated full year unit case volume as the basis for the allocation. This methodology results in our marketing expenditures being recognized at a standard rate per unit case. At the end of each interim reporting period, we review our estimated full year unit case volume and our estimated full year marketing expenditures in order to evaluate if a change in estimate is necessary. The impact of any changes in these full year estimates is recognized in the interim period in which the change in estimate occurs. Our full year marketing expenditures are not impacted by this interim accounting policy.
Hyperinflationary Economies
A hyperinflationary economy is one that has cumulative inflation of 100 percent or more over a three-year period. In accordance with accounting principles generally accepted in the United States, 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. Beginning in the first quarter of 2014, the Venezuelan government recognized three legal exchange rates to convert bolivars to the U.S. dollar: (1) the official rate of 6.3 bolivars per U.S. dollar; (2) SICAD 1, which was available to foreign investments and designated industry sectors to exchange a limited volume of bolivars for U.S. dollars using a bid rate established at weekly auctions; and (3) SICAD 2, which applied to transactions that did not qualify for either the official rate or SICAD 1. As of March 28, 2014, the three legal exchange rates were 6.3 (official rate), 10.8 (SICAD 1) and 50.9 (SICAD 2). We determined that the

SICAD 1 rate was the most appropriate rate to use for remeasurement given our circumstances and estimates of the applicable rate at which future transactions could be settled, including the payment of dividends. Therefore, as of March 28, 2014, we remeasured the net monetary assets of our Venezuelan subsidiary using an exchange rate of 10.8 bolivars per U.S. dollar, resulting in a charge of $226 million recorded in the line item other income (loss) — net in our condensed consolidated statement of income.

In December 2014, due to the continued lack of liquidity and increasing economic uncertainty, the Company reevaluated the rate that should be used to remeasure the monetary assets and liabilities of our Venezuelan subsidiary. As of December 31, 2014, we determined that the SICAD 2 rate of 50 bolivars per U.S. dollar was the most appropriate legally available rate to remeasure the net monetary assets of our Venezuelan subsidiary.

In February 2015, the Venezuelan government merged SICAD 1 and SICAD 2 into a single mechanism called SICAD and introduced a new open market exchange system, SIMADI. As of April 3, 2015, management determined that the SIMADI rate of 193 bolivars per U.S. dollar was the most appropriate legally available rate and remeasured the net monetary assets of our Venezuelan subsidiary, resulting in a charge of $27 million recorded in the line item other income (loss) — net in our condensed consolidated statement of income.

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. During the three months ended April 3, 2015, as a result of the continued lack of liquidity and our revised assessment of our bottling partner's ability to convert Venezuelan bolivars into U.S. dollars to pay our concentrate and other receivables at exchange rates applicable at the time of the underlying transactions, we recorded a write-down of $56 million in the line item other operating charges in our condensed consolidated statement of income.

We also have certain U.S. dollar denominated intangible assets associated with products sold in Venezuela. As a result of the Company's revised expectations regarding the convertibility of the local currency, we recognized an impairment charge of $52 million during the three months ended April 3, 2015, recorded in the line item other operating charges in our condensed consolidated statement of income. Further government regulation or changes in exchange rates could result in additional impairments of these intangible assets.

As of April 3, 2015, the combined value of the net monetary assets of our Venezuelan subsidiary, the receivables from our bottling partner in Venezuela and the intangible assets associated with products sold in Venezuela was $69 million. Included in this combined value is $12 million of cash and cash equivalents. Despite the additional currency conversion mechanisms, the Company's ability to pay dividends from Venezuela is still restricted due to the low volume of U.S. dollars available for conversion. If the bolivar devalues further, it would likely result in our Company recognizing additional foreign currency exchange losses, write-downs of receivables or impairment charges and our proportionate share of any charges recorded by our equity method investee.

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 both retrospective and prospective methods of adoption and is effective for periods beginning after December 15, 2016. On April 1, 2015, the FASB voted to propose to defer the effective date of ASU 2014-09 by one year. The Company is currently evaluating the impact that the adoption of ASU 2014-09 will have on our consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, Amendments to the Consolidation Analysis, which changes the guidance for evaluating whether to consolidate certain legal entities. Specifically, the amendments modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities. Additionally, the amendments eliminate the presumption that a general partner should consolidate a limited partnership, as well as affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. ASU 2015-02 is effective for periods beginning after December 15, 2015 and early adoption is permitted, including adoption during an interim period. Companies have an option of using either a full retrospective or modified retrospective adoption approach. The Company is currently evaluating the impact that the adoption of ASU 2015-02 will have on our consolidated financial statements.

NOTE 2: ACQUISITIONS AND DIVESTITURES

Acquisitions

During the three months ended April 3, 2015, our Company's acquisitions of businesses, equity method investments and nonmarketable securities totaled $603 million, which primarily included an investment in a bottling partner in Indonesia that will be accounted for under the equity method of accounting. This investment was acquired from Coca-Cola Amatil Limited, an equity method investee. We also acquired the remaining outstanding shares of a bottling partner in South Africa ("South African bottler"), which was previously accounted for as an equity method investment. We remeasured our previously held equity interest in the South African bottler to fair value upon the close of the transaction and recorded a loss on the remeasurement of

$19 million during the three months ended April 3, 2015. This bottler will be included in the Coca-Cola Beverages Africa Limited transaction discussed further below.

During the three months ended March 28, 2014, our Company's acquisitions of businesses, equity method investments and nonmarketable securities totaled $85 million, none of which was individually significant.

Keurig Green Mountain, Inc.

In February 2014, the Company and Green Mountain Coffee Roasters, Inc., now known as Keurig Green Mountain, Inc. ("Keurig"), entered into a 10-year global strategic agreement to collaborate on the development and introduction of the Company's global brand portfolio for use in Keurig's forthcoming Keurig Kold™ at-home beverage system. Under the agreement, the companies will cooperate to bring the Keurig Kold™ beverage system to consumers around the world, and Keurig will be the Company's exclusive partner for the production and sale of our branded single-serve, pod-based cold beverages. Together we will also explore other future opportunities to collaborate on the Keurig® platform. In an effort to align long-term interests, we also entered into an agreement to purchase a 10 percent equity position in Keurig, and on February 27, 2014, the Company purchased the newly issued shares in Keurig for approximately $1,265 million, including transaction costs of $14 million. In May 2014, the Company purchased additional shares of Keurig in the market for $302 million, which represented an additional 2 percent equity position in Keurig.

Subsequent to these purchases, the Company entered into an agreement with Credit Suisse Capital LLC ("CS") to purchase additional shares of Keurig which would increase the Company's equity position to a 16 percent interest based on the total number of issued and outstanding shares of Keurig as of May 1, 2014. Under the agreement, the Company was to purchase from CS, on a date selected by CS no later than February 2015, the lesser of (1) 6.5 million shares of Keurig or (2) the number of shares that shall cause our ownership to equal 16 percent. The purchase price per share was the average of the daily volume-weighted average price per share from May 15, 2014, to the date selected by CS, as adjusted in certain circumstances specified in the agreement. CS had exclusive ownership and control over any such shares until delivered to the Company. In February 2015, the Company purchased 6.4 million shares from CS under this agreement for a total purchase price of $830 million. As this agreement qualified as a derivative, we recognized a loss of $58 million in the line item other income (loss) — net in the condensed consolidated statement of income during the three months ended April 3, 2015. The Company recognized a cumulative loss of $47 million in the line item other income (loss) — net in the condensed consolidated statement of income over the term of the agreement.

We account for the investment in Keurig as an available-for-sale security, which is included in the line item other investments in our condensed consolidated balance sheet. Each of the purchases of the shares were included in the line item purchases of investments in our condensed consolidated statement of cash flows, net of any related derivative impact.

Coca-Cola Erfrischungsgetränke AG

In conjunction with the Company's acquisition of 18 German bottling and distribution operations in 2007, the former owners received put options to sell their respective shares in Coca-Cola Erfrischungsgetränke AG ("CCEAG") back to the Company. During the three months ended March 28, 2014, the Company paid $503 million to purchase these shares, which was included in the line item other financing activities in our condensed consolidated statement of cash flows, and now owns 100 percent of CCEAG.

Divestitures

During the three months ended April 3, 2015, proceeds from disposals of businesses, equity method investments and nonmarketable securities totaled $229 million, primarily related to proceeds from the sale of a 10 percent interest in a Brazilian bottling partner as a result of the majority owners exercising their right to acquire additional shares from us. Also included in this amount are proceeds from the refranchising of certain of our territories in North America.

During the three months ended March 28, 2014, there were no proceeds from disposals of businesses, equity method investments and nonmarketable securities.

North America Refranchising

In conjunction with implementing a new beverage partnership model in North America, the Company refranchised territories that were previously managed by our consolidated organization responsible for our North America bottling operations and product supply chain functions for the North America market, called Coca-Cola Refreshments ("CCR"), to certain of our unconsolidated bottling partners. These territories border these bottlers' existing territories, allowing each bottler to better service local customers and provide more efficient execution. Through the execution of comprehensive beverage agreements ("CBAs") with each of the bottlers, we granted certain exclusive territory rights for the distribution, promotion, marketing and sale of Company-owned and licensed beverage products as defined by the CBA. Under the arrangement for these territories, CCR retains the rights to produce these beverage products and the bottlers will purchase from CCR substantially all of the related finished products needed in order to service the customers in these territories. Each CBA has a term of 10 years and is renewable by the bottler indefinitely for successive additional terms of 10 years each. Under the CBA, the bottlers will make ongoing quarterly payments to CCR based on their future gross profit in these territories throughout the term of the CBA, including renewals, in exchange for the grant of the exclusive territory rights. Contemporaneously with the grant of these rights, the Company sold the distribution assets, certain working capital items, and the exclusive rights to distribute certain beverage brands not owned by the Company, but distributed by CCR, in each of these territories to the respective bottlers in exchange for cash. During the three months ended April 3, 2015, cash proceeds from these sales totaled $30 million primarily from Coca-Cola Bottling Co. Consolidated, 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 a noncash loss of $21 million during the three months ended April 3, 2015, primarily related to the derecognition of the intangible assets transferred, which was included in the line item other income (loss) — net in our condensed consolidated statements of income. 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.

Brazilian Bottling Operations

In 2013, the Company deconsolidated its Brazilian bottling operations and combined them with an independent bottler in Brazil in exchange for cash and a 44 percent minority ownership interest in the newly combined entity. The owners of the majority interest have the option to acquire from us up to 24 percent of the new entity's outstanding shares at any time for a period of six years beginning December 31, 2013, based on an agreed-upon formula. In December 2014, the Company received notification that the owners of the majority interest had exercised their option to acquire from us a 10 percent interest in the entity's outstanding shares. During the year ended December 31, 2014, we recorded an estimated loss of $32 million as a result of the exercise price being lower than our carrying value. The transaction closed in January 2015, and the Company recorded an additional loss of $6 million during the three months ended April 3, 2015, calculated based on the final option price. As a result of the transaction, the Company's ownership was reduced to 34 percent of the entity's outstanding shares. The owners of the majority interest have a remaining option to acquire from us an additional 14 percent interest of the entity's outstanding shares at any time through December 31, 2019, based on an agreed-upon formula.

Assets and Liabilities Held for Sale

North America Refranchising

As of April 3, 2015, the Company had entered into agreements to refranchise additional territories in North America. These territories met the criteria to be classified as held for sale, and 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. The Company expects these transactions to close by the end of the second quarter of 2015.

Coca-Cola Beverages Africa Limited

In November 2014, the Company, SAB Miller plc, and Gutsche Family Investments announced an agreement to combine the bottling operations of their nonalcoholic ready-to-drink beverage businesses in Southern and East Africa. Upon completion of the proposed merger, the Company will have an ownership of 11 percent in the bottler, which will be called Coca-Cola Beverages Africa Limited. The Company will also acquire or license several brands in exchange for cash as a result of the transaction. As of April 3, 2015, our South African bottling operations, including the newly acquired South African bottler, and related equity method investments met the criteria to be held for sale, but we were not required to record these assets and liabilities at fair value less any costs to sell because their fair value exceeded our carrying value. The Company expects the transaction to close in the second half of 2015, subject to regulatory approval. Based on the proposed governance structure, the Company expects to account for its resulting interest in the new entity as an equity method investment.

Monster Beverage Corporation

On August 14, 2014, the Company and Monster Beverage Corporation ("Monster") entered into definitive agreements for a long-term strategic relationship in the global energy drink category. Subject to the terms and conditions of the agreements, upon the closing of the transactions (1) the Company will acquire newly issued shares of Monster common stock representing approximately 16.7 percent of the outstanding shares of Monster common stock (after giving effect to the new issuance) and will be represented by two directors on Monster's Board of Directors; (2) the Company will transfer its global energy drink business (including NOS, Full Throttle, Burn, Mother, Play and Power Play, and Relentless) to Monster, and Monster will transfer its non-energy drink business (including Hansen's Natural Sodas, Peace Tea, Hubert's Lemonade and Hansen's Juice Products) to the Company; and (3) the parties will amend their current distribution coordination agreements by expanding into additional territories and entering into long-term agreements with the Company's existing network of bottling and distribution partners. Upon closing, the Company will make a net cash payment of $2.15 billion to Monster, of which up to $625 million will be held in escrow, subject to release upon achievement of milestones relating to the transfer of Monster’s domestic distribution rights to our distribution network. The closing of the transaction is subject to customary closing conditions, including the receipt of regulatory approvals, and is expected to take place in the second quarter of 2015. Based on, among other things, our anticipated representation on Monster's Board of Directors, the Company expects to account for its resulting interest in Monster as an equity method investment. As of April 3, 2015, the assets held by the Company's global energy drink business met the criteria to be held for sale; however, we were not required to record the assets at their fair value less any costs to sell because their fair value exceeded our carrying value.

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

	April 3, 2015	December 31, 2014
Cash, cash equivalents and short-term investments	$45	$30
Trade accounts receivable, less allowances	130	100
Inventories	54	54
Prepaid expenses and other assets	8	7
Equity method investments	108	141
Other assets	2	3
Property, plant and equipment — net	316	303
Trademarks with indefinite lives	43	43
Bottlers' franchise rights with indefinite lives	350	410
Goodwill	46	46
Other intangible assets	115	36
Allowance for reduction of assets held for sale	(432)	(494)
Total assets	$785 [1]	$679 [2]
Accounts payable and accrued expenses	$57	$48
Other liabilities	57	6
Deferred income taxes	44	4
Total liabilities	$158	$58

[1] Includes total assets relating to North America refranchising of $211 million, Coca-Cola Beverages Africa Limited of $459 million, the pending Monster transaction of $43 million, and other assets held for sale of $72 million, and are included in the North America, Eurasia and Africa, Bottling Investments and Corporate operating segments. We determined that these operations did not meet the criteria to be classified as discontinued operations under the applicable guidance.

[2] Includes total assets relating to North America refranchising of $223 million, Coca-Cola Beverages Africa Limited of $333 million, the pending Monster transaction of $43 million, and other assets held for sale of $80 million, and are included in the North America, Eurasia and Africa, Bottling Investments and Corporate operating segments. We determined that these operations 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 consolidated balance sheets as a
component of accumulated other comprehensive income (loss) ("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 April 3, 2015 and December 31, 2014, our trading securities had a fair value of $351 million and $409 million, respectively, and consisted primarily of equity securities. The Company had net unrealized gains on trading securities of $43 million and $40 million as of April 3, 2015 and December 31, 2014, respectively.

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

	April 3, 2015	December 31, 2014
Marketable securities	$255	$ 315
Other assets	96	94
Total trading securities	$351	$ 409

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

As of April 3, 2015 and December 31, 2014, the Company did not have any held-to-maturity securities. As of April 3, 2015, available-for-sale securities consisted of the following (in millions):

		Gross Unrealized		
	Cost	Gains	Losses	Fair Value
Available-for-sale securities:[1]				
Equity securities	$3,426	$1,073	$(20)	$4,479
Debt securities	3,422	109	(24)	3,507
Total available-for-sale securities	$6,848	$1,182	$(44)	$7,986

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

As of December 31, 2014, available-for-sale securities consisted of the following (in millions):

		Gross Unrealized		
	Cost	Gains	Losses	Fair Value
Available-for-sale securities:[1]				
Equity securities	$2,687	$1,463	$(29)	$4,121
Debt securities	3,796	68	(106)[2]	3,758
Total available-for-sale securities	$6,483	$1,531	$(135)	$7,879

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

[2] Includes $101 million recognized in the condensed consolidated income statement line item other income (loss) — net during the year ended December 31, 2014. The amount was primarily offset by changes in the fair value of foreign currency contracts designated as fair value hedges. Refer to Note 5 for additional information.

As of April 3, 2015 and December 31, 2014, the Company had investments classified as available-for-sale securities in which our cost basis exceeded the fair value of our investment. Management assessed each of these investments on an individual basis to determine if the decline in fair value was other than temporary. Management's assessment as to the nature of a decline in fair value is based on, among other things, the length of time and the extent to which the market value has been less than our cost basis; the financial condition and near-term prospects of the issuer; and our intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in market value. As a result of these assessments, management determined that the decline in fair value of these investments was not other than temporary and did not record any impairment charges.

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

	Three Months Ended	
	April 3, 2015	March 28, 2014
Gross gains	$34	$3
Gross losses	(7)	(4)
Proceeds	1,442	1,365

The Company uses one of its insurance captives to reinsure group annuity insurance contracts that cover the pension obligations of certain of our European and Canadian pension plans. In accordance with local insurance regulations, our insurance captive is required to meet and maintain minimum solvency capital requirements. The Company elected to invest its solvency capital in a portfolio of available-for-sale securities, which are classified in the line item other assets in our condensed consolidated balance sheets because the assets are not available to satisfy our current obligations. As of April 3, 2015 and December 31, 2014, the Company's available-for-sale securities included solvency capital funds of $751 million and $836 million, respectively.

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

	April 3, 2015	December 31, 2014
Cash and cash equivalents	$1	$ 43
Marketable securities	3,217	3,350
Other investments	3,880	3,512
Other assets	888	974
Total available-for-sale securities	$7,986	$ 7,879

The contractual maturities of these available-for-sale securities as of April 3, 2015 were as follows (in millions):

	Cost	Fair Value
Within 1 year	$1,170	$1,170
After 1 year through 5 years	1,792	1,837
After 5 years through 10 years	110	129
After 10 years	350	371
Equity securities	3,426	4,479
Total available-for-sale securities	$6,848	$7,986

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 April 3, 2015 and December 31, 2014. Our cost method investments had a carrying value of $164 million and $166 million as of April 3, 2015 and December 31, 2014, 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):

	April 3, 2015	December 31, 2014
Raw materials and packaging	$1,572	$ 1,615
Finished goods	1,285	1,134
Other	362	351
Total inventories	$3,219	$ 3,100

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 designate certain non-derivative instruments, such as our foreign-denominated debt, in hedging relationships.

All derivatives are carried at fair value in our condensed consolidated balance sheets in the following line items, as applicable: prepaid expenses and other assets; other assets; accounts payable and accrued expenses; and other liabilities. The carrying values of the derivatives reflect the impact of legally enforceable master netting agreements and cash collateral held or placed with the same counterparties, as applicable. These master netting agreements allow the Company to net settle positive and negative positions (assets and liabilities) arising from different transactions with the same counterparty.

The accounting for gains and losses that result from changes in the fair values of derivative instruments depends on whether the derivatives have been designated and qualify as hedging instruments and the type of hedging relationships. Derivatives can be designated as fair value hedges, cash flow hedges or hedges of net investments in foreign operations. The changes in the fair values of derivatives that have been designated and qualify for fair value hedge accounting are recorded in the same line item in our condensed consolidated statements of income as the changes in the fair values of the hedged items attributable to the risk being hedged. The changes in the fair values of derivatives that have been designated and qualify as cash flow hedges or hedges of net investments in foreign operations are recorded in AOCI and are reclassified into the line item in our condensed consolidated statement of income in which the hedged items are recorded in the same period the hedged items affect earnings. Due to the high degree of effectiveness between the hedging instruments and the underlying exposures being hedged, fluctuations in the values of the derivative instruments are generally offset by changes in the fair values or cash flows of the underlying exposures being hedged. The changes in fair values of derivatives that were not designated and/or did not qualify as hedging instruments are immediately recognized into earnings.

For derivatives that will be accounted for as hedging instruments, the Company formally designates and documents, at inception, the financial instrument as a hedge of a specific underlying exposure, the risk management objective and the strategy for undertaking the hedge transaction. In addition, the Company formally assesses, both at inception and at least quarterly thereafter, whether the financial instruments used in hedging transactions are effective at offsetting changes in either the fair values or cash flows of the related underlying exposures. Any ineffective portion of a financial instrument's change in fair value is immediately recognized into earnings.

The Company determines the fair values of its derivatives based on quoted market prices or pricing models using current market rates. Refer to Note 14. The notional amounts of the derivative financial instruments do not necessarily represent amounts exchanged by the parties and, therefore, are not a direct measure of our exposure to the financial risks described above. The amounts exchanged are calculated by reference to the notional amounts and by other terms of the derivatives, such as interest rates, foreign currency exchange rates or other financial indices. The Company does not view the fair values of its derivatives in isolation, but rather in relation to the fair values or cash flows of the underlying hedged transactions or other exposures. Virtually all of our derivatives are straightforward over-the-counter instruments with liquid markets.

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

Derivatives Designated as Hedging Instruments	Balance Sheet Location[1]	Fair Value[1,2] April 3, 2015	December 31, 2014
Assets:			
Foreign currency contracts	Prepaid expenses and other assets	$1,065	$923
Foreign currency contracts	Other assets	593	346
Interest rate contracts	Prepaid expenses and other assets	8	14
Interest rate contracts	Other assets	106	146
Total assets		$1,772	$1,429
Liabilities:			
Foreign currency contracts	Accounts payable and accrued expenses	$42	$24
Foreign currency contracts	Other liabilities	21	249
Commodity contracts	Accounts payable and accrued expenses	1	1
Interest rate contracts	Accounts payable and accrued expenses	39	11
Interest rate contracts	Other liabilities	130	35
Total liabilities		$233	$320

[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] April 3, 2015	December 31, 2014
Assets:			
Foreign currency contracts	Prepaid expenses and other assets	$92	$44
Foreign currency contracts	Other assets	251	231
Commodity contracts	Prepaid expenses and other assets	7	9
Commodity contracts	Other assets	1	1
Other derivative instruments	Prepaid expenses and other assets	1	14
Other derivative instruments	Other assets	1	2
Total assets		$353	$301
Liabilities:			
Foreign currency contracts	Accounts payable and accrued expenses	$35	$33
Foreign currency contracts	Other liabilities	—	21
Commodity contracts	Accounts payable and accrued expenses	158	156
Commodity contracts	Other liabilities	7	17
Interest rate contracts	Other liabilities	2	2

Other derivative instruments	Accounts payable and accrued expenses	22	11
Other derivative instruments	Other liabilities	2	—
Total liabilities		$226	$240

[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 in the form of U.S. government securities for substantially all of our transactions. To mitigate presettlement risk, minimum credit standards become more stringent as the duration of the derivative financial instrument increases. In addition, the Company's master netting agreements reduce credit risk by permitting the Company to net settle for transactions with the same counterparty. To minimize the concentration of credit risk, we enter into derivative transactions with a portfolio of financial institutions. Based on these factors, we consider the risk of counterparty default to be minimal.

Cash Flow Hedging Strategy

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

The Company maintains a foreign currency cash flow hedging program to reduce the risk that our eventual U.S. dollar net cash inflows from sales outside the United States and U.S. dollar net cash outflows from procurement activities will be adversely affected by fluctuations in foreign currency exchange rates. We enter into forward contracts and purchase foreign currency options (principally euros and Japanese yen) and collars to hedge certain portions of forecasted cash flows denominated in foreign currencies. When the U.S. dollar strengthens against the foreign currencies, the decline in the present value of future foreign currency cash flows is partially offset by gains in the fair value of the derivative instruments. Conversely, when the U.S. dollar weakens, the increase in the present value of future foreign currency cash flows is partially offset by losses in the fair value of the derivative instruments. The total notional values of derivatives that were designated and qualified for the Company's foreign currency cash flow hedging program were $13,100 million and $13,224 million as of April 3, 2015 and December 31, 2014, respectively.

As of December 31, 2014, the Company held cross-currency swaps to hedge the changes in the cash flows of its euro-denominated debt due to changes in euro exchange rates. These swaps were designated as cash flow hedges. The Company records the change in carrying value of the euro-denominated debt due to changes in exchange rates into earnings each period in the line item other income (loss) — net in our consolidated statement of income. The changes in fair value of the cross-currency swap derivatives are recorded into AOCI with an immediate reclassification into earnings for the change in fair value attributable to fluctuations in the euro exchange rates. These swaps had a notional amount of $2,590 million as of December 31, 2014. During the three months ended April 3, 2015, the Company discontinued the cash flow hedge relationships related to its euro-denominated debt. Upon discontinuance, the Company recognized a loss of $92 million in other comprehensive income, which will be reclassified from AOCI into interest expense over the remaining life of the debt, a weighted-average period of approximately 10 years. The Company did not discontinue any cash flow hedging relationships during the three months ended March 28, 2014.

The Company has entered into commodity futures contracts and other derivative instruments on various commodities to mitigate the price risk associated with forecasted purchases of materials used in our manufacturing process. These derivative instruments have been designated and qualify as part of the Company's commodity cash flow hedging program. The objective of this hedging program is to reduce the variability of cash flows associated with future purchases of certain commodities. The total notional values of derivatives that were designated and qualified for the Company's commodity cash flow hedging program were $6 million and $9 million as of April 3, 2015 and December 31, 2014, respectively.

Our Company monitors our mix of short-term debt and long-term debt regularly. From time to time, we manage our risk to interest rate fluctuations through the use of derivative financial instruments. The Company has entered into interest rate swap agreements and has designated these instruments as part of the Company's interest rate cash flow hedging program. The objective of this hedging program is to mitigate the risk of adverse changes in benchmark interest rates on the Company's future interest payments. The total notional value of these interest rate swap agreements that were designated and qualified for the Company's interest rate cash flow hedging program was $4,328 million as of April 3, 2015 and December 31, 2014.

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 April 3, 2015 (in millions):

	Gain (Loss) Recognized in Other Comprehensive Income ("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	$764	Net operating revenues	$120	$— [1,2]
Foreign currency contracts	19	Cost of goods sold	12	—
Foreign currency contracts	18	Interest expense	(2)	—
Interest rate contracts	(132)	Interest expense	(3)	—
Commodity contracts	(1)	Cost of goods sold	—	—
Total	$668		$127	$—

[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 three months ended March 28, 2014 (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	$(61)	Net operating revenues	$25	$— [2]
Foreign currency contracts	(12)	Cost of goods sold	13	— [2]
Interest rate contracts	(51)	Interest expense	—	—
Commodity contracts	1	Cost of goods sold	1	—
Total	$(123)		$39	$—

[1] The Company records gains and losses reclassified from AOCI into income for the effective portion and the ineffective portion, if any, to the same line items in our condensed consolidated statements of income.
[2] Includes a de minimis amount of ineffectiveness in the hedging relationship.

As of April 3, 2015, the Company estimates that it will reclassify into earnings during the next 12 months $650 million of gains from the pretax amount recorded in AOCI as the anticipated cash flows occur.

Fair Value Hedging Strategy

The Company uses interest rate swap agreements designated as fair value hedges to minimize exposure to changes in the fair value of fixed-rate debt that results from fluctuations in benchmark interest rates. The changes in fair values of derivatives designated as fair value hedges and the offsetting changes in fair values of the hedged items are recognized in earnings. The ineffective portions of these hedges are immediately recognized in earnings. As of April 3, 2015, such adjustments had cumulatively increased the carrying value of our long-term debt by $118 million. When a derivative is no longer designated as a fair value hedge for any reason, including termination and maturity, the remaining unamortized difference between the carrying value of the hedged item at that time and the par value of the hedged item is amortized to earnings over the remaining life of the hedged item, or immediately if the hedged item has matured. The total notional values of derivatives that related to our fair value hedges of this type were $8,452 million and $6,600 million as of April 3, 2015 and December 31, 2014, respectively.

The Company also uses fair value hedges to minimize exposure to changes in the fair value of certain available-for-sale securities from fluctuations in foreign currency exchange rates. The changes in fair values of derivatives designated as fair value hedges and the offsetting changes in fair values of the hedged items are recognized in earnings. As a result, any difference is reflected in earnings as ineffectiveness. The total notional values of derivatives that related to our fair value hedges of this type were $994 million and $1,358 million as of April 3, 2015 and December 31, 2014, respectively.

The following table summarizes the pretax impact that changes in the fair values of derivatives designated as fair value hedges had on earnings during the three months ended April 3, 2015 and March 28, 2014 (in millions):

Hedging Instruments and Hedged Items	Location of Gain (Loss) Recognized in Income	Gain (Loss) Recognized in Income [1] Three Months Ended April 3, 2015	March 28, 2014
Interest rate contracts	Interest expense	$29	$5
Fixed-rate debt	Interest expense	(19)	(3)
Net impact to interest expense		$10	$2
Foreign currency contracts	Other income (loss) — net	$112	$18
Available-for-sale securities	Other income (loss) — net	(118)	(22)
Net impact to other income (loss) — net		$(6)	$(4)
Net impact of fair value hedging instruments		$4	$(2)

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

Hedges of Net Investments in Foreign Operations Strategy

The Company uses forward contracts and non-derivative financial instruments to protect the value of our investments in a number of foreign subsidiaries. During the three months ended April 3, 2015, the Company designated a portion of its euro-denominated debt as a hedge of a net investment in our European operations. The change in the carrying value of the designated portion of the euro-denominated debt due to changes in exchange rates is recorded in net foreign currency gain (loss), a component of AOCI. For derivative instruments that are designated and qualify as hedges of net investments in foreign operations, the changes in fair values of the derivative instruments are recognized in net foreign currency translation gain (loss), to offset the changes in the values of the net investments being hedged. Any ineffective portions of net investment hedges are reclassified from AOCI into earnings during the period of change.

The 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 April 3, 2015	December 31, 2014	Gain (Loss) Recognized in OCI Three Months Ended April 3, 2015	March 28, 2014
Foreign currency contracts	$2,047	$2,047	$424	$(68)
Foreign currency denominated debt	974	—	74	—
Total	$3,021	$2,047	$498	$(68)

The Company did not reclassify any deferred gains or losses related to net investment hedges from AOCI into earnings during the three months ended April 3, 2015 and March 28, 2014. In addition, the Company did not have any ineffectiveness related to net investment hedges during the three months ended April 3, 2015 and March 28, 2014.

Economic (Nondesignated) Hedging Strategy

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

The Company uses foreign currency economic hedges to offset the earnings impact that fluctuations in foreign currency exchange rates have on certain monetary assets and liabilities denominated in nonfunctional currencies. The changes in fair values of economic hedges used to offset those monetary assets and liabilities are immediately recognized into earnings in the line item other income (loss) — net in our condensed consolidated statements of income. In addition, we use foreign currency economic hedges to minimize the variability in cash flows associated with fluctuations in foreign currency exchange rates. The changes in fair values of economic hedges used to offset the variability in U.S. dollar net cash flows are recognized into earnings in the line items net operating revenues or cost of goods sold in our condensed consolidated statements of income, as applicable. The total notional values of derivatives related to our foreign currency economic hedges were $5,475 million and $4,334 million as of April 3, 2015 and December 31, 2014, 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 $1,058 million and $816 million as of April 3, 2015 and December 31, 2014, respectively.
The following table presents the pretax impact that changes in the fair values of derivatives not designated as hedging instruments had on earnings during the three months ended April 3, 2015 and March 28, 2014 (in millions):

Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income	Three Months Ended April 3, 2015	Three Months Ended March 28, 2014
Foreign currency contracts	Net operating revenues	$9	$(12)
Foreign currency contracts	Other income (loss) — net	(17)	2
Commodity contracts	Net operating revenues	(3)	(2)
Commodity contracts	Cost of goods sold	(24)	22
Commodity contracts	Selling, general and administrative expenses	(5)	(3)
Other derivative instruments	Selling, general and administrative expenses	—	(3)
Other derivative instruments	Other income (loss) — net	(68)	—
Total		$(108)	$4

NOTE 6: DEBT AND BORROWING ARRANGEMENTS

During the three months ended April 3, 2015, the Company issued €8,500 million of long-term debt. The carrying value of this debt as of April 3, 2015 was $9,297 million. The general terms of the notes issued are as follows:

- €2,000 million total principal amount of notes due March 9, 2017, at a variable interest rate equal to the three-month Euro Interbank Offered Rate ("EURIBOR") plus 0.15 percent;
- €2,000 million total principal amount of notes due September 9, 2019, at a variable interest rate equal to the three-month EURIBOR plus 0.23 percent;
- €1,500 million total principal amount of notes due March 9, 2023, at a fixed interest rate of 0.75 percent;
- €1,500 million total principal amount of notes due March 9, 2027, at a fixed interest rate of 1.125 percent; and
- €1,500 million total principal amount of notes due March 9, 2035, at a fixed interest rate of 1.625 percent.

During the three months ended April 3, 2015, the Company retired $1,500 million of long-term debt upon maturity. The Company also extinguished $2,039 million of long-term debt prior to maturity, incurring associated charges of $320 million recorded in the line item interest expense in our condensed consolidated statement of income. These charges included the difference between the reacquisition price and the net carrying amount of the debt extinguished, including the impact of the related fair value hedging relationship. The general terms of the notes that were extinguished are as follows:

- $1,148 million total principal amount of notes due November 15, 2017, at a fixed interest rate of 5.35 percent; and
- $891 million total principal amount of notes due March 15, 2019, at a fixed interest rate of 4.875 percent.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Guarantees

As of April 3, 2015, we were contingently liable for guarantees of indebtedness owed by third parties of $539 million, of which $262 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.

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 $537 million and $530 million as of April 3, 2015 and December 31, 2014, respectively.

NOTE 8: COMPREHENSIVE INCOME

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

	Three Months Ended April 3, 2015		
	Shareowners of The Coca-Cola Company	Noncontrolling Interests	Total
Consolidated net income	$1,557	$9	$1,566
Other comprehensive income:			
Net foreign currency translation adjustment	(1,480)	(6)	(1,486)
Net gain (loss) on derivatives[1]	334	—	334
Net unrealized gain (loss) on available-for-sale securities[2]	(211)	—	(211)
Net change in pension and other benefit liabilities	65	—	65
Total comprehensive income	$265	$3	$268

[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.

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 April 3, 2015	Before-Tax Amount	Income Tax	After-Tax Amount
Foreign currency translation adjustments:			
Translation adjustment arising during the period	$(1,439)	$(90)	$(1,529)
Reclassification adjustments recognized in net income	63	(14)	49
Net foreign currency translation adjustments	(1,376)	(104)	(1,480)
Derivatives:			
Unrealized gains (losses) arising during the period	669	(256)	413
Reclassification adjustments recognized in net income	(127)	48	(79)
Net gain (loss) on derivatives[1]	542	(208)	334
Available-for-sale securities:			
Unrealized gains (losses) arising during the period	(312)	120	(192)
Reclassification adjustments recognized in net income	(27)	8	(19)
Net change in unrealized gain (loss) on available-for-sale securities[2]	(339)	128	(211)
Pension and other benefit liabilities:			
Net pension and other benefits arising during the period	52	(17)	35
Reclassification adjustments recognized in net income	47	(17)	30
Net change in pension and other benefit liabilities[3]	99	(34)	65
Other comprehensive income (loss) attributable to The Coca-Cola Company	$(1,074)	$(218)	$(1,292)

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.

Three Months Ended March 28, 2014	Before-Tax Amount	Income Tax	After-Tax Amount
Foreign currency translation adjustments:			
Translation adjustment arising during the period	$(484)	$99	$(385)
Reclassification adjustments recognized in net income	—	—	—
Net foreign currency translation adjustments	(484)	99	(385)
Derivatives:			
Unrealized gains (losses) arising during the period	(123)	48	(75)
Reclassification adjustments recognized in net income	(39)	15	(24)
Net gain (loss) on derivatives[1]	(162)	63	(99)
Available-for-sale securities:			
Unrealized gains (losses) arising during the period	480	(166)	314
Reclassification adjustments recognized in net income	1	—	1
Net change in unrealized gain (loss) on available-for-sale securities[2]	481	(166)	315
Pension and other benefit liabilities:			
Net pension and other benefits arising during the period	(3)	1	(2)
Reclassification adjustments recognized in net income	14	(5)	9
Net change in pension and other benefit liabilities[3]	11	(4)	7
Other comprehensive income (loss) attributable to The Coca-Cola Company	$(154)	$(8)	$(162)

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 statement of income where adjustments reclassified from AOCI into income were recorded during the three months ended April 3, 2015 (in millions):

Description of AOCI Component	Financial Statement Line Item	Amount Reclassified from AOCI into Income Three Months Ended April 3, 2015
Foreign currency translation adjustments:		
Divestitures, deconsolidations and other	Other income (loss) — net	$63
	Income before income taxes	63
	Income taxes	(14)
	Consolidated net income	$49
Derivatives:		
Foreign currency contracts	Net operating revenues	$(120)
Foreign currency and commodity contracts	Cost of goods sold	(12)
Foreign currency contracts	Interest expense	2
Interest rate contracts	Interest expense	3
	Income before income taxes	(127)
	Income taxes	48
	Consolidated net income	$(79)
Available-for-sale securities:		
Sale of securities	Other income (loss) — net	$(27)
	Income before income taxes	(27)
	Income taxes	8
	Consolidated net income	$(19)
Pension and other benefit liabilities:		
Amortization of net actuarial loss	*	$52
Amortization of prior service cost (credit)	*	(5)
	Income before income taxes	47
	Income taxes	(17)
	Consolidated net income	$30

* 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					
	Total	Reinvested Earnings	Accumulated Other Comprehensive Income (Loss)	Common Stock	Capital Surplus	Treasury Stock	Non-controlling Interests
December 31, 2014	$30,561	$63,408	$ (5,777)	$ 1,760	$13,154	$(42,225)	$ 241
Comprehensive income (loss)	268	1,557	(1,292)	—	—	—	3
Dividends paid/payable to shareowners of The Coca-Cola Company	(1,441)	(1,441)	—	—	—	—	—

Dividends paid to noncontrolling interests	(1)	—	—	—	—	—	(1)
Business combinations including purchase accounting adjustments	(2)	—	—	—	—	—	(2)
Purchases of treasury stock	(660)	—	—	—	—	(660)	—
Impact related to stock compensation plans	353	—	—	—	207	146	—
April 3, 2015	$29,078	$63,524	$ (7,069)	$ 1,760	$13,361	$(42,739)	$ 241

21

NOTE 10: SIGNIFICANT OPERATING AND NONOPERATING ITEMS

Other Operating Charges

During the three months ended April 3, 2015, the Company recorded other operating charges of $233 million. These charges consisted of $90 million due to the Company's productivity and reinvestment program and $35 million due to the integration of our German bottling and distribution operations. In addition, the Company incurred a charge of $108 million due to the write-down we recorded related to our receivables from our bottling partner in Venezuela and an impairment of a Venezuelan trademark primarily due to changes in exchange rates as a result of the establishment of the new open market exchange system. Refer to Note 11 for additional information on the Company's productivity, integration and restructuring initiatives. Refer to Note 1 for additional information on the Venezuelan currency change. Refer to Note 15 for the impact these charges had on our operating segments.

During the three months ended March 28, 2014, the Company incurred other operating charges of $128 million. These charges consisted of $86 million due to the Company's productivity and reinvestment program and $42 million primarily due to the integration of our German bottling and distribution operations. Refer to Note 11 for additional information on the Company's productivity, integration and restructuring initiatives. Refer to Note 15 for the impact these charges had on our operating segments.

Other Nonoperating Items

Interest Expense

During the three months ended April 3, 2015, the Company recorded charges of $320 million due to the early extinguishment of certain long-term debt, which were recorded in the line item interest expense in our condensed consolidated statement of income. These charges included the difference between the reacquisition price and the net carrying amount of the debt extinguished, including the impact of the related fair value hedging relationship.

Equity Income (Loss) — Net

During the three months ended April 3, 2015 and March 28, 2014, the Company recorded net charges of $73 million and $27 million, respectively, in the line item equity income (loss) — net. These amounts represent the Company's proportionate share of unusual or infrequent items recorded by certain of our equity method investees, including charges incurred by an equity method investee due to changes in the Venezuelan bolivar exchange rates. Refer to Note 15 for the impact these items had on our operating segments.

Other Income (Loss) — Net

During the three months ended April 3, 2015, the Company recorded charges of $21 million due to the refranchising of certain territories in North America, $19 million as a result of the remeasurement of our previously held equity interest in a South African bottler to fair value upon our acquisition of the bottling operations, and $6 million as a result of a Brazilian bottling entity's majority interest owners exercising their option to acquire from us an additional equity interest at an exercise price less than that of our carrying value. The Company recognized a foreign currency exchange gain of $80 million associated with our euro-denominated debt partially offset by a charge of $27 million due to the remeasurement of the net monetary assets of our Venezuelan subsidiary using the SIMADI exchange rate. Refer to Note 2 for more information related to the North America refranchising, the acquisition of the South African bottler and the sale of a portion of our interest in the Brazilian bottling entity. Refer to Note 1 for more information related to the charge due to the remeasurement in Venezuela. Refer to Note 15 for the impact these charges had on our operating segments.

During the three months ended March 28, 2014, the Company recorded a charge of $226 million in the line item other income (loss) — net due to the expansion of the Venezuelan government's currency conversion markets. Refer to Note 1 for more information related to this charge and Note 15 for the impact this charge had on our operating segments.

NOTE 11: PRODUCTIVITY, INTEGRATION AND RESTRUCTURING INITIATIVES

Productivity and Reinvestment

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

In February 2014, the Company announced the expansion of our productivity and reinvestment program to drive incremental productivity by 2016 that will primarily be redirected into increased media investments. Our incremental productivity goal

22

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 are further expanding our productivity and reinvestment program through 2019. The expansion of the productivity initiatives will focus on four key areas: restructuring the Company's global supply chain, including manufacturing in North America; implementing zero-based budgeting across the organization; streamlining and simplifying the Company's operating model; and further driving increased discipline and efficiency in direct marketing investments.

The Company has incurred total pretax expenses of $1,455 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; losses on disposal of certain assets; contract termination fees; and relocation costs.

The following table summarizes the balance of accrued expenses related to these productivity and reinvestment initiatives and the changes in the accrued amounts as of and for the three months ended April 3, 2015 (in millions):

	Accrued Balance December 31, 2014	Costs Incurred Three Months Ended April 3, 2015	Payments	Noncash and Exchange	Accrued Balance April 3, 2015
Severance pay and benefits	$260	$22	$(87)	$(11)	$184
Outside services	4	18	(13)	—	9
Other direct costs	21	50	(45)	(13)	13
Total	$285	$90	$(145)	$(24)	$206

Integration of Our German Bottling and Distribution Operations

In 2008, the Company began an integration initiative related to the 18 German bottling and distribution operations acquired in 2007. The Company incurred expenses of $35 million related to this initiative during the three months ended April 3, 2015, and has incurred total pretax expenses of $870 million related to this initiative since it commenced. These charges were recorded in the line item other operating charges in our condensed consolidated statements of income and impacted the Bottling Investments operating segment. The expenses recorded in connection with these integration activities have been primarily due to involuntary terminations. The Company had $77 million and $101 million accrued related to these integration costs as of April 3, 2015 and December 31, 2014, respectively. We are currently reviewing additional restructuring opportunities within the German bottling and distribution operations, which if implemented will result in additional charges in future periods.

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			
	April 3, 2015	March 28, 2014	April 3, 2015	March 28, 2014
Service cost	$67	$67	$7	$6
Interest cost	95	101	9	11
Expected return on plan assets	(177)	(178)	(3)	(3)

Amortization of prior service cost (credit)	—	(1)	(5)	(4)
Amortization of net actuarial loss	49	18	3	1
Total cost (credit) recognized in statements of income	$34	$7	$11	$11

During the three months ended April 3, 2015, the Company contributed $78 million to our pension plans, and we anticipate making additional contributions of approximately $17 million to our pension plans during the remainder of 2015. The Company contributed $157 million to our pension plans during the three months ended March 28, 2014.

NOTE 13: INCOME TAXES

Our effective tax rate reflects the benefits of having significant operations outside the United States, which are generally taxed at rates lower than the U.S. statutory rate of 35 percent. As a result of employment actions and capital investments made by the Company, certain tax jurisdictions provide income tax incentive grants, including Brazil, Costa Rica, Singapore and Swaziland. The terms of these grants expire from 2016 to 2023. We anticipate that we will be able to extend or renew the grants in these locations. In addition, our effective tax rate reflects the benefits of having significant earnings generated in investments accounted for under the equity method of accounting, which are generally taxed at rates lower than the U.S. statutory rate.

At the end of each interim period, we make our best estimate of the effective tax rate expected to be applicable for the full fiscal year. This estimate reflects, among other items, our best estimate of operating results and foreign currency exchange rates. Based on current tax laws, the Company's estimated effective tax rate for 2015 is 22.5 percent. However, in arriving at this estimate we do not include the estimated impact of unusual and/or infrequent items, which may cause significant variations in the customary relationship between income tax expense and income before income taxes.

The Company recorded income tax expense of $415 million (20.9 percent effective tax rate) and $579 million (26.2 percent effective tax rate) during the three months ended April 3, 2015 and March 28, 2014, respectively.

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

	Three Months Ended			
	April 3, 2015		March 28, 2014	
Productivity and reinvestment program	$(42	)[1]	$(32	)[1]
Other productivity, integration and restructuring initiatives	—	[2]	—	[2]
Transaction gains and losses	(10	)[3]	—	
Certain tax matters	(16	)[4]	5	[4]
Other — net	(130	)[5]	5	[6]

1 Related to charges of $90 million and $86 million during the three months ended April 3, 2015 and March 28, 2014, respectively. These charges were due to the Company's productivity and reinvestment program. Refer to Note 10 and Note 11.

2 Related to charges of $35 million and $42 million during the three months ended April 3, 2015 and March 28, 2014, respectively. These charges were due to the integration of our German bottling and distribution operations. Refer to Note 10 and Note 11.

3 Related to charges of $46 million that consisted of $21 million of charges due to the refranchising of certain territories in North America, a $6 million additional charge related to the sale of a portion of our equity investment in a Brazilian bottling entity, and a $19 million charge related to the remeasurement of our equity interest in a South African bottler to fair value. Refer to Note 2 and Note 10.

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

5 Related to charges of $528 million that consisted of $320 million associated with the early extinguishment of long-term debt, $27 million due to the remeasurement of the net monetary assets of our Venezeulan subsidiary into U.S. dollars using the SIMADI exchange rate, $108 million due to the write-down we recorded related to receivables from our bottling partner in Venezuela and an impairment o