COCA COLA CO
Form 10-Q
October 27, 2011
Table of Contents

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 September 30, 2011
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File No. 001-02217
(Exact name of Registrant as specified in its Charter)

Delaware	58-0628465
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
One Coca-Cola Plaza Atlanta, Georgia	30313
(Address of principal executive offices)	(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 October 24, 2011
$0.25 Par Value	2,271,232,205 Shares

Table of Contents

THE COCA-COLA COMPANY AND SUBSIDIARIES
Table of Contents

		Page Number
	Forward-Looking Statements	3
	Part I. Financial Information	
Item 1.	Financial Statements (Unaudited)	4
	Condensed Consolidated Statements of Income Three and nine months ended September 30, 2011, and October 1, 2010	4
	Condensed Consolidated Balance Sheets September 30, 2011, and December 31, 2010	5
	Condensed Consolidated Statements of Cash Flows Nine months ended September 30, 2011, and October 1, 2010	6
	Notes to Condensed Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	34
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	64
Item 4.	Controls and Procedures	64
	Part II. Other Information	
Item 1.	Legal Proceedings	65
Item 1A.	Risk Factors	65
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	65
Item 6.	Exhibits	66

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, 2010, and those described from time to time in our future reports filed with the Securities and Exchange Commission.

Table of Contents

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

	Three Months Ended		Nine Months Ended	
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
NET OPERATING REVENUES	$12,248	$8,426	$35,502	$24,625
Cost of goods sold	4,875	2,918	13,813	8,414
GROSS PROFIT	7,373	5,508	21,689	16,211
Selling, general and administrative expenses	4,527	3,064	13,029	8,647
Other operating charges	96	100	457	274
OPERATING INCOME	2,750	2,344	8,203	7,290
Interest income	141	93	356	220
Interest expense	116	80	313	246
Equity income (loss) — net	180	355	535	847
Other income (loss) — net	(32)	(12)	447	(109)
INCOME BEFORE INCOME TAXES	2,923	2,700	9,228	8,002
Income taxes	680	633	2,268	1,927
CONSOLIDATED NET INCOME	2,243	2,067	6,960	6,075
Less: Net income attributable to noncontrolling interests	22	12	42	37
NET INCOME ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY	$2,221	$2,055	$6,918	$6,038
BASIC NET INCOME PER SHARE[1]	$0.97	$0.89	$3.02	$2.62
DILUTED NET INCOME PER SHARE[1]	$0.95	$0.88	$2.97	$2.59
DIVIDENDS PER SHARE	$0.47	$0.44	$1.41	$1.32
AVERAGE SHARES OUTSTANDING	2,286	2,310	2,289	2,307
Effect of dilutive securities	40	26	40	22
AVERAGE SHARES OUTSTANDING ASSUMING DILUTION	2,326	2,336	2,329	2,329

[1] Basic net income per share and diluted net income per share are calculated based on net income attributable to shareowners of The Coca-Cola Company.
Refer to Notes to Condensed Consolidated Financial Statements.

Table of Contents

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

	September 30, 2011	December 31, 2010
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$12,682	$8,517
Short-term investments	3,684	2,682
TOTAL CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS	16,366	11,199
Marketable securities	131	138
Trade accounts receivable, less allowances of $90 and $48, respectively	5,131	4,430
Inventories	3,172	2,650
Prepaid expenses and other assets	3,391	3,162
TOTAL CURRENT ASSETS	28,191	21,579
EQUITY METHOD INVESTMENTS	7,073	6,954
OTHER INVESTMENTS, PRINCIPALLY BOTTLING COMPANIES	1,264	631
OTHER ASSETS	3,219	2,121
PROPERTY, PLANT AND EQUIPMENT, less accumulated depreciation of $8,118 and $6,979, respectively	14,522	14,727
TRADEMARKS WITH INDEFINITE LIVES	6,501	6,356
BOTTLERS' FRANCHISE RIGHTS WITH INDEFINITE LIVES	7,716	7,511
GOODWILL	12,073	11,665
OTHER INTANGIBLE ASSETS	1,194	1,377
TOTAL ASSETS	$81,753	$72,921
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$9,837	$8,859
Loans and notes payable	13,398	8,100
Current maturities of long-term debt	2,082	1,276
Accrued income taxes	264	273
TOTAL CURRENT LIABILITIES	25,581	18,508
LONG-TERM DEBT	13,708	14,041
OTHER LIABILITIES	4,404	4,794
DEFERRED INCOME TAXES	4,561	4,261
THE COCA-COLA COMPANY SHAREOWNERS' EQUITY		
Common stock, $0.25 par value; Authorized — 5,600 shares; Issued — 3,520 and 3,520 shares, respectively	880	880
Capital surplus	11,056	10,057
Reinvested earnings	52,965	49,278
Accumulated other comprehensive income (loss)	(1,174)	(1,450)
Treasury stock, at cost — 1,249 and 1,228 shares, respectively	(30,518)	(27,762)
EQUITY ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY	33,209	31,003
EQUITY ATTRIBUTABLE TO NONCONTROLLING INTERESTS	290	314
TOTAL EQUITY	33,499	31,317
TOTAL LIABILITIES AND EQUITY	$81,753	$72,921

Refer to Notes to Condensed Consolidated Financial Statements.

5

Table of Contents

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

	Nine Months Ended	
	September 30, 2011	October 1, 2010
OPERATING ACTIVITIES		
Consolidated net income	$6,960	$6,075
Depreciation and amortization	1,423	934
Stock-based compensation expense	268	185
Deferred income taxes	194	46
Equity (income) loss — net of dividends	(172)	(567)
Foreign currency adjustments	35	109
Significant (gains) losses on sales of assets — net	(104)	(48)
Other operating charges	188	111
Other items	(316)	87
Net change in operating assets and liabilities	(1,676)	292
Net cash provided by operating activities	6,800	7,224
INVESTING ACTIVITIES		
Purchases of short-term investments	(4,036)	(3,252)
Proceeds from disposals of short-term investments	3,026	2,742
Acquisitions and investments	(310)	(1,798)
Purchases of other investments	(611)	(65)
Proceeds from disposals of bottling companies and other investments	468	1,050
Purchases of property, plant and equipment	(1,915)	(1,335)
Proceeds from disposals of property, plant and equipment	66	94
Other investing activities	(102)	(149)
Net cash provided by (used in) investing activities	(3,414)	(2,713)
FINANCING ACTIVITIES		
Issuances of debt	22,623	8,611
Payments of debt	(17,095)	(6,983)
Issuances of stock	1,382	535
Purchases of stock for treasury	(3,608)	(3)
Dividends	(2,159)	(3,034)
Other financing activities	33	(11)
Net cash provided by (used in) financing activities	1,176	(885)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(397)	(138)
CASH AND CASH EQUIVALENTS		
Net increase (decrease) during the period	4,165	3,488
Balance at beginning of period	8,517	7,021
Balance at end of period	$12,682	$10,509

Refer to Notes to Condensed Consolidated Financial Statements.

Table of Contents

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

Note 1 — Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. They do not include all information and notes required by generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material change in the information disclosed in the Notes to Consolidated Financial Statements included in the Annual Report on Form 10-K of The Coca-Cola Company for the year ended December 31, 2010. When used in these notes, the terms "The Coca-Cola Company," "Company," "we," "us" or "our" mean The Coca-Cola Company and all entities included in our condensed consolidated financial statements. In the opinion of management, all adjustments (including normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and nine months ended September 30, 2011, are not necessarily indicative of the results that may be expected for the year ending December 31, 2011. Sales of our ready-to-drink nonalcoholic beverages are somewhat seasonal, with the second and third calendar quarters accounting for the highest sales volumes. The volume of sales in the beverage business may be affected by weather conditions.

Each of our interim reporting periods, other than the fourth interim reporting period, ends on the Friday closest to the last day of the corresponding quarterly calendar period. The third quarter of 2011 and 2010 ended on September 30, 2011, and October 1, 2010, 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 2010 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.

Note 2 — Acquisitions and Divestitures

Acquisitions

During the nine months ended September 30, 2011, our Company's acquisition and investment activities totaled $310 million, which included our acquisition of the remaining ownership interest of Honest Tea, Inc. ("Honest Tea") not already owned by the Company. Prior to this transaction, the Company accounted for our investment in Honest Tea under the equity method of accounting. We remeasured our equity interest in Honest Tea to fair value upon the close of the transaction. The resulting gain on the remeasurement was not significant to our condensed consolidated financial statements. The Company anticipates finalizing our purchase accounting for the Honest Tea acquisition by the end of 2011. In addition, the Company's acquisition and investment activities included immaterial cash payments for the finalization of working capital adjustments related to our acquisition of Coca-Cola Enterprises Inc.'s ("CCE") North American business. Refer to our discussion of this transaction below.

Table of Contents

During the nine months ended October 1, 2010, our Company's acquisition and investment activities totaled $1,798 million. The Company's acquisition and investment activities were primarily related to payments made by the Company to CCE in anticipation of the closing of our acquisition of CCE's North American business; our acquisition of OAO Nidan Juices ("Nidan"), a Russian juice company; and our additional investment in Fresh Trading Ltd. ("innocent"). Total consideration for the Nidan acquisition was $276 million, which was primarily allocated to property, plant and equipment, identifiable intangible assets and goodwill. Under the terms of the agreement for our additional investment in innocent, innocent's founders retained operational control of the business, and we continued to account for our investment under the equity method of accounting. Additionally, the Company and the existing shareowners of innocent have a series of outstanding put and call options for the Company to potentially acquire the remaining shares not already owned by the Company. The put and call options are exercisable in stages between 2013 and 2014.

Acquisition of Coca-Cola Enterprises Inc.'s North American Business

Pursuant to the terms of the business separation and merger agreement entered into on February 25, 2010, as amended (the "merger agreement"), on October 2, 2010 (the "acquisition date"), we acquired CCE's North American business, consisting of CCE's production, sales and distribution operations in the United States, Canada, the British Virgin Islands, the United States Virgin Islands and the Cayman Islands, and a substantial majority of CCE's corporate segment. Upon completion of the CCE transaction, we combined the management of the acquired North American business with the management of our existing foodservice business; Minute Maid and Odwalla juice businesses; North America supply chain operations; and Company-owned bottling operations in Philadelphia, Pennsylvania, into a unified bottling and customer service organization called Coca-Cola Refreshments ("CCR"). In addition, we reshaped our remaining Coca-Cola North America ("CCNA") operations into an organization that primarily provides franchise leadership and consumer marketing and innovation for the North American market. As a result of the transaction and related reorganization, our North American businesses operate as aligned and agile organizations with distinct capabilities, responsibilities and strengths. We believe this acquisition will result in an evolved franchise system that will enable us to better serve the unique needs of the North American market. The creation of a unified operating system will strategically position us to better market and distribute our nonalcoholic beverage brands in North America. Refer to Note 11 for information related to the integration of this acquisition.

Under the terms of the merger agreement, the Company acquired the 67 percent of CCE's North American business that was not already owned by the Company for consideration that included: (1) the Company's 33 percent indirect ownership interest in CCE's European operations; (2) cash consideration; and (3) replacement awards issued to certain current and former employees of CCE's North American and corporate operations. At closing, CCE shareowners other than the Company exchanged their CCE common stock for common stock in a new entity, which was renamed Coca-Cola Enterprises, Inc. (which is referred to herein as "New CCE") and which continues to hold the European operations held by CCE prior to the acquisition. At closing, New CCE became 100 percent owned by shareowners that held shares of common stock of CCE immediately prior to the closing, other than the Company. As a result of this transaction, the Company does not own any interest in New CCE.

In addition, we granted New CCE the right to negotiate the acquisition of our majority interest in our German bottling operation, Coca-Cola Erfrischungsgetraenke AG ("CCEAG"), 18 to 39 months after the date of the merger agreement, at the then current fair value and subject to terms and conditions as mutually agreed.

Table of Contents

The final purchase price of this acquisition was $6,895 million. The following table presents the final allocation of the purchase price by major class of assets and liabilities (in millions) as of the acquisition date, as well as adjustments made during the first nine months of 2011 (referred to as "measurement period adjustments"):

	Amounts Recognized as of Acquisition Date[1]	Measurement Period Adjustments[2]	Amounts Recognized as of Acquisition Date (as Adjusted)
Cash and cash equivalents	$49	$—	$49
Marketable securities	7	—	7
Trade accounts receivable	1,194	—	1,194
Inventories	696	—	696
Other current assets[3]	744	(5)	739
Property, plant and equipment[3]	5,385	(682)	4,703
Bottlers' franchise rights with indefinite lives[3]	5,100	100	5,200
Other intangible assets[3]	1,032	45	1,077
Other noncurrent assets	261	—	261
Total identifiable assets acquired	14,468	(542)	13,926
Accounts payable and accrued expenses[3]	1,826	8	1,834
Loans and notes payable	266	—	266
Long-term debt	9,345	—	9,345
Pension and other postretirement liabilities	1,313	—	1,313
Other noncurrent liabilities[3]	2,603	(293)	2,310
Total liabilities assumed	15,353	(285)	15,068
Net liabilities assumed	(885)	(257)	(1,142)
Goodwill[3]	7,746	304	8,050
	6,861	47	6,908
Less: Noncontrolling interests	13	—	13
Net assets acquired	$6,848	$47	$6,895

[1] As previously reported in the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2010.

[2] The measurement period adjustments did not have a significant impact on our condensed consolidated statements of income for the three and nine months ended September 30, 2011. In addition, these adjustments did not have a significant impact on our condensed consolidated balance sheets as of September 30, 2011, and December 31, 2010. Therefore, we have not retrospectively adjusted the comparative 2010 financial information presented herein.

[3] The measurement period adjustments were due to the finalization of appraisals related to intangible assets and certain fixed assets and resulted in the following: a decrease to property, plant and equipment; an increase to franchise rights; and a decrease to noncurrent deferred tax liabilities. The net impact of the measurement period adjustments and the payments made to New CCE that related to the finalization of working capital adjustments resulted in a net increase to goodwill.

Divestitures

During the nine months ended September 30, 2011, proceeds from disposals of bottling companies and other investments totaled $468 million, primarily related to the sale of our investment in Coca-Cola Embonor, S.A. ("Embonor"), a bottling partner with operations primarily in Chile, for $394 million. Prior to this transaction, the Company accounted for our investment in Embonor under the equity method of accounting. Refer to Note 10. None of the Company's other divestitures was individually significant.

During the nine months ended October 1, 2010, proceeds from the disposal of bottling companies and other investments totaled $1,050 million, primarily related to the cash received in anticipation of the sale of all our

ownership interests in Coca-Cola Drikker AS (the "Norwegian bottling operation") and Coca-Cola Drycker Sverige AB (the "Swedish bottling operation") to New CCE for $0.9 billion in cash. In addition to the proceeds related to the disposal of our Norwegian and Swedish bottling operations, our Company sold 50 percent of our investment in Leão Junior, S.A. ("Leão Junior"), a Brazilian tea company, for $83 million. Refer to Note 10.

Table of Contents

Note 3 — Investments

Investments in debt and marketable equity securities, other than investments accounted for under the equity method, are classified as trading, available-for-sale or held-to-maturity. Our marketable equity investments are classified as either trading or available-for-sale with their cost basis determined by the specific identification method. Realized and unrealized gains and losses on trading securities and realized gains and losses on available-for-sale securities are included in net income. Unrealized gains and losses, net of deferred taxes, on available-for-sale securities are included in our condensed consolidated balance sheets as a component of accumulated other comprehensive income (loss) ("AOCI").

Our investments in debt securities are carried at either amortized cost or fair value. Investments in debt securities that the Company has the positive intent and ability to hold to maturity are carried at amortized cost and classified as held-to-maturity. Investments in debt securities that are not classified as held-to-maturity are carried at fair value and classified as either trading or available-for-sale.

Trading Securities

As of September 30, 2011, and December 31, 2010, our trading securities had a fair value of $198 million and $209 million, respectively. The Company had net unrealized losses on trading securities of $13 million and $3 million as of September 30, 2011, and December 31, 2010, respectively. The Company's trading securities were included in the following captions in our condensed consolidated balance sheets (in millions):

	September 30, 2011	December 31, 2010
Marketable securities	$125	$132
Other assets	73	77
Total trading securities	$198	$209

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

As of September 30, 2011, available-for-sale and held-to-maturity securities consisted of the following (in millions):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale securities:[1]				
Equity securities	$940	$270	$(12)	$1,198
Other securities	85	1	(1)	85
	$1,025	$271	$(13)	$1,283
Held-to-maturity securities:				
Bank and corporate debt	$325	$—	$—	$325

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

As of December 31, 2010, available-for-sale and held-to-maturity securities consisted of the following (in millions):

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale securities:[1]				
Equity securities	$209	$267	$(5)	$471
Other securities	14	—	—	14
	$223	$267	$(5)	$485
Held-to-maturity securities:				
Bank and corporate debt	$111	$—	$—	$111

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

Table of Contents

At the end of the first quarter of 2010, the Company had several investments classified as available-for-sale securities in which our cost basis exceeded the fair value of the investment. Management assessed each of these investments on an individual basis to determine if the decline in fair value was other than temporary. Based on these assessments, management determined that the decline in fair value of each investment was other than temporary. As a result, the Company recognized other-than-temporary impairment charges of $26 million during the three months ended April 2, 2010. These impairment charges were recorded in other income (loss) — net in our condensed consolidated statements of income. Refer to Note 10 and Note 14.

The sale of available-for-sale securities did not result in significant gross gains, gross losses or proceeds during the three and nine months ended September 30, 2011, and October 1, 2010.

The Company's available-for-sale and held-to-maturity securities were included in the following captions in our condensed consolidated balance sheets (in millions):

	September 30, 2011		December 31, 2010	
	Available-for-Sale Securities	Held-to-Maturity Securities	Available-for-Sale Securities	Held-to-Maturity Securities
Cash and cash equivalents	$—	$324	$—	$110
Marketable securities	5	1	5	1
Other investments, principally bottling companies	1,103	—	471	—
Other assets	175	—	9	—
	$1,283	$325	$485	$111

The contractual maturities of these investments as of September 30, 2011, were as follows (in millions):

	Available-for-Sale Securities		Held-to-Maturity Securities	
	Cost	Fair Value	Amortized Cost	Fair Value
Within 1 year	$—	$—	$325	$325
After 1 year through 5 years	2	2	—	—
After 5 years through 10 years	72	73	—	—
After 10 years	11	10	—	—
Equity securities	940	1,198	—	—
	$1,025	$1,283	$325	$325

Cost Method Investments

Cost method investments are originally 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 September 30, 2011, and December 31, 2010. Our cost method investments had a carrying value of $161 million and $160 million as of September 30, 2011, and December 31, 2010, respectively.

Table of Contents

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 products 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):

	September 30, 2011	December 31, 2010
Raw materials and packaging	$1,751	$1,425
Finished goods	1,209	1,029
Other	212	196
Total inventories	$3,172	$2,650

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." Our Company, when deemed appropriate, uses derivatives as a risk management tool to mitigate the potential impact of certain market risks. The primary market risks managed by the Company through the use of derivative instruments are foreign currency exchange rate risk, commodity price risk and interest rate risk.

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

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

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

For derivatives that will be accounted for as hedging instruments, the Company formally designates and documents, at inception, the financial instrument as a hedge of a specific underlying exposure, the risk management objective and

the strategy for undertaking the hedge transaction. In addition, the Company formally assesses, both at the inception and at least quarterly thereafter, whether the financial instruments used in hedging transactions are effective at offsetting changes in either the fair values or cash flows of the related underlying exposures. Any ineffective portion of a financial instrument's change in fair value is immediately recognized into earnings.

Table of Contents

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):

		Fair Value[1, 2]	
Derivatives Designated as Hedging Instruments	Balance Sheet Location[1]	September 30, 2011	December 31, 2010
Assets			
Foreign currency contracts	Prepaid expenses and other assets	$189	$32
Commodity contracts	Prepaid expenses and other assets	3	4
Interest rate swaps	Other assets	242	—
Total assets		$434	$36
Liabilities			
Foreign currency contracts	Accounts payable and accrued expenses	$94	$141
Commodity contracts	Accounts payable and accrued expenses	3	2
Interest rate swaps	Other liabilities	—	97
Total liabilities		$97	$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. However, current disclosure requirements mandate that derivatives 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):

		Fair Value[1, 2]	
Derivatives Not Designated as Hedging Instruments	Balance Sheet Location[1]	September 30, 2011	December 31, 2010
Assets			
Foreign currency contracts	Prepaid expenses and other assets	$110	$65
Commodity contracts	Prepaid expenses and other assets	60	56
Other derivative instruments	Prepaid expenses and other assets	4	17
Total assets		$174	$138
Liabilities			
Foreign currency contracts	Accounts payable and accrued expenses	$45	$144
Commodity contracts	Accounts payable and accrued expenses	118	—
Other derivative instruments	Accounts payable and accrued expenses	4	—
Total liabilities		$167	$144

[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. However, current disclosure requirements mandate that derivatives 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.

Table of Contents

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 statements of income in which the hedged items are recorded in the same period the hedged items affect earnings. The changes in fair values of hedges that are determined to be ineffective are immediately reclassified from AOCI into earnings. The Company did not discontinue any cash flow hedging relationships during the nine months ended September 30, 2011, or October 1, 2010. 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 changes 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 value of derivatives that were designated and qualified for the Company's foreign currency cash flow hedging program was $6,223 million and $3,968 million as of September 30, 2011, and December 31, 2010, respectively.

The Company has entered into commodity futures contracts and other derivative instruments on various commodities to mitigate the price risk associated with forecasted purchases of materials used in our manufacturing process. The 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 value of derivatives that were designated and qualified for the Company's commodity cash flow hedging program was $24 million and $28 million as of September 30, 2011, and December 31, 2010, 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 had no outstanding derivative instruments under this hedging program as of September 30, 2011, and December 31, 2010.

Table of Contents

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 September 30, 2011 (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	$60	Net operating revenues	$(80)	$— [2]
Interest rate locks	(11)	Interest expense	(3)	(1)
Commodity contracts	(2)	Cost of goods sold	1	—
Total	$47		$(82)	$(1)

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

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

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 nine months ended September 30, 2011 (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	$(91)	Net operating revenues	$(196)	$— [2]
Interest rate locks	(11)	Interest expense	(9)	(1)
Commodity contracts	(2)	Cost of goods sold	—	—
Total	$(104)		$(205)	$(1)

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

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

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 October 1, 2010 (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	$(419)	Net operating revenues	$8	$—
Interest rate locks	—	Interest expense	(3)	—

Commodity contracts	2	Cost of goods sold	—	—
Total	$(417)		$5	$—

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

The following table presents the pretax impact that changes in the fair values of derivatives designated as cash flow hedges had on AOCI and earnings during the nine months ended October 1, 2010 (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	$(271)	Net operating revenues	$36	$(2)
Interest rate locks	—	Interest expense	(9)	—
Commodity contracts	—	Cost of goods sold	—	—
Total	$(271)		$27	$(2)

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

Table of Contents

As of September 30, 2011, the Company estimates that it will reclassify into earnings during the next 12 months approximately $174 million of losses 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. As of September 30, 2011, such adjustments increased the carrying value of our long-term debt by $235 million. The changes in fair values of hedges that are determined to be ineffective are immediately recognized in earnings. The total notional value of derivatives that were designated and qualified for the Company's fair value hedging program was $5,700 million and $4,750 million as of September 30, 2011, and December 31, 2010, 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 September 30, 2011 (in millions):

Fair Value Hedging Instruments	Location of Gain (Loss) Recognized in Income	Gain (Loss) Recognized in Income
Interest rate swaps	Interest expense	$271
Fixed-rate debt	Interest expense	(279)
Net impact		$(8)

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 nine months ended September 30, 2011 (in millions):

Fair Value Hedging Instruments	Location of Gain (Loss) Recognized in Income	Gain (Loss) Recognized in Income
Interest rate swaps	Interest expense	$339
Fixed-rate debt	Interest expense	(337)
Net impact		$2

The Company did not have any outstanding derivatives designated as fair value hedges during the three and nine months ended October 1, 2010. As a result, the tables above do not include comparative period financial data.

Hedges of Net Investments in Foreign Operations Strategy

The Company uses forward contracts to protect the value of our investments in a number of foreign subsidiaries. For derivative instruments that are designated and qualify as hedges of net investments in foreign operations, the changes in fair values of the derivative instruments are recognized in net foreign currency translation gain (loss), a component of AOCI, to offset the changes in the values of the net investments being hedged. Any ineffective portions of net investment hedges are reclassified from AOCI into earnings during the period of change. The total notional value of derivatives that were designated and qualified for the Company's net investments hedging program was $1,992 million as of September 30, 2011. The Company had no outstanding derivative instruments under this hedging program as of December 31, 2010.

Table of Contents

The following table presents the pretax impact that changes in the fair values of derivatives designated as net investment hedges had on AOCI during the three months ended September 30, 2011, and October 1, 2010 (in millions):

	Gain (Loss) Recognized in OCI	
	September 30, 2011	October 1, 2010
Foreign currency contracts	$13	$(4)
Total	$13	$(4)

The following table presents the pretax impact that changes in the fair values of derivatives designated as net investment hedges had on AOCI during the nine months ended September 30, 2011, and October 1, 2010 (in millions):

	Gain (Loss) Recognized in OCI	
	September 30, 2011	October 1, 2010
Foreign currency contracts	$10	$9
Total	$10	$9

The Company did not reclassify any deferred gains or losses related to net investment hedges from AOCI to earnings during the three and nine months ended September 30, 2011, and October 1, 2010. In addition, the Company did not have any ineffectiveness related to net investment hedges during the three and nine months ended September 30, 2011, and October 1, 2010, respectively.

Economic (Non-designated) Hedging Strategy

In addition to derivative instruments that are designated and qualify for hedge accounting, the Company also uses certain derivatives as economic hedges. Although these derivatives were not designated and/or did not qualify for hedge accounting, they are effective economic hedges. The Company primarily uses 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 these economic hedges are immediately recognized into earnings in the line item other income (loss) — net. The total notional value of derivatives related to our economic hedges of this type was $4,019 million and $2,312 million as of September 30, 2011, and December 31, 2010, respectively.

In 2010, the Company expanded certain commodity hedging programs as a result of our acquisition of CCE's North American business. The Company uses these 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 item cost of goods sold or selling, general and administrative expenses, as applicable. The total notional value of derivatives for economic hedges of this type was $2,647 million and $425 million as of September 30, 2011, and December 31, 2010, respectively.

Table of Contents

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 and nine months ended September 30, 2011, and October 1, 2010, respectively (in millions):

		Three Months Ended	
Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income	September 30, 2011	October 1, 2010
Foreign currency contracts	Net operating revenues	$4	$(20)
Foreign currency contracts	Other income (loss) — net	11	25
Foreign currency contracts	Cost of goods sold	—	(2)
Commodity contracts	Cost of goods sold	(63)	7
Commodity contracts	Selling, general and administrative expenses	(23)	—
Other derivative instruments	Selling, general and administrative expenses	(12)	19
Total		$(83)	$29

		Nine Months Ended	
Derivatives Not Designated as Hedging Instruments	Location of Gain (Loss) Recognized in Income	September 30, 2011	October 1, 2010
Foreign currency contracts	Net operating revenues	$(1)	$(16)
Foreign currency contracts	Other income (loss) — net	212	10
Foreign currency contracts	Cost of goods sold	(13)	(2)
Commodity contracts	Cost of goods sold	(21)	4
Commodity contracts	Selling, general and administrative expenses	(19)	—
Other derivative instruments	Selling, general and administrative expenses	(4)	5
Total		$154	$1

Note 6 — Debt and Borrowing Arrangements

During the three months ended September 30, 2011, the Company issued $2,979 million of long-term debt, of which $979 million was exchanged for $1,022 million of existing long-term debt plus a premium of $208 million. The existing long-term debt was assumed in connection with our acquisition of CCE's North American business in the fourth quarter of 2010. The remaining cash from the issuance was used to reduce the Company's outstanding commercial paper balance and exchange a certain amount of short-term debt. The Company recorded a charge of $5 million in the line item interest expense during the three months ended September 30, 2011, primarily due to transaction costs associated with the exchange of long-term debt.

The general terms of the notes issued during the three months ended September 30, 2011, are as follows:

- $1,655 million total principal amount of notes due September 1, 2016, at a fixed interest rate of 1.8 percent; and
- $1,324 million total principal amount of notes due September 1, 2021, at a fixed interest rate of 3.3 percent.

In addition, the Company repurchased long-term debt during the three months ended September 30, 2011, that we assumed in connection with our acquisition of CCE's North American business. The repurchased debt had a carrying value of $19 million and included $5 million in unamortized fair value adjustments recorded as part of our purchase accounting. The Company recorded a nominal net gain in the line item interest expense during the three months ended September 30, 2011, primarily due to the change in fair value from the date we assumed the CCE debt until the date it was repurchased.

The Company also repurchased long-term debt during the second quarter of 2011 that was assumed in connection with our acquisition of CCE's North American business. The repurchased debt had a carrying value of $42 million, which included $12 million in unamortized fair value adjustments recorded as part of our purchase accounting. The Company recorded a net gain of $1 million in the line item interest expense during the second quarter of 2011, primarily due to the change in fair value from the date we assumed the debt until the date it was repurchased.

Table of Contents

During the first quarter of 2011, the Company repurchased all of our outstanding U.K. pound sterling notes due in 2016 and 2021. We assumed this debt in connection with our acquisition of CCE's North American business. The repurchased debt had a carrying value of $674 million on the settlement date, which included $106 million in unamortized fair value adjustments recorded as part of our purchase accounting. The Company recorded a net charge of $4 million in the line item interest expense during the first quarter of 2011, primarily due to the change in fair value from the date we assumed the debt until the date it was repurchased, in addition to premiums paid to repurchase the debt.

As of September 30, 2011, the carrying value of the Company's long-term debt included $767 million of fair value adjustments related to the debt assumed from CCE. These fair value adjustments will be amortized over a weighted-average period of approximately 16 years, which is equal to the weighted-average maturity of the assumed debt to which these fair value adjustments relate. The amortization of these fair value adjustments will be a reduction of interest expense in future periods, which will typically result in our interest expense being less than the actual interest paid to service the debt.

Note 7 — Commitments and Contingencies

Guarantees

As of September 30, 2011, we were contingently liable for guarantees of indebtedness owed by third parties of $652 million, of which $334 million related to variable interest entities ("VIEs"). These guarantees are primarily related to third-party customers, bottlers, vendors and container manufacturing operations that have arisen through the normal course of business. These guarantees have various terms, and none of these guarantees was individually significant. The amount represents the maximum potential future payments that we could be required to make under the guarantees; however, we do not consider it probable that we will be required to satisfy these guarantees.

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

Legal Contingencies

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

During the period from 1970 to 1981, our Company owned Aqua-Chem, Inc., now known as Cleaver-Brooks, Inc. ("Aqua-Chem"). During that time, the Company purchased over $400 million of insurance coverage, which also insures Aqua-Chem for some of its prior and future costs for certain product liability and other claims. A division of Aqua-Chem manufactured certain boilers that contained gaskets that Aqua-Chem purchased from outside suppliers. Several years after our Company sold this entity, Aqua-Chem received its first lawsuit relating to asbestos, a component of some of the gaskets. Aqua-Chem was first named as a defendant in asbestos lawsuits in or around 1985 and currently has approximately 40,000 active claims pending against it. In September 2002, Aqua-Chem notified our Company that it believed we were obligated for certain costs and expenses associated with its asbestos litigations. Aqua-Chem demanded that our Company reimburse it for approximately $10 million for out-of-pocket litigation-related expenses. Aqua-Chem also demanded that the Company acknowledge a continuing obligation to Aqua-Chem for any future liabilities and expenses that are excluded from coverage under the applicable insurance or for which there is no insurance. Our Company disputes Aqua-Chem's claims, and we believe we have no obligation to Aqua-Chem for any of its past, present or future liabilities, costs or expenses. Furthermore, we believe we have substantial legal and factual defenses to Aqua-Chem's claims. The parties entered into litigation in Georgia to resolve this dispute, which was stayed by agreement of the parties pending the outcome of litigation filed in Wisconsin by certain insurers of Aqua-Chem. In that case, five plaintiff insurance companies filed a declaratory judgment action against Aqua-Chem, the Company and 16 defendant insurance companies seeking a determination of the parties' rights and liabilities under policies issued by the insurers and reimbursement for amounts paid by plaintiffs in excess of their obligations. During the course of the Wisconsin insurance coverage litigation, Aqua-Chem and the Company

reached settlements with several of the insurers, including plaintiffs, who have or will pay funds into an escrow account for payment of costs arising from the asbestos claims against Aqua-Chem. On July 24, 2007, the Wisconsin trial court entered a final declaratory judgment regarding the rights and obligations of the parties under the insurance policies issued by the remaining defendant insurers, which judgment was not appealed. The judgment directs, among other things, that each insurer whose policy is triggered is jointly and severally liable for 100 percent of Aqua-Chem's losses up to policy limits. The court's judgment concluded the Wisconsin insurance coverage litigation. The Georgia litigation remains subject to the stay agreement. The Company and Aqua-Chem continued to negotiate with various insurers that were defendants in the Wisconsin insurance coverage litigation over those insurers' obligations to defend and indemnify Aqua-Chem for the asbestos-related claims. The Company anticipated that a final settlement with three of those insurers would

Table of Contents

be finalized in May 2011, but such insurers repudiated their settlement commitments and, as a result, Aqua-Chem and the Company filed suit against them in Wisconsin state court to enforce the coverage-in-place settlement or, in the alternative, to obtain a declaratory judgment validating Aqua-Chem and the Company's interpretation of the court's judgment in the Wisconsin insurance coverage litigation. Whether or not Aqua-Chem and the Company prevail in the coverage-in-place settlement litigation, these three insurance companies will remain subject to the court's judgment in the Wisconsin insurance coverage litigation.

The Company is unable to estimate at this time the amount or range of reasonably possible loss it may ultimately incur as a result of asbestos-related claims against Aqua-Chem. The Company believes that assuming that (a) the defense and indemnity costs for the asbestos-related claims against Aqua-Chem in the future are in the same range as during the past five years, and (b) the various insurers that cover the asbestos-related claims against Aqua-Chem remain solvent, regardless of the outcome of the coverage-in-place settlement litigation, there will likely be little defense or indemnity costs that are not covered by insurance over the next five to seven years and, therefore, it is unlikely that Aqua-Chem would seek indemnification from the Company within that period of time. In the event Aqua-Chem and the Company prevail in the coverage-in-place settlement litigation, and based on the same assumptions, the Company believes insurance coverage for substantially all defense and indemnity costs would be available for the next 10 to 12 years.

Tax Audits

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

Risk Management Programs

The Company has numerous global insurance programs in place to help protect the Company from the risk of loss. In general, we are self-insured for large portions of many different types of claims; however, we do use commercial insurance above our self-insured retentions to reduce the Company's risk of catastrophic loss. Our reserves for the Company's self-insured losses are estimated through actuarial procedures of the insurance industry and by using industry assumptions, adjusted for our specific expectations based on our claim history. Our self-insurance reserves totaled $537 million and $502 million as of September 30, 2011, and December 31, 2010, respectively.

Table of Contents

Note 8 — Comprehensive Income

The following table provides a summary of total comprehensive income, including our proportionate share of equity method investees' other comprehensive income (loss), for the applicable periods (in millions):

	Three Months Ended		Nine Months Ended	
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
Consolidated net income	$2,243	$2,067	$6,960	$6,075
Other comprehensive income:				
Net foreign currency translation gain (loss)	(1,486)	1,114	188	(607)
Net gain (loss) on derivatives[1]	80	(256)	63	(188)
Net change in unrealized gain on available-for-sale securities[2]	(71)	62	5	133
Net change in pension liability	3	—	(9)	32
Total comprehensive income	$769	$2,987	$7,207	$5,445

[1] Refer to Note 5 for information related to the net gain or loss on derivative instruments classified as cash flow hedges.

[2] Includes reclassification adjustments related to other-than-temporary impairments of certain available-for-sale securities. Refer to Note 3 and Note 14 for additional information related to these impairments.

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

	Nine Months Ended September 30, 2011		
	Shareowners of The Coca-Cola Company	Noncontrolling Interests	Total
Consolidated net income	$6,918	$42	$6,960
Other comprehensive income:			
Net foreign currency translation gain (loss)	217	(29)	188
Net gain (loss) on derivatives[1]	63	—	63
Net change in unrealized gain on available-for-sale securities	5	—	5
Net change in pension liability	(9)	—	(9)
Total comprehensive income	$7,194	$13	$7,207

[1] Refer to Note 5 for information related to the net gain or loss on derivative instruments classified as cash flow hedges.

Note 9 — Changes in Equity

The following table provides a reconciliation of the beginning and the ending carrying amounts of total equity, equity attributable to shareowners of The Coca-Cola Company and equity attributable to the 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, 2010	$31,317	$49,278	$ (1,450)	$ 880	$10,057	$(27,762)	$ 314
Comprehensive income (loss)[1]	7,207	6,918	276	—	—	—	13
Dividends paid / payable to shareowners of The Coca-Cola Company	(3,231)	(3,231)	—	—	—	—	—
Dividends paid to noncontrolling interests	(37)	—	—	—	—	—	(37)

Purchases of treasury stock	(3,457)	—	—	—	—	(3,457)	—
Impact of employee stock option and restricted stock plans	1,700	—	—	—	999	701	—
September 30, 2011	$33,499	$52,965	$ (1,174)	$ 880	$11,056	$(30,518)	$ 290

[1] The allocation of the individual components of comprehensive income attributable to shareowners of The Coca-Cola Company and the noncontrolling interests is disclosed in Note 8.

Table of Contents

Note 10 — Significant Operating and Nonoperating Items

Other Operating Items

On March 11, 2011, a major earthquake struck off the coast of Japan, resulting in a tsunami that devastated the northern and eastern regions of the country. As a result of these events, the Company made a donation to a charitable organization to establish the Coca-Cola Japan Reconstruction Fund, which will help rebuild schools and community facilities across the impacted areas of the country.

The Company recorded total charges of $84 million related to these events during the nine months ended September 30, 2011. These charges were recorded in various line items in our condensed consolidated statements of income, including charges of $22 million in deductions from revenue, $12 million in cost of goods sold and $50 million in other operating charges. These charges impacted the Pacific and North America operating segments. Refer to Note 15.

The $22 million of charges recorded in deductions from revenue were primarily related to funds we provided our local bottling partners to enable them to continue producing and distributing our beverage products in the affected regions. This support not only helped restore our business operations in the impacted areas, but it also assisted our bottling partners in meeting the evolving customer and consumer needs as the recovery and rebuilding efforts advanced. The $12 million of charges in cost of goods sold were primarily related to Company-owned inventory that was destroyed or lost. The $50 million of other operating charges were primarily related to the donation discussed above and a $1 million impairment charge related to certain Company-owned fixed assets. These fixed assets primarily consisted of Company-owned vending equipment and coolers that were damaged or lost as a result of these events. Refer to Note 14 for the fair value disclosures related to the inventory and fixed asset charges described above.

During the three months ended September 30, 2011, the Company refined our initial estimates that were recorded during the first and second quarters of 2011 and recorded an additional net charge of $1 million related to the events in Japan. Refer to Note 15 for the impact this net charge had on our operating segments.

The Company is assessing its insurance coverage, and we intend to file a claim for certain of our losses in Japan. As of September 30, 2011, we have not recorded any insurance recovery related to these events, as we are not currently able to deem any amount of potential insurance recovery as probable.

Other Operating Charges

During the three months ended September 30, 2011, the Company incurred other operating charges of $96 million, which primarily consisted of $89 million associated with the Company's productivity, integration and restructuring initiatives and $9 million of costs associated with the merger of Embotelladoras Arca, S.A.B. de C.V. ("Arca") and Grupo Continental S.A.B. ("Contal"). The charges were partially offset by a $2 million reversal associated with the refinement of previously recorded accruals related to the events in Japan described above. Refer to Note 11 for additional information on our productivity, integration and restructuring initiatives. Refer to the discussion of the merger of Arca and Contal below for additional information on the transaction. Refer to Note 15 for the impact these charges had on our operating segments.

During the nine months ended September 30, 2011, the Company incurred other operating charges of $457 million, which primarily consisted of $370 million associated with the Company's productivity, integration and restructuring initiatives; $35 million of costs associated with the merger of Arca and Contal; and $50 million related to the events in Japan described above. Refer to Note 11 for additional information on our productivity, integration and restructuring initiatives. Refer to the discussion of the merger of Arca and Contal below for additional information on the transaction. Refer to Note 15 for the impact these charges had on our operating segments.

During the three months ended October 1, 2010, the Company incurred other operating charges of $100 million, which consisted of $64 million attributable to the Company's ongoing productivity, integration and restructuring initiatives and $36 million related to transaction costs incurred in connection with our acquisition of CCE's North American business and the sale of our Norwegian and Swedish bottling operations to New CCE. Refer to Note 11 for additional information on our productivity, integration and restructuring initiatives. Refer to Note 2 for additional information related to the Company's acquisition of CCE's North American business and the disposal of our Norwegian and Swedish bottling operations. Refer to Note 15 for the impact these charges had on our operating segments.

22

Table of Contents

During the nine months ended October 1, 2010, the Company incurred other operating charges of $274 million, which consisted of $227 million attributable to the Company's ongoing productivity, integration and restructuring initiatives and $47 million related to transaction costs incurred in connection with our acquisition of CCE's North American business and the sale of our Norwegian and Swedish bottling operations to New CCE. Refer to Note 11 for additional information on our productivity, integration and restructuring initiatives. Refer to Note 2 for additional information related to the Company's acquisition of CCE's North American business and the disposal of our Norwegian and Swedish bottling operations. Refer to Note 15 for the impact these charges had on our operating segments.

Other Nonoperating Items

Equity Income (Loss) — Net

During the three and nine months ended September 30, 2011, the Company recorded charges of $36 million and $40 million, respectively, in equity income (loss) — net. These charges primarily represent the Company's proportionate share of asset impairments and restructuring charges recorded by equity method investees and impacted the Bottling Investments operating segment.

During the three months ended October 1, 2010, the Company recorded a net charge of $10 million in equity income (loss) — net. This net charge primarily represents the Company's proportionate share of transaction costs incurred by CCE in connection with our acquisition of CCE's North American business and the sale of our Norwegian and Swedish bottling operations to New CCE. Refer to Note 2 for additional information related to these transactions. Our proportionate share of these charges was partially offset by our proportionate share of a foreign currency remeasurement gain recorded by an equity method investee. The components of the net charge were individually insignificant and impacted the Bottling Investments operating segment.

During the nine months ended October 1, 2010, the Company recorded a net charge of $55 million in equity income (loss) — net. This net charge primarily represents the Company's proportionate share of unusual tax charges, asset impairments, restructuring charges and transaction costs recorded by equity method investees. The unusual tax charges primarily relate to an additional tax liability recorded by Coca-Cola Hellenic Bottling Company S.A. as a result of the Extraordinary Social Contribution Tax levied by the Greek government. The transaction costs represent our proportionate share of certain costs incurred by CCE in connection with our acquisition of CCE's North American business and the sale of our Norwegian and Swedish bottling operations to New CCE. Refer to Note 2 for additional information related to the Company's acquisition of CCE's North American business and the disposal of our Norwegian and Swedish bottling operations. These charges were partially offset by our proportionate share of a foreign currency remeasurement gain recorded by an equity method investee. The components of the net charge were individually insignificant and impacted the Bottling Investments operating segment.

Other Income (Loss) — Net

During the three months ended September 30, 2011, the Company recorded a charge of $5 million in other income (loss) — net related to the finalization of working capital adjustments associated with the sale of our Norwegian and Swedish bottling operations to New CCE in the fourth quarter of 2010. This charge reduced the amount of our previously reported gain on the sale of these bottling operations. The Company also recorded a charge of $3 million in other income (loss) — net during the period related to the impairment of an investment accounted for under the equity method of accounting. These charges impacted the Corporate operating segment.

During the nine months ended September 30, 2011, the Company recognized a net gain of $417 million, primarily as a result of the merger of Arca and Contal, two bottling partners headquartered in Mexico, into a combined entity known as Arca Continental, S.A.B. de C.V. ("Arca Contal"). Prior to this transaction the Company held an investment in Contal that we accounted for under the equity method of accounting. The merger of the two companies was a non-cash transaction that resulted in Contal shareholders exchanging their existing Contal shares for new shares in Arca Contal at a specified exchange rate. The gain was recorded in other income (loss) — net and impacted our Corporate operating segment. Refer to Note 14 for additional information on the measurement of the gain. As a result, the Company now holds an investment in Arca Contal that we account for as an available-for-sale security.

Table of Contents

In addition, the Company recorded a charge of $41 million in other income (loss) — net during the nine months ended September 30, 2011, due to the impairment of an investment in an entity accounted for under the equity method of accounting. This charge impacted our Corporate operating segment. Refer to Note 14 for additional information. The Company also recognized a gain of $102 million in other income (loss) — net during the nine months ended September 30, 2011, related to the sale of our investment in Embonor. The gain on this transaction impacted our Corporate operating segment. Refer to Note 2 for additional information.

During the three months ended October 1, 2010, the Company recorded a gain of $23 million in other income (loss) — net related to the sale of 50 percent of our investment in Leão Junior, which was a wholly owned subsidiary of the Company prior to this transaction. The gain on the transaction consisted of two parts: (1) the difference between the consideration received and 50 percent of the carrying value of our investment, and (2) the fair value adjustment for our remaining 50 percent ownership. We have accounted for our remaining investment in Leão Junior under the equity method of accounting since the close of this transaction. Refer to Note 14 for related fair value disclosures. This gain impacted the Corporate operating segment.

In addition to the gain on the sale of a portion of our investment in Leão Junior, the Company recorded a charge of $103 million in other income (loss) — net related to the remeasurement of our Venezuelan subsidiary's net assets during the nine months ended October 1, 2010. Subsequent to December 31, 2009, the Venezuelan government announced a currency devaluation, and Venezuela was determined to be a hyperinflationary economy. As a result of Venezuela being a hyperinflationary economy, our local subsidiary was required to use the U.S. dollar as its functional currency, and the remeasurement gains and losses were recognized in our condensed consolidated statements of income. This charge impacted the Corporate operating segment.

Also during the nine months ended October 1, 2010, the Company recorded charges of $26 million in other income (loss) — net related to other-than-temporary impairments. In the first quarter of 2010, the Company had several investments classified as available-for-sale securities in which our cost basis exceeded the fair value of the investment. Management assessed each of these investments on an individual basis to determine if the decline in fair value was other than temporary. Based on these assessments, management determined that the decline in fair value of each investment was other than temporary. Refer to Note 14 for the fair value disclosures related to these other-than-temporary impairment charges. These impairment charges impacted the Bottling Investments and Corporate operating segments.

Note 11 — Productivity, Integration and Restructuring Initiatives

Productivity Initiatives

During 2008, the Company announced a transformation effort centered on productivity initiatives that will provide additional flexibility to invest for growth. The initiatives impact a number of areas and include aggressively managing operating expenses supported by lean techniques; redesigning key processes to drive standardization and effectiveness; and better leveraging our size and scale.

The Company has incurred total pretax expenses of $428 million related to these productivity initiatives since they commenced in the first quarter of 2008. These expenses were recorded in the line item other operating charges. Refer to Note 15 for the impact these charges had on our operating segments.

Other direct costs included both internal and external costs associated with the development, communication, administration and implementation of these initiatives and accelerated depreciation on certain fixed assets. The Company is expecting to generate at least $500 million in annualized savings from productivity initiatives by the end of 2011 to provide additional flexibility to invest for growth. In realizing these savings, the Company currently expects the total cost of these initiatives to be approximately $500 million and anticipates recognizing the remainder of the costs by the end of 2011.

Table of Contents

The following table summarizes the balance of accrued expenses related to productivity initiatives and the changes in the accrued amounts as of and for the three months ended September 30, 2011 (in millions):

	Accrued Balance July 1, 2011	Costs Incurred Three Months Ended September 30, 2011	Payments	Noncash and Exchange	Accrued Balance September 30, 2011
Severance pay and benefits	$28	$4	$(8)	$1	$25
Outside services[1]	4	1	(1)	—	4
Other direct costs	3	17	(13)	(1)	6
Total	$35	$22	$(22)	$—	$35

[1] Primarily relate to expenses in connection with legal, outplacement and consulting activities.

The following table summarizes the balance of accrued expenses related to productivity initiatives and the changes in the accrued amounts as of and for the nine months ended September 30, 2011 (in millions):

	Accrued Balance December 31, 2010	Costs Incurred Nine Months Ended September 30, 2011	Payments	Noncash and Exchange	Accrued Balance September 30, 2011
Severance pay and benefits	$ 59	$16	$(32)	$(18)[1]	$25
Outside services[2]	6	12	(15)	1	4
Other direct costs	9	48	(42)	(9)	6
Total	$ 74	$76	$(89)	$(26)	$35

[1] Primarily relates to enhanced postretirement benefits associated with the Company's productivity initiatives. These special termination benefits are included in the Company's pension and other postretirement accruals. Refer to Note 12.

[2] Primarily relate to expenses in connection with legal, outplacement and consulting activities.

Integration Initiatives

Integration of CCE's North American Business

On October 2, 2010, we acquired CCE's North American business. In 2010, the Company began an integration initiative as a result of this acquisition to develop and design our future operating framework. The Company has incurred total pretax expenses of $350 million related to this initiative since the plan commenced. These expenses were recorded in the line item other operating charges. Other direct costs included both internal and external costs associated with the development and design of our future operating framework in North America. Refer to Note 15 for the impact these charges had on our operating segments.

We believe this acquisition will result in an evolved franchise system that will enable us to better serve the unique needs of the North American market. The creation of a unified operating system will strategically position us to better market and distribute our nonalcoholic beverage brands in North America. We are reconfiguring our manufacturing, supply chain and logistics operations to achieve cost reductions over time. Once fully integrated, we expect to generate operational synergies of at least $350 million per year. We anticipate that these operational synergies will be phased in over the four years following the acquisition, and that we will begin to fully realize the annual benefit from these synergies in the fourth year.

Upon completion of the CCE transaction, we combined the management of the acquired North American business with the management of our existing foodservice business; Minute Maid and Odwalla juice businesses; North America supply chain operations; and Company-owned bottling operations in Philadelphia, Pennsylvania, into a unified bottling and customer service organization called Coca-Cola Refreshments, or CCR. In addition, we reshaped our remaining CCNA operations into an organization that primarily provides franchise leadership and consumer marketing and innovation for the North American market. As a result of the transaction and related reorganization, our North American businesses operate as aligned and agile organizations with distinct capabilities, responsibilities and strengths. The Company currently expects the total cost of these integration initiatives to be approximately $425 million and anticipates recognizing these charges over the three years following the acquisition.

Table of Contents

The following table summarizes the balance of accrued expenses related to these integration initiatives and the changes in the accrued amounts as of and for the three months ended September 30, 2011 (in millions):

	Accrued Balance July 1, 2011	Costs Incurred Three Months Ended September 30, 2011	Payments	Noncash and Exchange	Accrued Balance September 30, 2011
Severance pay and benefits	$33	$(5)	$(9)	$(1)	$18
Outside services[1]	31	14	(17)	—	28
Other direct costs	37	40	(40)	(4)	33
Total	$101	$49	$(66)	$(5)	$79

[1] Primarily relate to expenses in connection with legal, outplacement and consulting activities.

The following table summarizes the balance of accrued expenses related to these integration initiatives and the changes in the accrued amounts as of and for the nine months ended September 30, 2011 (in millions):

	Accrued Balance December 31, 2010	Costs Incurred Nine Months Ended September 30, 2011	Payments	Noncash and Exchange	Accrued Balance September 30, 2011
Severance pay and benefits	$ 48	$6	$(36)	$—	$18
Outside services[1]	9	55	(36)	—	28
Other direct costs	12	154	(128)	(5)	33
Total	$ 69	$215	$(200)	$(5)	$79

[1] Primarily relate to expenses in connection with legal, outplacement and consulting activities.

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 $13 million and $49 million related to this initiative during the three and nine months ended September 30, 2011, respectively. The Company has incurred total pretax expenses of $274 million related to this initiative since it commenced, which were recorded in the line item other operating charges 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 $37 million and $34 million accrued related to these integration costs as of September 30, 2011, and December 31, 2010, respectively. The Company is currently reviewing other integration and restructuring opportunities within the German bottling and distribution operations, which, if implemented, will result in additional charges in future periods. However, as of September 30, 2011, the Company has not finalized any additional plans.

Other Restructuring Activities

The Company incurred expenses of $5 million and $30 million related to other restructuring initiatives during the three and nine months ended September 30, 2011, respectively. These other restructuring initiatives were outside the scope of the productivity and integration initiatives discussed above. These other restructuring charges were related to individually insignificant activities throughout many of our business units. None of these activities is expected to be individually significant. These charges were recorded in the line item other operating charges. Refer to Note 15 for the impact these charges had on our operating segments.

26

Table of Contents

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 Three Months Ended		Other Benefits	
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
Service cost	$62	$28	$8	$5
Interest cost	97	54	11	7
Expected return on plan assets	(125)	(62)	(2)	(2)
Amortization of prior service cost (credit)	2	1	(15)	(16)
Amortization of net actuarial loss	22	14	—	1
Net periodic benefit cost (credit)	58	35	2	(5)
Curtailment charge (credit)	—	—	—	—
Special termination benefits	—	—	—	—
Total cost (credit) recognized in statements of income	$58	$35	$2	$(5)

	Pension Benefits Nine Months Ended		Other Benefits	
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
Service cost	$186	$85	$24	$16
Interest cost	292	162	34	20
Expected return on plan assets	(371)	(185)	(6)	(6)
Amortization of prior service cost (credit)	5	3	(46)	(46)
Amortization of net actuarial loss	64	43	1	2
Net periodic benefit cost (credit)	176	108	7	(14)
Curtailment charge (credit)	—	(1)	—	—
Special termination benefits[1]	4	1	2	1
Total cost (credit) recognized in statements of income	$180	$108	$9	$(13)

[1] Primarily relate to the Company's productivity, integration and restructuring initiatives. Refer to Note 11 for additional information related to these initiatives.

We contributed $874 million to our pension plans during the nine months ended September 30, 2011, which primarily consisted of $360 million to our primary U.S. pension plans and $369 million to certain European pension plans whose assets are managed through one of our captive insurance companies. We anticipate making additional contributions of approximately $13 million to our pension plans during the remainder of 2011. The Company contributed $57 million to our pension plans during the nine months ended October 1, 2010.

On March 23, 2010, the Patient Protection and Affordable Care Act (HR 3590) was signed into law in the United States. As a result of this legislation, entities are no longer eligible to receive a tax deduction for the portion of prescription drug expenses reimbursed under the Medicare Part D subsidy. This change resulted in a reduction of our deferred tax assets and a corresponding charge to income tax expense of $14 million during the first quarter of 2010. Refer to Note 13.

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 range from 2016 to 2021. We expect each of these grants to be renewed indefinitely. In addition, our effective tax rate reflects the benefits of having significant earnings generated in investments accounted for under the equity method of accounting, which are generally taxed at rates lower than the U.S. statutory rate.

At the end of each interim period, we make our best estimate of the effective tax rate expected to be applicable for the full fiscal year. This estimate reflects, among other items, our best estimate of operating results and foreign currency exchange

Table of Contents

rates. Based on current tax laws, the Company's estimated effective tax rate for 2011 is 24.0 percent. However, in arriving at this estimate we do not include the estimated impact of unusual and/or infrequent items, which may cause significant variations in the customary relationship between income tax expense and income before income taxes. The Company recorded income tax expense of $680 million (23.3 percent effective tax rate) and $2,268 million (24.6 percent effective tax rate) during the three and nine months ended September 30, 2011, respectively. The Company recorded income tax expense of $633 million (23.4 percent effective tax rate) and $1,927 million (24.1 percent effective tax rate) during the three and nine months ended October 1, 2010, 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		Nine Months Ended	
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
Asset impairments	$— [1]	$—	$(15) [1]	$— [11]
Productivity, integration, restructuring and transaction costs	(25) [2]	(19) [8]	(111) [2]	(59) [8]
Transaction gains and losses	(5) [3]	10 [9]	203 [6]	10 [9]
Certain tax matters	(4) [4]	13 [4]	15 [4]	42 [12]
Other — net	(6) [5]	(1) [10]	(44) [7]	(7) [13]

[1] Related to charges of $3 million and $41 million during the three and nine months ended September 30, 2011, respectively, due to the impairment of an investment in an entity accounted for under the equity method of accounting. Refer to Note 10. The Company does not expect to receive a tax benefit on the portion of the impairment recorded during the three months ended September 30, 2011.

[2] Related to charges of $89 million and $372 million during the three and nine months ended September 30, 2011, respectively, primarily due to our ongoing productivity, integration and restructuring initiatives. Refer to Note 10 and Note 11.

[3] Related to a charge of $14 million due to costs associated with the merger of Arca and Contal and the finalization of working capital adjustments related to the sale of all our ownership interests in our Norwegian and Swedish bottling operations to New CCE. Refer to Note 10.

[4] 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 a net charge of $42 million, primarily due to the Company's proportionate share of asset impairments and restructuring charges recorded by certain of our equity method investees; a net charge in connection with the repurchase and/or exchange of certain long-term debt; and a net charge associated with the earthquake and tsunami that devastated northern and eastern Japan. Refer to Note 10.

[6] Related to a net gain of $479 million, primarily due to the gain on the merger of Arca and Contal and the gain on the sale of our investment in Embonor, partially offset by costs associated with the merger of Arca and Contal and the finalization of working capital adjustments related to the sale of all our ownership interests in our Norwegian and Swedish bottling operations to New CCE. Refer to Note 10.

[7] Related to a net charge of $151 million, primarily due to estimated charges related to the earthquake and tsunami that devastated northern and eastern Japan; our proportionate share of asset impairments and restructuring charges recorded by certain of our equity method investees; the amortization of favorable supply contracts acquired in connection with our acquisition of CCE's North American business; and a net charge in connection with the repurchase and/or exchange of certain long-term debt. Refer to Note 10.

[8] Related to charges of $100 million and $274 million during the three and nine months ended October 1, 2010, respectively, due to our ongoing productivity, integration and restructuring initiatives as well as transaction costs. Refer to Note 10 and Note 11.

[9] Related to a gain of $23 million on the sale of 50 percent of our investment in Leão Junior. Refer to Note 10.

[10] Related to a net charge of $10 million, primarily attributable to the Company's proportionate share of transaction costs recorded by CCE, which was partially offset by our proportionate share of a foreign currency remeasurement

gain recorded by an equity method investee. Refer to Note 10.

[11] Income before income taxes included charges of $26 million due to other-than-temporary impairments of available-for-sale securities. There was a zero percent effective tax rate on these items. Refer to Note 10.

[12] Related to a tax charge of $14 million due to new legislation that changed the tax treatment of Medicare Part D subsidies. In addition, the Company recorded a net tax charge of $28 million 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. Refer to Note 12 for additional information on the change in tax treatment of Medicare Part D subsidies.

[13] Related to a net charge of $55 million, primarily due to our proportionate share of unusual tax charges, asset impairments, restructuring charges and transaction costs recorded by equity method investees. In addition, income before income taxes included charges of $103 million due to the remeasurement of our Venezuelan subsidiary's net assets, which had a zero percent effective tax rate. Refer to Note 10.

Table of Contents

It is expected that the amount of unrecognized tax benefits will change in the next 12 months; however, we do not expect the change to have a significant impact on our condensed consolidated statements of income or condensed consolidated balance sheets. The change may be the result of settlements of ongoing audits, statutes of limitations expiring or final settlements in matters that are the subject of litigation. At this time, an estimate of the range of the reasonably possible outcomes cannot be made.

Note 14 — Fair Value Measurements

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

- Level 1 — Quoted prices in active markets for identical assets or liabilities.
- Level 2 — Observable inputs other than quoted prices included in Level 1. We value assets and liabilities included in this level using dealer and broker quotations, certain pricing models, bid prices, quoted prices for similar assets and liabilities in active markets, or other inputs that are observable or can be corroborated by observable market data.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Recurring Fair Value Measurements

In accordance with accounting principles generally accepted in the United States, certain assets and liabilities are required to be recorded at fair value on a recurring basis. For our Company, the only assets and liabilities that are adjusted to fair value on a recurring basis are investments in equity and debt securities classified as trading or available-for-sale and derivative financial instruments.

Investments in Trading and Available-for-Sale Securities

The fair values of our investments in trading and available-for-sale securities were primarily determined using quoted market prices from daily exchange traded markets. The fair values of these instruments were based on the closing price as of the balance sheet date and were classified as Level 1.

Derivative Financial Instruments

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

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

Table of Contents

Included in the fair value of derivative instruments is an adjustment for nonperformance risk. The adjustment is based on the current one-year credit default swap ("CDS") rate applied to each contract, by counterparty. We use our counterparty's CDS rate when we are in an asset position and our own CDS rate when we are in a liability position. The adjustment for nonperformance risk did not have a significant impact on the estimated fair value of our derivative instruments. The following table summarizes those assets and liabilities measured at fair value on a recurring basis as of September 30, 2011 (in millions):

	Level 1	Level 2	Level 3	Netting Adjustment[1]	Fair Value Measurements
Assets					
Trading securities	$173	$21	$4	$—	$ 198
Available-for-sale securities	1,190	21	72 [2]	—	1,283
Derivatives[3]	33	574	1	(152)	456
Total assets	$1,396	$616	$77	$(152)	$ 1,937
Liabilities					
Derivatives[3]	$66	$198	$—	$(235)	$ 29
Total liabilities	$66	$198	$—	$(235)	$ 29

[1] Amounts represent the impact of legally enforceable master netting agreements that allow the Company to settle positive and negative positions and also cash collateral held or placed with the same counterparties. Refer to Note 5.
[2] Primarily related to long-term debt securities that mature in 2018.
[3] Refer to Note 5 for additional information related to the composition of our derivative portfolio.

The following table summarizes those assets and liabilities measured at fair value on a recurring basis as of December 31, 2010 (in millions):

	Level 1	Level 2	Level 3	Netting Adjustment[1]	Fair Value Measurements
Assets					
Trading securities	$183	$23	$3	$—	$ 209
Available-for-sale securities	480	5	—	—	485
Derivatives[2]	19	151	4	(143)	31
Total assets	$682	$179	$7	$(143)	$ 725
Liabilities					
Derivatives[2]	$2	$382	$—	$(142)	$ 242
Total liabilities	$2	$382	$—	$(142)	$ 242

[1] Amounts represent the impact of legally enforceable master netting agreements that allow the Company to settle positive and negative positions and also cash collateral held or placed with the same counterparties. Refer to Note 5.
[2] Refer to Note 5 for additional information related to the composition of our derivative portfolio.

Gross realized and unrealized gains and losses on Level 3 assets and liabilities were not significant for the three and nine months ended September 30, 2011, and October 1, 2010.

The Company recognizes transfers between levels within the hierarchy as of the beginning of the reporting period. Gross transfers between levels within the hierarchy were not significant for the three and nine months ended September 30, 2011, and October 1, 2010.

Table of Contents

Nonrecurring Fair Value Measurements

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Company records assets and liabilities at fair value on a nonrecurring basis as required by accounting principles generally accepted in the United States. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges. The gains or losses on assets measured at fair value on a nonrecurring basis are summarized in the table below (in millions):

	Gains (Losses)			
	Three Months Ended		Nine Months Ended	
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
Exchange of investment in equity securities	$—	$—	$418 [1]	$—
Equity method investments	(3) [2]	—	(41) [2]	—
Inventories	(5) [3]	—	(12) [3]	—
Cold-drink equipment	—	—	(1) [3]	—
Retained investment in formerly consolidated subsidiary	—	12 [4]	—	12 [4]
Available-for-sale securities	—	—	—	(26) [5]
Total	$(8)	$12	$364	$(14)

[1] As a result of the merger of Arca and Contal, the Company recognized a gain on the exchange of the shares we previously owned in Contal for shares in the newly formed entity Arca Contal. The gain represents the difference between the carrying value of the Contal shares we relinquished and the fair value of the Arca Contal shares we received as a result of the transaction. The gain was calculated based on Level 1 inputs. Refer to Note 10 for additional information.

[2] The Company recognized impairment charges of $3 million and $41 million during the three and nine months ended September 30, 2011, respectively. These charges related to an investment in an entity accounted for under the equity method of accounting. Subsequent to the recognition of these impairment charges, the Company's remaining financial exposure related to this entity is not significant. This charge was determined using Level 3 inputs. Refer to Note 10.

[3] These assets primarily consisted of Company-owned inventory as well as cold-drink equipment that were damaged or lost as a result of the natural disasters in Japan. During the nine months ended September 30, 2011, we recorded impairment charges of $12 million and $1 million related to Company-owned inventory and cold-drink equipment, respectively. The impairment charges related to Company-owned inventory included a charge of $5 million recorded during the three months ended September 30, 2011. These charges represent the Company's best estimate as of September 30, 2011, and were determined using Level 3 inputs based on the carrying value of the inventory and cold-drink equipment prior to these events. Refer to Note 10 for additional information.

[4] The Company sold 50 percent of our investment in Leão Junior, which was a wholly owned subsidiary prior to this transaction. The gain on the transaction consisted of two parts: (1) the difference between the consideration received and 50 percent of the carrying value of our investment, and (2) the fair value adjustment for our remaining 50 percent ownership. The gain in the table above represents the portion of the total gain related to the remeasurement of our retained investment in Leão Junior, which was based on Level 3 inputs. Refer to Note 10.

[5] The Company recognized other-than-temporary impairment charges on certain available-for-sale securities. The aggregate carrying value of these securities prior to recognizing the impairment charges was approximately $131 million. The Company determined the fair value of these securities based on Level 1 and Level 2 inputs. The fair value of the Level 2 security was based on a dealer quotation. Refer to Note 3 for further discussion of the factors leading to the recognition of these other-than-temporary impairment charges.

Other Fair Value Disclosures

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

The fair value of our long-term debt is estimated based on quoted prices for those or similar instruments. As of September 30, 2011, the carrying amount and fair value of our long-term debt, including the current portion, were $15,790 million and $16,289 million, respectively. As of December 31, 2010, the carrying amount and fair value of

our long-term debt, including the current portion, were $15,317 million and $15,346 million, respectively.

Table of Contents

Note 15 — Operating Segments

Information about our Company's operations as of and for the three months ended September 30, 2011, and October 1, 2010, by operating segment, is as follows (in millions):

	Eurasia & Africa	Europe	Latin America	North America	Pacific	Bottling Investments	Corporate	Eliminations	Consolidated
2011									
Net operating revenues:									
Third party	$684	$1,207	$1,162	$5,387	$1,534	$ 2,240	$34	$ —	$ 12,248
Intersegment	34	192	64	—	121	24	—	(435)	—
Total net revenues	718	1,399	1,226	5,387	1,655	2,264	34	(435)	12,248
Operating income (loss)	265	810	773	619	608	76	(401)	—	2,750
Income (loss) before income taxes	258	821	772	621	609	266	(424)	—	2,923
Identifiable operating assets	1,379	3,499	2,552	33,444	2,207	9,204	21,131	—	73,416
Noncurrent investments	309	266	494	26	127	7,041	74	—	8,337
2010									
Net operating revenues:									
Third party	$599	$1,107	$988	$2,159	$1,429	$ 2,132	$12	$ —	$ 8,426
Intersegment	25	231	60	12	109	27	—	(464)	—
Total net revenues	624	1,338	1,048	2,171	1,538	2,159	12	(464)	8,426
Operating income (loss)	221	742	616	503	586	78	(402)	—	2,344
Income (loss) before income taxes	217	748	617	501	588	432	(403)	—	2,700
Identifiable operating assets	1,279	3,104	2,104	10,897	1,915	8,701	18,609	—	46,609
Noncurrent investments	300	236	340	45	123	6,369	67	—	7,480
As of December 31, 2010									
Identifiable operating assets	$1,278	$2,724	$2,298	$32,793	$1,827	$ 8,398	$16,018	$ —	$ 65,336
Noncurrent investments	291	243	379	57	123	6,426	66	—	7,585

During the three months ended September 30, 2011, the results of our operating segments were impacted by the following items:

- Operating income (loss) and income (loss) before income taxes were reduced by $2 million for Europe, $2 million for Latin America, $52 million for North America, $2 million for Pacific, $14 million for Bottling Investments and $26 million for Corporate due to the Company's ongoing productivity, integration and restructuring initiatives as well as costs associated with the merger of Arca and Contal. Refer to Note 11 for additional information on our productivity, integration and restructuring initiatives. Refer to Note 10 for additional information related to the merger of Arca and Contal.
-

Operating income (loss) and income (loss) before income taxes were reduced by $2 million for North America and increased by $1 million for Pacific due to charges associated with the earthquake and tsunami that devastated northern and eastern Japan on March 11, 2011. Refer to Note 10.

- Income (loss) before income taxes was reduced by $36 million for Bottling Investments, primarily attributable to the Company's proportionate share of asset impairments and restructuring charges recorded by certain of our equity method investees. Refer to Note 10.
- Income (loss) before income taxes was reduced by $5 million for Corporate due to the net charge we recognized on the repurchase and/or exchange of certain long-term debt assumed in connection with our acquisition of CCE's North American business. Refer to Note 6.
- Income (loss) before income taxes was reduced by $5 million for Corporate due to the finalization of working capital adjustments related to the sale of all our ownership interests in our Norwegian and Swedish bottling operations to New CCE. Refer to Note 10.
- Income (loss) before income taxes was reduced by $3 million for Corporate due to the impairment of an investment in an entity accounted for under the equity method of accounting. Refer to Note 10 and Note 14.

During the three months ended October 1, 2010, the results of our operating segments were impacted by the following items:

- Operating income (loss) and income (loss) before income taxes were reduced by $1 million for Eurasia and Africa, $13 million for Europe, $8 million for Pacific, $12 million for Bottling Investments and $68 million for Corporate, primarily due to the Company's ongoing productivity, integration and restructuring initiatives as well as transaction costs. Operating income (loss) and income (loss) before income taxes were increased by $2 million for North America due to the refinement of previously established restructuring accruals. Refer to Note 11 for additional information on our productivity, integration and restructuring initiatives.
- Income (loss) before income taxes was reduced by $10 million for Bottling Investments. This net charge was primarily attributable to the Company's proportionate share of transaction costs recorded by CCE, which was partially offset by our proportionate share of a foreign currency remeasurement gain recorded by an equity method investee. The components of the net charge were individually insignificant. Refer to Note 10.
- Income (loss) before income taxes was increased by $23 million for Corporate due to the gain on the sale of 50 percent of our investment in Leão Junior. Refer to Note 10.

Table of Contents

Information about our Company's operations for the nine months ended September 30, 2011, and October 1, 2010, by operating segment, is as follows (in millions):

	Eurasia & Africa	Europe	Latin America	North America	Pacific	Bottling Investments	Corporate	Eliminations	Consolidated
2011									
Net operating revenues:									
Third party	$2,054	$3,725	$3,308	$15,567	$4,175	$ 6,548	$125	$ —	$ 35,502
Intersegment	124	537	205	11	306	66	—	(1,249)	—
Total net revenues	2,178	4,262	3,513	15,578	4,481	6,614	125	(1,249)	35,502
Operating income (loss)	860	2,497	2,163	1,820	1,769	189	(1,095)	—	8,203
Income (loss) before income taxes	856	2,536	2,174	1,826	1,771	700	(635)	—	9,228
2010									
Net operating revenues:									
Third party	$1,827	$3,400	$2,865	$6,336	$3,758	$ 6,376	$63	$ —	$ 24,625
Intersegment	110	686	171	47	297	77	—	(1,388)	—
Total net revenues	1,937	4,086	3,036	6,383	4,055	6,453	63	(1,388)	24,625
Operating income (loss)	781	2,391	1,795	1,435	1,658	221	(991)	—	7,290
Income (loss) before income taxes	794	2,423	1,810	1,433	1,659	1,018	(1,135)	—	8,002

During the nine months ended September 30, 2011, the results of our operating segments were impacted by the following items:

- Operating income (loss) and income (loss) before income taxes were reduced by $9 million for Eurasia and Africa, $5 million for Europe, $3 million for Latin America, $229 million for North America, $3 million for Pacific, $58 million for Bottling Investments and $100 million for Corporate, primarily due to the Company's ongoing productivity, integration and restructuring initiatives as well as costs associated with the merger of Arca and Contal. Refer to Note 11 for additional information on our productivity, integration and restructuring initiatives. Refer to Note 10 for additional information related to the merger of Arca and Contal.
- Operating income (loss) and income (loss) before income taxes were reduced by $2 million for North America and $82 million for Pacific due to charges associated with the earthquake and tsunami that devastated northern and eastern Japan on March 11, 2011.
- Income (loss) before income taxes was increased by a net $417 million for Corporate, primarily due to the gain the Company recognized as a result of the merger of Arca and Contal. Refer to Note 10 and Note 14.
- Income (loss) before income taxes was increased by $102 million for Corporate due to the gain on the sale of our investment in Embonor, a bottling partner with operations primarily in Chile. Prior to this transaction, the Company accounted for our investment in Embonor under the equity method of accounting. Refer to Note 10.
- Income (loss) before income taxes was decreased by $41 million for Corporate due to the impairment of an investment in an entity accounted for under the equity method of accounting. Refer to Note 10 and Note 14.
- Income (loss) before income taxes was reduced by $40 million for Bottling Investments, primarily attributable to the Company's proportionate share of asset impairments and restructuring charges recorded by certain of our equity method investees. Refer to Note 10.
- Income (loss) before income taxes was reduced by $8 million for Corporate due to the net charge we recognized on the repurchase and/or exchange of certain long-term debt assumed in connection with our acquisition of CCE's North American business. Refer to Note 6.

- Income (loss) before income taxes was reduced by $5 million for Corporate due to the finalization of working capital adjustments related to the sale of our Norwegian and Swedish bottling operations to New CCE. Refer to Note 10.

During the nine months ended October 1, 2010, the results of our operating segments were impacted by the following items:

- Operating income (loss) and income (loss) before income taxes were reduced by $4 million for Eurasia and Africa, $43 million for Europe, $8 million for North America, $13 million for Pacific, $56 million for Bottling Investments and $150 million for Corporate, primarily due to the Company's ongoing productivity, integration and restructuring initiatives as well as transaction costs incurred in connection with our acquisition of CCE's North American business and the sale of our Norwegian and Swedish bottling operations to New CCE. Refer to Note 11 for additional information on our productivity, integration and restructuring initiatives.
- Income (loss) before income taxes was reduced by $103 million for Corporate due to the remeasurement of our Venezuelan subsidiary's net assets. Subsequent to December 31, 2009, the Venezuelan government announced a currency devaluation, and Venezuela was determined to be a hyperinflationary economy. Refer to Note 10.
- Income (loss) before income taxes was reduced by $55 million for Bottling Investments. This net charge was primarily attributable to the Company's proportionate share of unusual tax charges, asset impairments, restructuring charges and transaction costs recorded by equity method investees, which were partially offset by our proportionate share of a foreign currency remeasurement gain recorded by an equity method investee. The components of the net charge were individually insignificant. Refer to Note 10.
- Income (loss) before income taxes was increased by $23 million for Corporate due to the gain on the sale of 50 percent of our investment in Leão Junior. Refer to Note 10.
- Income (loss) before income taxes was reduced by $23 million for Bottling Investments and $3 million for Corporate, primarily due to other-than-temporary impairments of available-for-sale securities. Refer to Note 10 and Note 14.

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

When used in this report, the terms "The Coca-Cola Company," "Company," "we," "us" or "our" mean The Coca-Cola Company and all entities included in our condensed consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Recoverability of Current and Noncurrent Assets

Our Company faces many uncertainties and risks related to various economic, political and regulatory environments in the countries in which we operate, particularly in developing and emerging markets. Refer to the heading "Item 1A. Risk Factors" in Part I and "Our Business — Challenges and Risks" in Part II of our Annual Report on Form 10-K for the year ended December 31, 2010. As a result, management must make numerous assumptions which involve a significant amount of judgment when performing recoverability and impairment tests of noncurrent assets in various regions around the world.

We perform recoverability and impairment tests of noncurrent assets in accordance with accounting principles generally accepted in the United States. For certain assets, recoverability and/or impairment tests are required only when conditions exist that indicate the carrying value may not be recoverable. For other assets, impairment tests are required at least annually, or more frequently if events or circumstances indicate that an asset may be impaired.

Our equity method investees also perform such recoverability and/or impairment tests. If an impairment charge is recorded by one of our equity method investees, the Company records its proportionate share of the charge as a reduction of equity income (loss) — net in our condensed consolidated statements of income. However, the actual amount we record with respect to our proportionate share of such charges may be impacted by items such as basis differences, deferred taxes and deferred gains.

Investments in Equity and Debt Securities

Investments classified as trading securities are not assessed for impairment since they are carried at fair value with the change in fair value included in net income. We review our investments in equity and debt securities that are accounted for using the equity method or cost method or that are classified as available-for-sale or held-to-maturity each reporting period to determine whether a significant event or change in circumstances has occurred that may have an adverse effect on the fair value of each investment. When such events or changes occur, we evaluate the fair value compared to our cost basis in the investment. We also perform this evaluation every reporting period for each investment for which our cost basis has exceeded the fair value in the prior period. The fair values of most of our Company's investments in publicly traded companies are often readily available based on quoted market prices. For investments in non-publicly traded companies, management's assessment of fair value is based on valuation methodologies including discounted cash flows, estimates of sales proceeds and appraisals, as appropriate. We consider the assumptions that we believe hypothetical marketplace participants would use in evaluating estimated future cash flows when employing the discounted cash flow or estimates of sales proceeds valuation methodologies. The ability to accurately predict future cash flows, especially in developing and emerging markets, may impact the determination of fair value.

In the event the fair value of an investment declines below our cost basis, management is required to determine if the decline in fair value is other than temporary. If management determines the decline is other than temporary, an impairment charge is recorded. Management's assessment as to the nature of a decline in fair value is based on, among other things, the length of time and the extent to which the market value has been less than our cost basis, the financial condition and near-term prospects of the issuer, and our intent and ability to retain the investment in the issuer for a period of time sufficient to allow for any anticipated recovery in market value.

Table of Contents

The following table presents the difference between calculated fair values, based on quoted closing prices of publicly traded shares, and our Company's cost basis in publicly traded bottlers accounted for as equity method investments (in millions):

September 30, 2011	Fair Value	Carrying Value	Difference
Coca-Cola FEMSA, S.A.B. de C.V.	$5,794	$1,405	$4,389
Coca-Cola Amatil Limited	2,570	959	1,611
Coca-Cola Hellenic Bottling Company S.A.	1,523	1,580	(57)
Coca-Cola Icecek A.S.	743	171	572
Embotelladoras Coca-Cola Polar S.A.	166	98	68
Coca-Cola Bottling Co. Consolidated	138	84	54
	$10,934	$4,297	$6,637

The carrying value of our investment in Coca-Cola Hellenic Bottling Company S.A. ("Coca-Cola Hellenic") exceeded its fair value as of September 30, 2011. As is the case with most of our equity method investees, we have both the ability and intent to hold our investment in Coca-Cola Hellenic as a long-term investment. Furthermore, under the terms of a shareholders agreement between the Company and another significant shareholder of Coca-Cola Hellenic, the Company is required, unless both parties agree to the contrary, to maintain no less than a 20 percent ownership interest in Coca-Cola Hellenic through December 31, 2018. In addition, we believe that the countries in which Coca-Cola Hellenic has bottling and distribution rights, through direct ownership or joint ventures, have positive growth opportunities. We also believe that the recent volatility of Coca-Cola Hellenic's fair value is at least partly attributable to the volatility in the global financial markets, including the economic events in Greece where Coca-Cola Hellenic is headquartered, and is not necessarily indicative of a change in its long-term value. Based on all of the factors described above, management has concluded that the decline in fair value of our investment in Coca-Cola Hellenic is temporary in nature. Subsequent to the end of the third quarter of 2011, Coca-Cola Hellenic's share price rose to a level where the fair value of our investment exceeded the carrying value. We will continue to monitor our investment in future periods.

As of September 30, 2011, gross unrealized gains and losses on available-for-sale securities were $271 million and $13 million, respectively. Management assessed each investment with unrealized losses to determine if the decline in fair value was other than temporary. Based on these assessments, management determined that the decline in fair value of each of these investments was temporary in nature. We will continue to monitor these investments in future periods. Refer to Note 3 of Notes to Condensed Consolidated Financial Statements.

During the three and nine months ended September 30, 2011, the Company recorded charges of $3 million and $41 million, respectively, related to the impairment of an investment accounted for under the equity method of accounting. These impairment charges were recorded in the line item other income (loss) — net in our condensed consolidated statements of income and impacted the Corporate operating segment. Refer to Note 10, Note 14 and Note 15 of Notes to Condensed Consolidated Financial Statements.

During the first quarter of 2010, the Company recorded a charge of $26 million in the line item other income (loss) — net in our condensed consolidated statement of income as a result of an other-than-temporary decline in the fair value of several available-for-sale securities. Based on management's assessment of each investment, the Company determined that the decline in fair value of each investment was other than temporary based on a number of factors, including, but not limited to, uncertainty regarding our intent to hold certain of these investments for a period of time that would be sufficient to recover our cost basis in the event of a market recovery; the fact that the fair value of each investment had continued to decline during the third and fourth quarters of 2009 and the first quarter of 2010; and the Company's uncertainty around the near-term prospects for certain of the investments. These impairment charges impacted the Bottling Investments and Corporate operating segments. Refer to the heading "Operations Review — Other Income (Loss) — Net," and Note 14 of Notes to Condensed Consolidated Financial Statements for additional information.

Goodwill, Trademarks and Other Intangible Assets

Intangible assets are classified into one of three categories: (1) intangible assets with definite lives subject to amortization; (2) intangible assets with indefinite lives not subject to amortization; and (3) goodwill. For intangible assets with definite lives, tests for impairment must be performed if conditions exist that indicate the carrying value may not be recoverable. For intangible assets with indefinite lives and goodwill, tests for impairment must be performed at least annually, or more frequently if events or circumstances indicate that an asset might be impaired. Management's assessments of the recoverability and impairment tests of intangible assets involve critical accounting estimates. These estimates require significant management judgment, include inherent uncertainties and are often interdependent;

Table of Contents

therefore, they do not change in isolation. Factors that management must estimate include, among others, the economic life of the asset, sales volume, pricing, cost of raw materials, delivery costs, inflation, cost of capital, marketing spending, foreign currency exchange rates, tax rates and capital spending. These factors are even more difficult to predict when global financial markets are highly volatile. The estimates we use when assessing the recoverability of definite-lived intangible assets are consistent with those we use in our internal planning. When performing impairment tests of indefinite-lived intangible assets, we estimate the fair values of the assets using management's best assumptions, which we believe would be consistent with what a hypothetical marketplace participant would use. Estimates and assumptions used in these tests are evaluated and updated as appropriate. The variability of these factors depends on a number of conditions, including uncertainty about future events, and thus our accounting estimates may change from period to period. If other assumptions and estimates had been used when these tests were performed, impairment charges could have resulted. As mentioned above, these factors do not change in isolation and, therefore, we do not believe it is practicable or meaningful to present the impact of changing a single factor. Furthermore, if management uses different assumptions or if different conditions occur in future periods, future impairment charges could result. Refer to the heading "Operations Review," below, for additional information related to our present business environment. Certain factors discussed above are impacted by our current business environment and are discussed throughout this report, as appropriate.

Intangible assets acquired in recent transactions are naturally more susceptible to impairment, primarily due to the fact that they are recorded at fair value based on recent operating plans and macroeconomic conditions present at the time of acquisition. Consequently, if operating results and/or macroeconomic conditions deteriorate shortly after an acquisition, it could result in the impairment of the acquired assets. A deterioration of macroeconomic conditions may not only negatively impact the estimated operating cash flows used in our cash flow models, but may also negatively impact other assumptions used in our analyses, including, but not limited to, the estimated cost of capital and/or discount rates. Additionally, as discussed above, in accordance with accounting principles generally accepted in the United States, we are required to ensure that assumptions used to determine fair value in our analyses are consistent with the assumptions a hypothetical marketplace participant would use. As a result, the cost of capital and/or discount rates used in our analyses may increase or decrease based on market conditions and trends, regardless of whether our Company's actual cost of capital has changed. Therefore, if the cost of capital and/or discount rates change, our Company may recognize an impairment of an intangible asset or assets in spite of realizing actual cash flows that are approximately equal to, or greater than, our previously forecasted amounts.

The Company did not record any significant impairment charges related to intangible assets during the nine months ended September 30, 2011, and October 1, 2010.

Impact of Natural Disasters in Japan

On March 11, 2011, a major earthquake struck off the coast of Japan, resulting in a tsunami that devastated the northern and eastern regions of the country. As a result of these events, the Company made a donation to a charitable organization to establish the Coca-Cola Japan Reconstruction Fund, which will help rebuild schools and community facilities across the impacted areas of the country.

The Company recorded total charges of $84 million related to these events during the nine months ended September 30, 2011. These charges were recorded in various line items in our condensed consolidated statements of income, including charges of $22 million in deductions from revenue, $12 million in cost of goods sold and $50 million in other operating charges. These charges impacted the Pacific and North America operating segments.

The $22 million of charges recorded in deductions from revenue were primarily related to funds we provided our local bottling partners to enable them to continue producing and distributing our beverage products in the affected regions. This support not only helped restore our business operations in the impacted areas, but it also assisted our bottling partners in meeting the evolving customer and consumer needs as the recovery and rebuilding efforts advanced. The $12 million of charges in cost of goods sold were primarily related to Company-owned inventory that was destroyed or lost. The $50 million of other operating charges were primarily related to the donation discussed above and a $1 million impairment charge related to certain Company-owned fixed assets. These fixed assets primarily consisted of Company-owned vending equipment and coolers that were damaged or lost as a result of these events.

Our operations outside the hardest hit regions were minimally impacted, if at all. Our challenges in the affected regions have included, but are not limited to, availability of fuel, concerns related to radiation leakage, rolling power blackouts, a need for energy savings and interruptions to mass transit services. It is not possible to precisely calculate the impact these events will have on our operating results; however, in addition to the $84 million of charges described above, we estimate the events in Japan will negatively impact our 2011 full year diluted net income per share by $0.03 to $0.05.

The Company assessed the recoverability of long-lived assets, including intangible assets related to products sold in Japan. Because our operations outside the hardest hit regions were only minimally impacted, if at all, the Company determined that our long-lived assets are recoverable and no impairment is required except for certain fixed assets believed to be physically

Table of Contents

damaged or lost as a result of the events discussed above. We will continue to refine our estimates in future periods as more information becomes available; however, we do not expect any subsequent adjustments to be significant to the Company's consolidated financial statements.

The Company is assessing its insurance coverage, and we intend to file a claim for certain of our losses in Japan. As of September 30, 2011, we have not recorded any insurance recovery related to these events, as we are not currently able to deem any amount of potential insurance recovery as probable.

Hyperinflationary Economies

Our Company conducts business in more than 200 countries, some of which have been deemed to be hyperinflationary economies due to excessively high inflation rates in recent years. These economies create financial exposure to the Company. Venezuela was deemed to be a hyperinflationary economy subsequent to December 31, 2009.

As of December 31, 2009, two main exchange rate mechanisms existed in Venezuela. The first exchange rate mechanism is known as the official rate of exchange ("official rate"), which is set by the Venezuelan government. In order to utilize the official rate, entities must seek approval from the government-operated Foreign Exchange Administration Board ("CADIVI"). As of December 31, 2009, the official rate set by the Venezuelan government was 2.15 bolivars per U.S. dollar. The second exchange rate mechanism was known as the parallel rate, which in some circumstances provided entities with a more liquid exchange through the use of a series of transactions via a broker. Subsequent to December 31, 2009, Venezuela was determined to be a hyperinflationary economy, and the Venezuelan government devalued the bolivar by resetting the official rate to 2.6 bolivars per U.S. dollar for essential goods and 4.3 bolivars per U.S. dollar for nonessential goods. In accordance with hyperinflationary accounting under accounting principles generally accepted in the United States, our local subsidiary was required to use the U.S. dollar as its functional currency. As a result, we remeasured the net assets of our Venezuelan subsidiary using the official rate for nonessential goods of 4.3 bolivars per U.S. dollar. During the first quarter of 2010, we recorded a loss of $103 million related to the remeasurement of our Venezuelan subsidiary's net assets. The loss was recorded in the line item other income (loss) — net in our condensed consolidated statement of income. We classified the impact of the remeasurement loss in the line item effect of exchange rate changes on cash and cash equivalents in our condensed consolidated statement of cash flows.

In early June 2010, the Venezuelan government introduced a newly regulated foreign currency exchange system known as the Transaction System for Foreign Currency Denominated Securities ("SITME"). This new system, which is subject to annual limits, replaced the parallel market whereby entities domiciled in Venezuela are able to exchange their bolivars to U.S. dollars through authorized financial institutions (commercial banks, savings and lending institutions, etc.).

In December 2010, the Venezuelan government announced that it was eliminating the official rate of 2.6 bolivars per U.S. dollar for essential goods. As a result, there are only two exchange rates available for remeasuring bolivar-denominated transactions as of December 31, 2010: the official rate of 4.3 bolivars per U.S. dollar for nonessential goods and the SITME rate. As discussed above, the Company has remeasured the net assets of our Venezuelan subsidiary using the official rate for nonessential goods of 4.3 bolivars per U.S. dollar since January 1, 2010. Therefore, the elimination of the official rate for essential goods had no impact on the remeasurement of the net assets of our Venezuelan subsidiary. We continue to use the official exchange rate for nonessential goods to remeasure the financial statements of our Venezuelan subsidiary. If the official exchange rate devalues further, it would result in our Company recognizing additional foreign currency exchange losses in our consolidated financial statements. As of September 30, 2011, our Venezuelan subsidiary held net monetary assets of approximately $250 million.

In addition to the foreign currency exchange exposure related to our Venezuelan subsidiary's net assets, we also sell concentrate to our bottling partner in Venezuela from outside the country. These sales are denominated in U.S. dollars. Some of our concentrate sales were approved by the CADIVI to receive the official rate for essential goods of 2.6 bolivars per U.S. dollar prior to the elimination of the official rate for essential goods in December 2010. Prior to the elimination of the official rate for essential goods, our bottling partner in Venezuela was able to convert bolivars to U.S. dollars to settle our receivables related to sales approved by the CADIVI. However, if we are unable to utilize a government-approved exchange rate mechanism to settle future concentrate sales to our bottling partner in Venezuela,

the Company's outstanding receivables balance related to these sales will continue to increase. In addition, we have certain intangible assets associated with products sold in Venezuela. If we are unable to utilize a government-approved exchange rate mechanism for concentrate sales, or if the bolivar further devalues, it could result in the impairment of these intangible assets. As of September 30, 2011, the carrying value of our accounts receivable from our bottling partner in Venezuela and intangible assets associated with products sold in Venezuela was less than $200 million. The revenues and cash flows associated with concentrate sales to our bottling partner in Venezuela in 2011 are not anticipated to be significant to the Company's consolidated financial statements.

Table of Contents

OPERATIONS REVIEW

Sales of our ready-to-drink nonalcoholic 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.

Structural Changes, Acquired Brands and New License Agreements

In order to continually improve upon the Company's operating performance, from time to time we engage in buying and selling ownership interests in bottling partners and other manufacturing operations. In addition, we also acquire brands or enter into license agreements for certain brands to supplement our beverage offerings. These items impact our operating results and certain key metrics used by management in assessing the Company's performance.

Unit case volume growth is a key metric used by management to evaluate the Company's performance because it measures demand for our products at the consumer level. The Company's unit case volume represents the number of unit cases (or unit case equivalents) of Company beverage products directly or indirectly sold by the Company and its bottling partners to customers and, therefore, reflects unit case volume for consolidated and unconsolidated bottlers. Refer to the heading "Beverage Volume," below.

Concentrate sales volume represents the amount of concentrates and syrups (in all cases expressed in equivalent unit cases) sold by, or used in finished products sold by, the Company to its bottling partners or other customers. Refer to the heading "Beverage Volume," below.

Our Bottling Investments operating segment and our other finished products operations, including our finished products operations in our North America operating segment, typically generate net operating revenues by selling sparkling beverages and a variety of still beverages, such as juice and juice drinks, energy and sports drinks, ready-to-drink teas and coffees, and certain water products, to retailers or to distributors, wholesalers and bottling partners who distribute them to retailers. In addition, in the United States, we manufacture fountain syrups and sell them to fountain retailers such as restaurants and convenience stores which use the fountain syrups to produce beverages for immediate consumption, or to authorized fountain wholesalers or bottling partners who resell the fountain syrups to fountain retailers. For these finished products operations, we recognize the associated concentrate sales volume at the time the unit case or unit case equivalent is sold to the customer. Our concentrate operations typically generate net operating revenues by selling concentrates and syrups to authorized bottling and canning operations. For these concentrate operations, we recognize concentrate revenue and concentrate sales volume when we sell concentrate to the authorized unconsolidated bottling and canning operations, and we typically report unit case volume when finished products manufactured from the concentrates and syrups are sold to the customer. When we analyze our net operating revenues we generally consider the following four factors: (1) volume growth (unit case volume or concentrate sales volume, as appropriate), (2) structural changes, (3) changes in price, product and geographic mix and (4) foreign currency fluctuations. Refer to the heading "Net Operating Revenues," below.

"Structural changes" generally refers to acquisitions or dispositions of bottling, distribution or canning operations and consolidation or deconsolidation of bottling and distribution entities for accounting purposes. Typically, structural changes do not impact the Company's unit case volume on a consolidated basis or at the geographic operating segment level. We recognize unit case volume for all sales of Company beverage products regardless of our ownership interest in the bottling partner, if any. However, our Bottling Investments operating segment is generally impacted by structural changes because it only includes the unit case volume of consolidated bottlers.

The Company sells concentrates and syrups to both consolidated and unconsolidated bottling partners. The ownership structure of our bottling partners impacts the timing of recognizing concentrate revenue and concentrate sales volume. When we sell concentrates or syrups to our consolidated bottling partners, we are not able to recognize the concentrate revenue or concentrate sales volume until the bottling partner has sold finished products manufactured from the concentrates or syrups to a customer. When we sell concentrates or syrups to our unconsolidated bottling partners, we recognize the concentrate revenue and concentrate sales volume when the concentrates or syrups are sold to the bottling partner. The subsequent sale by our unconsolidated bottling partners of the finished products manufactured from the concentrates or syrups to a customer does not impact the timing of recognizing the concentrate revenue or concentrate sales volume.

38

Table of Contents

"Acquired brands" refers to brands acquired during the past 12 months. Typically, the Company has not reported unit case volume or recognized concentrate sales volume related to acquired brands in periods prior to the closing of a transaction. Therefore, the unit case volume and concentrate sales volume from the sale of these brands is incremental to prior year volume. We do not generally consider acquired brands to be structural changes.

"License agreements" refers to brands not owned by the Company but for which we hold certain rights, generally including, but not limited to, distribution rights, and we derive an economic benefit from the ultimate sale of these brands. Typically, the Company has not reported unit case volume or recognized concentrate sales volume related to these brands in periods prior to the beginning of the term of a license agreement. Therefore, the unit case volume and concentrate sales volume from the sale of these brands is incremental to prior year volume. We do not generally consider new license agreements to be structural changes.

The following significant transactions and agreements impacted the Company's operating results during the three and nine months ended September 30, 2011:

- on October 2, 2010, in legally separate transactions, we acquired the North American business of Coca-Cola Enterprises Inc. ("CCE") and entered into a license agreement with Dr Pepper Snapple Group, Inc. ("DPS"); and
- on October 2, 2010, we sold all of our ownership interests in Coca-Cola Drikker AS (the "Norwegian bottling operation") and Coca-Cola Drycker Sverige AB (the "Swedish bottling operation").

The impact that each of the aforementioned items had on the Company's condensed consolidated financial statements is discussed throughout this report, as appropriate. The sections below are intended to provide an overview of the impact these items had on our operating results during the three and nine months ended September 30, 2011, and are expected to have on key metrics used by management.

Acquisition of Coca-Cola Enterprises Inc.'s North American Business and Related Transactions

Pursuant to the terms of the business separation and merger agreement entered into on February 25, 2010, as amended (the "merger agreement"), on October 2, 2010 (the "acquisition date"), we acquired the North American business of CCE, one of our major bottlers, consisting of CCE's production, sales and distribution operations in the United States, Canada, the British Virgin Islands, the United States Virgin Islands and the Cayman Islands, and a substantial majority of CCE's corporate segment. Upon completion of the CCE transaction, we combined the management of the acquired North American business with the management of our existing foodservice business; Minute Maid and Odwalla juice businesses; North America supply chain operations; and Company-owned bottling operations in Philadelphia, Pennsylvania, into a unified bottling and customer service organization called Coca-Cola Refreshments ("CCR"). In addition, we reshaped our remaining Coca-Cola North America ("CCNA") operations into an organization that primarily provides franchise leadership and consumer marketing and innovation for the North American market. As a result of the transaction and related reorganization, our North American businesses operate as aligned and agile organizations with distinct capabilities, responsibilities and strengths. We believe this acquisition will result in an evolved franchise system that will enable us to better serve the unique needs of the North American market. The creation of a unified operating system will strategically position us to better market and distribute our nonalcoholic beverage brands in North America.

Under the terms of the merger agreement, the Company acquired the 67 percent of CCE's North American business that was not already owned by the Company for consideration that included: (1) the Company's 33 percent indirect ownership interest in CCE's European operations; (2) cash consideration; and (3) replacement awards issued to certain current and former employees of CCE's North American and corporate operations. At closing, CCE shareowners other than the Company exchanged their CCE common stock for common stock in a new entity, which was renamed Coca-Cola Enterprises, Inc. (which is referred to herein as "New CCE") and which continues to hold the European operations held by CCE prior to the acquisition. At closing, New CCE became 100 percent owned by shareowners that held shares of common stock of CCE immediately prior to the closing, other than the Company. As a result of this transaction, the Company does not own any interest in New CCE.

Although the CCE transaction was structured to be primarily cashless, under the terms of the merger agreement, we agreed to assume approximately $8.9 billion of CCE debt. In the event that the actual CCE debt on the acquisition date was less than the agreed amount, we agreed to make a cash payment to New CCE for the difference. As of the acquisition date, the debt assumed by the Company was approximately $7.9 billion. The total cash consideration paid

to New CCE as part of the transaction was approximately $1.4 billion, which included approximately $1.0 billion related to the debt shortfall.

Table of Contents

In contemplation of the closing of our acquisition of CCE's North American business, we reached an agreement with DPS to distribute certain DPS brands in territories where DPS brands had been distributed by CCE prior to the CCE transaction. Under the terms of our agreement with DPS, concurrently with the closing of the CCE transaction, we entered into license agreements with DPS to distribute Dr Pepper trademark brands in the U.S., Canada Dry in the Northeast U.S., and Canada Dry and C' Plus in Canada, and we made a net one-time cash payment of $715 million to DPS. Under the license agreements, the Company agreed to meet certain performance obligations to distribute DPS products in retail and foodservice accounts and vending machines. The license agreements have initial terms of 20 years, with automatic 20-year renewal periods unless otherwise terminated under the terms of the agreements. The license agreements replaced agreements between DPS and CCE existing immediately prior to the completion of the CCE transaction. In addition, we entered into an agreement with DPS to include Dr Pepper and Diet Dr Pepper in our Coca-Cola Freestyle fountain dispensers in certain outlets throughout the United States. The Coca-Cola Freestyle agreement has a term of 20 years.

On October 2, 2010, we sold all of our ownership interests in our Norwegian and Swedish bottling operations to New CCE for approximately $0.9 billion in cash. In addition, in connection with the acquisition of CCE's North American business, we granted to New CCE the right to negotiate the acquisition of our majority interest in our German bottler at any time from 18 to 39 months after February 25, 2010, at the then current fair value and subject to terms and conditions as mutually agreed.

Prior to the acquisition of CCE's North American business and entering into the DPS license agreements, the Company's North America operating segment was predominantly a concentrate operation. As a result of the acquisition of CCE's North American business and the DPS license agreements, the North America operating segment is now predominantly a finished products operation. Generally, finished products operations produce higher net operating revenues but lower gross profit margins and operating margins compared to concentrate operations. These transactions resulted in higher net operating revenues but lower operating margins for the North America operating segment and our consolidated operating results.

Prior to the acquisition of CCE's North American business, the Company reported unit case volume for the sale of Company beverage products sold by CCE. After the transaction closing, we reported unit case volume of Company beverage products just as we had prior to the transaction.

Prior to the acquisition of CCE's North American business, the Company recognized concentrate sales volume at the time we sold the concentrate to CCE. Upon the closing of the transaction, we do not recognize the concentrate sales volume until CCR has sold finished products manufactured from concentrate to a customer.

The DPS license agreements impact both the Company's unit case and concentrate sales volumes. Sales made pursuant to these license agreements represent acquired volume and are incremental unit case volume and concentrate sales volume to the Company. Prior to entering into the license agreements, the Company did not include the DPS brands as unit case volume or concentrate sales volume, as these brands were not Company beverage products. Refer to the heading "Unit Case Volume," below, for additional information.

Prior to the acquisition, we recognized the revenues and profits associated with concentrate sales when the concentrate was sold to CCE, excluding the portion that was deemed to be intercompany due to our previous ownership interest in CCE. However, subsequent to the acquisition, the Company will not recognize the revenues and profits associated with concentrate sold to CCE's North American business until the finished products manufactured from those concentrates are sold. For example, in 2010, most of our pre-Easter concentrate sales to CCE impacted our first quarter operating results. In 2011, our Easter-related finished product sales had a greater impact on our second quarter operating results. As a result of this transaction, the Company does not have an indirect ownership interest in New CCE's European operations. Therefore, we are no longer required to defer the portion of revenues and profits associated with concentrate sales to New CCE.

The acquisition of CCE's North American business has resulted in a significant adjustment to our overall cost structure, especially in North America. The following inputs represent a substantial portion of the Company's total cost of goods sold: (1) sweeteners, (2) metals, (3) juices and (4) polyethylene terephthalate ("PET"). The bulk of these costs reside within our North America and Bottling Investments operating segments. We anticipate that the cost of underlying commodities related to these inputs will continue to face upward pressure and, therefore, we have

increased our hedging activities related to certain commodities in order to mitigate a portion of the price risk associated with forecasted purchases. Many of the derivative financial instruments used by the Company to mitigate the risk associated with these commodity exposures do not qualify for hedge accounting. As a result, the change in fair value of these derivative instruments will be included as a component of net income each reporting period. Refer to the heading "Gross Profit," below, and Note 5 of Notes to Condensed Consolidated Financial Statements for additional information regarding our commodity hedging activity.

Table of Contents

The acquisition of CCE's North American business increased the Company's selling, general and administrative expenses for the three and nine months ended September 30, 2011, primarily due to delivery-related expenses. Selling, general and administrative expenses are typically higher, as a percentage of net operating revenues, for finished products operations compared to concentrate operations. Selling, general and administrative expenses were also negatively impacted by the amortization of definite-lived intangible assets acquired in the acquisition. The Company recorded $650 million of definite-lived acquired franchise rights as a result of our acquisition that are being amortized over a weighted-average life of approximately eight years, which is equal to the weighted-average remaining contractual term of the acquired franchise rights. In addition, the Company recorded $380 million of customer rights as a result of our acquisition that are being amortized over 20 years. We estimate the amortization expense related to these definite-lived intangible assets to be approximately $100 million per year for the next several years, which will be recorded in selling, general and administrative expenses.

Once fully integrated, we expect to generate operational synergies of at least $350 million per year. We anticipate realizing approximately $140 million to $150 million of net cost synergies in 2011. Refer to the heading "Other Operating Charges," below, and Note 11 of Notes to Condensed Consolidated Financial Statements for additional information regarding this integration initiative.

In connection with the Company's acquisition of CCE's North American business, we assumed $7,602 million of long-term debt in the fourth quarter of 2010, which had an estimated fair value of $9,345 million as of the acquisition date. In accordance with accounting principles generally accepted in the United States, we recorded the assumed debt at its fair value as of the acquisition date.

On November 15, 2010, the Company issued $4,500 million of long-term notes and used some of the proceeds to repurchase $2,910 million of long-term debt. The Company used the remaining cash from the issuance to reduce our outstanding commercial paper balance. The repurchased debt consisted of $1,827 million of debt assumed in our acquisition of CCE's North American business and $1,083 million of the Company's debt that was outstanding prior to the acquisition.

During the three months ended September 30, 2011, the Company issued $2,979 million of long-term debt, of which $979 million was exchanged for $1,022 million of existing long-term debt plus a premium of $208 million. The existing long-term debt was assumed in connection with our acquisition of CCE's North American business in the fourth quarter of 2010. The remaining cash from the issuance was used to reduce the Company's outstanding commercial paper balance and exchange a certain amount of short-term debt. The Company recorded a charge of $5 million in the line item interest expense during the three months ended September 30, 2011, primarily due to transaction costs associated with the exchange of long-term debt.

In addition, the Company repurchased long-term debt during the nine months ended September 30, 2011, that had a carrying value of $735 million. The Company assumed this debt in connection with our acquisition of CCE's North American business. The carrying value of the repurchased debt included $99 million in unamortized fair value adjustments recorded as part of our purchase accounting. The Company recorded a net charge of $3 million in the line item interest expense during the nine months ended September 30, 2011, primarily due to the change in fair value from the date we assumed the debt until the date it was repurchased in addition to premiums paid to repurchase the debt. Refer to Note 6 of Notes to Condensed Consolidated Financial Statements for additional information related to our debt repurchases. Refer to the heading "Interest Expense," below, for additional information related to the net impact these transactions had on the Company's condensed consolidated financial statements.

Prior to the closing of this acquisition, we had accounted for our investment in CCE under the equity method of accounting. Under the equity method of accounting, we recorded our proportionate share of CCE's net income or loss in the line item equity income (loss) — net in our condensed consolidated statements of income. However, as a result of this transaction, beginning October 2, 2010, the Company no longer records equity income or loss related to CCE and, therefore, we expect this transaction to negatively impact equity income in future periods. Refer to the heading "Equity Income (Loss) — Net," below.

Divestiture of Norwegian and Swedish Bottling Operations

The divestiture of our Norwegian and Swedish bottling operations had no impact on our consolidated unit case volume and consolidated concentrate sales volume. However, the divestiture of these bottling operations reduced unit

case volume for the Bottling Investments operating segment. In addition, the divestiture reduced net operating revenues and net income for our consolidated operating results and the Bottling Investments operating segment. However, because we divested a finished goods business, it had a positive impact on our gross profit margins and operating margins. Furthermore, the impact these divestitures had on the Company's net operating revenues was partially offset by the concentrate revenues that were recognized on sales to these bottling operations. These concentrate sales had previously been eliminated because they were intercompany transactions. The net impact to net operating revenues was included as a structural change in our analysis of changes to net operating revenues. Refer to the heading "Net Operating Revenues," below.

Table of Contents

Beverage Volume

We measure the volume of Company beverage products sold in two ways: (1) unit cases of finished products and (2) concentrate sales. As used in this report, "unit case" means a unit of measurement equal to 192 U.S. fluid ounces of finished beverage (24 eight-ounce servings); and "unit case volume" means the number of unit cases (or unit case equivalents) of Company beverage products directly or indirectly sold by the Company and its bottling partners to customers. Unit case volume primarily consists of beverage products bearing Company trademarks. Also included in unit case volume are certain products licensed to, or distributed by, our Company, and brands owned by Coca-Cola system bottlers for which our Company provides marketing support and from the sale of which we derive economic benefit. In addition, unit case volume includes sales by joint ventures in which the Company has an equity interest. We believe unit case volume is one of the measures of the underlying strength of the Coca-Cola system because it measures trends at the consumer level. The unit case volume numbers used in this report are derived based on estimates received by the Company from its bottling partners and distributors. Concentrate sales volume represents the amount of concentrates and syrups (in all cases expressed in equivalent unit cases) sold by, or used in finished beverages sold by, the Company to its bottling partners or other customers. Unit case volume and concentrate sales volume growth rates are not necessarily equal during any given period. Factors such as seasonality, bottlers' inventory practices, the number of selling days in a reporting period, supply point changes, timing of price increases, new product introductions and changes in product mix can impact unit case volume and concentrate sales volume and can create differences between unit case volume and concentrate sales volume growth rates. In addition to the items mentioned above, the impact of unit case volume from certain joint ventures in which the Company has an equity interest, but to which the Company does not sell concentrates or syrups, may give rise to differences between unit case volume and concentrate sales volume growth rates.

Information about our volume growth worldwide and by operating segment for the three and nine months ended September 30, 2011, is as follows:

	Percent Change 2011 versus 2010			
	Third Quarter		Year-to-Date	
	Unit Cases[1,2,3]	Concentrate Sales[4]	Unit Cases[1,2,3]	Concentrate Sales[4]
Worldwide	5%	5%	6%	5%
Eurasia & Africa	6%	5%	7%	4%
Europe	—	(2)%	2%	1%
Latin America	7%	5%	7%	5%
North America	5%	8%	5%	5%
Pacific	5%	3%	6%	5%
Bottling Investments	—	N/A	(1)%	N/A

[1] Bottling Investments operating segment data reflects unit case volume growth for consolidated bottlers only.

[2] Geographic segment data reflect unit case volume growth for all bottlers in the applicable geographic areas, both consolidated and unconsolidated.

[3] Unit case volume percentage change is based on average daily sales. Unit case volume growth based on average daily sales is computed by comparing the average daily sales in each of the corresponding periods. Average daily sales for each quarter and year-to-date period are the unit cases sold during the period divided by the number of days in the period.

[4] Concentrate sales volume represents the actual amount of concentrates, syrups, beverage bases and powders sold by, or used in finished beverages sold by, the Company to its bottling partners or other customers and is not based on average daily sales. Each of our interim reporting periods, other than the fourth interim reporting period, ends on the Friday closest to the last day of the corresponding quarterly calendar period. The first quarter of 2011 had one less day compared to the first quarter of 2010.

Table of Contents

Unit Case Volume

Although a significant portion of our Company's revenues is not based directly on unit case volume, we believe unit case volume is a measure of the underlying strength of the Coca-Cola system because it measures trends at the consumer level.

Three Months Ended September 30, 2011, versus Three Months Ended October 1, 2010

In Eurasia and Africa, unit case volume increased 6 percent, which consisted of 4 percent growth in sparkling beverages and 14 percent growth in still beverages. Excluding the impact of our acquisition of OAO Nidan Juices ("Nidan") during the third quarter of 2010, still beverages in Eurasia and Africa grew 10 percent during the period. The group's unit case volume growth was largely due to growth in our key markets, including India and Turkey. India experienced 19 percent unit case volume growth, led by 19 percent growth in sparkling beverages. India's growth in sparkling beverages primarily consisted of 21 percent growth in both Trademark Thums Up and Trademark Sprite as well as 17 percent growth in Trademark Coca-Cola. Growth in India's sparkling beverages was led by integrated marketing programs across various social platforms. Still beverages in India grew 17 percent and included 17 percent growth in our Kinley water brand. Turkey had double-digit unit case volume growth during the period, primarily due to growth in still beverages. Eurasia and Africa also benefited from 9 percent growth in the Company's Middle East and North Africa business unit during the period despite geopolitical challenges in the region. The group's unit case volume growth in the markets described above was partially offset by unit case volume declines in Russia and South Africa of 5 percent and 3 percent, respectively. Excluding the impact of Nidan, unit case volume in Russia declined 11 percent during the period.

Unit case volume in Europe was even during the period, despite an unseasonably cold and rainy summer selling season as well as a moderating consumer confidence index. The group had 1 percent growth in sparkling beverages, including 14 percent growth in Coca-Cola Zero and growth of 1 percent in brand Coca-Cola as we leveraged integrated marketing campaigns centered on summer and music as well as our continued focus on occasion-based packaging and pricing. Europe's unit case volume growth in sparkling beverages was offset by a 2 percent volume decline in still beverages. Germany's unit case volume increased 4 percent during the period, including 5 percent growth in Trademark Coca-Cola. In addition, France and Great Britain reported unit case volume growth of 4 percent and 3 percent, respectively, led by growth in Trademark Coca-Cola. The group's Central and Southern Europe business unit had a volume decline of 2 percent during the period, partially related to the continued volatile economic environment in the region.

In Latin America, unit case volume increased 7 percent, which consisted of 5 percent growth in sparkling beverages and 16 percent growth in still beverages. The group's sparkling beverage unit case volume growth was led by 4 percent growth in Trademark Coca-Cola. Still beverages benefited from the successful performance of Del Valle as well as strong growth in other still beverages, including water and tea. Mexico had unit case volume growth of 8 percent, including 7 percent growth in sparkling beverages and 13 percent growth in still beverages. Mexico's sparkling beverage unit case volume growth was primarily attributable to 6 percent growth in Trademark Coca-Cola. Argentina had 10 percent growth in Trademark Coca-Cola, which contributed to its overall unit case volume growth of 11 percent during the period. Argentina's unit case volume growth benefited from strong integrated marketing campaigns, including sponsorship of the Copa America soccer tournament in July. Brazil's unit case volume increased 1 percent during the period despite the challenging macroeconomic conditions the country is currently facing. The group's unit case volume growth in the markets described above was partially offset by a 3 percent volume decline in Venezuela, a reflection of the continued economic and political pressures affecting the country.

Unit case volume in North America increased 5 percent, including 4 percent growth attributable to the new license agreements with DPS. The group's unit case volume growth was driven by 6 percent growth in sparkling beverages, primarily due to the sale of DPS brands under the new license agreements. Coca-Cola Zero continued its strong performance in North America with 12 percent unit case volume growth. This marks Coca-Cola Zero's 22nd consecutive quarter of double-digit growth in North America. North America's sparkling beverages benefited from a fully integrated 125 Days of Summer Fun campaign and a strong focus on occasion-based brand, package, price and channel strategies. Unit case volume for still beverages in North America increased 4 percent during the period, including 9 percent growth in Trademark Powerade, 14 percent growth in Trademark Dasani and 39 percent growth in

Gold Peak. The growth in still beverages in North America was partially offset by a decline of 3 percent in juice and juice drinks, a reflection of increased pricing to offset commodity costs.

In Pacific, unit case volume increased 5 percent, which consisted of 2 percent growth in sparkling beverages and 9 percent growth in still beverages. The group's volume growth was led by 11 percent growth in China. Sparkling beverages in China grew 4 percent and included growth in brand Coca-Cola, Trademark Sprite and Trademark Fanta. Still beverages in China grew 24 percent, reflecting strong growth in Minute Maid Pulpy and other still beverages, including water. Japan's unit case volume declined 3 percent during the period and included a 6 percent decline in still beverages, partially offset by 2 percent growth in sparkling beverages. Japan's overall unit case volume decline reflects the ongoing impact of the earthquake and tsunami that devastated the northern and eastern portions of the country on March 11, 2011, in addition to the favorable impact of record summer heat on the country's prior year results. The Philippines reported a 7 percent volume decline, primarily due to a 9 percent decline in sparkling beverages.

Table of Contents

Unit case volume for Bottling Investments was even when compared to the same period in the prior year. The group had growth in key markets where we own or otherwise consolidate bottling operations, including unit case volume growth of 11 percent in China, 19 percent in India and 4 percent in Germany. The Company's consolidated bottling operations accounted for 33 percent, 66 percent and 100 percent of the unit case volume in China, India and Germany, respectively. However, growth in these markets was offset by the unfavorable impact of the Company's sale of our Norwegian and Swedish bottling operations to New CCE during the fourth quarter of 2010 as well as a unit case volume decline of 7 percent in the Philippines where we own 100 percent of the country's bottling operations.

Nine Months Ended September 30, 2011, versus Nine Months Ended October 1, 2010

In Eurasia and Africa, unit case volume increased 7 percent, which consisted of 5 percent growth in sparkling beverages and 15 percent growth in still beverages. The group's unit case volume growth was largely due to growth in our key markets, including Turkey and India. Turkey experienced double-digit unit case volume growth, led by brand Coca-Cola. The group also benefited from India's 11 percent unit case volume growth, which consisted of 11 percent growth in sparkling beverages and 10 percent growth in still beverages. India's growth in sparkling beverages was primarily due to 16 percent growth in Trademark Sprite and 12 percent growth in Trademark Thums Up. Still beverages in India benefited from 13 percent growth in our Kinley water brand. Unit case volume grew 7 percent in Russia during the period, primarily due to our acquisition of Nidan in the third quarter of 2010. Excluding the impact of the acquired Nidan juice, Russia's overall unit case volume declined 1 percent. Eurasia and Africa also benefited from unit case volume growth of 8 percent in the Company's Middle East and North Africa business unit despite ongoing geopolitical challenges in the region. The group's unit case volume growth in the markets described above was partially offset by a 3 percent unit case volume decline in South Africa. This decline was primarily due to the impact of unfavorable weather conditions as well as higher pricing in the marketplace.

Unit case volume in Europe increased 2 percent, despite an unseasonably cold and rainy summer selling season and moderate consumer confidence. The group benefited from the Company's successful launch of our 125th Anniversary marketing campaign as well as other integrated marketing campaigns. The group had 2 percent growth in sparkling beverages, including 3 percent growth in brand Coca-Cola and growth of 15 percent in Coca-Cola Zero. Unit case volume for still beverages increased 3 percent, led by growth in water and tea. Germany's unit case volume increased 5 percent during the period, primarily attributable to 5 percent growth in Trademark Coca-Cola and 11 percent growth in Trademark Fanta. Our German business continued to benefit from our occasion-based package and price architecture. In addition, France and Great Britain had growth of 5 percent and 4 percent, respectively, led by growth in Trademark Coca-Cola.

In Latin America, unit case volume increased 7 percent, which consisted of 5 percent growth in sparkling beverages and 16 percent growth in still beverages. The group's sparkling beverage unit case volume growth was led by 5 percent growth in brand Coca-Cola. Still beverages benefited from the successful performance of Del Valle as well as strong growth in other still beverages, including water and tea. Mexico had unit case volume growth of 10 percent, led by 8 percent growth in sparkling beverages, which included 8 percent growth in Trademark Coca-Cola. In addition, Argentina had 9 percent growth in Trademark Coca-Cola which contributed to its overall unit case volume growth of 10 percent during the period. Argentina's unit case volume growth benefited from strong integrated marketing campaigns, including sponsorship of the Copa America soccer tournament in July. Brazil's unit case volume increased 1 percent during the period despite the challenging macroeconomic conditions the country is currently facing. The group's unit case volume growth in the markets described above was partially offset by a 14 percent volume decline in Venezuela during the period. The decline in Venezuela is a reflection of the continued economic and political pressures affecting the country.

Unit case volume in North America increased 5 percent, including 4 percent growth attributable to the new license agreements with DPS. The group's unit case volume growth was driven by 6 percent growth in sparkling beverages, primarily due to the sale of DPS brands under the new license agreements. Coca-Cola Zero continued its strong performance in North America with 13 percent unit case volume growth. Unit case volume for still beverages in North America increased 4 percent during the period, including 12 percent growth in Trademark Powerade, 10 percent growth in Trademark Dasani and 47 percent growth in Gold Peak. The growth in still beverages in North America was partially offset by a decline of 2 percent in juice and juice drinks, a reflection of increased pricing to offset commodity

costs.

In Pacific, unit case volume increased 6 percent, which consisted of 4 percent growth in sparkling beverages and 8 percent growth in still beverages. The group's volume growth was led by 15 percent growth in China, which included 12 percent growth in sparkling beverages attributable to growth in Trademark Sprite and brand Coca-Cola. The group also benefited from China's 19 percent growth in still beverages, including strong growth in Minute Maid Pulpy and other still beverages, including water. The group's unit case volume growth was partially offset by a unit case volume decline of 1 percent in Japan, which consisted of a 1 percent decline in both sparkling beverages and still beverages. Japan's unit case volume decline reflects the ongoing impact of the earthquake and tsunami that devastated the northern and eastern portions of the country on March 11, 2011, in addition to the favorable impact of record summer heat on the country's prior year results. The Philippines reported a unit case volume decline of 9 percent during the period, primarily due to a 10 percent decline in sparkling beverages.

Table of Contents

Unit case volume for Bottling Investments decreased 1 percent due to the impact of the Company's sale of our Norwegian and Swedish bottling operations to New CCE during the fourth quarter of 2010 as well as a unit case volume decline of 9 percent in the Philippines where we own 100 percent of the country's bottling operations. The unfavorable impact of these items was partially offset by growth in other markets where we own or otherwise consolidate bottling operations. Unit case volume grew 15 percent in China, 11 percent in India and 5 percent in Germany. The Company's consolidated bottling operations accounted for 33 percent, 64 percent and 100 percent of the unit case volume in China, India and Germany, respectively.

Concentrate Sales Volume

During the three months ended September 30, 2011, unit case volume and concentrate sales volume both grew 5 percent compared to the three months ended October 1, 2010. During the nine months ended September 30, 2011, unit case volume grew 6 percent and concentrate sales volume grew 5 percent compared to the nine months ended October 1, 2010. The difference between the consolidated unit case volume and concentrate sales volume growth rates during the nine months ended September 30, 2011, was primarily due to the timing of concentrate shipments, the number of selling days in the reporting period, and the impact of unit case volume from certain joint ventures in which the Company has an equity interest, but to which the Company does not sell concentrates, syrups, beverage bases or powders. Concentrate sales volume growth is calculated based on the actual amount of concentrate sold during the reporting period, which is impacted by the number of selling days. Conversely, unit case volume growth is calculated based on average daily sales, which is not impacted by the number of selling days in a reporting period. Our concentrate sales volume growth rate for the nine months ended September 30, 2011, was negatively impacted as a result of having one less selling day during the first quarter of 2011 when compared to the first quarter of 2010.

The difference between the unit case volume and concentrate sales volume growth rates for both the Eurasia and Africa and the Pacific operating segments for the nine months ended September 30, 2011, was primarily due to the impact that changes in supply points had on each segment's operations during the first quarter of 2010 and the timing of concentrate shipments. In addition, the difference between the unit case volume and concentrate sales volume growth rates for the Pacific operating segment during the three months ended September 30, 2011, reflects the residual impact of increased concentrate shipments during the first half of the year to our bottling partners in Japan that were replenishing their inventory supplies following the natural disasters that occurred on March 11, 2011.

The difference between the unit case volume and concentrate sales volume growth rates for the North America operating segment during the three months ended September 30, 2011, reflects the change in the segment's business model as a result of our acquisition of CCE's North American business during the fourth quarter of 2010. Prior to the acquisition, we recognized the revenues and profits associated with concentrate sales when the concentrate was sold to CCE, excluding the portion that was deemed to be intercompany due to our previous ownership interest in CCE. However, subsequent to the acquisition, the Company will not recognize the revenues and profits associated with concentrate sold to CCE's North American business until the finished products manufactured from those concentrates are sold to third-party customers.

Net Operating Revenues

Net operating revenues increased $3,822 million, or 45 percent, and $10,877 million, or 44 percent, for the three and nine months ended September 30, 2011, respectively, versus the comparable periods of the prior year. When we analyze our net operating revenues we generally consider the following four factors: (1) volume growth (unit case volume or concentrate sales volume, as appropriate), (2) structural changes, (3) changes in price, product and geographic mix and (4) foreign currency fluctuations. Refer to the heading "Structural Changes, Acquired Brands and New License Agreements," above. Although we typically provide a rollforward of net operating revenues on a consolidated basis and for each of our geographic operating segments, it is impractical to provide this reconciliation for our North America operating segment due to the ongoing integration of CCE's North American business, and thus for our consolidated net operating revenues.

In addition, we are typically able to quantify the impact of structural changes on our net operating revenues because we usually do not integrate our consolidated bottling operations with our concentrate operations. We traditionally manage our consolidated bottling operations as if they are standalone operations and, therefore, we are able to quantify the financial impact of structural changes. However, due to the ongoing integration of the acquired

operations, we are unable to separate the operating results for portions of CCR that used to be part of CCE's North American business. We are therefore unable to quantify structural changes for our North America operating segment, and thus for our consolidated net operating revenues. See below for a separate analysis of the net operating revenues of our North America operating segment and the net operating revenues of our other operating segments during the three and nine months ended September 30, 2011.

Table of Contents

Three Months Ended September 30, 2011, versus Three Months Ended October 1, 2010

Net operating revenues for the North America operating segment increased $3,216 million, or 148 percent, versus the comparable period of the prior year. This increase primarily reflects the impact of structural changes related to the acquisition of CCE's North American operations in addition to the impact of our new license agreements with DPS. Net operating revenues for the North America operating segment also included a 2 percent favorable impact due to foreign currency exchange fluctuations. Although we are unable to precisely calculate the growth attributable to structural changes during the period, we estimate that our focus on revenue growth management strategies led to positive pricing to retailers of 2 percent during the three months ended September 30, 2011. We expect to see positive pricing to retailers of 2 to 3 percent in North America for full year 2011 to help offset the challenging cost environment.

Although we are unable to provide the level of detail included in the table below for our North America operating segment, we are still able to quantify this information for our other operating segments. The following table illustrates, on a percentage basis, the estimated impact of key factors resulting in the increase or decrease in net operating revenues for each of our international and Bottling Investments operating segments:

	Percent Change 2011 vs. 2010				
	Volume[2]	Structural Changes	Price, Product & Geographic Mix	Currency Fluctuations	Total
International (including Bottling Investments)[1]	4%	(3)%	2%	6%	9%
Eurasia & Africa	5%	—%	8%	2%	15%
Europe	(2)	—	1	6	5
Latin America	5	(1)	8	5	17
Pacific	3	—	(4)	9	8
Bottling Investments	4	(11)	3	9	5

[1] Represents the total change in net operating revenues for Bottling Investments and each of our geographic operating segments, excluding North America.

[2] Represents the percent change in net operating revenues attributable to the increase (decrease) in concentrate sales volume for our geographic operating segments (expressed in equivalent unit cases). For our Bottling Investments operating segment, this represents the percent change in net operating revenues attributable to the increase (decrease) in unit case volume for the Bottling Investments operating segment after considering the impact of structural changes. Our Bottling Investments operating segment data reflects unit case volume growth for consolidated bottlers only. Refer to the heading "Beverage Volume," above.

Refer to the heading "Beverage Volume," above, for additional information related to changes in our unit case and concentrate sales volumes.

Refer to the heading "Structural Changes, Acquired Brands and New License Agreements," above, for additional information related to significant structural changes to our Bottling Investments operating segment. The structural change in the Latin America operating segment was related to the sale of 50 percent of our investment in Leão Junior, S.A. ("Leão Junior"), during the third quarter of 2010.

Price, product and geographic mix had a favorable 2 percent impact on net operating revenues for our combined international and Bottling Investments operating segments. Price, product and geographic mix for our operating segments was impacted by a variety of factors and events including, but not limited to, the following:

- Our international and Bottling Investments operating segments' results were unfavorably impacted by geographic mix as a result of growth in our emerging and developing markets. The growth in our emerging and developing markets resulted in unfavorable geographic mix due to the fact that the revenue per unit sold in these markets is generally less than in developed markets;
- Eurasia and Africa was favorably impacted by price mix as a result of pricing increases in key markets;
-

- Europe was favorably impacted by price mix as a result of pricing increases in key markets, partially offset by a change in concentrate pricing strategy in Germany with our consolidated bottler;
- Latin America was favorably impacted by pricing in a number of our key markets, including Brazil. Also, still beverages grew faster than sparkling beverages, bolstered by the strong performance of Del Valle;
- Pacific was unfavorably impacted by geographic mix due to growth in our emerging and developing markets such as China. The revenue per unit sold in these markets is generally less than in developed markets; and
- Pacific was unfavorably impacted by channel and product mix due to the earthquake and tsunami that devastated northern and eastern Japan on March 11, 2011.

Table of Contents

The favorable impact of currency fluctuations increased net operating revenues for our international and Bottling Investments operating segments by 6 percent. The favorable impact of changes in foreign currency exchange rates was primarily due to a weaker U.S. dollar compared to certain foreign currencies, including the euro, Japanese yen, Mexican peso, Brazilian real, U.K. pound sterling, South African rand and Australian dollar, which had a favorable impact on the Eurasia and Africa, Europe, Latin America, Pacific and Bottling Investments operating segments. Refer to the heading "Liquidity, Capital Resources and Financial Position — Foreign Exchange."

Nine Months Ended September 30, 2011, versus Nine Months Ended October 1, 2010

Net operating revenues for the North America operating segment increased $9,195 million, or 144 percent, versus the comparable period of the prior year. This increase primarily reflects the impact of structural changes related to the acquisition of CCE's North American operations in addition to the impact of our new license agreements with DPS. Net operating revenues for the North America operating segment also included a 2 percent favorable impact due to foreign currency exchange fluctuations. Although we are unable to precisely calculate the growth attributable to structural changes during the period, we estimate that our focus on revenue growth management strategies led to positive pricing to retailers of 2 percent during the nine months ended September 30, 2011. We expect to see positive pricing to retailers of 2 to 3 percent in North America for full year 2011 to help offset the challenging cost environment.

Although we are unable to provide the level of detail included in the table below for our North America operating segment, we are still able to quantify this information for our other operating segments. The following table illustrates, on a percentage basis, the estimated impact of key factors resulting in the increase or decrease in net operating revenues for each of our international and Bottling Investments operating segments:

	Percent Change 2011 vs. 2010			
	Volume[2]	Structural Changes	Price, Product & Geographic Mix	Currency Fluctuations	Total
International (including Bottling Investments)[1]	4%	(3)%	2%	6%	9%
Eurasia & Africa	4%	—%	6%	2%	12%
Europe	1	—	(1)	4	4
Latin America	5	(3)	7	7	16
Pacific	5	—	(3)	8	10
Bottling Investments	4	(11)	3	7	3

[1] Represents the total change in net operating revenues for Bottling Investments and each of our geographic operating segments, excluding North America.

[2] Represents the percent change in net operating revenues attributable to the increase (decrease) in concentrate sales volume for our geographic operating segments (expressed in equivalent unit cases). For our Bottling Investments operating segment, this represents the percent change in net operating revenues attributable to the increase (decrease) in unit case volume for the Bottling Investments operating segment after considering the impact of structural changes. Our Bottling Investments operating segment data reflects unit case volume growth for consolidated bottlers only. Refer to the heading "Beverage Volume," above.

Refer to the heading "Beverage Volume," above, for additional information related to changes in our unit case and concentrate sales volumes.

Refer to the heading "Structural Changes, Acquired Brands and New License Agreements," above, for additional information related to significant structural changes to our Bottling Investments operating segment. The structural change in the Latin America operating segment was related to the sale of 50 percent of our investment in Leão Junior during the third quarter of 2010.

Price, product and geographic mix had a favorable 2 percent impact on net operating revenues for our combined international and Bottling Investments operating segments. Price, product and geographic mix for our operating segments was impacted by a variety of factors and events including, but not limited to, the following:

- Our international and Bottling Investments operating segments' results were unfavorably impacted by geographic mix as a result of growth in our emerging and developing markets. The growth in our emerging and developing markets resulted in unfavorable geographic mix due to the fact that the revenue per unit sold in these markets is generally less than in developed markets;
- Eurasia and Africa was favorably impacted by price mix as a result of pricing increases in key markets;

Table of Contents

- Europe was unfavorably impacted by price mix as a result of a change in concentrate pricing strategy in Germany with our consolidated bottler, partially offset by pricing increases in key markets;
- Latin America was favorably impacted by pricing in a number of our key markets, including Brazil. Also, still beverages grew faster than sparkling beverages, bolstered by the strong performance of Del Valle;
- Pacific was unfavorably impacted by geographic mix due to growth in our emerging and developing markets such as China. The revenue per unit sold in these markets is generally less than in developed markets; and
- Pacific was unfavorably impacted by channel and product mix due to the earthquake and tsunami that devastated northern and eastern Japan on March 11, 2011.

The favorable impact of currency fluctuations increased net operating revenues for our international and Bottling Investments operating segments by 6 percent. The favorable impact of changes in foreign currency exchange rates was primarily due to a weaker U.S. dollar compared to certain foreign currencies, including the euro, Japanese yen, Mexican peso, Brazilian real, U.K. pound sterling, South African rand and Australian dollar, which had a favorable impact on the Eurasia and Africa, Europe, Latin America, Pacific and Bottling Investments operating segments. Refer to the heading "Liquidity, Capital Resources and Financial Position — Foreign Exchange."

Gross Profit

Our gross profit margin decreased to 60.2 percent from 65.4 percent in the three months ended September 30, 2011, versus the comparable period in the prior year. Our gross profit margin decreased to 61.1 percent from 65.8 percent in the nine months ended September 30, 2011, versus the comparable period of the prior year. The decrease in our gross profit margin for the three and nine months ended September 30, 2011, versus the comparable periods of the prior year was primarily due to the impact of our acquisition of CCE's North American business and an increase in commodity costs, partially offset by favorable geographic mix, product mix, foreign currency exchange fluctuations and the sale of our Norwegian and Swedish bottling operations.

Refer to the heading "Structural Changes, Acquired Brands and New License Agreements," above, for additional information regarding the impact of our acquisition of CCE's North American business and the sale of our Norwegian and Swedish bottling operations. The favorable geographic mix was primarily due to many of our emerging markets recovering from the global recession at a faster pace than our developed markets. Although this shift in geographic mix has a negative impact on net operating revenues, it generally has a favorable impact on our gross profit margin due to the correlated impact it has on our product mix. The product mix in the majority of our emerging and developing markets is more heavily skewed toward our sparkling beverage products, which generally yield a higher gross profit margin compared to our still beverages and finished products. Refer to the heading "Net Operating Revenues," above.

We expect our gross profit margin to be lower for full year 2011 when compared to full year 2010 due to the impact of consolidating CCE's North American business, as well as an increase in commodity costs. The acquisition of CCE's North American business has resulted in a significant adjustment to our overall cost structure, especially in North America. Finished products operations, including CCR and our bottling operations included in our Bottling Investments operating segment, typically have lower gross profit margins, and the additional commodity risk has led to higher raw material costs in 2011. The following inputs represent a substantial portion of the Company's total cost of goods sold: (1) sweeteners, (2) metals, (3) juices and (4) PET. The majority of these costs are incurred by our North America and Bottling Investments operating segments. We anticipate that the cost of underlying commodities related to these inputs will continue to face upward pressure. We expect the unfavorable impact of increased commodity costs on our full year 2011 results to be approximately $800 million related to the four inputs listed above.

Upon the close of our acquisition of CCE's North American business, we increased our hedging activities related to certain commodities in order to mitigate a portion of the price risk associated with forecasted purchases. Many of the derivative financial instruments used by the Company to mitigate the risk associated with these commodity exposures do not qualify for hedge accounting. As a result, the change in fair value of these derivative instruments will be included as a component of net income in each reporting period. During the three and nine months ended September 30, 2011, the Company recorded losses of $63 million and $34 million, respectively, in cost of goods sold related to derivative financial instruments that do not qualify for hedge accounting. Refer to Note 5 of Notes to Condensed Consolidated Financial Statements.

48

Table of Contents

Selling, General and Administrative Expenses

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

	Three Months Ended		Nine Months Ended	
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
Stock-based compensation expense	$87	$71	$268	$185
Advertising expenses	895	936	2,503	2,299
Bottling and distribution expenses[1]	2,158	666	6,385	1,980
Other operating expenses	1,387	1,391	3,873	4,183
Selling, general and administrative expenses	$4,527	$3,064	$13,029	$8,647

[1] Includes operating expenses as well as general and administrative expenses related to our finished products operations in our North America and Bottling Investments operating segments.

Three Months Ended September 30, 2011, versus Three Months Ended October 1, 2010

Selling, general and administrative expenses increased $1,463 million, or 48 percent, versus the comparable period of the prior year. Foreign currency fluctuations increased selling, general and administrative expenses by 5 percent. The increase in stock-based compensation expense included the impact of our acquisition of CCE's North American business in addition to an increase in the accrual related to our performance-based long-term incentive plans. The Company's performance-based long-term incentive plans are currently expected to have a higher payout rate when compared to the three months ended October 1, 2010, due to our revised outlook. The decrease in advertising expenses reflected the impact of timing in certain of the Company's marketing expenditures.

The increase in bottling and distribution expenses was primarily related to our acquisition of CCE's North American business and our continued investments in our other bottling operations. The unfavorable impact of these items was partially offset by the sale of our Norwegian and Swedish bottling operations to New CCE. Refer to the heading "Structural Changes, Acquired Brands and New License Agreements," above.

Nine Months Ended September 30, 2011, versus Nine Months Ended October 1, 2010

Selling, general and administrative expenses increased $4,382 million, or 51 percent, versus the comparable period of the prior year. Foreign currency fluctuations increased selling, general and administrative expenses by 4 percent. The increase in stock-based compensation expense was primarily due to the impact of our acquisition of CCE's North American business in addition to an increase in the accrual related to our performance-based long-term incentive plans. The Company's performance-based long-term incentive plans are currently expected to have a higher payout rate when compared to the nine months ended October 1, 2010, due to our revised outlook. The increase in advertising expenses reflected the Company's continued investment in our brands, focus on building market execution capabilities, timing of certain marketing expenses and the impact of our acquisition of CCE's North American business.

The increase in bottling and distribution expenses was primarily related to our acquisition of CCE's North American business and our continued investments in our other bottling operations. The unfavorable impact of these items was partially offset by the sale of our Norwegian and Swedish bottling operations to New CCE. Refer to the heading "Structural Changes, Acquired Brands and New License Agreements," above.

We contributed $874 million to our pension plans during the nine months ended September 30, 2011, which primarily consisted of $360 million to our primary U.S. pension plans and $369 million to certain European pension plans whose assets are managed through one of our captive insurance companies. Our full year pension expense is currently expected to increase by $70 million compared to 2010. The anticipated increase is primarily due to our acquisition of CCE's North American business and a decrease in our discount rate compared to 2010. Refer to the heading "Liquidity, Capital Resources and Financial Position" for information related to these contributions.

As of September 30, 2011, we had $589 million of total unrecognized compensation cost related to nonvested stock-based compensation arrangements granted under our plans, which we expect to recognize over a weighted-average period of 1.8 years. This expected cost does not include the impact of any future stock-based compensation awards.

49

Table of Contents

Other Operating Charges

Other operating charges incurred by operating segment were as follows (in millions):

	Three Months Ended		Nine Months Ended	
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
Eurasia & Africa	$—	$1	$9	$4
Europe	2	13	5	43
Latin America	2	—	3	—
North America	52	(2)	229	8
Pacific	—	8	53	13
Bottling Investments	14	12	58	56
Corporate	26	68	100	150
Total	$96	$100	$457	$274

During the three months ended September 30, 2011, the Company incurred other operating charges of $96 million. These charges consisted of $89 million associated with the Company's ongoing productivity, integration and restructuring initiatives and $9 million due to costs associated with the merger of Embotelladoras Arca, S.A.B. de C.V. ("Arca") and Grupo Continental S.A.B. ("Contal"). These charges were partially offset by a $2 million reversal associated with the refinement of previously recorded accruals related to the earthquake and tsunami that devastated northern and eastern Japan on March 11, 2011. Refer to the heading "Recoverability of Current and Noncurrent Assets" and Note 10 of Notes to Condensed Consolidated Financial Statements for additional information related to the impact of the natural disasters in Japan. Refer to the heading "Other Income (Loss) — Net" for additional information related to the merger of Arca and Contal. The Company's integration activities include costs associated with the integration of CCE's North American business as well as the integration of 18 German bottling and distribution operations acquired during 2007.

During the nine months ended September 30, 2011, the Company incurred other operating charges of $457 million. These charges primarily consisted of $370 million associated with the Company's productivity, integration and restructuring initiatives; $35 million due to costs associated with the merger of Arca and Contal; and $50 million related to the earthquake and tsunami that devastated northern and eastern Japan. Refer to the heading "Recoverability of Current and Noncurrent Assets" and Note 10 of Notes to Condensed Consolidated Financial Statements for additional information related to the impact of the natural disasters in Japan. Refer to the heading "Other Income (Loss) — Net" for additional information related to the merger of Arca and Contal. The Company's integration activities include costs associated with the integration of CCE's North American business as well as the integration of 18 German bottling and distribution operations acquired during 2007.

In 2010, the Company began an integration initiative related to our acquisition of CCE's North American business, which has resulted in total pretax expenses of $350 million since the initiative commenced. These expenses were primarily related to both internal and external costs associated with the development and design of our future operating framework in North America. These charges impacted the North America and Corporate operating segments. Refer to Note 11 of Notes to Condensed Consolidated Financial Statements for additional information related to this integration initiative.

We believe this acquisition will result in an evolved franchise system that will enable us to better serve the unique needs of the North American market. The creation of a unified operating system will strategically position us to better market and distribute our nonalcoholic beverage brands in North America. We are reconfiguring our manufacturing, supply chain and logistics operations to achieve cost reductions over time. Once fully integrated, we expect to generate operational synergies of at least $350 million per year. We anticipate that these operational synergies will be phased in over the four years following the acquisition, and that we will begin to fully realize the annual benefit from these synergies in the fourth year. We currently expect to realize approximately $140 million to $150 million of net cost synergies in 2011.

Upon completion of the CCE transaction, we combined the management of the acquired North American business with the management of our existing foodservice business; Minute Maid and Odwalla juice businesses; North

America supply chain operations; and Company-owned bottling operations in Philadelphia, Pennsylvania, into a unified bottling and customer service organization called CCR. In addition, we reshaped our remaining CCNA operations into an organization that primarily provides franchise leadership and consumer marketing and innovation for the North American market. As a result of the transaction and related reorganization, our North American businesses operate as aligned and agile organizations with distinct capabilities, responsibilities and strengths. The Company currently expects the total cost of these integration initiatives to be approximately $425 million and anticipates recognizing these charges over the three years following the acquisition.

Table of Contents

The Company's integration initiatives include costs related to the integration of 18 German bottling and distribution operations acquired in 2007. The Company began these integration initiatives in 2008 and has incurred total pretax expenses of $274 million since they commenced. The expenses recorded in connection with these integration activities have been primarily due to involuntary terminations. The Company is currently reviewing other integration and restructuring opportunities within the German bottling and distribution operations, which if implemented will result in additional charges in future periods. However, as of September 30, 2011, the Company had not finalized any additional plans. Refer to Note 11 of Notes to Condensed Consolidated Financial Statements for additional information related to this integration initiative.

The Company has recognized total pretax expenses of $428 million related to our productivity initiatives since they commenced in the first quarter of 2008. The Company is targeting $500 million in annualized savings from productivity initiatives by the end of 2011 to provide additional flexibility to invest for growth. The savings are being generated in a number of areas and include aggressively managing operating expenses supported by lean techniques, redesigning key processes to drive standardization and effectiveness, and better leveraging our size and scale. In realizing these savings, the Company expects to incur total costs of approximately $500 million by the end of 2011. The Company believes we are on track to exceed our $500 million target in annualized savings by the end of 2011. Refer to Note 11 of Notes to Condensed Consolidated Financial Statements for additional information related to the Company's productivity initiatives.

During the three months ended October 1, 2010, the Company incurred other operating charges of $100 million, which consisted of $64 million attributable to the Company's ongoing productivity, integration and restructuring initiatives and $36 million related to transaction costs incurred in connection with our acquisition of CCE's North American business and the sale of our Norwegian and Swedish bottling operations to New CCE. Refer to Note 11 of Notes to Condensed Consolidated Financial Statements for additional information on our productivity, integration and restructuring initiatives. Refer to Note 2 of Notes to Condensed Consolidated Financial Statements for additional information related to our acquisition of CCE's North American business.

During the nine months ended October 1, 2010, the Company incurred other operating charges of $274 million, which consisted of $227 million attributable to the Company's ongoing productivity, integration and restructuring initiatives and $47 million related to transaction costs incurred in connection with our acquisition of CCE's North American business and the sale of our Norwegian and Swedish bottling operations to New CCE. Refer to Note 11 of Notes to Condensed Consolidated Financial Statements for additional information on our productivity, integration and restructuring initiatives. Refer to Note 2 of Notes to Condensed Consolidated Financial Statements for additional information related to our acquisition of CCE's North American business.

Operating Income and Operating Margin

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

	Three Months Ended		Nine Months Ended	
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
Eurasia & Africa	9.6 %	9.4 %	10.5 %	10.7 %
Europe	29.5	31.7	30.4	32.8
Latin America	28.1	26.3	26.4	24.6
North America	22.5	21.5	22.2	19.7
Pacific	22.1	25.0	21.6	22.8
Bottling Investments	2.8	3.3	2.3	3.0
Corporate	(14.6)	(17.2)	(13.4)	(13.6)
Total	100 %	100 %	100 %	100 %

Table of Contents

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

	Three Months Ended		Nine Months Ended	
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
Consolidated	22.5%	27.8%	23.1%	29.6%
Eurasia & Africa	38.7%	36.9%	41.9%	42.7%
Europe	67.1	67.0	67.0	70.3
Latin America	66.5	62.3	65.4	62.7
North America	11.5	23.3	11.7	22.6
Pacific	39.6	41.0	42.4	44.1
Bottling Investments	3.4	3.7	2.9	3.5
Corporate	*	*	*	*

* Calculation is not meaningful.

As demonstrated by the tables above, the operating margin and percentage contribution to operating income for each operating segment fluctuated between the periods. Operating income and operating margin by operating segment were influenced by a variety of factors and events, including the following:

- During the three and nine months ended September 30, 2011, fluctuations in foreign currency exchange rates favorably impacted consolidated operating income by 7 percent and 5 percent, respectively, primarily due to a weaker U.S. dollar compared to most foreign currencies, including the euro, Japanese yen, Mexican peso, Brazilian real, U.K. pound sterling, South African rand and Australian dollar, which had a favorable impact on the Eurasia and Africa, Europe, Latin America, Pacific and Bottling Investments operating segments.
- During the three months ended September 30, 2011, operating income was favorably impacted by fluctuations in foreign currency exchange rates by 2 percent for Eurasia and Africa, 5 percent for Europe, 6 percent for Latin America, 1 percent for North America, 7 percent for Pacific, 12 percent for Bottling Investments and 4 percent for Corporate.
- During the nine months ended September 30, 2011, operating income was favorably impacted by fluctuations in foreign currency exchange rates by 1 percent for Eurasia and Africa, 3 percent for Europe, 8 percent for Latin America, 1 percent for North America, 8 percent for Pacific, 9 percent for Bottling Investments and 2 percent for Corporate.
- During the three and nine months ended September 30, 2011, our operating margin was favorably impacted by geographic mix. The favorable geographic mix was primarily due to many of our emerging markets recovering from the global recession at a quicker pace than our developed markets. Although this shift in geographic mix has a negative impact on net operating revenues, it generally has a favorable impact on our gross profit margin due to the correlated impact it has on our product mix. The product mix in the majority of our emerging and developing markets is more heavily skewed toward products in our sparkling beverage portfolio, which generally yield a higher gross profit margin when compared to our still beverages and finished products. Consequently, the shift in our geographic mix is driving favorable product mix from a global perspective.
- During the three and nine months ended September 30, 2011, the operating margin for North America was unfavorably impacted by the Company's acquisition of CCE's North American business. Generally, bottling and finished products operations have higher net operating revenues but lower operating margins when compared to concentrate and syrup operations. The impact of this transaction was also reflected in the Company's consolidated operating margin. Refer to the heading "Structural Changes, Acquired Brands and New License Agreements," above.
- During the three and nine months ended September 30, 2011, operating income for Europe was unfavorably impacted by a change in our concentrate pricing strategy in Germany with our consolidated bottler.
- During the three months ended September 30, 2011, operating income and operating margin for Latin America were favorably impacted by the timing of marketing expenses.
- During the three and nine months ended September 30, 2011, operating income and operating margin for Latin America were favorably impacted by volume growth across all of the group's business units and pricing increases, partially offset by continued investments in the business.

52

Table of Contents

- During the three and nine months ended September 30, 2011, operating income and operating margin for North America were unfavorably impacted by higher commodity costs in the segment's finished goods businesses.
- During the nine months ended September 30, 2011, operating income was reduced by $19 million for North America due to the amortization of favorable supply contracts acquired in connection with our acquisition of CCE's North American business.
- During the nine months ended September 30, 2011, operating income and operating margin for the Pacific operating segment were unfavorably impacted as a result of the earthquake and tsunami that devastated northern and eastern Japan on March 11, 2011. Operating income for the Pacific operating segment was reduced by $84 million for the nine months ended September 30, 2011, primarily due to the Company's charitable donations in support of relief and rebuilding efforts in Japan as well as funds we provided certain bottling partners in the affected regions.
- During the three and nine months ended September 30, 2011, operating income and operating margin for Bottling Investments were unfavorably impacted by higher commodity costs, partially offset by a change in our concentrate pricing strategy in Germany.
- During the three months ended September 30, 2011, operating income was reduced by $2 million for Europe, $2 million for Latin America, $52 million for North America, $2 million for Pacific, $14 million for Bottling Investments and $26 million for Corporate due to the Company's ongoing productivity, integration and restructuring initiatives as well as costs associated with the merger of Arca and Contal.
- During the nine months ended September 30, 2011, operating income was reduced by $9 million for Eurasia and Africa, $5 million for Europe, $3 million for Latin America, $229 million for North America, $3 million for Pacific, $58 million for Bottling Investments and $100 million for Corporate, primarily due to the Company's ongoing productivity, integration and restructuring initiatives as well as costs associated with the merger of Arca and Contal.
- During the three months ended October 1, 2010, operating income was reduced by $1 million for Eurasia and Africa, $13 million for Europe, $8 million for Pacific, $12 million for Bottling Investments and $68 million for Corporate due to the Company's ongoing productivity, integration and restructuring initiatives as well as transaction costs incurred in connection with our acquisition of CCE's North American business and the sale of our Norwegian and Swedish bottling operations to New CCE. During the same period, operating income for North America was increased by $2 million due to the refinement of previously established restructuring accruals.
- During the nine months ended October 1, 2010, operating income was reduced by $4 million for Eurasia and Africa, $43 million for Europe, $8 million for North America, $13 million for Pacific, $56 million for Bottling Investments and $150 million for Corporate due to the Company's ongoing productivity, integration and restructuring initiatives as well as transaction costs incurred in connection with our acquisition of CCE's North American business and the sale of our Norwegian and Swedish bottling operations to New CCE.

Interest Income

During the three months ended September 30, 2011, interest income was $141 million, compared to $93 million during the three months ended October 1, 2010, an increase of $48 million, or 52 percent. During the nine months ended September 30, 2011, interest income was $356 million, compared to $220 million during the nine months ended October 1, 2010, an increase of $136 million, or 62 percent. The increase in interest income for the three and nine months ended September 30, 2011, was primarily the result of higher average cash and short-term investment balances in addition to higher average interest rates, particularly in international locations.

Interest Expense

During the three months ended September 30, 2011, interest expense was $116 million, compared to $80 million during the three months ended October 1, 2010, an increase of $36 million, or 45 percent. This increase reflects the impact of interest expense on long-term debt assumed in connection with the Company's acquisition of CCE's North American business in the fourth quarter of 2010, partially offset by the repurchase and/or exchange of certain long-term debt as well as net proceeds related to interest rate swaps on our fixed-rate debt. Refer to Note 5 of Notes to Condensed Consolidated Financial Statements for information on the Company's hedging programs. See below for additional information on the repurchased debt.

53

Table of Contents

During the nine months ended September 30, 2011, interest expense was $313 million, compared to $246 million during the nine months ended October 1, 2010, an increase of $67 million, or 27 percent. This increase reflects the impact of interest expense on long-term debt assumed in connection with the Company's acquisition of CCE's North American business in the fourth quarter of 2010, partially offset by the repurchase and/or exchange of long-term debt as well as net proceeds related to interest rate swaps on our fixed-rate debt. Refer to Note 5 of Notes to Condensed Consolidated Financial Statements for additional information on the Company's hedging programs. See below for additional information on both the exchanged and repurchased debt.

Exchange of Long-Term Debt

During the three months ended September 30, 2011, the Company issued $2,979 million of long-term debt, of which $979 million was exchanged for $1,022 million of existing long-term debt plus a premium of $208 million. The existing long-term debt was assumed in connection with our acquisition of CCE's North American business in the fourth quarter of 2010. The remaining cash from the issuance was used to reduce the Company's outstanding commercial paper balance and exchange a certain amount of short-term debt. The Company recorded a charge of $5 million in the line item interest expense during the three months ended September 30, 2011, primarily due to transaction costs associated with the exchange of long-term debt.

The general terms of the notes issued during the three months ended September 30, 2011, are as follows:

- $1,655 million total principal amount of notes due September 1, 2016, at a fixed interest rate of 1.8 percent; and
- $1,324 million total principal amount of notes due September 1, 2021, at a fixed interest rate of 3.3 percent.

Repurchases of Long-Term Debt

During the three months ended September 30, 2011, the Company repurchased long-term debt with a carrying value of $19 million that we assumed in connection with our acquisition of CCE's North American business. The carrying value of the repurchased debt included $5 million in unamortized fair value adjustments recorded as part of our purchase accounting. The Company recorded a nominal net gain in the line item interest expense during the three months ended September 30, 2011, primarily due to the change in fair value from the date we assumed the debt until the date it was repurchased.

In addition, the Company repurchased long-term debt during the second quarter of 2011 that was assumed in connection with our acquisition of CCE's North American business. The repurchased debt had a carrying value of $42 million, which included $12 million in unamortized fair value adjustments recorded as part of our purchase accounting. The Company recorded a net gain of $1 million in the line item interest expense during the second quarter of 2011, primarily due to the change in fair value from the date we assumed the debt until the date it was repurchased.

During the first quarter of 2011, the Company repurchased all of our outstanding U.K. pound sterling notes due in 2016 and 2021. We assumed this debt in connection with our acquisition of CCE's North American business. The repurchased debt had a carrying value of $674 million on the settlement date, which included $106 million in unamortized fair value adjustments recorded as part of our purchase accounting. The Company recorded a net charge of $4 million in the line item interest expense during the first quarter of 2011, primarily due to the change in fair value from the date we assumed the debt until the date it was repurchased, in addition to premiums paid to repurchase the debt.

Equity Income (Loss) — Net

Three Months Ended September 30, 2011, versus Three Months Ended October 1, 2010

Equity income (loss) — net represents our Company's proportionate share of net income or loss from each of our equity method investments. During the three months ended September 30, 2011, equity income was $180 million, compared to equity income of $355 million during the three months ended October 1, 2010, a decrease of $175 million, or 49 percent. The decrease was primarily due to our acquisition of CCE's North American business during the fourth quarter of 2010. As a result of this transaction, the Company stopped recording equity income related to CCE beginning October 2, 2010. Refer to the heading "Structural Changes, Acquired Brands and New License Agreements," above. The impact of the acquisition was partially offset by our proportionate share of increased net income from certain of our equity method investees; the favorable impact of foreign currency exchange fluctuations; and a decrease in the Company's proportionate share of unusual or infrequent items recorded by equity method investees.

During the three months ended September 30, 2011, the Company recorded charges of $36 million in equity income (loss) — net. These charges primarily represent our proportionate share of asset impairments and restructuring charges recorded by certain of our equity method investees and impacted the Bottling Investments operating segment.

Table of Contents

During the three months ended October 1, 2010, the Company recorded a net charge of $10 million in equity income (loss) — net. This net charge primarily represents the Company's proportionate share of certain costs incurred by CCE in connection with our acquisition of CCE's North American business and the sale of our Norwegian and Swedish bottling operations to New CCE. Refer to Note 2 of Notes to Condensed Consolidated Financial Statements for additional information related to the acquisition and disposal. Our proportionate share of these charges was partially offset by our proportionate share of a foreign currency remeasurement gain recorded by an equity method investee. The net charge impacted the Bottling Investments operating segment.

Refer to Note 15 of Notes to Condensed Consolidated Financial Statements for additional information on the impact these charges had on our operating segments.

Nine Months Ended September 30, 2011, versus Nine Months Ended October 1, 2010

During the nine months ended September 30, 2011, equity income was $535 million, compared to equity income of $847 million during the nine months ended October 1, 2010, a decrease of $312 million, or 37 percent. The decrease was primarily due to our acquisition of CCE's North American business during the fourth quarter of 2010. As a result of this transaction, the Company stopped recording equity income related to CCE beginning October 2, 2010. Refer to the heading "Structural Changes, Acquired Brands and New License Agreements," above. The impact of the acquisition was partially offset by our proportionate share of increased net income from certain of our equity method investees; the favorable impact of foreign currency exchange fluctuations; and a decrease in the Company's proportionate share of unusual or infrequent items recorded by equity method investees.

During the nine months ended September 30, 2011, the Company recorded charges of $40 million in equity income (loss) — net. These charges primarily represent the Company's proportionate share of asset impairments and restructuring charges recorded by certain of our equity method investees and impacted the Bottling Investments operating segment.

During the nine months ended October 1, 2010, the Company recorded a net charge of $55 million in equity income (loss) — net. This net charge primarily represents the Company's proportionate share of unusual tax charges, asset impairments, restructuring charges and transaction costs recorded by certain of our equity method investees. The unusual tax charges primarily relate to an additional tax liability recorded by Coca-Cola Hellenic as a result of the Extraordinary Social Contribution Tax levied by the Greek government. The transaction costs represent our proportionate share of certain costs incurred by CCE in connection with our acquisition of CCE's North American business and the sale of our Norwegian and Swedish bottling operations to New CCE. Refer to Note 2 of Notes to Condensed Consolidated Financial Statements for additional information related to the acquisition and disposal. These charges impacted the Bottling Investments operating segment. Our proportionate share of these charges was partially offset by our proportionate share of a foreign currency remeasurement gain recorded by an equity method investee.

Refer to Note 15 of Notes to Condensed Consolidated Financial Statements for additional information on the impact these charges had on our operating segments.

Other Income (Loss) — Net

Three Months Ended September 30, 2011, versus Three Months Ended October 1, 2010

Other income (loss) — net includes, among other things, the impact of foreign exchange gains and losses; dividend income; rental income; gains and losses related to the disposal of property, plant and equipment; realized and unrealized gains and losses on trading securities; realized gains and losses on available-for-sale securities; other-than-temporary impairments of available-for-sale securities; and the accretion of expense related to certain acquisitions. The foreign currency exchange gains and losses are primarily the result of the remeasurement of monetary assets and liabilities from certain currencies into functional currencies. The effects of the remeasurement of these assets and liabilities are partially offset by the impact of our economic hedging program for certain exposures on our consolidated balance sheets. Refer to Note 5 of Notes to Condensed Consolidated Financial Statements.

During the three months ended September 30, 2011, other income (loss) — net was a loss of $32 million, primarily related to net realized and unrealized losses on trading securities of $19 million and net foreign currency exchange losses of $10 million. These losses were in addition to a charge of $5 million related to the finalization of working capital adjustments associated with the sale of our Norwegian and Swedish bottling operations to New CCE in the fourth quarter of 2010. This charge reduced the amount of our previously reported gain on the sale of these bottling

operations. Refer to Note 10 of Notes to Condensed Consolidated Financial Statements for additional information related to the finalization of our working capital adjustments.

Table of Contents

In the three months ended October 1, 2010, other income (loss) — net was a loss of $12 million, primarily due to $42 million in net foreign currency exchange losses. These losses were partially offset by a $23 million gain on the sale of 50 percent of our investment in Leão Junior, a Brazilian tea company, and $10 million of net realized and unrealized gains on trading securities. Refer to Note 10 of Notes to Condensed Consolidated Financial Statements for additional information related to the gain on Leão Junior.

Nine Months Ended September 30, 2011, versus Nine Months Ended October 1, 2010

During the nine months ended September 30, 2011, other income (loss) — net was income of $447 million. This income was primarily related to a gain of $418 million as a result of the merger of Arca and Contal in addition to a gain of $102 million on the sale of the Company's investment in Coca-Cola Embonor, S.A. ("Embonor"), a bottling partner with operations primarily in Chile. These gains were partially offset by a charge of $41 million due to the impairment of an investment in an entity accounted for under the equity method of accounting and net foreign currency exchange losses of $28 million. Refer to Note 10 and Note 14 of Notes to Condensed Consolidated Financial Statements for additional information related to the merger of Arca and Contal, the sale of Embonor and the impairment charge.

During the nine months ended October 1, 2010, other income (loss) — net was a loss of $109 million, primarily related to foreign currency exchange losses of $132 million and charges of $26 million related to other-than-temporary impairments of certain available-for-sale securities. The foreign currency exchange losses were primarily due to a charge of $103 million related to the remeasurement of our Venezuelan subsidiary's net assets. Refer to the heading "Liquidity, Capital Resources and Financial Position — Foreign Exchange" and Note 10 of Notes to Condensed Consolidated Financial Statements for additional information related to the remeasurement of our Venezuelan subsidiary's net assets. Refer to the heading "Recoverability of Current and Noncurrent Assets — Investments in Equity and Debt Securities" as well as Note 3 and Note 14 of Notes to Condensed Consolidated Financial Statements for additional information related to the other-than-temporary impairment charges. These charges were partially offset by a $23 million gain on the sale of 50 percent of our investment in Leão Junior; $19 million of dividend income from cost method investments; and $8 million of net realized and unrealized gains on trading securities. Refer to Note 10 of Notes to Condensed Consolidated Financial Statements for additional information related to the gain on Leão Junior.

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 range from 2016 to 2021. We expect each of these grants to be renewed indefinitely. In addition, our effective tax rate reflects the benefits of having significant earnings generated in investments accounted for under the equity method of accounting, which are generally taxed at rates lower than the U.S. statutory rate.

At the end of each interim period, we make our best estimate of the effective tax rate expected to be applicable for the full fiscal year. This estimate reflects, among other items, our best estimate of operating results and foreign currency exchange rates. Based on current tax laws, the Company's estimated effective tax rate for 2011 is 24.0 percent. However, in arriving at this estimate we do not include the estimated impact of unusual and/or infrequent items, which may cause significant variations in the customary relationship between income tax expense and income before income taxes.

Table of Contents

The Company recorded income tax expense of $680 million (23.3 percent effective tax rate) and $2,268 million (24.6 percent effective tax rate) during the three and nine months ended September 30, 2011, respectively. The Company recorded income tax expense of $633 million (23.4 percent effective tax rate) and $1,927 million (24.1 percent effective tax rate) during the three and nine months ended October 1, 2010, 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		Nine Months Ended	
	September 30, 2011	October 1, 2010	September 30, 2011	October 1, 2010
Asset impairments	$— [1]	$—	$(15) [1]	$— [11]
Productivity, integration, restructuring and transaction costs	(25) [2]	(19) [8]	(111) [2]	(59) [8]
Transaction gains and losses	(5) [3]	10 [9]	203 [6]	10 [9]
Certain tax matters	(4) [4]	13 [4]	15 [4]	42 [12]
Other — net	(6) [5]	(1) [10]	(44) [7]	(7) [13]

[1] Related to charges of $3 million and $41 million during the three and nine months ended September 30, 2011, respectively, due to the impairment of an investment in an entity accounted for under the equity method of accounting. Refer to Note 10. The Company does not expect to receive a tax benefit on the portion of the impairment recorded during the three months ended September 30, 2011.

[2] Related to charges of $89 million and $372 million during the three and nine months ended September 30, 2011, respectively, primarily due to our ongoing productivity, integration and restructuring initiatives. Refer to Note 10 and Note 11.

[3] Related to a charge of $14 million due to costs associated with the merger of Arca and Contal and the finalization of working capital adjustments related to the sale of all our ownership interests in our Norwegian and Swedish bottling operations to New CCE. Refer to Note 10.

[4] 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 a net charge of $42 million, primarily due to the Company's proportionate share of asset impairments and restructuring charges recorded by certain of our equity method investees; a net charge in connection with the repurchase and/or exchange of certain long-term debt; and a net charge associated with the earthquake and tsunami that devastated northern and eastern Japan. Refer to Note 10.

[6] Related to a net gain of $479 million, primarily due to the gain on the merger of Arca and Contal and the gain on the sale of our investment in Embonor, partially offset by costs associated with the merger of Arca and Contal and the finalization of working capital adjustments related to the sale of all our ownership interests in our Norwegian and Swedish bottling operations to New CCE. Refer to Note 10.

[7] Related to a net charge of $151 million, primarily due to estimated charges related to the earthquake and tsunami that devastated northern and eastern Japan; our proportionate share of asset impairments and restructuring charges recorded by certain of our equity method investees; the amortization of favorable supply contracts acquired in connection with our acquisition of CCE's North American business; and a net charge in connection with the repurchase and/or exchange of certain long-term debt. Refer to Note 10.

[8] Related to charges of $100 million and $274 million during the three and nine months ended October 1, 2010, respectively, due to our ongoing productivity, integration and restructuring initiatives as well as transaction costs. Refer to Note 10 and Note 11.

[9] Related to a gain of $23 million on the sale of 50 percent of our investment in Leão Junior. Refer to Note 10.

[10] Related to a net charge of $10 million, primarily attributable to the Company's proportionate share of transaction costs recorded by CCE, which was partially offset by our proportionate share of a foreign currency remeasurement gain recorded by an equity method investee. Refer to Note 10.

[11] Income before income taxes included charges of $26 million due to other-than-temporary impairments of available-for-sale securities. There was a zero percent effective tax rate on these items. Refer to Note 10.

[12] Related to a tax charge of $14 million due to new legislation that changed the tax treatment of Medicare Part D subsidies. In addition, the Company recorded a net tax charge of $28 million 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. Refer to Note 12 for additional information on the change in tax treatment of Medicare Part D subsidies.

[13] Related to a net charge of $55 million, primarily due to our proportionate share of unusual tax charges, asset impairments, restructuring charges and transaction costs recorded by equity method investees. In addition, income before income taxes included charges of $103 million due to the remeasurement of our Venezuelan subsidiary's net assets, which had a zero percent effective tax rate. Refer to Note 10.

It is expected that the amount of unrecognized tax benefits will change in the next 12 months; however, we do not expect the change to have a significant impact on our condensed consolidated statements of income or condensed consolidated balance sheets. The change may be the result of settlements of ongoing audits, statutes of limitations expiring or final settlements in matters that are the subject of litigation. At this time, an estimate of the range of the reasonably possible outcomes cannot be made.

Table of Contents

LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL POSITION

We believe our ability to generate cash from operating activities is one of our fundamental financial strengths. The near-term outlook for our business remains strong, and we expect to generate substantial cash flows from operations in 2011. As a result of our expected strong cash flows from operations, we have significant flexibility to meet our financial commitments. The Company does not typically raise capital through the issuance of stock. Instead, we use debt financing to lower our overall cost of capital and increase our return on shareowners' equity. Refer to the heading "Cash Flows from Financing Activities," below. Our debt financing includes the use of an extensive commercial paper program as part of our overall cash management strategy. The Company is currently evaluating our optimal mix of short-term and long-term debt, and we may decide to convert a certain amount of our commercial paper balances to long-term debt in the near future.

We granted New CCE the right to negotiate the acquisition of our majority interest in our German bottling operation, Coca-Cola Erfrischungsgetraenke AG ("CCEAG"), 18 to 39 months after signing of the definitive agreement, in February 2010, with respect to CCE's North American business, at the then current fair value and subject to terms and conditions as mutually agreed.

The government in Venezuela has enacted certain monetary policies that restrict the ability of companies to pay dividends from retained earnings. As of September 30, 2011, cash held by our Venezuelan subsidiary accounted for approximately 2 percent of our consolidated cash and cash equivalents balance. In the first quarter of 2010, the Venezuelan government announced a currency devaluation, and Venezuela was determined to be a hyperinflationary economy. As a result, our local subsidiary was required to use the U.S. dollar as its functional currency, and we recorded a net remeasurement loss of $103 million during the first quarter of 2010. We classified the impact of the remeasurement loss in the line item other income (loss) — net in our condensed consolidated statement of income and in the line item effect of exchange rate changes on cash and cash equivalents in our condensed consolidated statement of cash flows. As of September 30, 2011, our Venezuelan subsidiary held net monetary assets of approximately $250 million.

In addition to the foreign currency exchange exposure related to our Venezuelan subsidiary's net assets, the Company also sells concentrate to our bottling partner in Venezuela from outside the country. These sales are denominated in U.S. dollars. Some of our concentrate sales were approved by the CADIVI to receive the official rate for essential goods of 2.6 bolivars per U.S. dollar prior to the elimination of the official rate for essential goods in December 2010. This enabled our bottling partner in Venezuela to convert bolivars to U.S. dollars to settle our receivables related to sales approved by the CADIVI. However, if we are unable to utilize a government-approved exchange rate mechanism to settle future concentrate sales to our bottling partner in Venezuela, the Company's outstanding receivables balance related to these sales will continue to increase.

In addition to the Company's cash balances and commercial paper program, we also maintain $4,825 million in lines of credit for general corporate purposes, including commercial paper backup, of which $4,564 million was unused and available as of September 30, 2011. These backup lines of credit expire at various times from 2011 through 2012. These credit facilities are subject to normal banking terms and conditions. Some of the financial arrangements require compensating balances, none of which is presently significant to the Company. We have evaluated the financial stability of each bank and believe we can access the funds, if needed.

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

Cash Flows from Operating Activities

Net cash provided by operating activities for the nine months ended September 30, 2011, and October 1, 2010, was $6,800 million and $7,224 million, respectively. Cash flows from operating activities decreased $424 million, or 6 percent, for the nine months ended September 30, 2011, when compared to the nine months ended October 1, 2010. This decrease was primarily attributable to an increase in contributions to our pension plans; a longer cash conversion cycle due to the impact of our acquisition of CCE's North American business; the extension of the Company's credit terms in Japan; and an increase in cash payments related to our productivity, integration and restructuring initiatives.

The increase in cash payments to our pension plans is the result of the Company contributing $874 million to these plans during the nine months ended September 30, 2011. The Company's contributions primarily consisted of $360 million to our primary U.S. pension plans and $369 million to certain European pension plans whose assets are managed through one of our captive insurance companies. We anticipate making additional contributions of approximately $13 million to our pension plans during the remainder of 2011. The Company contributed $57 million to our pension plans during the nine months ended October 1, 2010.

Table of Contents

As a result of our acquisition of CCE's North American business, the Company's cash flows from operating activities were impacted by the lengthening of our cash conversion cycle. Prior to the transaction, the Company had a shorter cash conversion cycle since we recorded a cash inflow upon receipt of payment for our concentrate sales to CCE's North American business. However, the Company does not currently record cash for sales of our concentrate to CCR on a consolidated basis until the finished products manufactured from the concentrate are sold to third-party customers. This timing differential is reflected in lower cash flows from operating activities during the nine months ended September 30, 2011, when compared to the nine months ended October 1, 2010.

The Company also temporarily extended its credit terms in Japan for the remainder of the year due to the impact of the natural disasters that occurred during the first quarter of 2011. Our bottling partners in Japan increased their concentrate purchases during the second quarter of 2011 in an effort to replenish their inventories following the disasters and to prepare for the high sales volume Japan historically reported during their peak selling season. The change in the Company's credit terms in Japan resulted in a decrease in cash from operations during the nine months ended September 30, 2011.

Furthermore, sales of our ready-to-drink nonalcoholic beverages are somewhat seasonal for the Company as a whole, with the second and third calendar quarters accounting for the highest sales volumes. This seasonality has historically resulted in a greater use of working capital for our finished products operations during the first two calendar quarters of the year as they build their inventories and prepare for higher sales volumes in the second and third calendar quarters. As a result of the Company's increased finished products operations in our North America operating segment, our consolidated cash flows from operating activities were negatively impacted during the nine months ended September 30, 2011, when compared to the comparable period in the prior year. The negative impact described above for the first two calendar quarters is typically offset during the last two calendar quarters as a result of increased sales to customers and less inventory building. The Company's cash flows from operating activities benefited during the third quarter of 2011 as a result of having increased finished products operations in our North America operating segment and are expected to further benefit for the remainder of the year.

Cash Flows from Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2011, and October 1, 2010, was $3,414 million and $2,713 million, respectively. Net cash used in investing activities increased $701 million, or 26 percent, for the nine months ended September 30, 2011, when compared to the nine months ended October 1, 2010.

Short-Term Investments

In the nine months ended September 30, 2011, purchases of short-term investments were $4,036 million, and proceeds from disposals of short-term investments were $3,026 million. This activity resulted in a net cash outflow of $1,010 million. In the nine months ended October 1, 2010, purchases of short-term investments were $3,252 million, and proceeds from disposals of short-term investments were $2,742 million. This activity resulted in a net cash outflow of $510 million. These short-term investments are time deposits that have maturities greater than three months but less than one year and are classified in the line item short-term investments in our condensed consolidated balance sheets. The Company began investing in longer-term time deposits to match the maturities of short-term debt issued as part of our commercial paper program. Refer to the heading "Cash Flows from Financing Activities," below.

Acquisitions and Investments

Net cash used in investing activities for the nine months ended September 30, 2011, included acquisitions and investments of $310 million. The Company's acquisition and investment activities included our acquisition of the remaining ownership interest of Honest Tea, Inc. ("Honest Tea") not already owned by the Company. In addition, the Company recorded immaterial cash payments for the finalization of working capital adjustments related to our acquisition of CCE's North American business. Refer to Note 2 of Notes to Condensed Consolidated Financial Statements for further information related to our Company's acquisition and investment activities.

Net cash used in investing activities for the nine months ended October 1, 2010, included acquisitions and investments of $1,798 million, primarily related to payments made by the Company to CCE in anticipation of the closing of our acquisition of CCE's North American business; our acquisition of Nidan; and our additional investment in Fresh Trading Ltd. ("innocent"). Under the terms of the agreement, innocent's founders retain operational control of the business, and we will continue to account for our investment under the equity method of accounting. Additionally, the

Company and the existing shareowners of innocent have a series of outstanding put and call options for the Company to potentially acquire the remaining shares not already owned by the Company. The put and call options are exercisable in stages between 2013 and 2014. Refer to the heading "Operations Review" and Note 2 of Notes to Condensed Consolidated Financial Statements for additional information related to our acquisition of CCE's North American business.

Table of Contents

Purchases of Other Investments

During the nine months ended September 30, 2011, purchases of other investments were $611 million, primarily due to investments made by the Company's Ireland-based insurance captive. These investments are primarily classified as available-for-sale securities.

During the nine months ended October 1, 2010, the Company's purchases of other investments were $65 million.

Proceeds from Disposals of Bottling Companies and Other Investments

During the nine months ended September 30, 2011, proceeds from disposals of bottling companies and other investments were $468 million. These proceeds were primarily related to the sale of our investment in Embonor for $394 million. Refer to Note 2 of Notes to Condensed Consolidated Financial Statements for additional information.

During the nine months ended October 1, 2010, proceeds from disposals of bottling companies and other investments were $1,050 million, primarily related to the cash received in anticipation of the sale of our Norwegian and Swedish bottling operations to New CCE for approximately $0.9 billion and the sale of 50 percent of our investment in Leão Junior for $83 million. Refer to the heading "Operations Review" and Note 2 of Notes to Condensed Consolidated Financial Statements for additional information related to the disposal of our Norwegian and Swedish bottling operations.

Purchases of Property, Plant and Equipment — Net

Purchases of property, plant and equipment net of disposals for the nine months ended September 30, 2011, were $1,849 million. Our Company currently estimates that net purchases of property, plant and equipment will increase for full year 2011 when compared to full year 2010 as we integrate CCE's North American business, continue to expand the footprint of our Coca-Cola Freestyle fountain dispenser and make investments to further enhance our operational effectiveness. The net result of these North America–specific expenditures will result in an estimated increase of $1.0 billion to our 2011 capital expenditure program. In addition, we plan to make further strategic investments during the year, primarily related to expanding our production and sales capabilities within our Bottling Investments operating segment. As a result, we expect our 2011 full year capital expenditures to range between $3.0 billion and $3.2 billion. We currently expect this level of capital expenditures to remain relatively constant for the next two years but anticipate this level to decrease over time.

During the nine months ended October 1, 2010, cash outflows for investing activities included purchases of property, plant and equipment net of disposals of $1,241 million.

Cash Flows from Financing Activities

Our financing activities include net borrowings, share issuances and share repurchases. Net cash provided by financing activities during the nine months ended September 30, 2011, totaled $1,176 million. Net cash used in financing activities during the nine months ended October 1, 2010, totaled $885 million.

Debt Financing

Issuances and payments of debt included both short-term and long-term financing activities. On September 30, 2011, we had $4,825 million in lines of credit available for general corporate purposes, including commercial paper backup, of which $4,564 million was unused and available. These backup lines of credit expire at various times from 2011 through 2012.

During the nine months ended September 30, 2011, the Company had issuances of debt of $22,623 million, which included $1,822 million of net issuances of commercial paper and short-term debt with maturities of 90 days or less and $18,529 million of issuances of commercial paper and short-term debt with maturities greater than 90 days. The Company's total issuances of debt also included long-term debt issuances of $2,272 million, net of the debt issued to exchange certain amounts of our existing long-term debt. Refer to the discussion of our debt exchange and repurchases below for additional information.

The Company made payments of debt of $17,095 million during the nine months ended September 30, 2011, which included $15,044 million of payments related to commercial paper and short-term debt with maturities greater than 90 days. In addition, the Company made payments of long-term debt of $2,051 million.

During the three months ended September 30, 2011, the Company issued $2,979 million of long-term debt, of which $979 million was exchanged for $1,022 million of existing long-term debt plus a premium of $208 million. The existing long-term debt was assumed in connection with our acquisition of CCE's North American business in the

fourth quarter of 2010. The remaining cash from the issuance was used to reduce the Company's outstanding commercial paper balance and exchange a certain amount of short-term debt. The Company recorded a charge of $5 million in the line item interest expense during the three months ended September 30, 2011, primarily due to transaction costs associated with the exchange of long-term debt.

Table of Contents

The general terms of the notes issued during the three months ended September 30, 2011, are as follows:

- $1,655 million total principal amount of notes due September 1, 2016, at a fixed interest rate of 1.8 percent; and
- $1,324 million total principal amount of notes due September 1, 2021, at a fixed interest rate of 3.3 percent.

In addition, the Company repurchased long-term debt during the three months ended September 30, 2011, that we assumed in connection with our acquisition of CCE's North American business. The repurchased debt had a carrying value of $19 million and included $5 million in unamortized fair value adjustments recorded as part of our purchase accounting. The Company recorded a nominal net gain in the line item interest expense during the three months ended September 30, 2011, primarily due to the change in fair value from the date we assumed the CCE debt until the date it was repurchased.

The Company also repurchased long-term debt during the second quarter of 2011 that was assumed in connection with our acquisition of CCE's North American business. The repurchased debt had a carrying value of $42 million, which included $12 million in unamortized fair value adjustments recorded as part of our purchase accounting. The Company recorded a net gain of $1 million in the line item interest expense during the second quarter of 2011, primarily due to the change in fair value from the date we assumed the debt until the date it was repurchased.

During the first quarter of 2011, the Company repurchased all of our outstanding U.K. pound sterling notes due in 2016 and 2021. We assumed this debt in connection with our acquisition of CCE's North American business. The repurchased debt had a carrying value of $674 million on the settlement date, which included $106 million in unamortized fair value adjustments recorded as part of our purchase accounting. The Company recorded a net charge of $4 million in interest expense during the first quarter of 2011, primarily due to the change in fair value from the date we assumed the debt until the date it was repurchased, in addition to premiums paid to repurchase the debt.

Issuances of Stock

During the nine months ended September 30, 2011, the Company had issuances of stock of $1,382 million, an increase of $847 million when compared to $535 million of stock issuances during the nine months ended October 1, 2010. This increase was related to the exercise of stock options by Company employees.

Share Repurchases

During the nine months ended September 30, 2011, the Company repurchased 50.4 million shares of common stock under the stock repurchase plan authorized by our Board of Directors. These shares were repurchased at an average cost of $67.46 per share, for a total cost of $3,397 million. However, due to the timing of settlements, the total cash outflow for treasury stock purchases was $3,608 million during the nine months ended September 30, 2011. The total cash outflow for treasury stock during the first nine months of 2011 includes treasury stock purchased and settled during the nine months ended September 30, 2011, as well as treasury stock purchased in December 2010 that settled in early 2011. In addition, the cash outflow impact of the Company's treasury stock activity also includes shares surrendered to the Company to pay the exercise price and/or to satisfy tax withholding obligations in connection with so-called stock swap exercises of employee stock options and/or the vesting of restricted stock issued to employees. The net impact of the Company's treasury stock issuance and purchase activities during the nine months ended September 30, 2011, resulted in a net cash outflow of $2,226 million. The Company currently expects to purchase between $2,500 million and $3,000 million of treasury shares, net of proceeds from the issuance of stock due to the exercise of employee stock options, during 2011.

The Company did not repurchase common stock under the stock repurchase plan authorized by our Board of Directors during the nine months ended October 1, 2010. However, the total cash outflow for treasury stock purchases during the nine months ended October 1, 2010 was $3 million. This outflow is due to shares surrendered to the Company to pay the exercise price and/or to satisfy tax withholding obligations in connection with so-called stock swap exercises of employee stock options and/or the vesting of restricted stock issued to employees. The Company had curtailed its share repurchase program in 2010 pending the close of our acquisition of CCE's North American business.

Dividends

The Company paid dividends of $2,159 million and $3,034 million during the nine months ended September 30, 2011, and October 1, 2010, respectively.

61

Table of Contents

Foreign Exchange

Our international operations are subject to certain opportunities and risks, including currency fluctuations and governmental actions. We closely monitor our operations in each country and seek to adopt appropriate strategies that are responsive to changing economic and political environments, and to fluctuations in foreign currencies.

Our Company conducts business in more than 200 countries. Due to our global operations, weaknesses in the currencies of some of these countries are often offset by strengths in others. Our foreign currency management program is designed to mitigate, over time, a portion of the potentially unfavorable impact of exchange rate changes on net income and earnings per share. Taking into account the effects of our hedging activities, the impact of changes in foreign currency exchange rates increased our reported operating income for the three and nine months ended September 30, 2011, by 7 percent and 5 percent, respectively, compared to the comparable periods in the prior year. Based on the anticipated benefits of the hedging coverage we have in place and the currently forecasted foreign currency exchange rates for the remainder of 2011, the Company expects fluctuations in foreign currencies to adversely impact our fourth quarter operating income by low to mid single digits while still providing a low to mid single-digit positive impact for the full year.

The government in Venezuela has enacted certain monetary policies that restrict the ability of companies to pay dividends from retained earnings. In the first quarter of 2010, the Venezuelan government announced a currency devaluation, and Venezuela was determined to be a hyperinflationary economy. As a result, our local subsidiary was required to use the U.S. dollar as its functional currency, and we recorded a net remeasurement loss of $103 million during the first quarter of 2010, in the line item other income (loss) — net in our condensed consolidated statements of income. As of September 30, 2011, cash held by our Venezuelan subsidiary accounted for approximately 2 percent of our consolidated cash and cash equivalents balance.

The Company will continue to manage its foreign currency exposures to mitigate, over time, a portion of the impact of exchange rate changes on net income and earnings per share. Refer to Note 5 of Notes to Condensed Consolidated Financial Statements for additional information on the Company's foreign currency management program.

Table of Contents

Financial Position

The following table illustrates the change in the individual line items of the Company's condensed consolidated balance sheet as of September 30, 2011, compared to our consolidated balance sheet as of December 31, 2010 (in millions):

	September 30, 2011	December 31, 2010	Increase (Decrease)		Percentage Change	
Cash and cash equivalents	$12,682	$8,517	$4,165		49	%
Short-term investments	3,684	2,682	1,002		37	
Marketable securities	131	138	(7	)	(5	)
Trade accounts receivable — net	5,131	4,430	701		16	
Inventories	3,172	2,650	522		20	
Prepaid expenses and other assets	3,391	3,162	229		7	
Equity method investments	7,073	6,954	119		2	
Other investments, principally bottling companies	1,264	631	633		100	
Other assets	3,219	2,121	1,098		52	
Property, plant and equipment — net	14,522	14,727	(205	)	(1	)
Trademarks with indefinite lives	6,501	6,356	145		2	
Bottlers' franchise rights with indefinite lives	7,716	7,511	205		3	
Goodwill	12,073	11,665	408		3	
Other intangible assets	1,194	1,377	(183	)	(13	)
Total assets	$81,753	$72,921	$8,832		12	%
Accounts payable and accrued expenses	$9,837	$8,859	$978		11	%
Loans and notes payable	13,398	8,100	5,298		65	
Current maturities of long-term debt	2,082	1,276	806		63	
Accrued income taxes	264	273	(9	)	(3	)
Long-term debt	13,708	14,041	(333	)	(2	)
Other liabilities	4,404	4,794	(390	)	(8	)
Deferred income taxes	4,561	4,261	300		7	
Total liabilities	$48,254	$41,604	$6,650		16	%
Net assets	$33,499	$31,317	$2,182	[1]	7	%

[1] Includes an increase in net assets of $188 million resulting from translation adjustments in various balance sheet accounts.

The increases/(decreases) in the table above include the impact of the following transactions and events:

- Trade accounts receivable — net increased $701 million, or 16 percent, primarily due to increased sales volume. Sales of our products are somewhat seasonal, with the second and third calendar quarters accounting for the highest sales volumes. In addition, the Company temporarily extended its credit terms in Japan for the remainder of the year as a result of the natural disasters that impacted the country during the first quarter of 2011.
- Inventories increased $522 million, or 20 percent, primarily due to the Company building inventory during the second and third calendar quarters in preparation for anticipated sales volume.
- Other investments, principally bottling companies increased $633 million, or 100 percent, primarily due to the merger of Arca and Contal. Refer to Note 10 of Notes to Condensed Consolidated Financial Statements for additional information related to the merger.
- Other assets increased $1,098 million, or 52 percent, primarily due to solvency capital for our Ireland-based captive insurance company and the impact of certain pension contributions. These pension contributions resulted in certain plans being in a net asset position.
- Trademarks with indefinite lives increased $145 million, or 2 percent, primarily due to the impact of our acquisition of Honest Tea.
- Bottlers' franchise rights with indefinite lives increased $205 million, or 3 percent, including the impact of translation and purchase accounting adjustments related to our acquisition of CCE's North American business.

- Goodwill increased $408 million, or 3 percent, primarily due to the impact of our acquisition of Honest Tea and purchase accounting adjustments related to our acquisition of CCE's North American business.
- Loans and notes payable increased $5,298 million, or 65 percent, primarily due to an increase in our commercial paper balances.
- Long-term debt decreased $333 million, or 2 percent, primarily due to a reclassification of the current portion of long-term debt and the repurchase of debt the Company assumed in connection with our acquisition of CCE's North American business.
- Other liabilities decreased $390 million, or 8 percent, primarily due to the Company's contributions to our pension plans.
- Deferred income taxes increased $300 million, or 7 percent, primarily due to the merger of Arca and Contal, offset by the impact of purchase accounting adjustments related to our acquisition of CCE's North American business.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have no material changes to the disclosure on this matter made in our Annual Report on Form 10-K for the year ended December 31, 2010.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company, under the supervision and with the participation of its management, including the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2011.

Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the quarter ended September 30, 2011, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Additional Information

The Company is in the process of several productivity and transformation initiatives that include redesigning several key business processes in a number of areas. As business processes change related to these transformation initiatives, the Company identifies, documents and evaluates controls to ensure controls over our financial reporting remain strong. In addition, during the quarter ended December 31, 2010, the Company acquired the North American business of Coca-Cola Enterprises Inc. (subsequently renamed Coca-Cola Refreshments USA, Inc.). Refer to Note 2 of Notes to Condensed Consolidated Financial Statements for additional information regarding this event. The Company is in the process of integrating the acquired business into the Company's overall internal control over financial reporting process.

Table of Contents

Part II. Other Information

Item 1. Legal Proceedings

Information regarding reportable legal proceedings is contained in Part I, "Item 3. Legal Proceedings" in our Annual Report on Form 10-K for the year ended December 31, 2010, as updated in Part II, "Item 1. Legal Proceedings" in our Quarterly Report on Form 10-Q for the quarter ended July 1, 2011.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2010, which could materially affect our business, financial condition or future results. The risks described in this report and in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table presents information with respect to purchases of common stock of the Company made during the three months ended September 30, 2011, by The Coca-Cola Company or any "affiliated purchaser" of The Coca-Cola Company as defined in Rule 10b-18(a)(3) under the Exchange Act:

Period	Total Number of Shares Purchased[1]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan[2]	Maximum Number of Shares That May Yet Be Purchased Under the Publicly Announced Plan
July 2, 2011 through July 29, 2011	2,007,257	$69.06	2,000,000	126,281,036
July 30, 2011 through August 26, 2011	14,688,058	$67.58	14,650,254	111,630,782
August 27, 2011 through September 30, 2011	16,595,231	$69.91	16,521,634	95,109,148
Total	33,290,546	$68.83	33,171,888	

[1] The total number of shares purchased includes: (i) shares purchased pursuant to the 2006 Plan described in footnote 2 below; and (ii) shares surrendered to the Company to pay the exercise price and/or to satisfy tax withholding obligations in connection with so-called stock swap exercises of employee stock options and/or the vesting of restricted stock issued to employees, totaling 7,257 shares, 37,804 shares and 73,597 shares for the fiscal months of July, August and September 2011, respectively.

[2] On July 20, 2006, we publicly announced that our Board of Directors had authorized a plan (the "2006 Plan") for the Company to purchase up to 300 million shares of our Company's common stock. This column discloses the number of shares purchased pursuant to the 2006 Plan during the indicated time periods.

Table of Contents

Item 6. Exhibits

In reviewing the agreements included as exhibits to this report, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about the Company or the other parties to the agreements. The agreements contain representations, warranties, covenants and conditions by or of each of the parties to the applicable agreement. These representations, warranties, covenants and conditions have been made solely for the benefit of the other parties to the applicable agreement and:

- should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;
- may have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;
- may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and
- were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.

Accordingly, these representations, warranties, covenants and conditions may not describe the actual state of affairs as of the date they were made or at any other time. Additional information about the Company may be found elsewhere in this report and the Company's other public filings, which are available without charge through the Securities and Exchange Commission's website at http://www.sec.gov.

Table of Contents

Exhibit No.

(With regard to applicable cross-references in the list of exhibits below, the Company's Current, Quarterly and Annual Reports are filed with the Securities and Exchange Commission (the "SEC") under File No. 001-02217.)

3.1	Certificate of Incorporation of the Company, including Amendment of Certificate of Incorporation, effective May 1, 1996 — incorporated herein by reference to Exhibit 3 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996.
3.2	By-Laws of the Company, as amended and restated through April 17, 2008 — incorporated herein by reference to Exhibit 3.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended June 27, 2008.
4.1	As permitted by the rules of the SEC, the Company has not filed certain instruments defining the rights of holders of long-term debt of the Company or consolidated subsidiaries under which the total amount of securities authorized does not exceed 10 percent of the total assets of the Company and its consolidated subsidiaries. The Company agrees to furnish to the SEC, upon request, a copy of any omitted instrument.
4.2	Amended and Restated Indenture, dated as of April 26, 1988, between the Company and Deutsche Bank Trust Company Americas, as successor to Bankers Trust Company, as trustee — incorporated herein by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3 (Registration No. 33-50743) filed on October 25, 1993.
4.3	First Supplemental Indenture, dated as of February 24, 1992, to Amended and Restated Indenture, dated as of April 26, 1988, between the Company and Deutsche Bank Trust Company Americas, as successor to Bankers Trust Company, as trustee — incorporated herein by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-3 (Registration No. 33-50743) filed on October 25, 1993.
4.4	Second Supplemental Indenture, dated as of November 1, 2007, to Amended and Restated Indenture, dated as of April 26, 1988, as amended, between the Company and Deutsche Bank Trust Company Americas, as successor to Bankers Trust Company, as trustee — incorporated herein by reference to Exhibit 4.3 of the Company's Current Report on Form 8-K filed on March 5, 2009.
4.5	Form of Note for 5.350% Notes due November 15, 2017 — incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed October 31, 2007.
4.6	Form of Note for 3.625% Notes due March 15, 2014 — incorporated herein by reference to Exhibit 4.4 of the Company's Current Report on Form 8-K filed on March 5, 2009.
4.7	Form of Note for 4.875% Notes due March 15, 2019 — incorporated herein by reference to Exhibit 4.5 of the Company's Current Report on Form 8-K filed on March 5, 2009.
4.8	Form of Note for Floating Rate Notes due May 15, 2012 — incorporated herein by reference to Exhibit 4.4 to the Company's Current Report on Form 8-K filed November 18, 2010.
4.9	Form of Note for 0.750% Notes due November 15, 2013 — incorporated herein by reference to Exhibit 4.5 to the Company's Current Report on Form 8-K filed November 18, 2010.
4.10	Form of Note for 1.500% Notes due November 15, 2015 — incorporated herein by reference to Exhibit 4.6 to the Company's Current Report on Form 8-K filed November 18, 2010.
4.11	Form of Note for 3.150% Notes due November 15, 2020 — incorporated herein by reference to Exhibit 4.7 to the Company's Current Report on Form 8-K filed November 18, 2010.
4.12	Form of Registration Rights Agreement among the Company, the representatives of the initial purchasers of the Notes and the other parties named therein — incorporated herein by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed August 8, 2011.
4.13	Form of Note for 1.80% Notes due September 1, 2016.
4.14	Form of Note for 3.30% Notes due September 1, 2021.
10.1	Amendment Number One to the Coca-Cola Refreshments Executive Pension Plan (Amended and Restated Effective January 1, 2011), dated as of July 14, 2011.*
10.2	Amendment Number Two to the Coca-Cola Refreshments USA, Inc. Executive Severance Plan (Amended and Restated Effective December 31, 2008), dated as of July 14, 2011.*
12.1	Computation of Ratios of Earnings to Fixed Charges.
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31.1	Rule 13a-14(a)/15d-14(a) Certification, executed by Muhtar Kent, Chairman of the Board of Directors, Chief Executive Officer and President of The Coca-Cola Company.
31.2	Rule 13a-14(a)/15d-14(a) Certification, executed by Gary P. Fayard, Executive Vice President and Chief Financial Officer of The Coca-Cola Company.
32.1	Certifications required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. Section 1350), executed by Muhtar Kent, Chairman of the Board of Directors, Chief Executive Officer and President of The Coca-Cola Company, and by Gary P. Fayard, Executive Vice President and Chief Financial Officer of The Coca-Cola Company.

Table of Contents

101	The following financial information from The Coca-Cola Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2011, and October 1, 2010, (ii) Condensed Consolidated Balance Sheets at September 30, 2011, and December 31, 2010, (iii) Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2011, and October 1, 2010, and (iv) the Notes to Condensed Consolidated Financial Statements.

*Management contracts and compensatory plans and arrangements required to be filed as exhibits pursuant to Item 15(c) of this report.

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	THE COCA-COLA COMPANY (REGISTRANT)
Date: October 27, 2011	/s/ Kathy N. Waller Kathy N. Waller Vice President and Controller (On behalf of the Registrant and as Chief Accounting Officer)

Table of Contents

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