Dr Pepper Snapple Group, Inc.
Form 10-K
February 19, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
Form 10-K

R ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

or

£ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 001-33829
(Exact name of Registrant as specified in its charter)

Delaware	98-0517725
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification number)
5301 Legacy Drive, Plano, Texas	75024
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code:
(972) 673-7000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
COMMON STOCK, $0.01 PAR VALUE	NEW YORK STOCK EXCHANGE

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes R No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No R

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 R No o

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. 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 Securities Exchange Act of 1934.

Large Accelerated Filer R Accelerated Filer o Non-Accelerated Filer o Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes o No R

The aggregate market value of the common equity held by non-affiliates of the registrant (assuming for these purposes, but without conceding, that all executive officers and directors are "affiliates" of the registrant) as of June 30, 2014, the last business day of the registrant's most recently completed second fiscal quarter, was $11,403,612,484 (based on the closing sales price of the registrant's common stock on that date as reported on the New York Stock Exchange).

As of February 17, 2015, there were 192,962,748 shares of the registrant's common stock, par value $0.01 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission in connection with the registrant's Annual Meeting of Stockholders to be held on May 21, 2015 are incorporated by reference in Part III.

DR PEPPER SNAPPLE GROUP, INC.
FORM 10-K
For the Year Ended December 31, 2014

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements including, in particular, statements about future events, future financial performance including earnings estimates, plans, strategies, expectations, prospects, competitive environment, regulation and availability of raw materials. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "may," "will," "expect," "anticipate," "believe," "estimate," "plan," "intend" or the negative of these terms or similar expressions in this Annual Report on Form 10-K. We have based these forward-looking statements on our current views with respect to future events and financial performance. Our actual financial performance could differ materially from those projected in the forward-looking statements due to the inherent uncertainty of estimates, forecasts and projections, as well as a variety of other risks and uncertainties and other factors, and our financial performance may be better or worse than anticipated. Given these uncertainties, you should not put undue reliance on any forward-looking statements.

Forward-looking statements represent our estimates and assumptions only as of the date that they were made. We do not undertake any duty to update the forward-looking statements, and the estimates and assumptions associated with them after the date of this Annual Report on Form 10-K, except to the extent required by applicable securities laws. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed in Item 1A, "Risk Factors" under "Risks Related to Our Business" and elsewhere in this Annual Report on Form 10-K. These risk factors may not be exhaustive as we operate in a continually changing business environment with new risks emerging from time to time that we are unable to predict or that we currently do not expect to have a material adverse effect on our business. You should carefully read this report in its entirety as it contains important information about our business and the risks we face.

Our forward-looking statements are subject to risks and uncertainties, including:

- changes in consumer preferences, trends and health concerns;
- the impact of new or proposed beverage taxes or regulations on our business;
- the highly competitive markets in which we operate and our ability to compete with companies that have significant financial resources;
- maintaining our relationships with our large retail customers;
- dependence on third party bottling and distribution companies;
- future impairment of our goodwill and other intangible assets;
- increases in the cost of employee benefits and withdrawal liabilities associated with multi-employer plans;
- changes in the cost of commodities used in our business;
- fluctuations in foreign currency exchange rates;
- recession, financial and credit market disruptions and other economic conditions;
- the need to service our debt;
- disruptions to our information systems and third-party service providers;
- litigation claims or legal proceedings against us;
- shortages of materials used in our business;
- substantial disruption at our manufacturing or distribution facilities;
- failure to comply with governmental regulations in the countries in which we operate;
- weather, climate changes and the availability of water;
- our products meeting health and safety standards or contamination of our products;
- fluctuations in our tax obligations;
- strikes or work stoppages;
- infringement of our intellectual property rights by third parties, intellectual property claims against us or adverse events regarding licensed intellectual property;
- the need for substantial investment and restructuring at our manufacturing, distribution and other facilities;
- maintaining our relationships with our allied brand owners;
- our ability to retain or recruit qualified personnel;
- changes in accounting standards; and

- other factors discussed in Item 1A, "Risk Factors" under "Risks Related to Our Business" and elsewhere in this Annual Report on Form 10-K.

Table of Contents

PART I

ITEM 1. BUSINESS
OUR COMPANY
Dr Pepper Snapple Group, Inc. is a leading integrated brand owner, manufacturer and distributor of non-alcoholic beverages in the United States ("U.S."), Canada and Mexico with a diverse portfolio of flavored (non-cola) carbonated soft drinks ("CSDs") and non-carbonated beverages ("NCBs"), including ready-to-drink teas, juices, juice drinks, water and mixers. We have some of the most recognized beverage brands in North America, with significant consumer awareness levels and long histories that evoke strong emotional connections with consumers. References in this Annual Report on Form 10-K to "we", "our", "us", "DPS" or "the Company" refer to Dr Pepper Snapple Group, Inc. and its subsidiaries, unless the context requires otherwise.
The following provides highlights about our company:

- #1 flavored CSD company in the U.S.
- Approximately 84% of our volume from brands that are either #1 or #2 in their category
- #3 North American liquid refreshment beverage ("LRB") business
- $6.1 billion of net sales in 2014 from the U.S. (88%), Canada (4%) and Mexico and the Caribbean (8%)

History of Our Business
We have built our business over the last three decades through a series of strategic acquisitions. In the 1980's through the mid-1990's, we began building on our then-existing Schweppes business by adding brands such as Mott's, Canada Dry and A&W and a license for Sunkist soda. We also acquired the Peñafiel business in Mexico. In 1995, we acquired Dr Pepper/Seven Up, Inc., having previously made minority investments in the company. In 1999, we acquired a 40% interest in Dr Pepper/Seven Up Bottling Group, Inc., ("DPSUBG"), which was then our largest independent bottler, and increased our interest to 45% in 2005. In 2000, we acquired Snapple and other brands, significantly increasing our share of the U.S. NCB market segment. During 2006 and 2007, we acquired the remaining 55% of DPSUBG and several smaller bottlers and integrated them into our Packaged Beverages segment, thereby expanding our geographic coverage.
We were incorporated in Delaware on October 24, 2007. In 2008, Cadbury Schweppes plc ("Cadbury Schweppes") separated its beverage business in the U.S., Canada, Mexico and the Caribbean (the "Americas Beverages business") from its global confectionery business by contributing the subsidiaries that operated its Americas Beverages business to us.
PRODUCTS AND DISTRIBUTION
We are a leading integrated brand owner, manufacturer and distributor of non-alcoholic beverages in the U.S, Mexico and Canada, and we also distribute our products in the Caribbean. We sold 1.6 billion equivalent 288 fluid ounce cases in 2014. The highlights about our significant brands are as follows:
CSDs

- #1 in its flavor category and #2 overall flavored CSD in the U.S.
- Distinguished by its unique blend of 23 flavors and loyal consumer following
- Flavors include regular, diet, cherry and Dr Pepper TEN
- Oldest major soft drink in the U.S., introduced in 1885

Table of Contents

Our Core 4 brands

- #1 ginger ale in the U.S. and Canada, which includes regular, diet and Canada Dry TEN
- Brand also includes club soda, tonic, sparkling seltzer water and other mixers
- Created in Toronto, Canada in 1904 and introduced in the U.S. in 1919

- #2 lemon-lime CSD in the U.S.
- Flavors include regular, diet, 7UP TEN and cherry
- The original "Un-Cola," created in 1929

- #1 root beer in the U.S.
- Flavors include regular, diet, A&W TEN and cream soda
- A classic all-American beverage first sold at a veteran's parade in 1919

- #1 orange CSD in the U.S.
- Flavors include orange, diet, grape, strawberry, Sunkist TEN and other fruits
- Licensed to us as a CSD by the Sunkist Growers Association since 1986

Other CSD brands

- #1 grapefruit CSD in the U.S. and a leading grapefruit CSD in Mexico
- Founded in 1938

- #1 carbonated mineral water brand in Mexico
- Brand also includes Orangeade, Lemonade, Flavors and Twist
- Mexico's oldest mineral water

- #3 orange CSD in the U.S.
- Flavors include orange, diet and other fruits
- Brand began as the all-natural orange flavor drink in 1906

- #2 ginger ale in the U.S. and Canada
- Brand includes club soda, tonic, sparkling seltzer water and other mixers
- First carbonated beverage in the world, invented in 1783

Table of Contents

- Royal Crown Cola originated in Columbus, Georgia in 1905
- Flavors include regular, diet, RC TEN and cherry

NCBs

- A leading ready-to-drink tea in the U.S.
- A full range of tea products including premium (regular and diet) and value teas
- Brand also includes premium juices and juice drinks
- Founded in Brooklyn, New York in 1972
- #1 branded shelf-stable fruit punch brand in the U.S.
- Brand includes a variety of fruit flavored and reduced calorie juice drinks
- Developed originally as an ice cream topping known as "Leo's Hawaiian Punch" in 1934

- #1 branded apple juice and #1 apple sauce brand in the U.S.
- Juice products include apple and other fruit juices and Mott's for Tots
- Apple sauce products include regular, unsweetened and flavored
- Brand began as a line of apple cider and vinegar offerings in 1842
- A leading spicy tomato juice brand in the U.S., Canada and Mexico
- Key ingredient in Canada's popular cocktail, the Bloody Caesar, and mixed with beer in Mexico
- Brand includes seafood blend and clamato shrimp
- Created in 1969
- Brand of water which includes Frutal and Figura
- Created in 1993 in Guadalajara, Mexico

- #1 portfolio of mixer brands in the U.S.
- #1 Bloody Mary brand (Mr & Mrs T) in the U.S.
- Leading mixers (Margaritaville and Rose's) in their flavor categories

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The market and industry data in this Annual Report on Form 10-K is from independent industry sources, including The Nielsen Company ("Nielsen") and Beverage Digest. See "Market and Industry Data" below for further information.
All information regarding our brand market positions in the U.S. is from Nielsen and is based on retail dollar sales in 2014.

Table of Contents

The Sunkist soda logo is a registered trademark of Sunkist Growers, Inc. The Rose's logo is a registered trademark of Cadbury Ireland Limited, which was acquired by Mondelēz International, Inc. ("Mondelēz") (formerly known as Kraft Foods, Inc.) on February 2, 2010. The Margaritaville logo is a registered trademark of Margaritaville Enterprises, LLC. Each of these logos are used by us under license.

All other logos in the table above are registered trademarks of DPS or its subsidiaries.

In the CSD market in the U.S. and Canada, we participate primarily in the flavored CSD category. Our key brands are Dr Pepper, Canada Dry, 7UP, A&W, Crush, Sunkist soda, Schweppes, RC Cola, Squirt and we also sell regional and smaller niche brands. In the CSD market, we distribute finished beverages and manufacture beverage concentrates and fountain syrups. Beverage concentrates are highly concentrated proprietary flavors used to make syrup or finished beverages. We manufacture beverage concentrates that are used by our own Packaged Beverages and Latin America Beverages segments, as well as sold to third party bottling companies. According to Nielsen, we had a 20.5% share of the U.S. CSD market in 2014 (measured by retail sales), which decreased 0.2% compared to 2013. We also manufacture fountain syrup that we sell to the foodservice industry directly, through bottlers or through third parties.

In the NCB market segment in the U.S., we participate primarily in the ready-to-drink tea, juice, juice drinks, water and mixer categories. Our key NCB brands are Hawaiian Punch, Snapple, Mott's, and Clamato, and we also sell regional and smaller niche brands. We manufacture most of our NCBs as ready-to-drink beverages and distribute them through our own distribution network and through third parties or direct to our customers' warehouses. In addition to NCB beverages, we also manufacture Mott's apple sauce as a finished product.

In Mexico and the Caribbean, we participate primarily in the carbonated mineral water, flavored CSDs, bottled water and vegetable juice categories. Our key brands in Mexico include Peñafiel, Squirt, Aguafiel, Clamato and Crush. In Mexico, we manufacture and sell our brands through both our own manufacturing and distribution operations as well as third party bottlers. In the Caribbean, we distribute our products solely through third party distributors and bottlers. We have also begun to distribute certain products in other international jurisdictions through various third party bottlers and distributors.

In 2014, we manufactured and/or distributed approximately 51% of our total products sold in the U.S. (as measured by volume). In addition, our businesses manufacture and/or distribute a variety of brands owned by third parties in specified licensed geographic territories.

OUR STRENGTHS

The key strengths of our business are:

Strong portfolio of leading, consumer-preferred brands. We own a diverse portfolio of well-known CSD and NCB brands. Many of our brands enjoy high levels of consumer awareness, preference and loyalty rooted in their rich heritage, which drive their market positions. Our diverse portfolio provides our bottlers, distributors and retailers with a wide variety of products and provides us with a platform for growth and profitability. We are the #1 flavored CSD company in the U.S. Our largest brand, Dr Pepper, is the #2 flavored CSD in the U.S., according to Nielsen, and our Snapple brand is a leading ready-to-drink tea. Overall, in 2014, approximately 84% of our volume was generated by brands that hold either the #1 or #2 position in their category. The strength of our significant brands has allowed us to launch innovations and brand extensions such as our Mott's Fruit Punch Rush, Wild Grape Surge and Strawberry Boom and a new line of Schweppes sparkling waters in 2014. We also began test marketing new Naturally Sweetened Dr Pepper, Canada Dry and 7UP, which contain 60 calories per 12oz can, and are sweetened with real sugar and the latest generation of stevia blends.

Table of Contents

Integrated business model. Our integrated business model provides opportunities for net sales and profit growth through the alignment of the economic interests of our brand ownership and our manufacturing and distribution businesses. For example, we can focus on maximizing profitability for our company as a whole rather than focusing on profitability generated from either the sale of beverage concentrates or the bottling and distribution of our products. Additionally, our integrated business model enables us to be more flexible and responsive to the changing needs of our large retail customers by coordinating sales, service, distribution, promotions and product launches and allows us to more fully leverage our scale and reduce costs by creating greater geographic manufacturing and distribution coverage. Our manufacturing and distribution system in the U.S. also enables us to improve focus on our brands, especially certain brands such as 7UP, Sunkist soda, A&W, Squirt, RC Cola, Hawaiian Punch and Snapple, which do not have a large presence in the bottler systems affiliated with The Coca-Cola Company ("Coca-Cola") or PepsiCo, Inc. ("PepsiCo").

Strong customer relationships. Our brands have enjoyed long-standing relationships with many of our top customers. We sell our products to a wide range of customers, from bottlers and distributors to national retailers, large food service and convenience store customers. We have strong relationships with some of the largest bottlers and distributors, including those affiliated with Coca-Cola and PepsiCo, some of the largest and most important retailers, including Wal-Mart Stores, Inc. ("WalMart"), The Kroger Co., SUPERVALU, Inc., Safeway Inc., Publix Super Markets, Inc. and Target Corporation, some of the largest food service customers, including McDonald's Corporation, Yum! Brands, Inc., Burger King Corp., Sonic Corp., The Wendy's Company, Subway Restaurants, Jack in the Box, Inc., Chick-fil-A, Inc., Whataburger Restaurants LLC and Arby's Group, Inc., and convenience store customers, including 7-Eleven, Inc., Circle K Enterprises, Inc. and OXXO. Our portfolio of strong brands, operational scale and experience across beverage segments has enabled us to maintain strong relationships with our customers.

Attractive positioning within a large and profitable market. We hold the #1 position in the U.S. flavored CSD beverage markets by volume according to Beverage Digest. We are also a leader in the Canada and Mexico beverage markets. Our portfolio of products is biased toward flavored CSDs, which continue to gain market share versus cola CSDs, but also focuses on emerging categories such as teas and juices. We believe marketing and product innovations that target fast growing population segments, such as the Hispanic community in the U.S., could drive market growth.

Broad geographic manufacturing and distribution coverage. As of December 31, 2014, we had 19 manufacturing facilities and 106 principal distribution centers and warehouse facilities in the U.S., as well as two manufacturing facilities and 12 principal distribution centers and warehouse facilities in Mexico. These facilities use a variety of manufacturing processes. We have strategically located manufacturing and distribution capabilities, enabling us to better align our operations with our customers, reduce transportation costs and have greater control over the timing and coordination of new product launches. In addition, our warehouses are generally located at or near bottling plants and geographically dispersed to ensure our products are available to meet consumer demand. We actively manage transportation of our products using our own fleet of approximately 4,500 and 1,500 vehicles in the U.S. and Mexico, respectively, and third party logistics providers on a selected basis.

Strong operating margins and stable cash flows. The breadth of our brand portfolio has enabled us to generate strong operating margins which have delivered stable cash flows. These cash flows enable us to consider a variety of alternatives, such as investing in our business, repurchasing shares of our common stock, paying dividends to our stockholders and reducing our debt. As a result of our stable cash flows and the reduction of our capital expenditures, we have been able to increase our dividends each year in order to return more cash to our stockholders.

Experienced executive management team. Our executive management team has over 200 years of collective experience in the food and beverage industry. The team has broad experience in brand ownership, manufacturing and distribution, and enjoys strong relationships both within the industry and with major customers. In addition, our management team has diverse skills that support our operating strategies, including driving organic growth through targeted and efficient marketing, improving productivity of our operations, aligning manufacturing and distribution interests and executing strategic acquisitions.

OUR STRATEGY

The key elements of our business strategy are to:

Build our brands. We have a well-defined portfolio strategy to allocate our marketing and sales resources. We use an on-going process of market and consumer analysis to identify key brands that we believe have the greatest potential for profitable sales growth. We continue to invest most heavily in our key brands to drive profitable and sustainable growth by strengthening consumer awareness, developing innovative products and extending brands to take advantage of evolving consumer trends, improving distribution and increasing promotional effectiveness. We also focus on new distribution agreements for emerging, high-growth third party brands in new categories that can use our manufacturing and distribution network. We can provide these new brands with distribution capability and resources to grow, and they provide us with exposure to growing segments of the market with relatively low risk and capital investment.

Execute with excellence. We are focused on improving our product presence in high margin channels, such as convenience stores, vending machines and small independent retail outlets, through increased selling activity and repositioning our investments in coolers and other cold drink equipment to locations that provide a better return on our investment. We also intend to increase demand for high margin products like single-serve packages for many of our key brands through increased in-store activity.

We believe our integrated brand ownership, manufacturing and distribution business model provides us opportunities for net sales and profit growth through the alignment of the economic interests of our brand ownership and our manufacturing and distribution businesses. We intend to continue leveraging our integrated business model to reduce costs by creating greater geographic manufacturing and distribution coverage and to be more flexible and responsive to the changing needs of our large retail customers by coordinating sales, service, distribution, promotions and product launches.

Strengthening our route-to-market will ensure the ongoing health of our brands. We continue to invest in information technology ("IT") to improve route productivity and data integrity and standards. With third party bottlers, we continue to deliver programs that maintain priority for our brands in their systems.

Rapid Continuous Improvement. We have been able to create multi-product manufacturing facilities which provide a region with a wide variety of our products at reduced transportation and co-packing costs. In 2011, we launched our Rapid Continuous Improvement ("RCI") initiative, which uses Lean and Six Sigma methods to deliver customer value and improve productivity. We believe RCI is a means to achieve net income growth and increase the amount of cash returned to our stockholders.

OUR BUSINESS OPERATIONS

As of December 31, 2014, our operating structure consists of three business segments: Beverage Concentrates, Packaged Beverages and Latin America Beverages. Segment financial data for 2014, 2013 and 2012, including financial information about foreign and domestic operations, is included in Note 22 of the Notes to our Audited Consolidated Financial Statements.

Beverage Concentrates

Our Beverage Concentrates segment is principally a brand ownership business. In this segment we manufacture and sell beverage concentrates in the U.S. and Canada. Most of the brands in this segment are CSD brands. In 2014, our Beverage Concentrates segment had net sales of approximately $1,228 million. Key brands include Dr Pepper, Canada Dry, Crush, Schweppes, Sunkist soda, 7UP, A&W, Sun Drop, RC Cola, Squirt, Diet Rite, Vernors and the concentrate form of Hawaiian Punch.

We are the industry leader in flavored CSDs with a 38.8% market share in the U.S. for 2014 as measured by retail sales according to Nielsen. We are also the third largest CSD brand owner as measured by 2014 retail sales in the U.S. and Canada and we own a leading brand in most of the CSD categories in which we compete.

Almost all of our beverage concentrates are manufactured at our plant in St. Louis, Missouri.

Beverage concentrates are shipped to third party bottlers, as well as to our own manufacturing systems, who combine them with carbonation, water, sweeteners and other ingredients, package the combined product in PET containers, glass bottles and aluminum cans, and sell them as a finished beverage to retailers. Beverage concentrates are also manufactured into syrup, which is shipped to fountain customers, such as fast food restaurants, who mix the syrup with water and carbonation to create a finished beverage at the point of sale to consumers. Dr Pepper represents most of our fountain channel volume. Concentrate prices historically have been reviewed and adjusted at least on an annual basis.

Our Beverage Concentrates brands are sold by our bottlers, including our own Packaged Beverages segment, through all major retail channels including supermarkets, fountains, mass merchandisers, club stores, vending machines, convenience stores, gas stations, small groceries, drug chains and dollar stores. Unlike the majority of our other CSD brands, 59% of Dr Pepper volumes are distributed through the Coca-Cola affiliated and PepsiCo affiliated bottler systems.

PepsiCo and Coca-Cola are the two largest customers of the Beverage Concentrates segment, and constituted approximately 27% and 21%, respectively, of the segment's net sales during 2014.

6

Table of Contents

Packaged Beverages

Our Packaged Beverages segment is principally a brand ownership, manufacturing and distribution business. In this segment, we primarily manufacture and distribute packaged beverages and other products, including our brands, third party owned brands and certain private label beverages, in the U.S. and Canada. In 2014 our Packaged Beverages segment had net sales of approximately $4,361 million. Key NCB brands in this segment include Snapple, Hawaiian Punch, Mott's, Clamato, Yoo-Hoo, FIJI mineral water, Deja Blue, AriZona tea, ReaLemon, Mr and Mrs T mixers, Vita Coco coconut water, Nantucket Nectars, Mistic Garden Cocktail, Bai 5 and Rose's. Key CSD brands in this segment include 7UP, Dr Pepper, A&W, Canada Dry, Sunkist soda, Squirt, RC Cola, Big Red, Vernors, Diet Rite and Sun Drop.

Approximately 83% of our 2014 Packaged Beverages net sales of branded products come from our own brands, with the remaining from the distribution of third party brands such as Big Red, FIJI mineral water, AriZona tea, Vita Coco coconut water, Bai 5, Neuro beverages, Sparkling Fruit2O and Hydrive energy drinks. A portion of our sales also comes from bottling beverages and other products for private label owners or others, which is also referred to as contract manufacturing. Although the majority of our Packaged Beverages' net sales relate to our brands, we also provide a route-to-market for these third party brand owners seeking effective distribution for their new and emerging brands. These brands give us exposure in certain markets to fast growing segments of the beverage industry with minimal capital investment.

Our Packaged Beverages' products are manufactured in multiple facilities across the U.S. and are sold or distributed to retailers and their warehouses by our own distribution network or by third party distributors. The raw materials used to manufacture our products include aluminum cans and ends, glass bottles, PET bottles and caps, paper products, sweeteners, juices, water and other ingredients.

We sell our Packaged Beverages' products both through our Direct Store Delivery system ("DSD") and our Warehouse Direct delivery system ("WD"), both of which include the sales to all major retail channels, including supermarkets, fountain channel, mass merchandisers, club stores, vending machines, convenience stores, gas stations, small groceries, drug chains and dollar stores.

In 2014, WalMart, the largest customer of our Packaged Beverages segment, accounted for approximately 16% of our net sales in this segment.

Latin America Beverages

Our Latin America Beverages segment is a brand ownership, manufacturing and distribution business. This segment participates mainly in the carbonated mineral water, flavored CSD, bottled water and vegetable juice categories, with particular strength in carbonated mineral water, vegetable juice categories and grapefruit flavored CSDs. In 2014, our Latin America Beverages segment had net sales of $532 million, with our operations in Mexico representing approximately 91% of the net sales of this segment. Key brands include Peñafiel, Squirt, Aguafiel, Clamato, and Crush.

In Mexico, we manufacture and distribute our products through our bottling operations and third party bottlers and distributors. In the Caribbean, we distribute our products through third party bottlers and distributors. We have also begun to distribute certain products in other international jurisdictions through various third party bottlers and distributors. In Mexico, we also participate in a joint venture to manufacture Aguafiel brand water with Acqua Minerale San Benedetto. We provide expertise in the Mexican beverage market and Acqua Minerale San Benedetto provides expertise in water production and new packaging technologies.

We sell our finished beverages through all major Mexican retail channels, including "mom and pop" stores, supermarkets, hypermarkets and on premise channels.

BOTTLER AND DISTRIBUTOR AGREEMENTS

In the U.S. and Canada, we generally grant perpetual, exclusive license agreements for CSD brands and packages to bottlers for specific geographic areas. Many of our brands such as Snapple, Mistic, Nantucket Nectars, Yoo-Hoo and Orangina, are licensed for distribution in various territories to bottlers and a number of smaller distributors such as beer wholesalers, wine and spirit distributors, independent distributors and retail brokers. These agreements prohibit bottlers and distributors from selling the licensed products outside their exclusive territory and selling any imitative products in that territory. Generally, we may terminate bottling and distribution agreements only for cause or change in control and the bottler or distributor may terminate without cause upon giving certain specified notice and complying with other applicable conditions. Fountain agreements for bottlers generally are not exclusive for a territory, but do restrict bottlers from carrying imitative product in the territory.

Table of Contents

Agreements with PepsiCo and Coca-Cola
On February 26, 2010, we completed the licensing of certain brands to PepsiCo following PepsiCo's acquisition of Pepsi Bottling Group and PepsiAmericas, Inc. The agreements have an initial period of 20 years with automatic 20-year renewal periods and require PepsiCo to meet certain performance conditions.
On October 4, 2010, we completed the licensing of certain brands to Coca-Cola following Coca-Cola's acquisition of Coca-Cola Enterprises' North American Bottling Business and executed separate agreements pursuant to which Coca-Cola began offering Dr Pepper and Diet Dr Pepper in local fountain accounts and its Freestyle fountain program. The agreements have an initial period of 20 years with automatic 20-year renewal periods and require Coca-Cola to meet certain performance conditions.
Under a separate agreement, Coca-Cola has agreed to include Dr Pepper and Diet Dr Pepper brands in its Freestyle fountain program. The Freestyle fountain program agreement has a period of 20 years.
CUSTOMERS
We primarily serve two groups of customers: 1) bottlers and distributors and 2) retailers.
Bottlers buy beverage concentrates from us and, in turn, they manufacture, bottle, sell and distribute finished beverages. Bottlers also manufacture and distribute syrup for the fountain foodservice channel. In addition, bottlers and distributors purchase finished beverages from us and sell them to retail and other customers. We have strong relationships with bottlers affiliated with Coca-Cola and PepsiCo primarily because of the strength and market position of our key Dr Pepper brand.
Retailers also buy finished beverages directly from us. Our portfolio of strong brands, operational scale and experience in the beverage industry have enabled us to maintain strong relationships with major retailers in the U.S., Canada and Mexico. In 2014, our largest retailer was WalMart, representing approximately 12% of our consolidated net sales.
SEASONALITY
The beverage market is subject to some seasonal variations. Our beverage sales are generally higher during the warmer months and also can be influenced by the timing of holidays as well as weather fluctuations.
COMPETITION
The LRB industry is highly competitive and continues to evolve in response to changing consumer preferences. Competition is generally based upon brand recognition, taste, quality, price, availability, selection and convenience. We compete with multinational corporations with significant financial resources. Our two largest competitors in the LRB market are Coca-Cola and PepsiCo, which collectively represent approximately 60% of the U.S. LRB market by volume, according to Beverage Digest. We also compete against other large companies, including Nestlé, S.A. ("Nestle"), Kraft Foods Group, Inc. ("Kraft Foods") and The Campbell Soup Company ("Campbell Soup"). These competitors can use their resources and scale to rapidly respond to competitive pressures and changes in consumer preferences by introducing new products, reducing prices or increasing promotional activities. As a bottler and manufacturer, we also compete with a number of smaller bottlers and distributors and a variety of smaller, regional and private label manufacturers, such as The Cott Corporation ("Cott"). Smaller companies may be more innovative, better able to bring new products to market and better able to quickly exploit and serve niche markets. Other bottlers and manufacturers could also expand their contract manufacturing. We have lower exposure to some of the faster growing non-carbonated and bottled water segments in the overall LRB market. In Canada, Mexico and the Caribbean, we compete with many of these same international companies as well as a number of regional competitors. Although these bottlers and distributors are our competitors, many of these companies are also our customers as they purchase beverage concentrates from us.
INTELLECTUAL PROPERTY AND TRADEMARKS
Our Intellectual Property. We possess a variety of intellectual property rights that are important to our business. We rely on a combination of trademarks, copyrights, patents and trade secrets to safeguard our proprietary rights, including our brands and ingredient and production formulas for our products.

Table of Contents

Our Trademarks. Our trademark portfolio includes approximately 2,200 registrations and applications in the U.S., Canada, Mexico and other countries. Brands we own through various subsidiaries in various jurisdictions include Dr Pepper, Canada Dry, 7UP, Squirt, Peñafiel, Crush, A&W, Schweppes, RC Cola, Sun Drop, Venom, Hawaiian Punch, Snapple, Mott's, Clamato, Aguafiel, Deja Blue, Mistic, ReaLemon, Mr & Mrs T and Nantucket Nectars. We own trademark registrations for most of these brands in the U.S., and we own trademark registrations for some but not all of these brands in Canada, Mexico and other countries. We also own trademark registrations for a number of smaller regional brands. Some of our other trademark registrations are in countries where we do not currently have any significant level of business. In addition, in many countries outside the U.S., Canada and Mexico, our rights to many of our CSD brands, including our Dr Pepper trademark and formula, were sold by Cadbury Schweppes beginning over a decade ago to third parties including, in certain cases, to competitors such as Coca-Cola.

Trademarks Licensed from Others. We license various trademarks from third parties, which generally allow us to manufacture and distribute certain products or brands throughout the U.S. and/or Canada and Mexico. For example, we license from third parties the Sunkist soda, Country Time, Stewart's, Rose's, Orangina and Margaritaville trademarks. Although these licenses vary in length and other terms, they generally are long-term, cover the entire U.S. and/or Canada and Mexico and generally include a royalty payment to the licensor.

Licensed Distribution Rights. We have rights in certain territories to bottle and/or distribute various brands we do not own, such as Big Red, FIJI mineral water, AriZona tea, Vita Coco coconut water, Bai 5, Neuro beverages, Sparkling Fruit2O and Hydrive energy drinks. Some of these arrangements are relatively shorter in term and limited in geographic scope, and the licensor may be able to terminate the agreement upon an agreed period of notice, in some cases without payment to us.

Intellectual Property We License to Others. We license some of our intellectual property, including trademarks, to others. For example, we license the Dr Pepper trademark to certain companies for use in connection with food, confectionery and other products. We also license certain brands, such as Dr Pepper and Snapple, to third parties for use in beverages in certain countries where we own the brand but do not otherwise operate our business.

MARKETING

Our marketing strategy is to grow our brands through continuously providing new solutions to meet consumers' changing preferences and needs. We identify these preferences and needs and then develop innovative consumer and shopper programs to address the opportunities. Solutions include new and reformulated products, improved packaging design, pricing and enhanced availability. We use advertising, sponsorships, merchandising, public relations, promotions and social media to provide maximum impact for our brands and messages. We also apply a marketing return on investment analysis to ensure we focus our marketing spend in a manner to drive profitable and sustainable growth in our key brands.

MANUFACTURING

As of December 31, 2014, we operated 21 manufacturing facilities across the U.S. and Mexico. Almost all of our CSD beverage concentrates are manufactured at a single plant in St. Louis, Missouri. All of our manufacturing facilities are either regional manufacturing facilities, with the capacity and capabilities to manufacture many brands and packages, facilities with particular capabilities that are dedicated to certain brands or products, or smaller bottling plants with a more limited range of packaging capabilities.

We have a variety of production capabilities, including hot-fill, cold-fill and aseptic bottling processes, and we manufacture beverages in a variety of packaging materials, including aluminum, glass and PET cans and bottles and a variety of package formats, including single-serve and multi-serve packages and "bag-in-box" fountain syrup packaging.

In 2014, 90% of our manufactured volumes came from our brands and 10% from third party and private-label products. We also use third party manufacturers to package our products for us on a limited basis.

Table of Contents

WAREHOUSING AND DISTRIBUTION

As of December 31, 2014, our distribution network consisted of 106 principal distribution centers and warehouses in the U.S. and 12 principal distribution centers and warehouses in Mexico. Our warehouses are generally located at or near bottling plants and are geographically dispersed to ensure product is available to meet consumer demand. We actively manage the sale, merchandising and transportation of our products using a combination of our own fleet of approximately 4,500 and 1,500 vehicles in the U.S. and Mexico, respectively, and third party logistics providers on a selected basis.

RAW MATERIALS

The principal raw materials we use in our business are aluminum cans and ends, glass bottles, PET bottles and caps, paper products, sweeteners, juice, fruit, water and other ingredients. The cost of such raw materials can fluctuate substantially. In addition, we are significantly impacted by changes in fuel costs due to the large truck fleet we operate in our distribution businesses.

Under many of our supply arrangements for these raw materials, the price we pay fluctuates along with certain changes in underlying commodities costs, such as aluminum in the case of cans, natural gas in the case of glass bottles, resin in the case of PET bottles and caps, corn in the case of sweeteners and pulp in the case of paperboard packaging. When appropriate, we mitigate the exposure to volatility in the prices of certain commodities used in our production process through the use of forward contracts and supplier pricing agreements. The intent of the contracts and agreements is to provide a certain level of short-term predictability in our operating margins and our overall cost structure, while remaining in what we believe to be a competitive cost position.

Manufacturing costs for our Packaged Beverages segment, where we manufacture and bottle finished beverages, are higher as a percentage of our net sales than our Beverage Concentrates segment as the Packaged Beverages segment requires the purchase of a much larger portion of the packaging and ingredients. Although we have contracts with a relatively small number of suppliers, we have generally not experienced any difficulties in obtaining the required amount of raw materials.

RESEARCH AND DEVELOPMENT

Our research and development team is composed of scientists and engineers in the U.S. and Mexico who are focused on developing high quality products which have broad consumer appeal, can be sold at competitive prices and can be safely and consistently produced across a diverse manufacturing network. Our research and development team engages in activities relating to product development, microbiology, analytical chemistry, process engineering, sensory science, nutrition, knowledge management and regulatory compliance. We have particular expertise in flavors and sweeteners, which allows us to focus our research in areas of importance to the industry, such as new sweetener development. Research and development costs are expensed when incurred and amounted to $18 million, $21 million and $21 million for the years ended December 31, 2014, 2013 and 2012, respectively. These expenses are recorded in selling, general and administrative expenses in our Consolidated Statements of Income.

INFORMATION TECHNOLOGY

We use a variety of IT systems and networks configured to meet our business needs. Our primary IT data center is hosted in Toronto, Canada by a third party provider. We also use a third party vendor for application support and maintenance, which is based in India and provides resources offshore and onshore.

EMPLOYEES

At December 31, 2014, we employed approximately 19,000 employees.

In the U.S., we have approximately 16,000 full-time employees. We have union collective bargaining agreements covering approximately 4,000 full-time employees. Several agreements cover multiple locations. These agreements address working conditions as well as wage rates and benefits. In Mexico and the Caribbean, we employ approximately 3,000 full-time employees, with approximately 2,000 employees party to collective bargaining agreements. We do not have a significant number of employees in Canada.

We believe we have good relations with our employees.

Table of Contents

REGULATORY MATTERS

We are subject to a variety of federal, state and local laws and regulations in the countries in which we do business. Regulations apply to many aspects of our business, including our products and their ingredients, manufacturing, safety, labeling, transportation, recycling, advertising and sale. For example, our products and their manufacturing, labeling, marketing and sale in the U.S. are subject to various aspects of the Federal Food, Drug, and Cosmetic Act, the Federal Trade Commission Act, the Lanham Act, state consumer protection laws and state warning and labeling laws. In Canada and Mexico, the manufacture, distribution, marketing and sale of our many products are also subject to similar statutes and regulations. Additionally, the government of Mexico enacted broad based tax reform, including a one peso per liter tax on the manufacturing of certain sugar-sweetened beverages, which went into effect January 1, 2014, as a result of concerns about the public health consequences and health care costs associated with obesity.

We and our bottlers use various refillable and non-refillable, recyclable bottles and cans in the U.S. and other countries. Various states and other authorities require deposits, eco-taxes or fees on certain containers. Similar legislation or regulations may be proposed in the future at local, state and federal levels, both in the U.S. and elsewhere. In Mexico, the government has encouraged the soft drink industry to comply voluntarily with collection and recycling programs of plastic material, and we are in compliance with these programs.

ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

In the normal course of our business, we are subject to a variety of federal, state and local environmental, health and safety laws and regulations. We maintain environmental, health and safety policies and a quality, environmental, health and safety program designed to ensure compliance with applicable laws and regulations. The cost of such compliance measures does not have a material financial impact on our operations.

AVAILABLE INFORMATION

Our web site address is www.drpeppersnapplegroup.com. Information on our web site is not incorporated by reference in this document. We make available, free of charge through this web site, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the Securities and Exchange Commission.

MARKET AND INDUSTRY DATA

The market and industry data in this Annual Report on Form 10-K is from independent industry sources, including Nielsen and Beverage Digest. Although we believe that these independent sources are reliable, we have not verified the accuracy or completeness of this data or any assumptions underlying such data.

Nielsen is a marketing information provider, primarily serving consumer packaged goods manufacturers and retailers. We use Nielsen data as our primary management tool to track market performance because it has broad and deep data coverage, is based on consumer transactions at retailers, and is reported to us monthly. Nielsen data provides measurement and analysis of marketplace trends such as market share, retail pricing, promotional activity and distribution across various channels, retailers and geographies. Measured categories provided to us by Nielsen Scantrack include CSDs, energy drinks, single-serve bottled water, non-alcoholic mixers and NCBs, including ready-to-drink teas, single-serve and multi-serve juice and juice drinks, and sports drinks. Nielsen also provides data on other food items such as apple sauce. Nielsen data we present in this report is from Nielsen's Scantrack service, which compiles data based on scanner transactions in key retail channels, including grocery stores, mass merchandisers (including WalMart), drug chains, convenience stores and gas stations. However, this data does not include the fountain or vending channels, or small independent retail outlets, which together represent a meaningful portion of the U.S. LRB market and of our net sales and volume.

Beverage Digest is an independent beverage research company that publishes an annual Beverage Digest Fact Book. We use Beverage Digest primarily to track market share information and broad beverage and channel trends. This annual publication provides a compilation of data supplied by beverage companies. Beverage Digest covers the following categories: CSDs, energy drinks, bottled water and NCBs (including ready-to-drink teas, juice and juice drinks and sports drinks). Beverage Digest data does not include multi-serve juice products or bottled water in packages of 1.5 liters or more. Data is reported for certain sales channels, including grocery stores, mass merchandisers, club stores, drug chains, convenience stores, gas stations, fountains, vending machines and the "up-and-down-the-street" channel consisting of small independent retail outlets.

Table of Contents

We use both Nielsen and Beverage Digest to assess both our own and our competitors' performance and market share in the U.S. Different market share rankings can result for a specific beverage category depending on whether data from Nielsen or Beverage Digest is used, in part because of the differences in the sales channels reported by each source. For example, because the fountain channel (where we have a relatively small business except for Dr Pepper) is not included in Nielsen data, our market share using Nielsen data is generally higher for our CSD portfolio than the Beverage Digest data, which does include the fountain channel.

In this Annual Report on Form 10-K, all information regarding the beverage market in the U.S. is from Beverage Digest, and, except as otherwise indicated, is from 2013. All information regarding our brand market positions in the U.S. is from Nielsen and is based on retail dollar sales in 2014.

ITEM 1A. RISK FACTORS

RISKS RELATED TO OUR BUSINESS

In addition to the other information set forth in this report, you should carefully consider the risks described below, which could materially affect our business, financial condition or future results. Any of the following risks, as well as other risks and uncertainties, could harm our business and financial condition.

We may not effectively respond to changing consumer preferences, trends, health concerns and other factors.

Consumers' preferences can change due to a variety of factors, including the age and ethnic demographics of the population, social trends, negative publicity, economic downturn or other factors. For example, consumers are increasingly concerned about health and wellness, focusing on the caloric intake associated with regular CSDs and the use of artificial sweeteners in diet CSDs. As such, the demand for CSDs has decreased as consumers have shifted towards NCBs, such as water, ready-to-drink teas and sports drinks. If we do not effectively anticipate these trends and changing consumer preferences, then quickly develop new products in response, our sales could suffer. Developing and launching new products can be risky and expensive. We may not be successful in responding to changing markets and consumer preferences, and some of our competitors may be better able to respond to these changes, either of which could negatively affect our business and financial performance.

New or proposed beverage taxes or regulations could impact our sales.

During the fourth quarter of 2013, the government of Mexico enacted broad based tax reform, including a one peso per liter tax on the manufacturing of certain sugar-sweetened beverages, which went into effect January 1, 2014, as a result of concerns about the public health consequences and health care costs associated with obesity. During the fourth quarter of 2014, the city of Berkeley, California enacted a one cent per ounce tax on the distribution of certain sugar-sweetened beverages, which went into effect January 1, 2015. Federal, state, and other local and foreign governments could also impose taxes on sugar-sweetened beverages as a result of these concerns. Additionally, local and regional governments and school boards have enacted, or have proposed to enact, regulations restricting the sale of certain types or sizes of soft drinks in municipalities and schools as a result of these concerns. Any changes of regulations or imposed taxes may reduce consumer demand for our products or could cause us to raise our prices, both of which could have a material adverse effect on our profitability and negatively affect our business and financial performance.

We operate in highly competitive markets.

The LRB industry is highly competitive and continues to evolve in response to changing consumer preferences. Competition is generally based upon brand recognition, taste, quality, price, availability, selection and convenience. Brand recognition can also be impacted by the effectiveness of our advertising campaigns and marketing programs, as well as our use of social media. We compete with multinational corporations with significant financial resources. Our two largest competitors in the LRB market are Coca-Cola and PepsiCo, which represent approximately 60% of the U.S. LRB market by volume, according to Beverage Digest. We also compete against other large companies, including Nestle, Kraft Foods and Campbell Soup. These competitors can use their resources and scale to rapidly respond to competitive pressures and changes in consumer preferences by introducing new products, changing their route to market, reducing prices or increasing promotional activities. As a bottler and manufacturer, we also compete with a number of smaller bottlers and distributors and a variety of smaller, regional and private label manufacturers, such as Cott. Smaller companies may be more innovative, better able to bring new products to market and better able to quickly exploit and serve niche markets. We also compete for contract manufacturing with other bottlers and manufacturers. We have lower exposure to energy drinks, some of the faster growing NCBs and the bottled water segments in the overall LRB market. In Canada, Mexico and the Caribbean, we compete with many of these same international companies as well as a number of regional competitors.

Table of Contents

If we are unable to compete effectively, our sales could decline. As a result, we would potentially reduce our prices or increase our spending on marketing, advertising and product innovation. Any of these could negatively affect our business and financial performance.

We depend on a small number of large retailers for a significant portion of our sales.

Food and beverage retailers in the U.S. have been consolidating, resulting in large, sophisticated retailers with increased buying power. They are in a better position to resist our price increases and demand lower prices. They also have leverage to require us to provide larger, more tailored promotional and product delivery programs. If we and our bottlers and distributors do not successfully provide appropriate marketing, product, packaging, pricing and service to these retailers, our product availability, sales and margins could suffer. Certain retailers make up a significant percentage of our products' retail volume, including volume sold by our bottlers and distributors. Some retailers also offer their own private label products that compete with some of our brands. The loss of sales of any of our products by a major retailer could have a material adverse effect on our business and financial performance.

We depend on third party bottling and distribution companies for a portion of our business.

Net sales from our Beverage Concentrates segment represent sales of beverage concentrates to third party bottling companies that we do not own. The Beverage Concentrates segment's operations generate a significant portion of our overall segment operating profit ("SOP"). Some of these bottlers, such as PepsiCo and Coca-Cola, are also our competitors. The majority of these bottlers' business comes from selling either their own products or our competitors' products. In addition, some of the products we manufacture are distributed by third parties. As independent companies, these bottlers and distributors make their own business decisions. They may have the right to determine whether, and to what extent, they produce and distribute our products, our competitors' products and their own products. They may devote more resources to other products or take other actions detrimental to our brands. In most cases, they are able to terminate their bottling and distribution arrangements with us without cause. We may need to increase support for our brands in their territories and may not be able to pass on price increases to them. Their financial condition could also be adversely affected by conditions beyond our control, and our business could suffer as a result. Deteriorating economic conditions could negatively impact the financial viability of third party bottlers. Any of these factors could negatively affect our business and financial performance.

Determinations in the future that a significant impairment of the value of our goodwill and other indefinite-lived intangible assets has occurred could have a material adverse effect on our results of operations.

As of December 31, 2014, we had $8,273 million of total assets, of which approximately $5,674 million were goodwill and other intangible assets. Intangible assets include both definite and indefinite-lived intangible assets in connection with brands, distribution rights and customer relationships. We conduct impairment tests on goodwill and all indefinite-lived intangible assets annually, as of October 1, or more frequently if circumstances indicate that the carrying amount of an asset may not be recoverable. If the carrying amount of an intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. There was no impairment required based upon our annual impairment analysis performed as of October 1, 2014. For additional information about these intangible assets, see "Critical Accounting Estimates — Goodwill and Other Indefinite-Lived Intangible Assets" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," in Item 7 and our Audited Consolidated Financial Statements included in Item 8, "Financial Statements and Supplementary Data," in this Annual Report on Form 10-K.

The impairment tests require us to make an estimate of the fair value of our reporting units and other intangible assets. An impairment could be recorded as a result of changes in assumptions, estimates or circumstances, some of which are beyond our control. Factors which could result in an impairment include, but are not limited to: (i) reduced demand for our products; (ii) higher commodity prices; (iii) lower prices for our products or increased marketing as a result of increased competition; (iv) significant disruptions to our operations as a result of both internal and external events; and (v) changes in our discount rates. Since a number of factors may influence determinations of fair value of intangible assets, we are unable to predict whether impairments of goodwill or other indefinite-lived intangibles will occur in the future. Any such impairment would result in us recognizing a non-cash charge in our Consolidated Statements of Income, which could increase our effective tax rate and adversely affect our results of operations.

13

Table of Contents

Increases in our cost of benefits and multi-employer plan withdrawal liabilities in the future could reduce our profitability.

Our profitability is substantially affected by costs for employee health care, pension and other retirement programs and other benefits. In recent years, these costs have increased significantly due to factors such as increases in health care costs, declines in investment returns on pension assets and changes in discount rates used to calculate pension and related liabilities. These factors plus the enactment of the Patient Protection and Affordable Care Act in March 2010 will continue to put pressure on our business and financial performance. Although we actively seek to control increases in costs, there can be no assurance that we will succeed in limiting future cost increases, and continued upward pressure in costs could have a material adverse effect on our business and financial performance.

Additionally, we currently participate in three multi-employer pension plans in the United States. The plans we participate in have collective bargaining agreements, which will expire at various dates through 2016. In the event that it becomes probable that we intend to withdraw from participation in any of these plans, U.S. GAAP would require us to record a withdrawal liability if it is estimable, which may be material and could negatively impact our financial performance in the applicable periods. Our pension expense for U.S. multi-employer plans totaled $6 million for the year ended December 31, 2014.

Costs for commodities, such as raw materials and energy, may change substantially.

The principal raw materials we use in our products are aluminum cans and ends, glass bottles, PET bottles and caps, paperboard packaging, sweeteners, juice, fruit, water and other ingredients. The cost of such raw materials can fluctuate substantially. Under many of our supply arrangements, the price we pay for raw materials fluctuates along with certain changes in underlying commodities costs, such as aluminum in the case of cans, natural gas in the case of glass bottles, resin in the case of PET bottles and caps, corn in the case of sweeteners and pulp in the case of paperboard packaging.

In addition, we use a significant amount of energy in our business. We are significantly impacted by changes in fuel costs due to the large truck fleet we operate in our distribution businesses and our use of third party carriers. Additionally, conversion of raw materials into our products for sale uses electricity and natural gas.

Price increases could exert pressure on our costs and we may not be able to effectively hedge or pass along any such increases to our customers or consumers. Price increases we pass along to our customers or consumers could reduce demand for our products. Such increases could negatively affect our business and financial performance. Furthermore, price decreases in commodities that we have effectively hedged could also increase our cost of goods sold for mark-to-market changes in the derivative instruments.

Fluctuations in foreign currency exchange rates in Mexico and Canada may adversely affect our operating results.

We are exposed to foreign currency exchange rate risk with respect to our sales, expenses, profits, assets and liabilities denominated in the Mexican peso or the Canadian dollar. We manage a small portion of our exposure to the Canadian dollar utilizing derivative instruments and are not protected against most foreign currency fluctuations. As a result, our financial performance may be affected by changes in foreign currency exchange rates. Moreover, any favorable or unfavorable impacts to gross profit, gross margin, income from operations or segment operating profit from fluctuations in foreign currency exchange rates are likely to be unsustainable over time.

Our financial results may be negatively impacted by recession, financial and credit market disruptions and other economic conditions.

Changes in economic and financial conditions in the U.S., Canada, Mexico or the Caribbean may negatively impact consumer confidence and consumer spending, which could result in a reduction in our sales volume and/or switching to lower price offerings. Similarly, disruptions in financial and credit markets worldwide may impact our ability to manage normal commercial relationships with our customers, suppliers and creditors. These disruptions could have a negative impact on the ability of our customers to timely pay their obligations to us, thus reducing our cash flow, or the ability of our vendors to timely supply materials. Additionally, these disruptions could have a negative effect on our ability to raise capital through the issuance of unsecured commercial paper or senior notes.

We could also face increased counterparty risk for our cash investments and our hedging arrangements. Declines in the securities and credit markets could also affect our marketable securities and pension fund, which in turn could increase funding requirements.

Table of Contents

Our total indebtedness, excluding capital lease obligations, could affect our operations and profitability.

We maintain levels of debt we consider prudent based on our actual and expected cash flows. As of December 31, 2014, our total indebtedness was $2,591 million.

This amount of debt could have important consequences to us and our investors, including:

- requiring a portion of our cash flow from operations to make interest payments on this debt; and
- increasing our vulnerability to general adverse economic and industry conditions, which could impact our debt maturity profile.

While we believe we will have the ability to service our debt and will have access to additional sources of capital in the future if and when needed, that will depend upon our results of operations and financial position at the time, the then-current state of the credit and financial markets and other factors that may be beyond our control.

We depend on key information systems and third party service providers.

We depend on key information systems to accurately and efficiently transact our business, provide information to management and prepare financial reports. We rely on third party providers for a number of key information systems and business processing services, including hosting our primary data center and processing various benefit-related accounting and transactional services. These systems and services are vulnerable to interruptions or other failures resulting from, among other things, natural disasters, terrorist attacks, software, equipment or telecommunications failures, processing errors, computer viruses, other security issues or supplier defaults. Security, backup and disaster recovery measures may not be adequate or implemented properly to avoid such disruptions or failures. Any disruption or failure of these systems or services could cause substantial errors, processing inefficiencies, security breaches, inability to use the systems or process transactions, loss of customers or other business disruptions, all of which could negatively affect our business and financial performance.

As cybersecurity attacks continue to evolve and increase, our information systems could also be penetrated or compromised by internal and external parties intent on extracting confidential information, disrupting business processes or corrupting information. These risks could arise from external parties or from acts or omissions of internal or service provider personnel. Such unauthorized access could disrupt our business and could result in the loss of assets, litigation, remediation costs, damage to our reputation and failure to retain or attract customers following such an event, which could adversely affect our business.

Litigation or legal proceedings could expose us to significant liabilities and damage our reputation.

We are party to various litigation claims and legal proceedings which may include employment, tort, real estate, commercial and other litigation. From time to time we are a defendant in class action litigation, including litigation regarding employment practices, product labeling, and wage and hour laws. Plaintiffs in class action litigation may seek to recover amounts which are large and may be indeterminable for some period of time. We evaluate litigation claims and legal proceedings to assess the likelihood of unfavorable outcomes and estimate, if possible, the amount of potential losses. We will establish a reserve as appropriate based upon assessments and estimates in accordance with our accounting policies. We base our assessments, estimates and disclosures on the information available to us at the time and rely on legal and management judgment. Actual outcomes or losses may differ materially from assessments and estimates. Costs to defend litigation claims and legal proceedings and the cost of actual settlements, judgments or resolutions of these claims and legal proceedings may negatively affect our business and financial performance. Any adverse publicity resulting from allegations made in litigation claims or legal proceedings may also adversely affect our reputation, which in turn could adversely affect our results.

Certain raw materials we use are available from a limited number of suppliers and shortages could occur.

Some raw materials we use, such as aluminum cans and ends, glass bottles, PET bottles, sweeteners, fruit, juice and other ingredients, are sourced from industries characterized by a limited supply base. If our suppliers are unable or unwilling to meet our requirements, we could suffer shortages or substantial cost increases. Changing suppliers can require long lead times. The failure of our suppliers to meet our needs could occur for many reasons, including fires, natural disasters, weather, manufacturing problems, disease, crop failure, strikes, transportation interruption, government regulation, political instability, cybersecurity attacks and terrorism. A failure of supply could also occur due to suppliers' financial difficulties, including bankruptcy. Some of these risks may be more acute where the supplier or its plant is located in riskier or less-developed countries or regions. Any significant interruption to supply or cost increase could substantially harm our business and financial performance.

Table of Contents

Substantial disruption to production at our manufacturing and distribution facilities could occur.
A disruption in production at our beverage concentrates manufacturing facility, which manufactures almost all of our concentrates, could have a material adverse effect on our business. In addition, a disruption could occur at any of our other facilities or those of our suppliers, bottlers or distributors. The disruption could occur for many reasons, including fire, natural disasters, weather, water scarcity, manufacturing problems, disease, strikes, transportation or supply interruption, government regulation, cybersecurity attacks or terrorism. Alternative facilities with sufficient capacity or capabilities may not be available, may cost substantially more or may take a significant time to start production, each of which could negatively affect our business and financial performance.
We may fail to comply with applicable government laws and regulations.
We are subject to a variety of federal, state and local laws and regulations in the U.S., Canada, Mexico and other countries in which we do business. These laws and regulations apply to many aspects of our business including the manufacture, safety, labeling, transportation, advertising and sale of our products. See "Regulatory Matters" in Item 1, "Business," of this Annual Report on Form 10-K for more information regarding many of these laws and regulations. Violations of these laws or regulations in the manufacture, safety, labeling, transportation and advertising of our products could damage our reputation and/or result in regulatory actions with substantial penalties. In addition, any significant change in such laws or regulations or their interpretation, or the introduction of higher standards or more stringent laws or regulations, could result in increased compliance costs or capital expenditures. For example, changes in recycling and bottle deposit laws or special taxes on soft drinks or ingredients could increase our costs. Regulatory focus on the health, safety and marketing of food products is increasing. Certain federal or state regulations or laws affecting the labeling of our products, such as California's "Prop 65," which requires warnings on any product with substances that the state lists as potentially causing cancer or birth defects, are or could become applicable to our products.
Weather, climate change legislation and the availability of water could adversely affect our business.
Unseasonable or unusual weather or long-term climate changes may negatively impact the price or availability of raw materials, energy and fuel, and demand for our products. Unusually cool weather during the summer months may result in reduced demand for our products and have a negative effect on our business and financial performance.
There is growing political and scientific sentiment that increased concentrations of carbon dioxide and other greenhouse gases in the atmosphere are influencing global weather patterns ("global warming"). Concern over climate change, including global warming, has led to legislative and regulatory initiatives directed at limiting greenhouse gas ("GHG") emissions. For example, proposals that would impose mandatory requirements on GHG emissions continue to be considered by policy makers in the countries in which we operate. Laws enacted that directly or indirectly affect our production, distribution, packaging, cost of raw materials, fuel, ingredients and water could all negatively impact our business and financial results.
We also may be faced with water availability risks. Water is the main ingredient in substantially all of our products. Climate change may cause water scarcity and a deterioration of water quality in areas where we maintain operations. The competition for water among domestic, agricultural and manufacturing users is increasing in the countries where we operate, and as water becomes scarcer or the quality of the water deteriorates, we may incur increased production costs or face manufacturing constraints which could negatively affect our business and financial performance. Even where water is widely available, water purification and waste treatment infrastructure limitations could increase costs or constrain our operations.
Our products may not meet health and safety standards or could become contaminated.
We have adopted various quality, environmental, health and safety standards. However, our products may still not meet these standards or could otherwise become contaminated. A failure to meet these standards or contamination could occur in our operations or those of our bottlers, distributors or suppliers. This could result in expensive production interruptions, recalls, liability claims and negative publicity. Moreover, negative publicity also could be generated from false, unfounded or nominal liability claims or limited recalls. Any of these failures or occurrences could negatively affect our business and financial performance.

16

Table of Contents

Fluctuations in our effective tax rate may result in volatility in our operating results.

We are subject to income taxes in many U.S. and certain foreign jurisdictions. Income tax expense includes a provision for uncertain tax positions. At any one time, many tax years are subject to audit by various taxing jurisdictions. As these audits and negotiations progress, events may occur that change our expectation about how the audit will ultimately be resolved. As a result, there could be ongoing variability in our quarterly and/or annual tax rates as events occur that cause a change in our provision for uncertain tax positions. In addition, our effective tax rate in any given financial statement period may be significantly impacted by changes in the mix and level of earnings or by changes to existing accounting rules, tax regulations or interpretations of existing law. In addition, tax legislation may be enacted in the future, domestically or abroad, that impacts our effective tax rate.

We may not be able to renew collective bargaining agreements on satisfactory terms, or we could experience strikes.

As of December 31, 2014, approximately 6,000 of our employees, many of whom are at our key manufacturing locations, were covered by collective bargaining agreements. These agreements typically expire every three to four years at various dates. We may not be able to renew our collective bargaining agreements on satisfactory terms or at all. This could result in strikes or work stoppages, which could impair our ability to manufacture and distribute our products and result in a substantial loss of sales. The terms of existing or renewed agreements could also significantly increase our costs or negatively affect our ability to increase operational efficiency.

Our intellectual property rights could be infringed or we could infringe the intellectual property rights of others, and adverse events regarding licensed intellectual property, including termination of distribution rights, could harm our business.

We possess intellectual property that is important to our business. This intellectual property includes ingredient formulas, trademarks, copyrights, patents, business processes and other trade secrets. See "Intellectual Property and Trademarks" in Item 1, "Business," of this Annual Report on Form 10-K for more information. We and third parties, including competitors, could come into conflict over intellectual property rights. Litigation could disrupt our business, divert management attention and cost a substantial amount to protect our rights or defend ourselves against claims. We cannot be certain that the steps we take to protect our rights will be sufficient or that others will not infringe or misappropriate our rights. If we are unable to protect our intellectual property rights, our brands, products and business could be harmed.

We also license various trademarks from third parties and license our trademarks to third parties. In some countries, other companies own a particular trademark which we own in the U.S., Canada or Mexico. For example, the Dr Pepper trademark and formula is owned by Coca-Cola in certain other countries. Adverse events affecting those third parties or their products could affect our use of these trademarks or negatively impact our brands.

In some cases, we license products from third parties that we distribute. The licensor may be able to terminate the license arrangement upon an agreed period of notice, in some cases without payment to us of any termination fee. The termination of any material license arrangement could adversely affect our business and financial performance.

Our facilities and operations may require substantial investment and upgrading.

We have an ongoing program of investment and upgrading in our manufacturing, distribution and other facilities. We expect to incur significant costs to upgrade or keep up-to-date various facilities and equipment or restructure our operations, including closing existing facilities or opening new ones. If our investment and restructuring costs are higher than anticipated or our business does not develop as anticipated to appropriately utilize new or upgraded facilities, our costs and financial performance could be negatively affected.

Our distribution agreements with our allied brands could be terminated.

Approximately 83% of our 2014 Packaged Beverages net sales of branded products come from our owned and licensed brands, with the remaining from the distribution of third party brands such as Big Red, FIJI mineral water, AriZona tea, Vita Coco coconut water, Bai 5, Neuro drinks, Sparkling Fruit$_2$O and Hydrive energy drinks. We are subject to a risk of our allied brands terminating their distribution agreements with us, which could negatively affect our business and financial performance.

We could lose key personnel or may be unable to recruit qualified personnel.

Our performance significantly depends upon the continued contributions of our executive officers and key employees, both individually and as a group, and our ability to retain and motivate them. Our officers and key personnel have many years of experience with us and in our industry and it may be difficult to replace them. If we lose key personnel or are unable to recruit qualified personnel, our operations and ability to manage our business may be adversely affected. We do not have "key person" life insurance for any of our executive officers or key employees.

Table of Contents

Changes in accounting standards could affect our reported financial results.
We are subject to changes in accounting rules and interpretations. The Financial Accounting Standards Board is currently in the process of deliberating changes to a number of existing standards governing a variety of areas. Certain of these proposed standards, particularly the proposed standard governing the accounting for leases, if and when effective, could have a material impact on our consolidated financial statements. Additionally, compliance with such requirements may result in increased selling, general and administrative expenses or capital expenditures and the associated depreciation expense. Refer to Note 2 of the Notes to our Audited Consolidated Financial Statements in Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K for a discussion of recently issued accounting standards and recently adopted provisions of U.S. GAAP.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of December 31, 2014, we owned or leased 154 administrative, manufacturing and principal distribution centers and warehouse facilities operating across the Americas. Our corporate headquarters are located in Plano, Texas, in a facility that we own.
The following table summarizes our significant properties by geography and by operating segment:

	Packaged Beverages		Beverage Concentrates		Latin America Beverages		
	Owned	Leased	Owned	Leased	Owned	Leased	Total
United States:							
Office buildings[1]	1	9	1		—	—	11
Manufacturing facilities	12	6	1	—	—	—	19
Principal distribution centers and warehouse facilities	40	66	—	—	—	—	106
	53	81	2	—	—	—	136
Mexico and Canada:							
Office buildings	—	1	—	—	—	2	3
Manufacturing facilities[2]	—	—	—	—	3	—	3
Principal distribution centers and warehouse facilities	—	—	—	—	3	9	12
	—	1	—	—	6	11	18
Total	53	82	2	—	6	11	154

(1) The office building owned by our Beverage Concentrates operating segment is our corporate headquarters located in Plano, Texas.
(2) The three manufacturing facilities owned by our Latin America Beverages operating segment include the manufacturing facility leased to our joint venture with Acqua Minerale San Benedetto.

We believe our facilities in the U.S. and Mexico are well-maintained and adequate, that they are being appropriately utilized in line with past experience and that they have sufficient production capacity for their present intended purposes. The extent of utilization of such facilities varies based on seasonal demand for our products. It is not possible to measure with any degree of certainty or uniformity the productive capacity and extent of utilization of these facilities. We periodically review our space requirements, and we believe we will be able to acquire new space and facilities as and when needed on reasonable terms. We also look to consolidate and dispose or sublet facilities we no longer need, as and when appropriate.

ITEM 3. LEGAL PROCEEDINGS

We are occasionally subject to litigation or other legal proceedings relating to our business. See Note 21 of the Notes to our Audited Consolidated Financial Statements for more information related to commitments and contingencies, which is incorporated herein by reference.

Table of Contents

ITEM 4. MINE SAFETY DISCLOSURES
Not applicable.

Table of Contents

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

In the U.S., our common stock is listed and traded on the New York Stock Exchange under the symbol "DPS". Information as to the high and low sales prices of our stock for the two years ended December 31, 2014 and 2013, and the frequency and amount of dividends declared on our stock during these periods, is set forth in Note 24 of the Notes to our Audited Consolidated Financial Statements.

As of February 13, 2015, there were approximately 14,000 stockholders of record of our common stock. This figure does not include a substantially greater number of holders whose shares are held of record in "street name".

The information that will be included under the principal heading "Equity Compensation Plan Information" in our definitive Proxy Statement for the Annual Meeting of Stockholders to be held on May 21, 2015, to be filed with the Securities and Exchange Commission, is incorporated herein by reference.

For the years ended December 31, 2014 and 2012, we did not sell any equity securities that were not registered under the Securities Act of 1933, as amended (the "1933 Act"). During the year ended December 31, 2013, we issued 313,105 unregistered shares of our common stock (the "Issued Shares") in connection with the acquisition of the assets of Dr. Pepper/7-Up Bottling Company of the West ("DP/7UP West"), a Nevada corporation, pursuant to an Agreement and Plan of Reorganization, dated February 25, 2013. In connection with this issuance, we filed a registration statement on Form S-3ASR to register the Issued Shares under the 1933 Act and to allow the selling securityholders named therein to resell, from time to time, the Issued Shares. We will not receive any of the proceeds from the resale of the Issued Shares by the selling securityholders.

DIVIDEND POLICY

Our Board of Directors (our "Board") declared aggregate dividends of $1.64, $1.52 and $1.36 per share on outstanding common stock during the years ended December 31, 2014, 2013 and 2012, respectively.

We expect to return our excess cash flow to our stockholders from time to time through our common stock repurchase program described below or the payment of dividends. However, there can be no assurance that share repurchases will occur or future dividends will be declared and paid. The share repurchase program and declaration and payment of future dividends, the amount of any such share repurchases or dividends and the establishment of record and payment dates for dividends, if any, are subject to final determination by our Board after its review of our then current strategy and financial performance and position, among other things.

Table of Contents

COMMON STOCK REPURCHASES

During the years ended December 31, 2011, 2010, and 2009 our Board authorized the repurchase of an aggregate amount of up to $3 billion of our outstanding common stock through the following actions:

- $200 million of share repurchases were authorized on November 20, 2009;
- $800 million of share repurchases were authorized on February 24, 2010;
- $1 billion of share repurchases were authorized on July 12, 2010; and
- $1 billion of share repurchases were authorized on November 17, 2011.

We repurchased approximately 6.8 million shares of our common stock, valued at approximately $400 million, in the year ended December 31, 2014. Our share repurchase activity, on a monthly basis, for the quarter ended December 31, 2014 was as follows (in thousands, except per share data):

Period	Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Dollar Value of Shares that May Yet be Purchased Under Publicly Announced Plans or Programs (2)
October 1, 2014 – October 31, 2014	129	$64.35	129	$287,803
November 1, 2014 – November 30, 2014	574	70.63	574	247,246
December 1, 2014 – December 31, 2014	1,048	71.95	1,048	171,873
For the quarter ended December 31, 2014	1,751	70.96	1,751	

(1) As previously disclosed, the Board has authorized us to purchase an aggregate amount of up to $3,000 million of our outstanding common stock. This column discloses the number of shares purchased pursuant to these programs during the indicated time periods. As of December 31, 2014, there was a remaining balance of $172 million authorized for repurchase that had not been utilized.

(2) In February 2015, the Board authorized an additional $1,000 million of share repurchases, which is not reflected in the table above.

Table of Contents

COMPARISON OF TOTAL STOCKHOLDER RETURN

The following performance graph compares our cumulative total returns with the cumulative total returns of the Standard & Poor's 500 and a peer group index. The graph assumes that $100 was invested on December 31, 2009, with dividends reinvested quarterly.

Comparison of Total Returns

Assumes Initial Investment of $100

The Peer Group Index consists of the following companies: Coca-Cola, PepsiCo, Monster Beverage Corporation, Cott and National Beverage Corporation. We believe that these companies help to convey an accurate assessment of our performance as compared to the industry.

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

The following table presents selected historical financial data for the years ended December 31, 2014, 2013, 2012, 2011 and 2010. All the selected historical financial data has been derived from our Audited Consolidated Financial Statements and is stated in millions of dollars except for per share information.

You should read this information along with the information included in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our Audited Consolidated Financial Statements and the related Notes thereto included elsewhere in this Annual Report on Form 10-K.

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(in millions, except per share data)				
Statements of Income Data:					
Net sales	$6,121	$5,997	$5,995	$5,903	$5,636
Gross profit	3,630	3,498	3,495	3,418	3,393
Income from operations	1,180	1,046	1,092	1,024	1,025
Net income	703	624	629	606	528
Basic earnings per share[(1)]	$3.59	$3.08	$2.99	$2.77	$2.19
Diluted earnings per share[(1)]	3.56	3.05	2.96	2.74	2.17
Dividends declared per share	1.64	1.52	1.36	1.21	0.90
Statements of Cash Flows Data:					
Cash provided by (used in):					
Operating activities[(2)]	$1,022	$866	$482	$783	$2,535
Investing activities	(185)	(195)	(217)	(240)	(225)
Financing activities	(747)	(880)	(603)	(152)	(2,280)

	As of December 31,				
	2014	2013	2012	2011	2010
	(in millions, except per share data)				
Balance Sheet Data:					
Total assets	$8,273	$8,201	$8,928	$9,283	$8,776
Short-term borrowings and current portion of long-term obligations	3	66	250	452	404
Long-term obligations	2,588	2,508	2,554	2,256	1,687
Other non-current liabilities[(2)]	2,353	2,386	2,862	2,849	3,375
Total stockholders’ equity	2,294	2,277	2,280	2,263	2,459

(1) The weighted average number of common shares outstanding used in the calculation of earnings per share ("EPS") was impacted by the repurchase and retirement of DPS common stock. For the years ended December 31, 2014, 2013, 2012, 2011 and 2010, we repurchased and retired 6.8 million shares, 8.7 million shares, 9.5 million shares, 13.7 million shares and 30.8 million shares, respectively.

(2) The 2010 other non-current liabilities for the year reflects non-current deferred revenue of $1,515 million due to the receipt of separate one-time nonrefundable cash payments from PepsiCo and Coca-Cola recorded as deferred revenue, which is included within operating activities on the Consolidated Statement of Cash Flows.

Table of Contents

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with our Audited Consolidated Financial Statements and the related Notes thereto included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements that are based on management's current expectations, estimates and projections about our business and operations. Our actual results may differ materially from those currently anticipated and expressed in such forward-looking statements as a result of various factors including the factors we describe under "Special Note Regarding Forward-Looking Statements", "Risk Factors" and elsewhere in this Annual Report on Form 10-K.

References in the following discussion to "we", "our", "us", "DPS" or "the Company" refer to Dr Pepper Snapple Group, Inc. and all entities included in our Audited Consolidated Financial Statements. Cadbury plc and Cadbury Schweppes plc are hereafter collectively referred to as "Cadbury", unless otherwise indicated. Kraft Foods Inc. acquired Cadbury on February 2, 2010.

On October 1, 2012, Kraft Foods, Inc. spun-off its North American grocery business to its shareholders and changed its name to Mondelēz International, Inc. ("Mondelēz").

The periods presented in this section are the years ended December 31, 2014, 2013 and 2012, which we refer to as "2014", "2013" and "2012", respectively.

OVERVIEW

We are a leading integrated brand owner, manufacturer and distributor of non-alcoholic beverages in the U.S., Canada and Mexico with a diverse portfolio of flavored CSDs and NCBs, including ready-to-drink teas, juices, juice drinks, water and mixers. Our brand portfolio includes popular CSD brands such as Dr Pepper, Sunkist soda, 7UP, A&W, Canada Dry, Crush, Squirt, Peñafiel and Schweppes, and NCB brands such as Snapple, Mott's, Hawaiian Punch, Clamato, Rose's and Mr & Mrs T mixers. Our largest brand, Dr Pepper, is a leading flavored CSD in the U.S. according to Nielsen. We have some of the most recognized beverage brands in North America, with significant consumer awareness levels and long histories that evoke strong emotional connections with consumers.

We operate as an integrated brand owner, manufacturer and distributor through our three segments. We believe our integrated business model strengthens our route-to-market and provides opportunities for net sales and profit growth through the alignment of the economic interests of our brand ownership and our manufacturing and distribution businesses through both our DSD system and our WD delivery system. Our integrated business model enables us to be more flexible and responsive to the changing needs of our large retail customers and allows us to more fully leverage our scale and reduce costs by creating greater geographic manufacturing and distribution coverage.

We operate primarily in the U.S., Mexico and Canada and we also distribute our products in the Caribbean. In 2014, 88% of our net sales were generated in the U.S., 4% in Canada and 8% in Mexico and the Caribbean.

UNCERTAINTIES AND TRENDS AFFECTING OUR BUSINESS

We believe the North American LRB market is influenced by certain key trends and uncertainties. Some of these items, such as increased health consciousness and changes in economic factors, have created continued category headwinds for our CSDs during the year ended December 31, 2014 and have unfavorably impacted our sales volumes, excluding the impact of recent product innovations and acquisitions, compared to the prior year. The key trends and uncertainties that could affect our business include:

- Increased health consciousness. Consumers are increasingly becoming more concerned about health and wellness, focusing on caloric intake and sugar content in both regular CSDs and juices and the use of artificial sweeteners in diet CSDs. We believe the main beneficiaries of this trend include naturally sweetened, low calorie drinks, all natural and organic beverages, ready-to-drink teas and bottled waters.
- Increased government regulation. Government agencies, as a result of concerns about the public health consequences and health care costs associated with obesity, have been proposing and, in some cases, enacting new taxes or regulations on sugar-sweetened beverages. Any changes of regulations or imposed taxes could reduce demand and/or cause us to raise our prices.

Table of Contents

- Changes in consumer preferences. We are impacted by shifting consumer demographics and needs. We believe marketing and product innovations that target fast growing population segments, such as the Hispanic community in the U.S., could drive market growth. Additionally, as more consumers are faced with a busy and on-the-go lifestyle, sales of single-serve beverages could increase, which typically have higher margins.
- Increased competition in the LRB market. A number of our competitors are large corporations with significant financial resources. These competitors can use their resources and scale to rapidly respond to competitive pressures and changes in consumer preferences by introducing new products, reducing prices or increasing promotional activities, which could reduce the demand for our products.
- Product and packaging innovation. We believe brand owners and bottling companies will continue to create new products and packages, such as beverages with new ingredients and new premium flavors and innovative convenient packaging, that address changes in consumer tastes and preferences.
- Changing retailer landscape. As retailers continue to consolidate, we believe retailers will support consumer product companies that can provide an attractive portfolio of products, a strong value proposition and efficient delivery.
- Volatility in the costs of raw materials. The costs of a substantial portion of the raw materials used in the beverage industry are dependent on commodity prices for aluminum, corn, resin, diesel, natural gas, pulp and other commodities. We are also dependent on commodity prices for apples related to our applesauce production. Commodity price volatility has, from time to time, exerted pressure on industry margins and operating results.

As a result of these uncertainties and other factors, we believe net sales for the year ending December 31, 2015 could be up approximately 1% as compared to the year ended December 31, 2014. Commodity costs for the year ending December 31, 2015 could be down approximately 1% on a constant volume/mix basis as compared to the year ended December 31, 2014.

Refer to Item 1A, "Risk Factors" of this Annual Report on Form 10-K for additional information about risks and uncertainties facing our Company.

SEASONALITY

The beverage market is subject to some seasonal variations. Our beverage sales are generally higher during the warmer months and also can be influenced by the timing of holidays as well as weather fluctuations.

SEGMENTS

We report our business in three operating segments:

- The Beverage Concentrates segment reflects sales of our branded concentrates and syrup to third party bottlers primarily in the U.S. and Canada. Most of the brands in this segment are CSD brands.
- The Packaged Beverages segment reflects sales in the U.S. and Canada from the manufacture and distribution of finished beverages and other products, including sales of our own brands and third party brands, through both DSD and WD.
- The Latin America Beverages segment reflects sales in the Mexico, Caribbean and other international markets from the manufacture and distribution of concentrates, syrup and finished beverages.

Segment results are based on management reports. Net sales and SOP are the significant financial measures used to assess the operating performance of our operating segments.

VOLUME

In evaluating our performance, we consider different volume measures depending on whether we sell beverage concentrates or finished beverages.

Beverage Concentrates Sales Volume

In our Beverage Concentrates segment, we measure our sales volume in two ways: (1) "concentrate case sales" and (2) "bottler case sales." The unit of measurement for both concentrate case sales and bottler case sales equals 288 fluid ounces of finished beverage, the equivalent of 24 twelve ounce servings.

Table of Contents

Concentrate case sales represent units of measurement for concentrates sold by us to our bottlers and distributors. A concentrate case is the amount of concentrate needed to make one case of 288 fluid ounces of finished beverage. It does not include any other component of the finished beverage other than concentrate. Our net sales in our concentrate businesses are based on our sales of concentrate cases.

Although net sales in our concentrate businesses are based on concentrate case sales, we believe that bottler case sales are also a significant measure of our performance because they measure sales of packaged beverages into retail channels.

Packaged Beverages Sales Volume

In our Packaged Beverages segment, we measure volume as case sales to customers. A case sale represents a unit of measurement equal to 288 fluid ounces of packaged beverage sold by us. Case sales include both our owned brands and certain brands licensed to and/or distributed by us.

Volume in Bottler Case Sales

In addition to sales volume, we measure volume in bottler case sales ("volume (BCS)") as sales of packaged beverages, in equivalent 288 fluid ounce cases, sold by us and our bottling partners to retailers and independent distributors. Our contract manufacturing sales are not included or reported as part of volume (BCS).

Bottler case sales and concentrates and packaged beverage sales volumes are not equal during any given period due to changes in bottler concentrates inventory levels, which can be affected by seasonality, bottler inventory and manufacturing practices and the timing of price increases and new product introductions.

Table of Contents

RESULTS OF OPERATIONS

Executive Summary - 2014 Financial Overview and Recent Developments

- Net sales totaled $6,121 million for the year ended December 31, 2014, an increase of $124 million, or approximately 2%, from the year ended December 31, 2013.
- Net income for the year ended December 31, 2014 was $703 million, compared to $624 million for the year ended December 31, 2013, an increase of $79 million, or approximately 13%.
- Diluted earnings per share was $3.56 for the year ended December 31, 2014 and $3.05 for the year ago period, an increase of $0.51, or approximately 17%.
- During 2014, our Board declared aggregate dividends of $1.64 per share on outstanding common stock, as compared to $1.52 per share on outstanding common stock during 2013. Dividends declared per share for the year ended December 31, 2014 increased approximately 8%.
- During the years ended December 31, 2014 and 2013, we repurchased 6.8 million and 8.7 million shares of our common stock, respectively, valued at approximately $400 million for both years.
- On October 31, 2014, we acquired certain assets of Davis Beverage Group, Inc. and Davis Bottling Co, Inc. ("Davis") in exchange for $19 million in cash and a $2 million holdback liability to satisfy any working capital adjustments and applicable indemnification claims, pursuant to the terms of the purchase agreement.
- During the first quarter of 2015, our Board declared a dividend of $0.48 per share, which will be paid on April 7, 2015, to shareholders of record as of March 16, 2015. The dividend declared during the first quarter of 2015 increased approximately 17% compared to the dividend declared in the previous quarter.
- During the first quarter of 2015, our Board authorized the additional repurchase of an aggregate amount of $1 billion of our outstanding common stock.

References in the financial tables to percentage changes that are not meaningful are denoted by "NM."

Table of Contents

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Consolidated Operations

The following table sets forth our consolidated results of operations for the years ended December 31, 2014 and 2013 (dollars in millions, except per share data):

	For the Year Ended December 31,				
	2014		2013		Percentage
	Dollars	Percent	Dollars	Percent	Change
Net sales	$6,121	100.0 %	$5,997	100.0 %	2 %
Cost of sales	2,491	40.7	2,499	41.7	
Gross profit	3,630	59.3	3,498	58.3	4
Selling, general and administrative expenses	2,334	38.1	2,272	37.9	
Multi-employer pension plan withdrawal	—	—	56	0.9	
Depreciation and amortization	115	1.9	115	1.9	
Other operating expense, net	1	—	9	0.2	
Income from operations	1,180	19.3	1,046	17.4	13
Interest expense	109	1.8	123	2.0	
Interest income	(2)	—	(2)	—	
Other expense (income), net	—	—	383	6.4	
Income before provision (benefit) for income taxes and equity in earnings of unconsolidated subsidiaries	1,073	17.5	542	9.0	98
Provision (benefit) for income taxes	371	6.0	(81)	(1.4)	
Income before equity in earnings of unconsolidated subsidiaries	702	11.5	623	10.4	
Equity in earnings of unconsolidated subsidiaries, net of tax	1	—	1	—	
Net income	$703	11.5 %	$624	10.4 %	13 %
Earnings per common share:					
Basic	$3.59	NM	$3.08	NM	17 %
Diluted	$3.56	NM	$3.05	NM	17 %

Volume (BCS). Volume (BCS) increased 1% for the year ended December 31, 2014 compared with the year ended December 31, 2013. In the U.S. and Canada, volume was flat, and in Mexico and the Caribbean, volume increased 5%, compared with the year ago period. Branded CSD volume increased 1% while branded NCB volume declined 1%.

In branded CSDs, Peñafiel grew 21% in our Latin America Beverages segment as a result of product and package innovation. Our Core 4 brands increased 2% compared to the year ago period, driven by an 8% increase in Canada Dry partially offset by a 1% decline in 7UP. A&W and Sunkist soda were both flat for the period. Schweppes grew 10% reflecting distribution gains in our seltzer water and growth in the ginger ale category. These gains were partially offset by a 2% decrease in Dr Pepper, driven primarily by declines in our diet products, and a 5% decrease in our other CSD brands in total. Crush, Squirt and RC Cola declined 1%, 1% and 2%, respectively.

In branded NCBs, decreases were driven by a 7% decrease in Hawaiian Punch as a result of category declines and increased competitive activity, a 1% decline in our other NCB brands in total, and a 1% decrease in Mott's as a result of declines in apple sauce. The decline was partially offset by a 7% increase in Clamato, driven by increased promotional activity, and 3% growth in our water category primarily driven by new distribution arrangements for Bai 5 and Sparkling Fruit$_2$O and distribution gains in FIJI and Vita Coco. Snapple increased 1% for the current period as growth in our higher margin Snapple Premium products was partially offset by our de-emphasis on our value products.

Table of Contents

Net Sales. Net sales increased $124 million, or approximately 2%, for the year ended December 31, 2014 compared with the year ended December 31, 2013. The primary drivers of the increase were favorable product and package mix, increased branded sales volume, higher pricing driven by the Mexican sugar tax and an increase in contract manufacturing. These drivers were partially offset by $35 million in unfavorable foreign currency translation and higher discounts, driven primarily by the annual true-up of our prior year estimated customer liability.

Gross Profit. Gross profit increased $132 million for the year ended December 31, 2014 compared with the year ended December 31, 2013. Gross margin was 59.3% and 58.3% for the years ended December 31, 2014 and 2013, respectively. The drivers of the favorable change in gross margin were lower commodity costs, net of the change in our last-in, first-out ("LIFO") inventory provision, ongoing productivity improvements and mark-to-market activity on commodity derivative contracts, which increased gross margin 1.1%, 0.8% and 0.4%, respectively. These drivers were partially offset by unfavorable product, package and segment mix, the net impact of the Mexican sugar tax, unfavorable foreign currency effects and an increase in other manufacturing costs, which decreased gross margin by 0.5%, 0.4%, 0.2% and 0.2%, respectively.

The favorable mark-to-market activity on commodity derivative contracts for the year ended December 31, 2014 was $11 million in unrealized gains versus $15 million in unrealized losses in the prior year. The unfavorable comparison in our LIFO inventory provision was the result of a $3 million increase in the provision for the year ended December 31, 2014 versus a $39 million decrease in the provision for the year ended December 31, 2013 driven primarily by apple prices.

Selling, General and Administrative Expenses. Selling, general and administrative ("SG&A") expenses increased $62 million for the year ended December 31, 2014 compared with the prior year. The increase was primarily driven by the following items:

- increased people costs, primarily driven by performance-based incentive compensation;
- a $23 million unfavorable comparison in the mark-to-market activity on commodity derivative contracts;
- higher logistics costs from our third party carriers partially driven by tighter than expected overall system capacity; and
- pension settlement charges of $16 million, of which $14 million related to the purchase of annuities for certain participants receiving benefits in our U.S. defined benefit pension plans.

For the year ended December 31, 2014, we recognized $24 million in unrealized losses related to the mark-to-market activity on commodity derivative contracts versus $1 million in unrealized losses in the year ago period.

These items were partially offset by a planned reduction of $13 million for our marketing investments, the favorable impact of foreign currency and the favorable comparison of the $7 million in workforce reduction costs related to certain restructuring activities in the prior year.

Multi-employer Pension Plan Withdrawal. We recognized a non-cash charge of $56 million related to our withdrawal from Local 710 during the year ended December 31, 2013. Refer to Note 14 of the Notes to our Audited Consolidated Financial Statements for further information on this charge.

Income from Operations. Income from operations increased $134 million to $1,180 million for the year ended December 31, 2014, due primarily to the increase in gross profit and the favorable comparison to the non-cash charge for the multi-employer pension plan withdrawal taken in the prior year, partially offset by an increase in our SG&A expenses.

Interest Expense. Interest expense decreased $14 million, or approximately 11%, for the year ended December 31, 2014, compared with the year ago period primarily due to the favorable impact of our fair value hedges and the repayment of our 6.12% senior unsecured notes in May 2013 (the "2013 Notes").

Other Expense (Income), Net and (Benefit) Provision for Income Taxes. Through the second quarter of 2013, we recorded indemnification income from Mondelēz under the Tax Indemnity Agreement as other expense, net in the unaudited Condensed Consolidated Statements of Income. Due to the completion of the IRS audit for our 2006-2008 federal income tax returns in August 2013, we recognized an income tax benefit of $463 million primarily related to decreasing our liability for unrecognized tax benefits and $430 million of other expense, net, as we no longer anticipate collecting amounts from Mondelēz. In June 2013, a bill was enacted by the Canadian government, which reduced amounts amortized for income tax purposes. We recognized $38 million of indemnity income due to the reduction of our long-term liability to Mondelēz and $50 million of income tax expense for the reduction of our tax assets.

Table of Contents

The following table excludes these amounts discussed above from our other expense (income), net, income before provision (benefit) for income taxes and equity in earnings of unconsolidated subsidiaries and provision (benefit) for income taxes lines within our Consolidated Statements of Income. We have presented this table as we believe the effect of those items on these lines and on our effective tax rate for the year ended December 31, 2013 are not meaningful as reported.

	For the Year Ended December 31, 2013				
(in millions)	As reported	Completion of the IRS audit in August 2013	Enactment of the Canadian bill in June 2013	As reported excluding tax and indemnity items	For the Year Ended December 31, 2014
Other expense (income), net	$383	$(430)	$38	$(9)	$—
Income before provision (benefit) for income taxes and equity in earnings of unconsolidated subsidiaries	542	430	(38)	934	1,073
Provision (benefit) for income taxes	(81)	463	(50)	332	371
Effective tax rate	(14.9)%			35.5%	34.6%

Results of Operations by Segment

The following tables set forth net sales and SOP for our segments for the years ended December 31, 2014 and 2013, as well as the other amounts necessary to reconcile our total segment results to our consolidated results presented in accordance with U.S. GAAP (in millions):

	For the Year Ended December 31,	
	2014	2013
Segment Results — Net sales		
Beverage Concentrates	$1,228	$1,229
Packaged Beverages	4,361	4,306
Latin America Beverages	532	462
Net sales	$6,121	$5,997

	For the Year Ended December 31,	
	2014	2013
Segment Results — SOP		
Beverage Concentrates	$790	$778
Packaged Beverages	636	525
Latin America Beverages	78	61
Total SOP	1,504	1,364
Unallocated corporate costs	323	309
Other operating expense, net	1	9
Income from operations	1,180	1,046
Interest expense, net	107	121
Other expense (income), net	—	383
Income before provision (benefit) for income taxes and equity in earnings of unconsolidated subsidiaries	$1,073	$542

Table of Contents

BEVERAGE CONCENTRATES

The following table details our Beverage Concentrates segment's net sales and SOP for the years ended December 31, 2014 and 2013 (in millions):

	For the Year Ended December 31,		
	2014	2013	Change
Net sales	$1,228	$1,229	$(1)
SOP	790	778	12

Net Sales. Net sales decreased $1 million for the year ended December 31, 2014, compared with the year ended December 31, 2013. The decrease was due to higher discounts and unfavorable foreign currency translation, largely offset by an increase in concentrate prices, a slight increase in sales volumes and higher licensing revenue. The higher discounts were primarily driven by the annual true-up of our prior year estimated customer liability.

SOP. SOP increased $12 million for the year ended December 31, 2014, compared with the year ended December 31, 2013, primarily driven by decreases in SG&A expenses and favorability in cost of sales. The decrease in cost of sales was primarily driven by lower commodity costs, led by sweeteners, and ongoing productivity improvements, partially offset by an unfavorable LIFO comparison of $3 million and higher costs associated with increased sales volumes. The decrease in SG&A expenses was the result of $15 million in planned lower marketing investments, partially offset by increased people costs.

Volume (BCS). Volume (BCS) was flat for the year ended December 31, 2014 compared with the year ended December 31, 2013. Dr Pepper decreased 2%, driven primarily by declines in our diet products. Our other brands decreased 10%, primarily due to the discontinuation of Welch's. These decreases were partially offset by growth in Schweppes, our Core 4 brands and Crush. Schweppes had a 10% increase driven by distribution gains in our seltzer water and growth in the ginger ale category. Our Core 4 brands increased 3% compared to the prior year as a result of a 6% increase in Canada Dry and 3% increase in Sunkist soda partially offset by a 4% decrease in 7UP and a 1% decline in A&W. Crush grew 1% for the current year.

PACKAGED BEVERAGES

The following table details our Packaged Beverages segment's net sales and SOP for the years ended December 31, 2014 and 2013 (in millions):

	For the Year Ended December 31,		
	2014	2013	Change
Net sales	$4,361	$4,306	$55
SOP	636	525	111

Volume. Branded CSD volumes increased 1% for the year ended December 31, 2014 compared with the year ended December 31, 2013. Volume for our Core 4 brands increased 2% compared to the prior year period, led by a 11% increase in Canada Dry, partially offset by a 2% decline in Sunkist soda. 7UP and A&W volumes were flat in the current year. Squirt increased 7% compared to the prior year period due to higher promotional activity and package innovation. RC Cola increased 6%. Our other CSD brands increased 1% in the current year. These increases were partially offset by a 2% decrease in Dr Pepper, driven primarily by declines in our diet products.

Branded NCB volumes decreased 1%, driven primarily by a 6% decline in Hawaiian Punch as a result of increased competitive activity and category declines. Our other NCB brands decreased 2%, while Mott's decreased 1% due to declines in apple sauce. These decreases were partially offset by a 12% increase in our water category and a 7% increase in Clamato as a result of increased promotional activity. Growth in our water category was primarily driven by new distribution arrangements for Bai 5 and Sparkling Fruit$_2$O and distribution gains in FIJI and Vita Coco. Snapple volumes were flat for the current period as growth in our higher margin Snapple Premium products was fully offset by our de-emphasis on our value products.

Net Sales. Net sales increased $55 million for the year ended December 31, 2014 compared with the year ended December 31, 2013. Net sales increased due to favorable product mix, higher branded sales volumes, an increase in contract manufacturing and lower discounts, partially offset by increased promotional activity and unfavorable foreign currency translation.

Table of Contents

SOP. SOP increased $111 million for the year ended December 31, 2014, compared with the year ended December 31, 2013 as a result of the favorable comparison to the $56 million multi-employer pension plan withdrawal recorded in the prior year and increases in net sales. Increases in SG&A expenses were fully offset by a reduction in cost of sales.

Cost of sales declined as favorable commodity costs, net of the $39 million unfavorable LIFO comparison, and ongoing productivity improvements were partially offset by increased costs associated with product and package mix, increased costs associated with higher branded sales volumes and higher other manufacturing costs.

The unfavorable comparison in our LIFO inventory provision was the result of a $2 million increase in the provision for the year ended December 31, 2014 versus a $37 million decrease in the provision for the year ended December 31, 2013 driven primarily by apple prices.

The increase in SG&A expenses for the current year were the result of the following significant drivers:

- higher logistics costs from our third party carriers driven by tighter than expected overall transportation system capacity;
- additional operating costs associated with the acquisitions of DP/7UP West and Davis; and
- the $4 million unfavorable comparison of activity related to a case against the American Bottling Company ("ABC litigation") as we recorded a $2 million decrease in our legal provision in the current year versus a $6 million reduction in our legal provision in the prior year.

LATIN AMERICA BEVERAGES

The following table details our Latin America Beverages segment's net sales and SOP for the years ended December 31, 2014 and 2013 (in millions):

	For the Year Ended December 31,		
	2014	2013	Change
Net sales	$532	$462	$70
SOP	78	61	17

Volume. Sales volume increased 5% for the year ended December 31, 2014 as compared with the year ended December 31, 2013. The increase in sales volume was primarily driven by a 21% increase in Peñafiel as a result of product innovation. 7UP grew by 17% in the Caribbean due to increased promotional activity, while Clamato grew 6%. Squirt, Crush and Aguafiel declined 5%, 21% and 7%, respectively, as a result of the Mexican sugar tax. Our other brands in total were flat.

Net Sales. Net sales increased $70 million for the year ended December 31, 2014 compared with the year ended December 31, 2013. Net sales increased as a result of higher pricing driven by the impact of the Mexican sugar tax, favorable mix and increased sales volume, partially offset by $19 million of unfavorable foreign currency translation.

SOP. SOP increased $17 million for the year ended December 31, 2014 compared with the year ended December 31, 2013, driven by increases in net sales, partially offset by increases in cost of sales and SG&A expenses. Cost of sales grew in the current year primarily as a result of the Mexican sugar tax. Other drivers of the change in cost of sales included higher costs associated with increased sales volumes and product and package mix, partially offset by lower commodity costs, led by packaging and sweeteners, and ongoing productivity improvements. SG&A expenses increased primarily due to higher logistics costs and increased people costs as a result of higher commissions, partially offset by favorable foreign currency translation. The benefit of higher pricing was offset by increased costs due to the Mexican sugar tax.

Table of Contents

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Consolidated Operations

The following table sets forth our consolidated results of operations for the years ended December 31, 2013 and 2012 (dollars in millions, except per share data):

	For the Year Ended December 31,				
	2013		2012		Percentage
	Dollars	Percent	Dollars	Percent	Change
Net sales	$5,997	100.0 %	$5,995	100.0 %	— %
Cost of sales	2,499	41.7	2,500	41.7	
Gross profit	3,498	58.3	3,495	58.3	—
Selling, general and administrative expenses	2,272	37.9	2,268	37.8	
Multi-employer pension plan withdrawal	56	0.9	—	—	
Depreciation and amortization	115	1.9	124	2.1	
Other operating expense, net	9	0.2	11	0.2	
Income from operations	1,046	17.4	1,092	18.2	(4)
Interest expense	123	2.0	125	2.1	
Interest income	(2)	—	(2)	—	
Other expense (income), net	383	6.4	(9)	(0.2)	
Income before (benefit) provision for income taxes and equity in earnings of unconsolidated subsidiaries	542	9.0	978	16.3	NM
(Benefit) provision for income taxes	(81)	(1.4)	349	5.8	
Income before equity in earnings of unconsolidated subsidiaries	623	10.4	629	10.5	
Equity in earnings of unconsolidated subsidiaries, net of tax	1	—	—	—	
Net income	$624	10.4 %	$629	10.5 %	(1)%
Earnings per common share:					
Basic	$3.08	NM	$2.99	NM	3 %
Diluted	$3.05	NM	$2.96	NM	3 %

Volume (BCS). Volume (BCS) decreased 2% for the year ended December 31, 2013 compared with the year ended December 31, 2012. In the U.S. and Canada, volume declined 2%, and in Mexico and the Caribbean, volume increased 3%, compared with the year ago period. Both CSD volume and NCB volume declined 2%.

In CSDs, volumes were unfavorably impacted by continued category headwinds which included increased consumer concerns about health and wellness. Dr Pepper volume declined 2%. Our Core 4 brands, which included the impact of the launch of our Core 4 TEN products, decreased 1% compared to the year ago period. This result was driven by a a 5% decrease in 7UP, a 7% decline in Sunkist soda and a 2% decrease in A&W, partially offset by a 6% increase in Canada Dry. Crush, Squirt and RC Cola declined 7%, 4% and 4%, respectively. Sun Drop declined double-digits. Other brands in total declined 3%. These decreases were partially offset by growth of 11% in Peñafiel as a result of product and package innovation and a 6% increase in Schweppes reflecting distribution gains in our seltzer water and growth in the ginger ale category.

In NCBs, decreases were driven by a 9% decrease in Hawaiian Punch as a result of lower promotional activity and declines within the category and an 8% decline in other brands. The decline was partially offset by a 2% increase in Snapple as a result of package and product innovation and a 3% increase in Mott's due to distribution gains in our juice and sauce categories. Our water category increased 3%, led by Aguafiel. Clamato increased 6%.

Net Sales. Net sales increased $2 million for the year ended December 31, 2013 compared with the year ended December 31, 2012. The increase was attributable to favorable mix, net pricing increases and favorable foreign currency translation, substantially offset by lower branded sales volumes and an unfavorable comparison of trade adjustments.

Table of Contents

Gross Profit. Gross profit increased $3 million for the year ended December 31, 2013 compared with the year ended December 31, 2012. Gross margin was 58.3% for both years ended December 31, 2013 and 2012. Significant activity within the gross margin included the $58 million favorable comparison in our LIFO inventory provision, driven by the higher prices of apples in the prior year, and increases in our net price realization. These favorable changes were offset by increases in our commodity costs, led by apples and sweeteners, the $30 million unfavorable comparison for the mark-to-market activity on commodity derivative contracts and unfavorable mix due to a higher mix of finished goods rather than concentrates, as well as package and product mix. The change in our LIFO inventory provision for the year ended December 31, 2013 was a $39 million reduction in the provision versus a $19 million increase in the provision for the year ended December 31, 2012. The mark-to-market activity on commodity derivative contracts for the year ended December 31, 2013 was $15 million in unrealized losses versus $15 million in unrealized gains in the year ago period.

Selling, General and Administrative Expenses. SG&A expenses increased $4 million for the year ended December 31, 2013 compared with the prior period. The increase was primarily the result of $7 million in workforce reduction costs, incremental operating costs associated with the acquisition of certain assets of DP/7UP West, increased marketing investments and the unfavorable comparison for the mark-to-market activity on commodity derivative contracts. These increases were partially offset by lower labor and benefit costs, a $6 million favorable adjustment in 2013 to the legal provision associated with the ABC litigation and lower logistics costs.

Multi-employer Pension Plan Withdrawal. We recognized a non-cash charge of $56 million related to our intention to withdraw from Local 710. Refer to Note 14 of the Notes to our Audited Consolidated Financial Statements for further information on this charge.

Income from Operations. Income from operations decreased $46 million to $1,046 million for the year ended December 31, 2013, principally due to the non-cash charge for the multi-employer pension plan withdrawal and an increase in SG&A expenses partially offset by the decline in depreciation and amortization driven by the favorable comparison to the $8 million depreciation adjustment recorded in the prior year.

Other Expense (Income), Net and (Benefit) Provision for Income Taxes. We have historically recorded indemnification income from Mondelēz under the Tax Indemnity Agreement as other expense (income), net in the Consolidated Statements of Income. Due to the completion of the IRS audit for our 2006-2008 federal income tax returns in August 2013, we recognized an income tax benefit of $463 million primarily related to decreasing our liability for unrecognized tax benefits and $430 million of other expense, net, as we no longer anticipate collecting amounts from Mondelēz. Additionally, in June 2013, a bill was enacted by the Canadian government, which reduced amounts amortized for income tax purposes. As a result, we recognized $38 million of indemnity income due to the reduction of our long-term liability to Mondelēz and $50 million of income tax expense for the reduction of our tax assets.

The following table excludes these amounts discussed above from our other expense (income), net, (loss) income before (benefit) provision for income taxes and equity in earnings of unconsolidated subsidiaries and (benefit) provision for income taxes lines within our Consolidated Statements of Income. We have presented this table as we believe the effect of those items on these lines and on our effective tax rate for the year ended December 31, 2013 are not meaningful as reported.

	For the Year Ended December 31, 2013				
(in millions)	As reported	Completion of the IRS audit in August 2013	Enactment of the Canadian bill in June 2013	As reported excluding tax and indemnity items	For the Year Ended December 31, 2012
Other expense (income), net	$383	$(430)	$38	$(9)	$(9)
Income before (benefit) provision for income taxes and equity in earnings of unconsolidated subsidiaries	542	430	(38)	934	978
(Benefit) provision for income taxes	(81)	463	(50)	332	349

Effective tax rate	(14.9)%	35.5%	35.7%

Table of Contents

Results of Operations by Segment

The following tables set forth net sales and SOP for our segments for the year ended December 31, 2013 and 2012, as well as the other amounts necessary to reconcile our total segment results to our consolidated results presented in accordance with U.S. GAAP (in millions):

	For the Year Ended December 31,	
	2013	2012
Segment Results — Net sales		
Beverage Concentrates	$1,229	$1,221
Packaged Beverages	4,306	4,358
Latin America Beverages	462	416
Net sales	$5,997	$5,995

	For the Year Ended December 31,	
	2013	2012
Segment Results — SOP		
Beverage Concentrates	$778	$774
Packaged Beverages	525	539
Latin America Beverages	61	51
Total SOP	1,364	1,364
Unallocated corporate costs	309	261
Other operating expense, net	9	11
Income from operations	1,046	1,092
Interest expense, net	121	123
Other (expense) income, net	383	(9)
Income before (benefit) provision for income taxes and equity in earnings of unconsolidated subsidiaries	$542	$978

BEVERAGE CONCENTRATES

The following table details our Beverage Concentrates segment's net sales and SOP for the years ended December 31, 2013 and 2012 (in millions):

	For the Year Ended December 31,		
	2013	2012	Change
Net sales	$1,229	$1,221	$8
SOP	778	774	4

Net Sales. Net sales increased $8 million for the year ended December 31, 2013, compared with the year ended December 31, 2012. The increase was due to an increase in concentrate prices, favorable product mix and lower discounts, which were largely offset by a 4% decline in concentrate case sales.

SOP. SOP increased $4 million for the year ended December 31, 2013, compared with the year ended December 31, 2012, primarily due to the gross margin impact of higher net sales and lower labor and benefit costs, partially offset by a higher transfer pricing allocation and $5 million of higher marketing investments.

Table of Contents

Volume (BCS). Volume (BCS) decreased 2% as a result of continued category headwinds for the year ended December 31, 2013 compared with the year ended December 31, 2012, primarily driven by a 2% decline in Dr Pepper and a 7% decrease in Crush. Other drivers of the decline include a 7% decline in RC Cola, a 6% decrease in Sun Drop and a 6% decline in Squirt. These declines were partially offset by a 6% increase in Schweppes reflecting distribution gains in our seltzer water and growth in the ginger ale category. Our Core 4 brands, which included the impact of the launch of our Core 4 TEN products, were flat compared to the prior year as a result of a 7% decline in Sunkist soda, a 4% decrease in 7UP and a 3% decline in A&W, offset by a 4% increase in Canada Dry.

PACKAGED BEVERAGES

The following table details our Packaged Beverages segment's net sales and SOP for the years ended December 31, 2013 and 2012 (in millions):

	For the Year Ended December 31,		
	2013	2012	Change
Net sales	$4,306	$4,358	$(52)
SOP	525	539	(14)

Volume. Total sales volume decreased 3% for the year ended December 31, 2013 compared with the year ended December 31, 2012. Lower NCB volumes, CSD volumes and contract manufacturing each decreased our total segment sales volume by 1%.

Within CSDs, volume declined 2% for the year ended December 31, 2013 compared with the year ended December 31, 2012, as a result of continued category headwinds. Volume for our Core 4 brands, which includes the impact of the launch of our Core 4 TEN products, decreased 1% for the year ended December 31, 2013, led by a 7% decline in Sunkist soda, a 3% decrease in 7UP and an 1% decline in A&W, partially offset by a double digit increase in Canada Dry. Dr Pepper volumes decreased 3% for the year ended December 31, 2013. Sun Drop declined by double-digits, while Squirt declined 2%. Our other brands decreased 6% for the year ended December 31, 2013. These declines were partially offset by a 3% increase in RC Cola which included the launch of the RC TEN product.

Within NCBs, volume decreased 4%, driven primarily by a 10% decline in Hawaiian Punch as a result of declines within the category and lower promotional activity. Our other brands decreased 8%, led by distribution losses in AriZona. These decreases were partially offset by a 3% increase in Mott's as a result of distribution gains in our juice and sauce categories and increased promotional activity, a 2% increase in our water category and a 2% increase in Clamato. Snapple was flat for the period.

Net Sales. Net sales decreased $52 million for the year ended December 31, 2013 compared with the year ended December 31, 2012. Net sales decreased due to a decline in our sales volumes and an unfavorable comparison of trade adjustments, which were partially offset by favorable mix and net pricing increases led by Mott's.

SOP. SOP decreased $14 million for the year ended December 31, 2013, compared with the year ended December 31, 2012. The primary factors driving the decrease in SOP included a $56 million non-cash charge related to our intention to withdraw from the Local 710 multi-employer pension plan and higher commodity costs, led by apples, which were partially offset by a $56 million favorable comparison in our LIFO inventory provision. Other drivers of SOP include the gross margin impact of lower net sales, partially offset by ongoing productivity improvements, lower labor and benefit costs, the favorable comparison to the $8 million depreciation adjustment recorded in the prior year, lower logistics costs and a $6 million favorable adjustment in 2013 to the legal provision associated with the ABC litigation.

Table of Contents

LATIN AMERICA BEVERAGES

The following table details our Latin America Beverages segment's net sales and SOP for the years ended December 31, 2013 and 2012 (in millions):

	For the Year Ended December 31,		
	2013	2012	Change
Net sales	$462	$416	$46
SOP	61	51	10

Volume. Sales volume increased 3% for the year ended December 31, 2013 as compared with the year ended December 31, 2012. The increase in volume was led by a double-digit increase in Peñafiel as a result of product and package innovation and a 6% increase in Aguafiel due to increased promotional activity. Clamato increased 8% while Dr Pepper increased by double-digits. Our other brands in total increased 7%. These increases in sales volume were partially offset by a 4% decline in Squirt as a result of higher pricing and inventory reductions by third party bottlers, a double-digit decline in 7UP and a 5% decrease in Crush.

Net Sales. Net sales increased $46 million for the year ended December 31, 2013 compared with the year ended December 31, 2012. Net sales increased as a result of favorable product mix, increased sales volumes and $12 million of favorable foreign currency translation.

SOP. SOP increased $10 million for the year ended December 31, 2013 compared with the year ended December 31, 2012, primarily due to the gross margin impact of favorable product mix, increased sales volumes and ongoing productivity improvements. These favorable drivers were partially offset by increases in people costs, marketing investments, other manufacturing costs, commodity costs, which were led by sweeteners, and higher logistics costs.

LIQUIDITY AND CAPITAL RESOURCES

Trends and Uncertainties Affecting Liquidity

Customer and consumer demand for our products may be impacted by various risk factors discussed in Item 1A, "Risk Factors", including recession or other economic downturn in the U.S., Canada, Mexico or the Caribbean, which could result in a reduction in our sales volume. Similarly, disruptions in financial and credit markets may impact our ability to manage normal commercial relationships with our customers, suppliers and creditors. These disruptions could have a negative impact on the ability of our customers to timely pay their obligations to us, thus reducing our cash flow, or the ability of our vendors to timely supply materials.

We believe that the following trends and uncertainties may also impact liquidity:

- our continued repurchases of our outstanding common stock pursuant to our repurchase programs;
- continued payment of dividends;
- continued capital expenditures;
- seasonality of our operating cash flows could impact short-term liquidity;
- our ability to issue unsecured commercial paper notes ("Commercial Paper") on a private placement basis up to a maximum aggregate amount outstanding at any time of $500 million;
- acquisitions of regional bottling companies, distributors and distribution rights to further extend our geographic coverage or access to new products; and
- our ability to refinance $500 million of our outstanding 2.90% senior notes due January 15, 2016 (the "2016 Notes"). We intend to issue senior notes to refinance the 2016 Notes before the due date.

Table of Contents

Financing Arrangements
The following descriptions represent our available financing arrangements as of December 31, 2014. As of December 31, 2014, we were in compliance with all covenant requirements for our senior unsecured notes, unsecured credit agreement and commercial paper program.
Commercial Paper Program
On December 10, 2010, we entered into a commercial paper program under which we may issue Commercial Paper on a private placement basis up to a maximum aggregate amount outstanding at any time of $500 million. The maturities of the Commercial Paper will vary, but may not exceed 364 days from the date of issuance. We issue Commercial Paper for general corporate purposes as Commercial Paper is now a more significant part of our overall cash management strategy. The program is supported by the Revolver (as defined below). Outstanding Commercial Paper reduces the amount of borrowing capacity available under the Revolver and outstanding amounts under the Revolver reduce the Commercial Paper availability. Under this program, we had weighted average outstanding commercial paper of $67 million and $62 million during 2014 and 2013, respectively, with maturities of 90 days or less and a weighted average rate of 0.23% and 0.28% for 2014 and 2013, respectively. As of December 31, 2014, we had no Commercial Paper outstanding. We had $65 million of outstanding Commercial Paper as of December 31, 2013.
Unsecured Credit Agreement
On September 25, 2012, we entered into a five-year unsecured credit agreement (the "Credit Agreement"), which provides for a $500 million revolving line of credit (the "Revolver"). Borrowings under the Revolver bear interest at a floating rate per annum based upon the alternate base rate ("ABR") or the Eurodollar rate, in each case plus an applicable margin which varies based upon our debt ratings. Rates range from 0.000% to 0.300% for ABR loans and from 0.795% to 1.300% for Eurodollar loans. The ABR is defined as the greater of (a) JPMorgan Chase Bank's prime rate, (b) the federal funds effective rate plus 0.500% and (c) the adjusted LIBOR for a one month interest period. The adjusted LIBOR is the London interbank offered rate for dollars adjusted for a statutory reserve rate set by the Board of Governors of the U.S. Federal Reserve System.
Additionally, the Revolver is available for the issuance of letters of credit and swingline advances not to exceed $75 million and $50 million, respectively. Swingline advances will accrue interest at a rate equal to the ABR plus the applicable margin. Letters of credit and swingline advances will reduce, on a dollar for dollar basis, the amount available under the Revolver.
The following table provides amounts utilized and available under the Revolver and each sublimit arrangement type as of December 31, 2014 (in millions):

	Amount Utilized	Balances Available
Revolver	$—	$499
Letters of credit	1	74
Swingline advances	—	50

The Credit Agreement further provides that we may request at any time, subject to the satisfaction of certain conditions, that the aggregate commitments under the facility be increased by a total amount not to exceed $250 million.
The Credit Agreement's representations, warranties, covenants and events of default are generally customary for investment grade credit and include a covenant that requires us to maintain a ratio of consolidated total debt (as defined in the Credit Agreement) to annualized consolidated EBITDA (as defined in the Credit Agreement) of no more than 3.00 to 1.00, tested quarterly. Upon the occurrence of an event of default, among other things, amounts outstanding under the Credit Agreement may be accelerated and the commitments may be terminated. Our obligations under the Credit Agreement are guaranteed by certain of our direct and indirect domestic subsidiaries on the terms set forth in the Credit Agreement. The Credit Agreement has a maturity date of September 25, 2017; however, with the consent of lenders holding more than 50% of the total commitments under the Credit Agreement and subject to the satisfaction of certain conditions, we may extend the maturity date for up to two additional one-year terms.

An unused commitment fee is payable quarterly to the lenders on the unused portion of the commitments available under the Revolver equal to 0.08% to 0.20% per annum, depending upon our debt ratings.

Table of Contents

Shelf Registration Statement

On February 7, 2013, our Board authorized us to issue up to $1,500 million of securities from time to time. Subsequently, we filed a "well-known seasoned issuer" shelf registration statement with the Securities and Exchange Commission, effective May 23, 2013, which registers an indeterminable amount of securities for future sales. As of December 31, 2014, we had not issued any securities under this shelf registration statement.

Letters of Credit Facilities

We currently have letters of credit facilities available in addition to the portion of the Revolver reserved for issuance of letters of credit. Under these incremental letters of credit facilities, $140 million is available for the issuance of letters of credit, $63 million of which was utilized as of December 31, 2014 and $77 million of which remains available for use.

Liquidity

Based on our current and anticipated level of operations, we believe that our operating cash flows will be sufficient to meet our anticipated obligations for the next twelve months. To the extent that our operating cash flows are not sufficient to meet our liquidity needs, we may utilize cash on hand or amounts available under our financing arrangements, if necessary.

The following table summarizes our cash activity for the years ended December 31, 2014, 2013 and 2012 (in millions):

	For the Year Ended December 31,		
	2014	2013	2012
Net cash provided by operating activities	$1,022	$866	$482
Net cash used in investing activities	(185)	(195)	(217)
Net cash used in financing activities	(747)	(880)	(603)

NET CASH PROVIDED BY OPERATING ACTIVITIES

Net cash provided by operating activities increased $156 million for the year ended December 31, 2014, as compared to the year ended December 31, 2013, primarily due to the increase in net income and the favorable working capital comparisons to the prior year.

Net cash provided by operating activities increased $384 million for the year ended December 31, 2013, as compared to the year ended December 31, 2012, primarily due to the favorable comparison of the 2012 tax payments of $531 million resulting from the licensing agreements with PepsiCo and Coca-Cola, partially offset by unfavorable working capital comparisons to the prior year.

NET CASH USED IN INVESTING ACTIVITIES

Cash used in investing activities for the year ended December 31, 2014, consisted primarily of purchases of property, plant and equipment of $170 million and $19 million paid in connection with the acquisition of Davis. Purchases of property, plant and equipment have decreased over the prior period in line with our focus on reducing our purchases, net of proceeds from disposal of property, plant and equipment, in an amount below 3.00% of our current year net sales.

Cash used in investing activities for the year ended December 31, 2013, consisted primarily of purchases of property, plant and equipment of $179 million and cash paid to liquidate the liabilities assumed and expenses incurred in connection with the acquisition of DP/7UP West of $10 million. Purchases of property, plant and equipment have decreased over the prior period in line with our focus on reducing our purchases, net of proceeds from disposal of property, plant and equipment, in an amount slightly below 3.00% of our net sales in 2013.

Table of Contents

NET CASH USED IN FINANCING ACTIVITIES
2014
Net cash used in financing activities for the year ended December 31, 2014 primarily consisted of stock repurchases of $400 million and dividend payments of $317 million.
2013
Net cash used in financing activities for the year ended December 31, 2013 primarily consisted of stock repurchases of $400 million and dividend payments of $302 million.
On May 1, 2013, we repaid $250 million of our 6.12% senior notes due May 1, 2013 at maturity.
2012
Net cash used in financing activities for the year ended December 31, 2012 primarily consisted of stock repurchases of $400 million and dividend payments of $284 million.
On November 20, 2012, we completed the issuance of $500 million aggregate principal amount of senior unsecured notes consisting of $250 million aggregate principal amount of our 2.00% senior notes due January 15, 2020 and $250 million aggregate principal amount of our 2.70% senior notes due November 15, 2022.
On December 21, 2012, we repaid $450 million of our 2.35% senior notes due December 21, 2012 at maturity.
Debt Ratings
As of December 31, 2014, our debt ratings were Baa1 with a stable outlook from Moody's and BBB+ with a stable outlook from S&P. Our commercial paper ratings were P-2/A-2 from Moody's and S&P, respectively.
These debt and commercial paper ratings impact the interest we pay on our financing arrangements. A downgrade of one or both of our debt and commercial paper ratings could increase our interest expense and decrease the cash available to fund anticipated obligations.
Cash Management
We fund our liquidity needs from cash flow from operations, cash on hand or amounts available under our financing arrangements, as Commercial Paper is now a more significant part of our overall cash management strategy.
Capital Expenditures
Capital expenditures were $170 million, $179 million and $217 million for the years ended December 31, 2014, 2013 and 2012, respectively. Capital expenditures have reduced over the last three years as a result of a stronger focus on the return on our discretionary capital expenditures, the result of our RCI initiatives and reduced infrastructure investments required after our separation from Cadbury. Capital expenditures for the year ended December 31, 2014 primarily related to machinery and equipment including production improvements in our Mexico facilities, our distribution fleet, IT investments and expansion and replacement of existing cold drink equipment. For the year ended December 31, 2013, capital expenditures primarily related to machinery and equipment, IT investments, expansion and replacement of existing cold drink equipment and our distribution fleet. Capital expenditures for the year ended December 31, 2012 primarily related to machinery and equipment, expansion and replacement of existing cold drink equipment, our distribution fleet and IT investments.
In 2015, we expect to incur annual capital expenditures, net of proceeds from disposals, in an amount approximately 3.00% of our net sales, which we expect to fund through cash provided by operating activities.

Table of Contents

Cash and Cash Equivalents

As a result of the above items, cash and cash equivalents increased $84 million since December 31, 2013 to $237 million as of December 31, 2014 primarily driven by higher operating cash flows, lower capital expenditures and lower scheduled debt payments, partially offset by increased returns to our shareholders.

Our cash balances are used to fund working capital requirements, scheduled debt and interest payments, income tax obligations, repurchases of our common stock, dividend payments and capital expenditures. Cash generated by our foreign operations is generally repatriated to the U.S. annually except when required to fund working capital requirements in those jurisdictions. Foreign cash balances were $51 million and $65 million as of December 31, 2014 and 2013, respectively. We accrue tax costs for repatriation, as applicable, as cash is generated in those foreign jurisdictions.

Acquisitions

We have made acquisitions to strengthen our route to market in the U.S. and support efforts to build and enhance our leading brands. On October 31, 2014, we acquired certain assets of Davis in exchange for $19 million in cash and a $2 million holdback liability to satisfy any working capital adjustments and applicable indemnification claims, pursuant to the terms of the purchase agreement. On February 25, 2013, we acquired certain assets of DP/7UP West in exchange for $23 million consisting of the issuance by us of 313,105 shares of common stock to DP/7UP West and the assumption of certain liabilities of DP/7UP West to consummate the transaction.

During the first quarter of 2013, we also reacqui