equity method investee bottling partners, it could also result in a decrease in our equity income and/or impairments of our equity method investments.

We may from time to time engage in refranchising activities or divestitures of certain brands or businesses, which could adversely affect our business and results of operations.

As part of our strategic initiative to focus on our core business of building brands and leading our system of bottling partners, we continue to seek opportunities to refranchise our consolidated bottling operations. Our refranchising activities require significant attention and effort on the part of, and therefore may be a distraction for, senior management. If we are unable to complete future refranchising transactions on terms and conditions favorable to us, or if our refranchising partners are not efficient or not aligned with our long-term vision for the Coca-Cola system, our business and results of operations could be adversely affected. Additionally, we have divested and may in the future divest certain brands or businesses. These divestitures may adversely impact our business, results of operations, cash flows and financial condition if we are unable to offset impacts from the loss of revenue associated with the divested brands or businesses, or if we are otherwise unable to achieve the anticipated benefits or cost savings from such divestitures.

RISKS RELATED TO REGULATORY AND LEGAL MATTERS

Increases in income tax rates, changes in income tax laws or regulations, or unfavorable resolutions of tax matters could have a material adverse impact on our financial results.

We are subject to income tax in the United States and numerous other jurisdictions in which we generate profits. Our overall effective income tax rate is a function of applicable local tax rates in the jurisdictions in which we operate, tax treaties between such jurisdictions, and the geographic mix of our income before income taxes, which is itself impacted by currency movements. Consequently, the isolated or combined effects of unfavorable movements in tax rates, geographic mix or foreign currency exchange rates could reduce our net income. Tax laws and regulations, including rates of taxation, are subject to revisions by individual taxing jurisdictions, and such revisions may result from multilateral agreements. Many jurisdictions have enacted legislation and adopted policies resulting from the Organization for Economic Co-operation and Development's ("OECD") anti-Base Erosion and Profit Shifting project. The OECD is currently coordinating a project on behalf of the G20 and other participating countries which would grant additional taxing rights over profits earned by multinational enterprises to the countries in which their products are sold and services rendered. Model rules adopted pursuant to this project would establish a global per-country minimum tax of 15 percent, and the European Union has approved a directive requiring member states to incorporate similar provisions into their respective domestic laws. The directive requires the rules to initially become effective for fiscal years starting on or after December 31, 2023. Other countries have taken similar actions. It is possible that the legislative adoption of these or other proposals could have a material impact on our net income and cash flows. Significant judgment is required in determining our annual income tax expense and in evaluating our tax positions. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related disputes could be materially different from our historical income tax provisions, estimates and accruals. The results of audits or related disputes could have a material adverse effect on our financial statements for the period or periods for which the applicable final determinations are made and for periods for which the statute of limitations is open.

For instance, the United States Internal Revenue Service ("IRS") is seeking to increase our U.S. taxable income for tax years 2007 through 2009 by an amount that creates a potential additional U.S. federal income tax liability of approximately $3.3 billion for that period, plus interest. The Company firmly believes that the IRS' claims are without merit and is pursuing, and will continue to pursue, all available administrative and judicial remedies necessary to vigorously defend its position. On November 18, 2020, the U.S. Tax Court ("Tax Court") issued an opinion ("Opinion") predominantly siding with the IRS. Although the Company disagrees with the unfavorable portions of the Opinion and intends to vigorously defend its position, considering all avenues of appeal, there is no assurance that the courts will ultimately rule in the Company's favor. It is therefore possible that all or some of the unfavorable portions of the Opinion could ultimately be upheld. In that event, the Company would be subject to significant additional liabilities for the years at issue and potentially also for the subsequent years if the unfavorable portions of the Opinion were to be applied to the foreign licensees covered within the scope of the Opinion. Moreover, the IRS could successfully appeal the portions of the Opinion that are favorable to the Company and/or assert new claims for additional tax relating to the subsequent years by broadening the scope to cover additional foreign licensees. These adjustments could have a material adverse impact on the Company's financial position, results of operations and cash flows. Any such adjustments related to years prior to 2018, either in the litigation period or thereafter, may also have an impact on the transition tax payable as part of the 2017 Tax Cuts and Jobs Act ("Tax Reform Act"). For additional information regarding the tax litigation, refer to Part I, "Item 3. Legal Proceedings" of this report.

Increased or new indirect taxes could negatively affect our business.

Our business operations are subject to numerous duties or taxes that are not based on income, sometimes referred to as "indirect taxes," including import duties, tariffs, excise taxes, sales or value-added taxes, taxes on sweetened beverages, packaging taxes, carbon taxes, property taxes and payroll taxes, in many of the jurisdictions in which we operate. In addition, in the past, the

U.S. Congress considered imposing a federal excise tax on beverages sweetened with sugar, HFCS or other nutritive sweeteners and may consider similar proposals in the future. As federal, state and local governments in the United States and throughout the world experience significant budget deficits, some lawmakers have singled out beverages among a plethora of revenue-raising items and have imposed or increased, or proposed to impose or increase, sales or similar taxes on beverages, particularly sweetened beverages and alcohol beverages, as well as packaging and/or packaging materials. Increases in or the imposition of new indirect taxes on our business operations or products would increase the cost of products or, to the extent levied directly on consumers, make our products less affordable, which may negatively impact our net operating revenues and profitability.

Changes in laws and regulations relating to beverage containers and packaging could increase our costs and reduce demand for our products.

We and our bottlers offer, among other beverage containers, nonrefillable containers in the United States and in various other markets around the world. Legal requirements have been enacted in various jurisdictions requiring that deposits or certain ecotaxes or fees be charged in connection with the sale, marketing and use of certain beverage containers. Other proposals relating to beverage container deposits, recycling, recycling content, tethered bottle caps, ecotax and/or product stewardship, or prohibitions on certain types of plastic products, packages and cups (including packaging containing PFAS) have been introduced and/or adopted in various jurisdictions, and we anticipate that similar legislation or regulations may be proposed in the future at federal, state and local levels, both in the United States and elsewhere. Consumers' increased concerns and changing attitudes about solid waste streams and environmental responsibility and the related publicity could result in the adoption of additional such legislation or regulations in the future. If these types of requirements are adopted and implemented on a large scale, they could affect our costs or require changes in our distribution model, which could reduce our net operating revenues and profitability.

Significant additional labeling or warning requirements or limitations on the marketing or sale of our products may inhibit sales of affected products.

Various jurisdictions have adopted and may seek to adopt significant additional product labeling or warning requirements or limitations on the marketing or sale of our products because of what they contain or allegations that they cause adverse health effects. If these types of requirements become applicable to one or more of our products under current or future environmental or health laws or regulations, they may inhibit sales of such products.

For example, under one such law in California, known as Proposition 65, if the state has determined that a substance causes cancer or harms human reproduction or development, a warning must be provided for any product sold in the state that exposes consumers to that substance, unless the exposure falls under an established safe harbor level or another exemption is applicable. For additional information regarding Proposition 65, refer to the heading "Governmental Regulation" set forth in Part I, "Item 1. Business" of this report. If we were required to add Proposition 65 warnings on the labels of one or more of our beverage products produced for sale in California, the resulting consumer reaction to the warnings and potential adverse publicity could negatively affect our sales both in California and in other markets.

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

We are party to various litigation claims and legal proceedings in the ordinary course of business, including, but not limited to, those arising out of our advertising and marketing practices, product claims and labels, competition, distribution and pricing, intellectual property and commercial disputes, tax disputes, and environmental and employment matters. We evaluate these litigation claims and legal proceedings to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, we establish reserves and/or disclose the relevant litigation claims or legal proceedings, as appropriate. These assessments and estimates are based on the information available to management at the time and involve a significant amount of management judgment. Actual outcomes or losses may differ materially from our current assessments and estimates.

We conduct business in markets with high-risk legal compliance environments, which exposes us to increased legal and reputational risk.

We have bottling and other business operations in markets with high-risk legal compliance environments. Our policies and procedures require strict compliance by our employees and agents with all United States and local laws and regulations and consent orders applicable to our business operations, including those prohibiting improper payments to government officials. Nonetheless, our policies, procedures and related training programs may not always ensure full compliance by our employees and agents with all applicable legal requirements. Improper conduct by our employees or agents could damage our reputation in the United States and internationally or lead to litigation or legal proceedings that could result in civil or criminal penalties, including substantial monetary fines as well as disgorgement of profits.

Failure to adequately protect, or disputes relating to, trademarks, formulas and other intellectual property rights could harm our business.

Our trademarks, formulas and other intellectual property rights (refer to the heading "Patents, Copyrights, Trade Secrets and Trademarks" in Part I, "Item 1. Business" of this report) are essential to the success of our business. We cannot be certain that the legal steps we are taking around the world are sufficient to protect our intellectual property rights or that, notwithstanding legal protection, others do not or will not infringe or misappropriate our intellectual property rights. If we fail to adequately protect our intellectual property rights, or if changes in laws diminish or remove the current legal protections available to them, the competitiveness of our products may be eroded and our business could suffer. In addition, we could come into conflict with third parties over intellectual property rights, which could result in disruptive and expensive litigation. Any of the foregoing could harm our business.

Changes in, or failure to comply with, the laws and regulations applicable to our products or our business operations could increase our costs or reduce our net operating revenues.

Our Company is subject to various laws and regulations in the countries and territories throughout the world in which we do business, including laws and regulations relating to competition, distribution and pricing, product safety, advertising and labeling, container deposits, recycling, recycled content, product stewardship, the protection of the environment, occupational health and safety, employment and labor practices, personal data protection and privacy, and data security. For additional information regarding laws and regulations applicable to our business, refer to the heading "Governmental Regulation" set forth in Part I, "Item 1. Business" of this report. Changes in applicable laws or regulations or evolving interpretations thereof, changes in enforcement priorities of regulators, and differing or competing regulations and standards across the markets where our products or raw materials are made, manufactured, distributed or sold, have in the past resulted in, and could continue to result in, higher compliance costs, higher capital expenditures and higher production costs, or make it necessary for us to reformulate certain of our products, resulting in adverse effects on our business. In addition, increased or additional regulations to limit and/or report carbon dioxide and other greenhouse gas emissions as a result of concern over climate change; to discourage the use of plastic materials, including regulations relating to recovery and/or disposal of plastic bottles and other packaging materials due to environmental concerns; or to limit or impose additional costs on commercial water use due to local water scarcity concerns, have in the past and could continue to result in increased compliance costs, capital expenditures and other financial obligations for us and our bottling partners, which could affect our profitability, or may impede the production, distribution, marketing and sale of our products, which could affect our net operating revenues. Failure to comply with various laws and regulations (or allegations thereof), such as U.S. trade sanctions, the U.S. Foreign Corrupt Practices Act and the Office of Foreign Assets Control trade sanction regulations and anti-boycott regulations; antitrust and competition laws; anti-modern slavery laws; anti-bribery and anti-corruption laws; data privacy laws, including the European Union's General Data Protection Regulation and China's Personal Information Protection Law; tax laws and regulations; and a variety of other applicable local, national and multinational regulations and laws, could result in litigation or criminal or civil enforcement actions, including voluntary and involuntary document requests, the assessment of damages, the imposition of penalties, the suspension of production or distribution, costly changes to equipment or processes due to required corrective action, or the cessation or interruption of operations at our or our bottling partners' facilities, as well as damage to our or our bottling partners' image and reputation, all of which could harm our or our bottling partners' profitability.

RISKS RELATED TO FINANCE, ACCOUNTING AND INVESTMENTS

Fluctuations in foreign currency exchange rates could have a material adverse effect on our financial results.

We earn revenues, pay expenses, own assets and incur liabilities in countries using many currencies other than the U.S. dollar. In 2022, we derived $27.6 billion of net operating revenues from operations outside the United States. Because our consolidated financial statements are presented in U.S. dollars, we must translate revenues, income and expenses, as well as assets and liabilities, into U.S. dollars at exchange rates in effect during or at the end of each reporting period. Therefore, increases or decreases in the value of the U.S. dollar against other currencies affect our net operating revenues, operating income and the value of balance sheet items denominated in foreign currencies. Global events, including the conflict between Russia and Ukraine, trade disputes, economic sanctions, inflation, increasing interest rates and emerging market volatility, and the resulting uncertainties, may cause currencies to fluctuate in relation to the U.S. dollar. Due to the geographic diversity of our operations, weakness in some currencies may be offset by strength in other currencies over time. We also use derivative financial instruments to further reduce our net exposure to foreign currency exchange rate fluctuations. However, fluctuations in foreign currency exchange rates, particularly the strengthening of the U.S. dollar against major currencies or the currencies of large developing countries, could materially affect our financial results.

If interest rates increase, our net income could be negatively affected.

We maintain levels of debt that we consider prudent based on our cash flows, interest coverage ratio and percentage of debt to capital. We use debt financing to lower our cost of capital, which increases our return on shareowners' equity. This exposes us to adverse changes in interest rates. When and to the extent appropriate, we use derivative financial instruments to reduce our exposure to interest rate risks. However, our financial risk management program may not be successful in reducing the risks inherent in exposures to interest rate fluctuations. On December 31, 2021, the United Kingdom's Financial Conduct Authority, the governing body responsible for regulating the London Interbank Offered Rate ("LIBOR"), ceased to publish certain LIBOR reference rates. However, other LIBOR reference rates, including U.S. dollar overnight, 1-month, 3-month, 6-month and 12-month maturities, will continue to be published through June 2023. In preparation for the discontinuation of LIBOR, we have amended, or will amend, our LIBOR-referencing agreements to either reference the Secured Overnight Financing Rate or include mechanics for selecting an alternative rate, but it is possible that these changes may have an adverse impact on our financing costs as compared to LIBOR in the long term. Our interest expense may also be affected by our credit ratings. In assessing our credit strength, credit rating agencies consider our capital structure and financial policies as well as the consolidated balance sheet and other financial information of the Company. In addition, some credit rating agencies also consider financial information of certain of our major bottling partners. It is our expectation that the credit rating agencies will continue using this methodology. If our credit ratings were to be downgraded as a result of changes in our capital structure; our major bottling partners' financial performance; changes in the credit rating agencies' methodology in assessing our credit strength; the credit agencies' perception of the impact of credit market conditions on our or our major bottling partners' current or future financial performance and financial condition; or for any other reason, our cost of borrowing could increase. Additionally, if the credit ratings of certain bottling partners in which we have equity method investments were to be downgraded, such bottling partners' interest expense could increase, which would reduce our equity income.

If we are unable to achieve our overall long-term growth objectives, the value of an investment in our Company could be negatively affected.

We have established and publicly announced certain long-term growth objectives. These objectives are based on, among other things, our evaluation of our growth prospects, which are generally driven by the sales potential of our many beverage products, some of which are more profitable than others, and on an assessment of the potential price and product mix. We may not be able to realize the sales potential and the price and product mix necessary to achieve our long-term growth objectives.

Default by or failure of one or more of our counterparty financial institutions could cause us to incur significant losses.

As part of our hedging activities, we enter into transactions involving derivative financial instruments, including forward contracts, commodity futures contracts, option contracts, collars and swaps, with various financial institutions. In addition, we have significant amounts of cash, cash equivalents and other investments on deposit or in accounts with banks or other financial institutions in the United States and abroad. As a result, we are exposed to the risk of default by or failure of counterparty financial institutions. The risk of counterparty default or failure may be heightened during economic downturns and periods of uncertainty in the financial markets. If one of our counterparties were to become insolvent or file for bankruptcy, our ability to recover losses incurred as a result of default or to retrieve our assets that are deposited or held in accounts with such counterparty may be limited by the counterparty's liquidity or the applicable laws governing the insolvency or bankruptcy proceedings. In the event of default by or failure of one or more of our counterparties, we could incur significant losses, which could negatively impact our results of operations and financial condition.

We may be required to recognize impairment charges that could materially affect our financial results.

We assess our noncurrent assets, including trademarks, goodwill and other intangible assets, equity method investments and other long-lived assets, as and when required by accounting principles generally accepted in the United States to determine whether they are impaired and, if they are, we record appropriate impairment charges. Our equity method investees also perform similar recoverability and impairment tests, and we record our proportionate share of impairment charges recorded by them adjusted, as appropriate, for the impact of items such as basis differences, deferred taxes and deferred gains. It is possible that we may be required to record significant impairment charges or our proportionate share of significant impairment charges recorded by equity method investees in the future and, if we do so, our net income could be materially adversely affected.

RISKS RELATED TO INFORMATION TECHNOLOGY AND DATA PRIVACY

If we are unable to protect our information systems against service interruption, misappropriation of data or cybersecurity incidents, our operations could be disrupted, we may suffer financial losses and our reputation may be damaged.

We rely on networks and information systems and other technology ("information systems"), including the Internet and third-party hosted services, to support a variety of business processes and activities, including procurement and supply chain, manufacturing, distribution, invoicing and collection of payments, employee processes, consumer marketing, mergers and acquisitions, and research and development. We use information systems to process financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting and legal and tax requirements. In addition, we depend on information systems for digital marketing activities and electronic communications among our locations around the world and between Company employees and our bottlers, customers, suppliers, consumers and other third parties. Because information systems are critical to many of the Company's operating activities, our business may be impacted by system shutdowns, service disruptions or cybersecurity incidents. These incidents may be caused by failures during routine operations, such as system upgrades, or by user errors, as well as network or hardware failures, malicious or disruptive software, unintentional or malicious actions of employees or contractors, cyberattacks by hackers, criminal groups or nation-state organizations (which may include social engineering, business email compromise, cyber extortion, denial of service, or attempts to exploit vulnerabilities), geopolitical events, natural disasters, failures or impairments of telecommunications networks, or other catastrophic events. In addition, such cybersecurity incidents could result in unauthorized or accidental access to or disclosure of material confidential information or regulated personal data. If our information systems or third-party information systems on which we rely suffer severe damage, disruption or shutdown and our business continuity plans do not effectively resolve the issues in a timely manner, we could experience delays in reporting our financial results, and we may lose revenue and profits as a result of our inability to timely manufacture, distribute, invoice and collect payments for concentrates or finished products. Unauthorized or accidental access to, or destruction, loss, alteration, disclosure, falsification or unavailability of, information, or unauthorized access to machines and equipment could result in violations of data protection laws and regulations, misuse or malfunction of machines and equipment, damage to the reputation and credibility of the Company, loss of opportunities to acquire or divest of businesses or brands, and loss of ability to commercialize products developed through research and development efforts and, therefore, could have a negative impact on net operating revenues. In addition, we may suffer financial and reputational damage because of lost or misappropriated confidential information belonging to us, our current or former employees, our bottling partners, other customers or suppliers, or consumers or other data subjects, and may become exposed to legal action and increased regulatory oversight, including governmental investigations, enforcement actions and regulatory fines. The Company could also be required to spend significant financial and other resources to remedy the damage caused by a cybersecurity incident or to repair or replace networks and information systems. These risks also may be present to the extent any of our bottling partners, distributors, joint venture partners or suppliers using separate information systems, not integrated with the information systems of the Company, suffers a cybersecurity incident and could result in increased costs related to involvement in investigations or notifications conducted by these third parties. These risks may also be present to the extent a business we have acquired, but which does not use our information systems, experiences severe damage, a system shutdown, service disruption, or a cybersecurity incident.

Like most major corporations, the Company’s information systems are a target of attacks. In addition, third-party providers of data hosting or cloud services, as well as our bottling partners, distributors, joint venture partners, suppliers or acquired businesses that use separate information systems, may experience cybersecurity incidents that may involve data we share with them. Although the cybersecurity incidents that we have experienced to date, as well as those reported to us by our third-party partners, have not had a material effect on our business, financial condition or results of operations, such incidents could have a material adverse effect on us in the future. In order to address risks to our information systems, we continue to make investments in personnel, technologies and training. Data protection laws and regulations around the world often require “reasonable,” “appropriate” or “adequate” technical and organizational security measures, and the interpretation and application of those laws and regulations are often uncertain and evolving; there can be no assurance that our security measures will be deemed adequate, appropriate or reasonable by a regulator or court. Moreover, even security measures that are deemed adequate, appropriate, reasonable or in accordance with applicable legal requirements may not protect the information we maintain against increasingly sophisticated attacks. In addition to potential fines, we could be subject to mandatory corrective action due to a cybersecurity incident, which could adversely affect our business operations and result in substantial costs for years to come. While we have purchased cybersecurity insurance, there are no assurances that the coverage would be adequate in relation to any incurred losses. Moreover, as cyberattacks increase in frequency and magnitude, we may be unable to obtain cybersecurity insurance in amounts and on terms we view as appropriate for our operations.

If we fail to comply with privacy and data protection laws, we could be subject to adverse publicity, business disruption, data loss, government enforcement actions and/or private litigation, any of which could negatively affect our business and operating results.

In the ordinary course of our business, we receive, process, transmit and store information relating to identifiable individuals (“personal data”), including employees, former employees, vendors, third-party personnel, customers and consumers with whom we interact. As a result, we are subject to a variety of continuously evolving and developing laws and regulations in numerous jurisdictions regarding privacy and data protection. These privacy and data protection laws may be interpreted and applied differently from jurisdiction to jurisdiction and may create inconsistent or conflicting requirements. In addition, new legislation in this area may be enacted in other jurisdictions at any time. These laws impose operational requirements for companies receiving or processing personal data, and many provide for significant penalties for noncompliance. Some laws and regulations also impose obligations regarding cross-border data transfers of personal data. These requirements with respect to personal data have subjected and may continue in the future to subject the Company to, among other things, additional costs and expenses and have required and may in the future require costly changes to our business practices and information technology and security systems, policies, procedures and practices. In addition, some countries are considering or have enacted data localization or residency laws, which require that certain data be maintained, stored and/or processed within their country of origin. Maintaining local data centers in individual countries could increase our operating costs significantly. Our security controls over personal data, the training of employees and vendors on data privacy and data security, and the policies, procedures and practices we have implemented or may implement in the future may not prevent the improper disclosure of personal data by us or the third-party service providers and vendors whose technology, systems and services we use in connection with the receipt, storage and transmission of personal data. Unauthorized access to or improper disclosure of personal data in violation of privacy and data protection laws could harm our reputation, cause loss of consumer confidence, subject us to regulatory enforcement actions (including penalties, fines and investigations), and result in private litigation against us, which could result in loss of revenue, increased costs, liability for monetary damages, fines and/or criminal prosecution, all of which could negatively affect our business and operating results. We have incurred, and will continue to incur, expenses to comply with privacy and data protection standards and protocols imposed by law, regulation, industry standards and contractual obligations. Increased regulation of data collection, use, disclosure and retention practices, including self-regulation and industry standards, changes in existing laws and regulations, enactment of new laws and regulations, increased enforcement activity, and changes in interpretation of laws, could increase our cost of compliance and operation, limit our ability to grow our business or otherwise harm our business.

RISKS RELATED TO ENVIRONMENTAL AND SOCIAL FACTORS

Our ability to achieve our sustainability goals and targets is subject to risks, many of which are outside of our control, and our reputation and brands could be harmed if we fail to meet such goals.

Companies across all industries are facing increasing scrutiny from stakeholders related to sustainability, including practices and disclosures related to sustainable packaging; water stewardship; climate; health and nutrition; human rights; and diversity, equity and inclusion. Our ability to achieve our sustainability goals and targets and to accurately and transparently report our progress presents numerous operational, financial, legal and other risks, and is dependent on the actions of our bottling partners, suppliers and other third parties, all of which are outside of our control. If we are unable to meet our sustainability goals or evolving stakeholder expectations and industry standards, or if we are perceived to have not responded appropriately to the growing concern for sustainability issues, our reputation, and therefore our ability to sell products, could be negatively impacted. In addition, in recent years, investor advocacy groups and certain institutional investors have placed increasing importance on sustainability. If, as a result of their assessment of our sustainability practices, certain investors are unsatisfied with our actions or progress, they may reconsider their investment in our Company.

As the nature, scope and complexity of sustainability reporting, due diligence and disclosure requirements expand, we may have to incur additional costs to control, assess and report on sustainability metrics. Any failure or perceived failure, whether or not valid, to pursue or fulfill our sustainability goals and targets or to satisfy various sustainability reporting standards within the timelines we announce, or at all, could increase the risk of litigation.

Increasing concerns about the environmental impact of plastic bottles and other packaging materials could result in reduced demand for our beverage products and increased production and distribution costs.

There are increasing concerns among consumers, governments and other stakeholders about the damaging impact of the accumulation of plastic bottles and other packaging materials in the environment, particularly in the world's waterways, lakes and oceans, as well as inefficient use of resources when packaging materials are not included in a circular economy. We and our bottling partners sell certain of our beverage products in plastic bottles and use other packaging materials that, while largely recyclable, may not be regularly recovered and recycled due to lack of collection and recycling infrastructure. If we and our bottling partners do not, or are perceived not to, act responsibly to address plastic materials recoverability and recycling concerns and associated waste management issues, our corporate image and brand reputation could be damaged, which may cause some consumers to reduce or discontinue consumption of some of our beverage products. In addition, from time to time we establish and publicly announce goals and targets to reduce the Coca-Cola system's impact on the environment by, for example, increasing our use of recycled content in our packaging materials; increasing our use of packaging materials that are made in part of plant-based renewable materials; expanding our use of reusable packaging (including refillable or returnable glass and plastic bottles, as well as dispensed and fountain delivery models where consumers use refillable containers for our beverages); participating in programs and initiatives to reclaim or recover bottles and other packaging materials that are already in the environment; and taking other actions and participating in other programs and initiatives organized or sponsored by nongovernmental organizations and other groups. If we and our bottling partners fail to achieve or improperly report on our progress toward achieving our announced environmental goals and targets, the resulting negative publicity could adversely affect consumer preference for our products. In addition, in response to environmental concerns, governmental entities in the United States and in many other jurisdictions around the world have adopted, or are considering adopting, regulations and policies designed to mandate or encourage plastic packaging waste reduction and an increase in recycling rates and/or recycled content minimums, or, in some cases, restrict or even prohibit the use of certain plastic containers or packaging materials. These regulations and policies, whatever their scope or form, could increase the cost of our beverage products or otherwise put the Company at a competitive disadvantage. In addition, our increased focus on reducing plastic containers and other packaging materials waste has in the past and may continue to require us or our bottling partners to incur additional expenses and to increase our capital expenditures. A reduction in consumer demand for our products and/or an increase in costs and expenditures relating to production and distribution as a result of these environmental concerns regarding plastic bottles and other packaging materials could have an adverse effect on our business and results of operations.

Water scarcity and poor quality could negatively impact the Coca-Cola system's costs and capacity.

Water is a main ingredient in substantially all of our products, is vital to the production of the agricultural ingredients on which our business relies and is needed in our manufacturing process. It also is critical to the prosperity of the communities we serve and the ecosystems in which we operate. Water is a limited resource in many parts of the world, facing unprecedented challenges from overexploitation, increasing demand for food and other consumer and industrial products whose manufacturing processes require water, increasing pollution and emerging awareness of potential contaminants, poor management, lack of physical or financial access to water, sociopolitical tensions due to lack of public infrastructure in certain areas of the world and the effects of climate change. As the demand for water continues to increase around the world, and as water becomes scarcer and the quality of available water deteriorates, the Coca-Cola system may incur higher costs or face capacity constraints and the possibility of reputational damage, which could adversely affect our profitability.

Increased demand for food products, decreased agricultural productivity and increased regulation of ingredient sourcing due diligence may negatively affect our business.

As part of the manufacture of our beverage products, we and our bottling partners use a number of key ingredients that are derived from agricultural commodities such as sugarcane, corn, sugar beets, citrus, coffee and tea. Increased demand for food products; decreased agricultural productivity in certain regions of the world as a result of changing weather patterns; increased agricultural regulations, including regulation of ingredient sourcing due diligence; and other factors have in the past, and may in the future, limit the availability and/or increase the cost of such agricultural commodities and could impact the food security of communities around the world. If we are unable to implement programs focused on economic opportunity and environmental sustainability to address these agricultural challenges and fail to make a strategic impact on food security through joint efforts with bottlers, farmers, communities, suppliers and key partners, as well as through our increased and continued investment in sustainable agriculture, our ability to source raw materials for use in our manufacturing processes and the affordability of our products and ultimately our business and results of operations could be negatively impacted.

Climate change and legal or regulatory responses thereto may have a long-term adverse impact on our business and results of operations.

There is increasing concern that a gradual increase in global average temperatures due to increased concentration of carbon dioxide and other greenhouse gases in the atmosphere is causing significant changes in weather patterns around the globe and an increase in the frequency and severity of natural disasters. Decreased agricultural productivity in certain regions of the world as a result of changing weather patterns may limit the availability or increase the cost of key agricultural commodities, such as sugarcane, corn, sugar beets, citrus, coffee and tea, which are important ingredients for our products, and could impact the food security of communities around the world. Climate change may also exacerbate extreme weather, resulting in water scarcity or flooding, and cause a further deterioration of water quality in affected regions, which could limit water availability for the Coca-Cola system's bottling operations. Increased frequency or duration of extreme weather conditions could also impair production capabilities, disrupt our supply chain or impact demand for our products. Increasing concern over climate change also may result in additional legal or regulatory requirements designed to reduce or mitigate the effects of carbon dioxide and other greenhouse gas emissions on the environment, and/or may result in increased disclosure obligations. Increased energy or compliance costs and expenses due to increased legal or regulatory requirements may cause disruptions in, or an increase in the costs associated with, the manufacturing and distribution of our beverage products. The effects of climate change and legal or regulatory initiatives to address climate change could have a long-term adverse impact on our business and results of operations. In addition, from time to time we establish and publicly announce goals and targets to reduce the Coca-Cola system's carbon footprint by increasing our use of recycled packaging materials, expanding our renewable energy usage, and participating in environmental and sustainability programs and initiatives organized or sponsored by nongovernmental organizations and other groups to reduce greenhouse gas emissions industrywide. If we and our bottling partners fail to achieve or improperly report on our progress toward achieving our carbon footprint reduction goals and targets, the resulting negative publicity could adversely affect consumer preference for our beverage products.

Adverse weather conditions could reduce the demand for our products.

The sales of our products are influenced to some extent by weather conditions in the markets in which we operate. Unusually cold or rainy weather during the summer months may have a temporary effect on the demand for our products and contribute to lower sales, which could have an adverse effect on our results of operations for such periods.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our worldwide headquarters is located on a 35-acre complex in Atlanta, Georgia. The complex includes several office buildings which are used by Corporate employees and North America operating segment employees. In addition, the complex includes technical and engineering facilities along with a reception center.

We own or lease additional facilities, real estate and office space throughout the world, which we use for administrative, manufacturing, processing, packaging, storage, warehousing, distribution and retail operations. These properties are generally included in the geographic operating segment in which they are located, with the exception of our Costa retail stores, which are included in the Global Ventures operating segment, and facilities related to our consolidated bottling and distribution operations, which are included in the Bottling Investments operating segment.

The following table summarizes our principal production facilities, distribution and storage facilities, and retail stores by operating segment and Corporate as of December 31, 2022:

	Principal Concentrate and/or Syrup Plants		Principal Beverage Manufacturing/Bottling Plants		Principal Distribution and Storage Facilities		Principal Retail Stores	
	Owned	Leased	Owned	Leased	Owned	Leased	Owned	Leased
Europe, Middle East & Africa	5	—	2	—	7	26	—	13
Latin America	5	—	—	—	2	4	—	—
North America	11	—	5	4	—	35	—	5
Asia Pacific	7	—	—	—	2	1	—	—
Global Ventures	1	—	2	—	—	9	—	1,618
Bottling Investments	—	—	84	4	105	118	—	—
Corporate	3	—	—	—	—	5	—	—
Total	32	—	93	8	116	198	—	1,636

Management believes that our Company's facilities used for the production of our products are suitable 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 our production facilities varies based upon seasonal demand for our products. However, management believes that additional production can be achieved at the existing facilities by adding personnel and capital equipment or, at some facilities, by adding shifts of personnel or expanding the facilities. We continuously review our anticipated requirements for facilities and, on the basis of that review, may from time to time acquire or lease additional facilities and/or dispose of existing facilities.

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in various legal proceedings, including the proceedings specifically discussed below. Management believes that, except as disclosed in "U.S. Federal Income Tax Dispute" below, the total liabilities of the Company that may arise as a result of currently pending legal proceedings will not have a material adverse effect on the Company taken as a whole.

Aqua-Chem Litigation

On December 20, 2002, the Company filed a lawsuit (The Coca-Cola Company v. Aqua-Chem, Inc., Civil Action No. 2002CV631-50) in the Superior Court of Fulton County, Georgia ("Georgia Case"), seeking a declaratory judgment that the Company has no obligation to its former subsidiary, Aqua-Chem, Inc., now known as Cleaver-Brooks, Inc. ("Aqua-Chem"), for any past, present or future liabilities or expenses in connection with any claims or lawsuits against Aqua-Chem. Subsequent to the Company's filing but on the same day, Aqua-Chem filed a lawsuit (Aqua-Chem, Inc. v. The Coca-Cola Company, Civil Action No. 02CV012179) in the Circuit Court, Civil Division of Milwaukee County, Wisconsin ("Wisconsin Case"). In the Wisconsin Case, Aqua-Chem sought a declaratory judgment that the Company is responsible for all liabilities and expenses not covered by insurance in connection with certain of Aqua-Chem's general and product liability claims arising from occurrences prior to the Company's sale of Aqua-Chem in 1981, and a judgment for breach of contract in an amount exceeding $9 million for costs incurred by Aqua-Chem to date in connection with such claims. The Wisconsin Case initially was stayed, pending final resolution of the Georgia Case, and later was voluntarily dismissed without prejudice by Aqua-Chem.

The Company owned Aqua-Chem from 1970 to 1981. During that time, the Company purchased over $400 million of insurance coverage, which also insures Aqua-Chem for some of its prior and future costs for certain product liability and other claims. The Company sold Aqua-Chem to Lyonnaise American Holding, Inc., in 1981 under the terms of a stock sale agreement. The 1981 agreement, and a subsequent 1983 settlement agreement, outlined the parties' rights and obligations concerning past and future claims and lawsuits involving Aqua-Chem. Cleaver-Brooks, a division of Aqua-Chem, manufactured boilers, some of which contained asbestos gaskets. Aqua-Chem was first named as a defendant in asbestos lawsuits in or around 1985 and currently has approximately 15,000 active claims pending against it.

The parties agreed in 2004 to stay the Georgia Case pending the outcome of insurance coverage litigation filed by certain Aqua-Chem insurers on March 26, 2004. In the coverage action, five plaintiff insurance companies filed suit (Century Indemnity Company, et al. v. Aqua-Chem, Inc., The Coca-Cola Company, et al., Case No. 04CV002852) in the Circuit Court, Civil Division of Milwaukee County, Wisconsin, against the Company, Aqua-Chem and 16 insurance companies. Several of the policies that were the subject of the coverage action had been issued to the Company during the period (1970 to 1981) when the Company owned Aqua-Chem. The complaint sought a determination of the respective rights and obligations under the insurance policies issued with regard to asbestos-related claims against Aqua-Chem. The action also sought a monetary judgment reimbursing any amounts paid by the plaintiffs in excess of their obligations. Two of the insurers, one with a $15 million policy limit and one with a $25 million policy limit, asserted cross-claims against the Company, alleging that the Company and/or its insurers are responsible for Aqua-Chem's asbestos liabilities before any obligation is triggered on the part of the cross-claimant insurers to pay for such costs under their policies.

Aqua-Chem and the Company filed and obtained a partial summary judgment determination in the coverage action that the insurers for Aqua-Chem and the Company were jointly and severally liable for coverage amounts, but reserving judgment on other defenses that might apply. During the course of the Wisconsin insurance coverage litigation, Aqua-Chem and the Company reached settlements with several of the insurers, including plaintiffs, who paid funds into escrow accounts for payment of costs arising from the asbestos claims against Aqua-Chem. On July 24, 2007, the Wisconsin trial court entered a final declaratory judgment regarding the rights and obligations of the parties under the insurance policies issued by the remaining defendant insurers, which judgment was not appealed. The judgment directs, among other things, that each insurer whose policy is triggered is jointly and severally liable for 100 percent of Aqua-Chem's losses up to policy limits. The court's judgment concluded the Wisconsin insurance coverage litigation.

The Company and Aqua-Chem continued to pursue and obtain coverage agreements for the asbestos-related claims against Aqua-Chem with those insurance companies that did not settle in the Wisconsin insurance coverage litigation. The Company anticipated that a final settlement with three of those insurers ("Chartis insurers") would be finalized in May 2011, but the Chartis insurers repudiated their settlement commitments and, as a result, Aqua-Chem and the Company filed suit against them in Wisconsin state court to enforce the coverage-in-place settlement or, in the alternative, to obtain a declaratory judgment validating Aqua-Chem and the Company's interpretation of the court's judgment in the Wisconsin insurance coverage litigation.

In February 2012, the parties filed and argued a number of cross-motions for summary judgment related to the issues of the enforceability of the settlement agreement and the exhaustion of policies underlying those of the Chartis insurers. The court granted defendants' motions for summary judgment that the 2011 Settlement Agreement and 2010 Term Sheet were not binding contracts, but denied their similar motions related to plaintiffs' claims for promissory and/or equitable estoppel. On or about May 15, 2012, the parties entered into a mutually agreeable settlement/stipulation resolving two major issues: exhaustion of underlying coverage and control of defense. On or about January 10, 2013, the parties reached a settlement of the estoppel claims and all of the remaining coverage issues, with the exception of one disputed issue relating to the scope of the Chartis insurers' defense obligations in two policy years. The trial court granted summary judgment in favor of the Company and Aqua-Chem on that one open issue and entered a final appealable judgment to that effect following the parties' settlement. On January 23, 2013, the Chartis insurers filed a notice of appeal of the trial court's summary judgment ruling. On October 29, 2013, the Wisconsin Court of Appeals affirmed the grant of summary judgment in favor of the Company and Aqua-Chem. On November 27, 2013, the Chartis insurers filed a petition for review in the Supreme Court of Wisconsin, and on December 11, 2013, the Company filed its opposition to that petition. On April 16, 2014, the Supreme Court of Wisconsin denied the Chartis insurers' petition for review.

The Georgia Case remains subject to the stay agreed to in 2004.

U.S. Federal Income Tax Dispute

On September 17, 2015, the Company received a Statutory Notice of Deficiency ("Notice") from the IRS seeking approximately $3.3 billion of additional federal income tax for years 2007 through 2009. In the Notice, the IRS stated its intent to reallocate over $9 billion of income to the U.S. parent company from certain of its foreign affiliates that the U.S. parent company licensed to manufacture, distribute, sell, market and promote its products in certain non-U.S. markets.

The Notice concerned the Company's transfer pricing between its U.S. parent company and certain of its foreign affiliates. IRS rules governing transfer pricing require arm's-length pricing of transactions between related parties such as the Company's U.S. parent and its foreign affiliates.

To resolve the same transfer pricing issue for the tax years 1987 through 1995, the Company and the IRS had agreed in 1996 on an arm's-length methodology for determining the amount of U.S. taxable income that the U.S. parent company would report as compensation from its foreign licensees. The Company and the IRS memorialized this accord in a closing agreement resolving that dispute (“Closing Agreement”). The Closing Agreement provided that, absent a change in material facts or circumstances or relevant federal tax law, in calculating the Company’s income taxes going forward, the Company would not be assessed penalties by the IRS for using the agreed-upon tax calculation methodology that the Company and the IRS agreed would be used for the 1987 through 1995 tax years.

The IRS audited and confirmed the Company’s compliance with the agreed-upon Closing Agreement methodology in five successive audit cycles for tax years 1996 through 2006.

The September 17, 2015 Notice from the IRS retroactively rejected the previously agreed-upon methodology for the 2007 through 2009 tax years in favor of an entirely different methodology, without prior notice to the Company. Using the new tax calculation methodology, the IRS reallocated over $9 billion of income to the U.S. parent company from its foreign licensees for tax years 2007 through 2009. Consistent with the Closing Agreement, the IRS did not assert penalties, and it has yet to do so.

The IRS designated the Company’s matter for litigation on October 15, 2015. Litigation designation is an IRS determination that forecloses to a company any and all alternative means for resolution of a tax dispute. As a result of the IRS’ designation of the Company’s matter for litigation, the Company was forced to either accept the IRS’ newly imposed tax assessment and pay the full amount of the asserted tax or litigate the matter in the federal courts. The matter remains subject to the IRS’ litigation designation, preventing the Company from any attempt to settle or otherwise mutually resolve the matter with the IRS.

The Company consequently initiated litigation by filing a petition in the Tax Court in December 2015, challenging the tax adjustments enumerated in the Notice.

Prior to trial, the IRS increased its transfer pricing adjustment by $385 million, resulting in an additional tax adjustment of $135 million. The Company obtained a summary judgment in its favor on a different matter related to Mexican foreign tax credits, which thereafter effectively reduced the IRS’ potential tax adjustment by $138 million.

The trial was held in the Tax Court from March through May 2018, and final post-trial briefs were filed and exchanged in April 2019.

On November 18, 2020, the Tax Court issued the Opinion in which it predominantly sided with the IRS but agreed with the Company that dividends previously paid by the foreign licensees to the U.S. parent company in reliance upon the Closing Agreement should continue to be allowed to offset royalties, including those that would become payable to the Company in accordance with the Opinion. The Tax Court reserved ruling on the effect of Brazilian legal restrictions on the payment of royalties by the Company’s licensee in Brazil until after the Tax Court issues its opinion in the separate case of 3M Co. & Subs. v. Commissioner, T.C. Docket No. 5816-13 (filed March 11, 2013). The Tax Court issued its opinion in 3M Co.’s case (“3M Co. opinion”) on February 9, 2023. Once the Tax Court completes its analysis of the application of the 3M Co. opinion to the Company’s case, the Company expects the Tax Court to render another opinion, and ultimately a final decision, in the Company’s case.

The Company believes that the IRS and the Tax Court misinterpreted and misapplied the applicable regulations in reallocating income earned by the Company’s foreign licensees to increase the Company’s U.S. tax. Moreover, the Company believes that the retroactive imposition of such tax liability using a calculation methodology different from that previously agreed upon by the IRS and the Company, and audited by the IRS for over a decade, is unconstitutional. The Company intends to assert its claims on appeal and vigorously defend its position.

In determining the amount of tax reserve to be recorded as of December 31, 2020, the Company completed the required two-step evaluation process prescribed by Accounting Standards Codification 740, *Accounting for Income Taxes*. In doing so, we consulted with outside advisors, and we reviewed and considered relevant laws, rules, and regulations, including, but not limited to, the Opinion and relevant caselaw. We also considered our intention to vigorously defend our positions and assert our various well-founded legal claims via every available avenue of appeal. We concluded, based on the technical and legal merits of the Company’s tax positions, that it is more likely than not the Company’s tax positions will ultimately be sustained on appeal. In addition, we considered a number of alternative transfer pricing methodologies, including the methodology asserted by the IRS and affirmed in the Opinion (“Tax Court Methodology”), that could be applied by the courts upon final resolution of the litigation. Based on the required probability analysis, we determined the methodologies we believe the federal courts could ultimately order to be used in calculating the Company’s tax. As a result of this analysis, we recorded a tax reserve of $438 million during the year ended December 31, 2020 related to the application of the resulting methodologies as well as the different tax treatment applicable to dividends originally paid to the U.S. parent company by its foreign licensees, in reliance upon the Closing Agreement, that would be recharacterized as royalties in accordance with the Opinion and the Company’s analysis.

The Company’s conclusion that it is more likely than not the Company’s tax positions will ultimately be sustained on appeal is unchanged as of December 31, 2022. However, we updated our calculation of the methodologies we believe the federal courts could ultimately order to be used in calculating the Company's tax. As a result of the application of the required probability analysis to these updated calculations and the accrual of interest through the current reporting period, we updated our tax reserve as of December 31, 2022 to $423 million.

While the Company strongly disagrees with the IRS' positions and the portions of the Opinion affirming such positions, it is possible that some portion or all of the adjustment proposed by the IRS and sustained by the Tax Court could ultimately be upheld. In that event, the Company would likely be subject to significant additional liabilities for tax years 2007 through 2009, and potentially also for subsequent years, which could have a material adverse impact on the Company's financial position, results of operations, and cash flows.

The Company calculated the potential impact of applying the Tax Court Methodology to reallocate income from foreign licensees potentially covered within the scope of the Opinion, assuming such methodology were to be ultimately upheld by the courts, and the IRS were to decide to apply that methodology to subsequent years, with consent of the federal courts. This impact would include taxes and interest accrued through December 31, 2022 for the 2007 through 2009 litigated tax years and for subsequent tax years from 2010 through 2022. The calculations incorporated the estimated impact of correlative adjustments to the previously accrued transition tax payable under the Tax Reform Act. The Company estimates that the potential aggregate incremental tax and interest liability could be approximately $14 billion as of December 31, 2022. Additional income tax and interest would continue to accrue until the time any such potential liability, or portion thereof, were to be paid. We currently project the continued application of the Tax Court Methodology in future years, assuming similar facts and circumstances as of December 31, 2022, would result in an incremental annual tax liability that would increase the Company's effective tax rate by approximately 3.5 percent.

The Company does not know when the Tax Court will issue its opinion regarding the effect of Brazilian legal restrictions on the payment of royalties by the Company's licensee in Brazil for the 2007 through 2009 tax years. After the Tax Court issues its opinion on the Company's Brazilian licensee, the Company and the IRS will be provided time to agree on the tax impact, if any, of both opinions, after which the Tax Court would render a final decision in the case. The Company will have 90 days thereafter to file a notice of appeal to the U.S. Court of Appeals for the Eleventh Circuit and pay the tax liability and interest related to the 2007 through 2009 tax years. The Company currently estimates that the payment to be made at that time related to the 2007 through 2009 tax years, which is included in the above estimate of the potential aggregate incremental tax and interest liability, would be approximately $5.2 billion (including interest accrued through December 31, 2022), plus any additional interest accrued through the time of payment. Some or all of this amount would be refunded if the Company were to prevail on appeal.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM X. INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The following are the executive officers of our Company as of February 21, 2023:

Name	Age	Position
Manuel Arroyo	55	Chief Marketing Officer since January 2020 and, prior to that, President of the Asia Pacific Group from January 2019 to December 2020. President of the Mexico business unit from July 2017 to December 2018, and prior to that, General Manager for Iberia from February 2017. Prior to rejoining the Company in February 2017, Chief Executive Officer of Deoleo, S.A., a Spanish multinational olive oil processing company, from May 2015 to September 2016, and Senior Vice President and President, Asia Pacific, of S.C. Johnson & Son, Inc., a multinational consumer product manufacturer, from September 2014 to May 2015. President of the Company's ASEAN business unit from 2010 to August 2014.
Henrique Braun	54	President, International Development, with oversight of seven of the Company's operating units, since January 2023, and prior to that, President of the Latin America operating unit from October 2020. President of the Brazil business unit from September 2016 to September 2020, and President of the Greater China and Korea business unit from April 2013 to August 2016.
Lisa Chang	54	Senior Vice President and Chief People Officer since March 2019 when she joined the Company. Prior to that, Senior Vice President and Chief Human Resources Officer for AMB Group LLC, which is the investment management and shared services arm of The Blank Family of Businesses, from 2014 through 2018. Prior to joining AMB Group LLC, Vice President of Human Resources for International at Equifax Inc. from 2013 through 2014, where she led human resources for all of its global locations.

Name	Age	Position
Monica Howard Douglas	50	Senior Vice President and General Counsel since April 2021, and prior to that, Chief Compliance Officer and Associate General Counsel of the North America operating unit from January 2018. Legal Director for the Southern and East Africa business unit from September 2013 to December 2017, and Vice President of Supply Chain and Consumer Affairs and Senior Managing Counsel, Coca-Cola Refreshments, from 2008 to September 2013.
Nikolaos Koumettis	58	President of the Europe operating unit since January 2021, and prior to that, President of the Europe, Middle East and Africa Group from January 2019. President of the Central and Eastern Europe business unit from April 2016 to December 2018, and President of the Central and Southern Europe business unit from April 2011 to April 2016.
Jennifer K. Mann	50	President of the North America operating unit since January 2023 and Senior Vice President since May 2017. President, Global Ventures from January 2019 to December 2022, Chief People Officer from May 2017 to March 2019, and Chief of Staff for James Quincey, then President and Chief Operating Officer and later Chief Executive Officer, from October 2015 to October 2018. Vice President and General Manager of Coca-Cola Freestyle from June 2012 to October 2015.
John Murphy	61	President since October 2022 and Chief Financial Officer since March 2019. Executive Vice President from March 2019 to September 2022, and prior to that, Senior Vice President and Deputy Chief Financial Officer from January 2019 to March 2019. President of the Asia Pacific Group from August 2016 to December 2018, and President of the South Latin business unit from January 2013 to August 2016.
Beatriz Perez	53	Senior Vice President and Chief Communications, Sustainability and Strategic Partnerships Officer since May 2017. Served as the Company’s first Chief Sustainability Officer from July 2011 to April 2017, and as Vice President, Global Partnerships and Licensing, Retail and Attractions from July 2016 to April 2017. Chair of The Coca-Cola Foundation, Inc., the Company’s primary international philanthropic arm, since October 2017.
Bruno Pietracci	48	President of the Latin America operating unit since February 2023, and prior to that, President of the Africa operating unit from January 2021 to January 2023. President of the Africa and Middle East business unit from February 2020 to December 2020, President of the South and East Africa business unit from July 2018 to January 2020, and Vice President of operations for the Europe, Middle East and Africa Group from November 2016 to June 2018.
Nancy Quan	56	Senior Vice President since January 2019. Chief Technical and Innovation Officer since February 2021, and prior to that, Chief Technical Officer from January 2019, and Chief Technical Officer of Coca-Cola North America from July 2016. Global R&D Officer from January 2012 to July 2016.
James Quincey	58	Chairman of the Board of Directors since April 2019 and Chief Executive Officer since May 2017. Elected to the Board of Directors in April 2017. President from August 2015 to December 2018, and Chief Operating Officer from August 2015 to April 2017.
Brian Smith	67	Senior Executive since October 2022, and prior to that, President and Chief Operating Officer from January 2019. President of the Europe, Middle East and Africa Group from August 2016 to December 2018, and President of the Latin America Group from January 2013 to August 2016. Mr. Smith will retire from the Company on February 28, 2023.

All executive officers serve at the pleasure of the Board of Directors. There is no family relationship between any of the Directors or executive officers of the Company.

Part II

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

The principal United States market in which the Company's common stock is listed and traded is the New York Stock Exchange and the corresponding trading symbol is "KO."

While we have historically paid dividends to holders of our common stock on a quarterly basis, the declaration and payment of future dividends will depend on many factors, including, but not limited to, our earnings, financial condition, business development needs and regulatory considerations, and are at the discretion of our Board of Directors.

As of February 17, 2023, there were 187,325 shareowner accounts of record. This figure does not include a substantially greater number of "street name" holders or beneficial holders of our common stock, whose shares are held of record by banks, brokers and other financial institutions.

The information under the subheading "Equity Compensation Plan Information" under the principal heading "Compensation" in the Company's Proxy Statement for the 2023 Annual Meeting of Shareowners ("Company's 2023 Proxy Statement"), to be filed with the SEC, is incorporated herein by reference.

During the year ended December 31, 2022, no equity securities of the Company were sold by the Company that were not registered under the Securities Act of 1933, as amended.

The following table presents information with respect to purchases of common stock of the Company made during the three months ended December 31, 2022 by the Company or any "affiliated purchaser" of the Company as defined in Rule 10b-18(a)(3) under the Exchange Act:

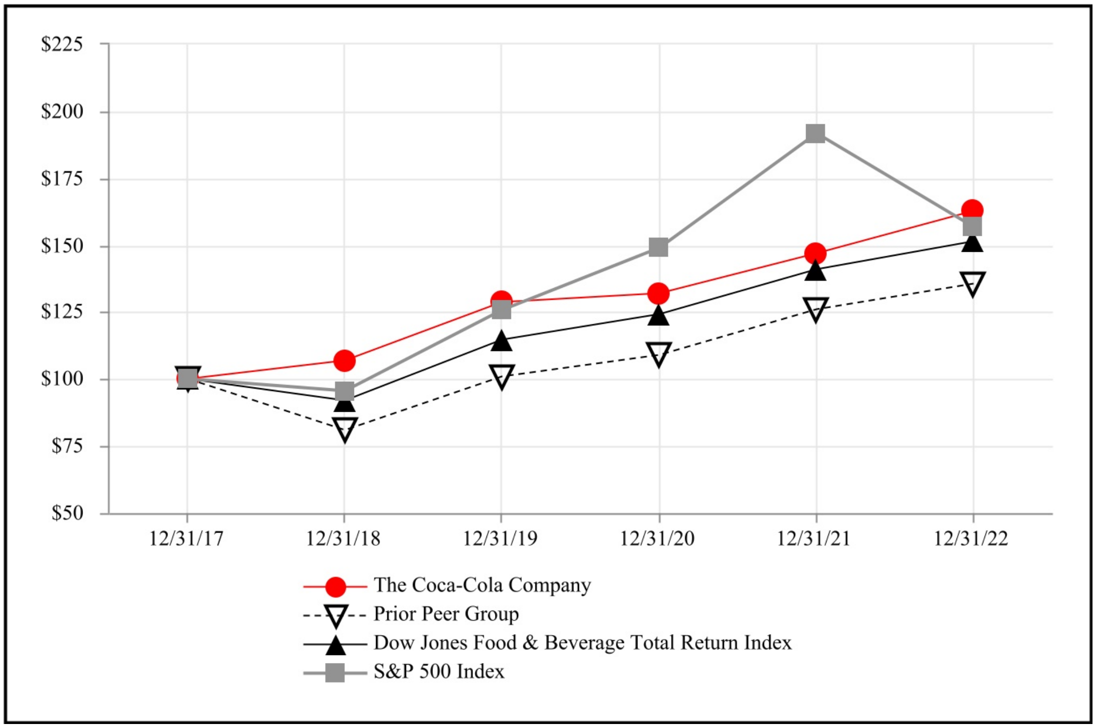
Period	Total Number of Shares Purchased [1]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of the Publicly Announced Plan [2]	Maximum Number of Shares That May Yet Be Purchased Under the Publicly Announced Plan
October 1, 2022 through October 28, 2022	2,142	$ 55.18	—	139,705,526
October 29, 2022 through November 25, 2022	—	—	—	139,705,526
November 26, 2022 through December 31, 2022	94,298	63.46	—	139,705,526
Total	96,440	$ 63.28	—	

[1] The total number of shares purchased includes: (1) shares purchased, if any, pursuant to the 2019 Plan described in footnote 2 below, and (2) shares surrendered, if any, to the Company to pay the exercise price and/or to satisfy tax withholding obligations in connection with so-called stock swap exercises of employee stock options and/or the vesting of restricted stock issued to employees.

[2] In February 2019, the Company publicly announced that our Board of Directors had authorized a plan ("2019 Plan") for the Company to purchase up to 150 million shares of our common stock. This column discloses the number of shares purchased, if any, pursuant to the 2019 Plan during the indicated time periods (including shares purchased pursuant to the terms of preset trading plans meeting the requirements of Rule 10b5-1 under the Exchange Act).

Performance Graph

Comparison of Five-Year Cumulative Total Shareowner Return
Among The Coca-Cola Company, the Prior Peer Group,
the Dow Jones Food & Beverage Total Return Index and the S&P 500 Index



December 31,		2017	2018	2019	2020	2021	2022
The Coca-Cola Company	$	100 $	107 $	129 $	132 $	147 **$**	**163**
Prior Peer Group		100	81	101	109	126	**136**
Dow Jones Food & Beverage Total Return Index		100	92	115	124	141	**151**
S&P 500 Index		100	96	126	149	192	**157**

The total shareowner return is based on a $100 investment on December 31, 2017 and assumes that dividends were reinvested on the day of issuance.

To better align with the Company's direct competitors, the Company has chosen to change the peer group for the performance graph above. A self-constructed peer group ("Prior Peer Group"), which consisted of the companies included in the Dow Jones Food & Beverage Index (from which the Company has been excluded) and the Dow Jones Tobacco Index, was replaced with the Dow Jones Food & Beverage Total Return Index. Accordingly, the performance graph presents the total shareowner return for both the Prior Peer Group and the Dow Jones Food & Beverage Total Return Index.

In 2022, the Prior Peer Group consisted of the following companies: Altria Group, Inc., Archer Daniels Midland Company, The Boston Beer Company, Inc., Brown-Forman Corporation, Bunge Limited, Campbell Soup Company, Celsius Holdings, Inc., ConAgra Brands, Inc., Constellation Brands, Inc., Darling Ingredients Inc., Flowers Foods, Inc., General Mills, Inc., The Hershey Company, Hormel Foods Corporation, Ingredion Incorporated, Kellogg Company, Keurig Dr Pepper Inc., The Kraft Heinz Company, Lamb Weston Holdings, Inc., Lancaster Colony Corporation, McCormick & Company, Incorporated, Molson Coors Brewing Company, Mondelēz International, Inc., Monster Beverage Corporation, National Beverage Corp., PepsiCo, Inc., Performance Food Group Company, Philip Morris International Inc., Pilgrim's Pride Corporation, Post Holdings, Inc., Seaboard Corporation, The J.M. Smucker Company, Tyson Foods, Inc. and US Foods Holding Corp.

Companies included in the Dow Jones Food & Beverage Index and the Dow Jones Tobacco Index change periodically. As a result, in 2022, Celsius Holdings, Inc. was added to the Prior Peer Group, and Beyond Meat, Inc., Freshpet Inc., The Hain Celestial Group, Inc. and Herbalife Nutrition Ltd. were removed from the Prior Peer Group.

ITEM 6. RESERVED

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

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand The Coca-Cola Company, our operations and our present business environment. MD&A is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and the accompanying notes thereto contained in "Item 8. Financial Statements and Supplementary Data" of this report. MD&A includes the following sections:

- *Our Business* — a general description of our business and its challenges and risks.
- *Critical Accounting Policies and Estimates* — a discussion of accounting policies that require critical judgments and estimates.
- *Operations Review* — an analysis of our consolidated results of operations for 2022 and 2021 and year-to-year comparisons between 2022 and 2021. An analysis of our consolidated results of operations for 2021 and 2020 and year-to-year comparisons between 2021 and 2020 can be found in MD&A in Part II, Item 7 of the Company's Form 10-K for the year ended December 31, 2021.
- *Liquidity, Capital Resources and Financial Position* — an analysis of cash flows, contractual obligations, foreign exchange, and the impact of inflation and changing prices.

OUR BUSINESS

General

The Coca-Cola Company is a total beverage company, and beverage products bearing our trademarks, sold in the United States since 1886, are now sold in more than 200 countries and territories. We own or license and market numerous beverage brands, which we group into the following categories: Trademark Coca-Cola; sparkling flavors; water, sports, coffee and tea; juice, value-added dairy and plant-based beverages; and emerging beverages. We own and market five of the world's top six nonalcoholic sparkling soft drink brands: Coca-Cola, Sprite, Fanta, Coca-Cola Zero Sugar and Diet Coke/Coca-Cola Light.

We make our branded beverage products available to consumers throughout the world through our network of independent bottling partners, distributors, wholesalers and retailers as well as the Company's consolidated bottling and distribution operations. Beverages bearing trademarks owned by or licensed to us account for 2.2 billion of the estimated 64 billion servings of all beverages consumed worldwide every day.

We believe our success depends on our ability to connect with consumers by providing them with a wide variety of beverage options to meet their desires, needs and lifestyles. Our success further depends on the ability of our people to execute effectively, every day.

Our Company markets, manufactures and sells:

- beverage concentrates, sometimes referred to as "beverage bases," and syrups, including fountain syrups (we refer to this part of our business as our "concentrate operations"); and
- finished sparkling soft drinks and other beverages (we refer to this part of our business as our "finished product operations").

Generally, finished product operations generate higher net operating revenues but lower gross profit margins than concentrate operations.

Our concentrate operations typically generate net operating revenues by selling concentrates, syrups and certain finished beverages to authorized bottling operations (to which we typically refer as our "bottlers" or our "bottling partners"). Our bottling partners either combine concentrates with still or sparkling water and sweeteners (depending on the product), or combine syrups with still or sparkling water, to produce finished beverages. The finished beverages are packaged in authorized containers, such as cans and refillable and nonrefillable glass and plastic bottles, bearing our trademarks or trademarks licensed to us and are then sold to retailers directly or, in some cases, through wholesalers or other bottlers. In addition, outside the

The favorable pricing initiatives for the year ended December 31, 2023 in all operating segments included carryover pricing increases from the prior year.

Fluctuations in foreign currency exchange rates decreased our consolidated net operating revenues by 4%. This unfavorable impact was primarily due to a stronger U.S. dollar compared to certain foreign currencies, including the Argentine peso, Zimbabwean dollar, South African rand, Nigerian naira, Turkish lira, Japanese yen, Indian rupee and Chinese yuan, which had an unfavorable impact on our Latin America; Europe, Middle East and Africa; Asia Pacific; and Bottling Investments operating segments. The unfavorable impact of a stronger U.S. dollar compared to the currencies listed above was partially offset by the impact of a weaker U.S. dollar compared to certain other foreign currencies, including the Mexican peso, which had a favorable impact on our Latin America operating segment. Refer to the heading "Liquidity, Capital Resources and Financial Position — Foreign Exchange" below for additional information about the impact of foreign currency exchange rate fluctuations.

"Acquisitions and divestitures" generally refers to acquisitions and divestitures of brands or businesses, some of which the Company considers to be structural changes. The impact of acquisitions and divestitures is the difference between the change in net operating revenues and the change in what our net operating revenues would have been if we removed the net operating revenues associated with an acquisition or a divestiture from either the current year or the prior year, as applicable. Management believes that quantifying the impact that acquisitions and divestitures had on the Company's net operating revenues provides investors with useful information to enhance their understanding of the Company's net operating revenue performance by improving their ability to compare our year-to-year results. Management considers the impact of acquisitions and divestitures when evaluating the Company's performance. Refer to the heading "Structural Changes, Acquired Brands and Newly Licensed Brands" above for additional information related to acquisitions and divestitures.

Net operating revenue growth rates are impacted by sales volume; price, product and geographic mix; foreign currency exchange rate fluctuations; and acquisitions and divestitures. The size and timing of acquisitions and divestitures are not consistent from period to period. Based on current spot rates and our hedging coverage in place, we expect foreign currency exchange rate fluctuations will have an unfavorable impact on our full year 2024 net operating revenues.

Information about our net operating revenues by operating segment and Corporate as a percentage of Company net operating revenues is as follows:

Year Ended December 31,	**2023**	2022
Europe, Middle East & Africa	**16.2%**	16.0%
Latin America	**12.7**	11.4
North America	**36.6**	36.5
Asia Pacific	**10.3**	11.0
Global Ventures	**6.7**	6.6
Bottling Investments	**17.2**	18.3
Corporate	**0.3**	0.2
Total	**100.0%**	100.0%

The percentage contribution of each operating segment fluctuates over time due to net operating revenues in some operating segments growing at a faster rate compared to other operating segments. In addition, foreign currency exchange rate fluctuations impact the percentage contribution of each operating segment. For additional information about the impact of foreign currency exchange rate fluctuations, refer to the heading "Liquidity, Capital Resources and Financial Position — Foreign Exchange" below.

Gross Profit Margin

Gross profit margin is a ratio calculated by dividing gross profit by net operating revenues. Management believes gross profit margin provides investors with useful information related to the profitability of our business prior to considering all of the selling, general and administrative expenses and other operating charges incurred. Management uses this measure in making financial, operating and planning decisions and in evaluating the Company's performance.

Our gross profit margin increased to 59.5% in 2023 from 58.1% in 2022. This increase was primarily due to the impact of favorable pricing initiatives, favorable channel and package mix, and structural changes. The impact of these items was partially offset by the unfavorable impact of foreign currency exchange rate fluctuations and increased commodity costs.

Selling, General and Administrative Expenses

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

Year Ended December 31,	2023	2022
Selling and distribution expenses	**$ 2,599**	$ 2,767
Advertising expenses	**5,010**	4,319
Stock-based compensation expense	**254**	356
Other operating expenses	**6,109**	5,438
Selling, general and administrative expenses	**$ 13,972**	$ 12,880

Selling, general and administrative expenses increased $1,092 million, or 8%, in 2023. This increase was primarily due to higher advertising and other operating expenses, partially offset by decreases in selling and distribution expenses and stock-based compensation expense. The increase in other operating expenses was primarily due to higher other marketing expenses and increased charitable donations, as well as higher annual incentive expense and other employee benefit costs. The decrease in selling and distribution expenses was primarily a result of the refranchising of our bottling operations in Vietnam and Cambodia. The decrease in stock-based compensation expense was primarily due to the cumulative expense that was recorded in 2022 resulting from the impact a more favorable financial outlook had on the outstanding nonvested performance share units. In 2023, foreign currency exchange rate fluctuations decreased selling, general and administrative expenses by 3%.

As of December 31, 2023, we had $267 million of total unrecognized compensation cost related to nonvested stock-based compensation awards granted under our plans, which we expect to recognize over a weighted-average period of 1.7 years as stock-based compensation expense. This expected cost does not include the impact of any future stock-based compensation awards. Refer to Note 13 of Notes to Consolidated Financial Statements.

Other Operating Charges

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

Year Ended December 31,	2023	2022
Europe, Middle East & Africa	**$ —**	$ (7)
Latin America	**—**	—
North America	**26**	19
Asia Pacific	**35**	57
Global Ventures	**—**	—
Bottling Investments	**—**	—
Corporate	**1,890**	1,146
Total	**$ 1,951**	$ 1,215

In 2023, the Company recorded other operating charges of $1,951 million. These charges consisted of $1,702 million related to the remeasurement of our contingent consideration liability to fair value in conjunction with our acquisition of fairlife in 2020, $164 million related to the Company's productivity and reinvestment program and $35 million related to the discontinuation of certain manufacturing operations in Asia Pacific. In addition, other operating charges included $27 million related to the restructuring of our North America operating unit, $15 million for the amortization of noncompete agreements related to the BodyArmor acquisition in 2021 and $8 million related to tax litigation expense.

In 2022, the Company recorded other operating charges of $1,215 million. These charges primarily consisted of $1,000 million related to the remeasurement of our contingent consideration liability to fair value in conjunction with the fairlife acquisition, $85 million related to the Company's productivity and reinvestment program and $57 million related to the impairment of a trademark in Asia Pacific. In addition, other operating charges included $38 million related to the restructuring of our North America operating unit and $38 million related to the BodyArmor acquisition, which included various transition and transaction costs, employee retention costs and the amortization of noncompete agreements, net of the reimbursement of distributor termination fees recorded in 2021. These charges were partially offset by a net gain of $6 million due to revisions of management's estimates related to the Company's strategic realignment initiatives.

Refer to Note 2 of Notes to Consolidated Financial Statements for additional information on the BodyArmor acquisition. Refer to Note 12 of Notes to Consolidated Financial Statements for additional information related to the tax litigation. Refer to Note 17 of Notes to Consolidated Financial Statements for additional information on the fairlife contingent consideration and the impairment charge. Refer to Note 19 of Notes to Consolidated Financial Statements for additional information on the

Company's restructuring initiatives. Refer to Note 20 of Notes to Consolidated Financial Statements for the impact these charges had on our operating segments and Corporate.

Operating Income and Operating Margin

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

Year Ended December 31,	**2023**	2022
Europe, Middle East & Africa	**37.2%**	36.3%
Latin America	**30.3**	26.3
North America	**39.2**	34.3
Asia Pacific	**18.0**	21.1
Global Ventures	**2.9**	1.7
Bottling Investments	**5.1**	4.5
Corporate	**(32.7)**	(24.2)
Total	**100.0%**	100.0%

Operating margin is a ratio calculated by dividing operating income by net operating revenues. Management believes operating margin provides investors with useful information related to the profitability of our business after considering selling, general and administrative expenses and other operating charges. Management uses this measure in making financial, operating and planning decisions and in evaluating the Company's performance.

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

Year Ended December 31,	**2023**	2022
Consolidated	**24.7%**	25.4%
Europe, Middle East & Africa	**56.8**	57.4
Latin America	**58.9**	58.5
North America	**26.4**	23.9
Asia Pacific	**43.2**	48.9
Global Ventures	**10.7**	6.5
Bottling Investments	**7.4**	6.2
Corporate	*	*

* Calculation is not meaningful.

Operating income was $11,311 million in 2023, compared to $10,909 million in 2022, an increase of $402 million, or 4%. The increase in operating income was primarily driven by concentrate sales volume growth of 2% and favorable pricing initiatives. These items were partially offset by higher commodity costs; higher selling, general and administrative expenses; higher other operating charges; and an unfavorable foreign currency exchange rate impact.

The decrease in our operating margin on a consolidated basis was primarily due to higher commodity costs, increased marketing spending, higher other operating charges and the unfavorable impact of foreign currency exchange rate fluctuations. The impact of these items was partially offset by favorable pricing initiatives.

In 2023, fluctuations in foreign currency exchange rates unfavorably impacted consolidated operating income by 8% due to a stronger U.S. dollar compared to certain foreign currencies, including the Argentine peso, Zimbabwean dollar, Turkish lira, euro, South African rand, and Japanese yen, which had an unfavorable impact on our Latin America; Europe, Middle East and Africa; Bottling Investments; and Asia Pacific operating segments. The unfavorable impact of a stronger U.S. dollar compared to the currencies listed above was partially offset by the impact of a weaker U.S. dollar compared to certain other foreign currencies, including the Mexican peso, which had a favorable impact on our Latin America operating segment. Refer to the heading "Liquidity, Capital Resources and Financial Position — Foreign Exchange" below.

The Company's Europe, Middle East and Africa operating segment reported operating income of $4,202 million and $3,958 million for the years ended December 31, 2023 and 2022, respectively. The increase in operating income was primarily driven by favorable pricing initiatives, partially offset by higher commodity costs, increased marketing spending, higher operating expenses and an unfavorable foreign currency exchange rate impact of 14%.

Latin America reported operating income of $3,432 million and $2,870 million for the years ended December 31, 2023 and 2022, respectively. The increase in operating income was primarily driven by concentrate sales volume growth of 6% and favorable pricing initiatives, partially offset by higher commodity costs, increased marketing spending, higher operating expenses and an unfavorable foreign currency exchange rate impact of 5%.

Operating income for North America for the years ended December 31, 2023 and 2022 was $4,435 million and $3,742 million, respectively. The increase in operating income was primarily driven by favorable pricing initiatives, partially offset by a decline in concentrate sales volume of 1%, higher commodity costs, increased marketing spending, higher operating expenses and higher other operating charges.

Asia Pacific's operating income for the years ended December 31, 2023 and 2022 was $2,040 million and $2,303 million, respectively. The decrease in operating income was primarily driven by higher commodity costs, increased marketing spending and an unfavorable foreign currency exchange rate impact of 7%, partially offset by favorable pricing initiatives, lower other operating charges and the impact of acquired brands.

Global Ventures' operating income for the years ended December 31, 2023 and 2022 was $329 million and $185 million, respectively. The increase in operating income was primarily driven by concentrate sales volume growth of 5%, favorable pricing initiatives, decreased marketing spending and a favorable foreign currency exchange rate impact of 3%, partially offset by higher operating expenses and the impact of no longer receiving COVID-related incentives in the current year.

Bottling Investments' operating income for the years ended December 31, 2023 and 2022 was $578 million and $487 million, respectively. The increase in operating income was primarily driven by unit case volume growth of 6% and favorable pricing initiatives, partially offset by higher commodity costs, higher operating expenses, an unfavorable foreign currency exchange rate impact of 7% and the refranchising of our bottling operations in Vietnam and Cambodia.

Corporate's operating loss for the years ended December 31, 2023 and 2022 was $3,705 million and $2,636 million, respectively. Operating loss in 2023 increased primarily as a result of higher other operating charges due to the remeasurement of our contingent consideration liability to fair value in conjunction with the fairlife acquisition, higher operating expenses and increased marketing spending. Refer to Note 17 of Notes to Consolidated Financial Statements for additional information on the fairlife contingent consideration.

Interest Income

Interest income was $907 million in 2023, compared to $449 million in 2022, an increase of $458 million, or 102%. This increase was primarily driven by higher returns on our Corporate and certain international investments and higher average investment balances.

Interest Expense

Interest expense was $1,527 million in 2023, compared to $882 million in 2022, an increase of $645 million, or 73%. This increase was primarily due to the impact of higher interest rates on short-term borrowings and derivative instruments compared to the prior year. Refer to Note 11 of Notes to Consolidated Financial Statements.

Equity Income (Loss) — Net

Equity income (loss) — net represents our Company's proportionate share of net income or loss from each of our equity method investees. In 2023, equity income was $1,691 million, compared to equity income of $1,472 million in 2022, an increase of $219 million, or 15%. The increase reflects, among other items, the impact of more favorable operating results reported by some of our equity method investees in the current year and a favorable foreign currency exchange rate impact. These favorable impacts were partially offset by a $125 million increase in net charges resulting from the Company's proportionate share of significant operating and nonoperating items recorded by certain of our equity method investees.

Other Income (Loss) — Net

In 2023, other income (loss) — net was income of $570 million. The Company recorded a net gain of $439 million related to the refranchising of our bottling operations in Vietnam, a net gain of $289 million related to realized and unrealized gains and losses on equity securities and trading debt securities as well as realized gains and losses on available-for-sale debt securities, and dividend income of $208 million. Other income (loss) — net also included a net gain of $94 million related to the sale of our ownership interests in our equity method investees in Pakistan and Indonesia and net income of $51 million related to the non-service cost components of net periodic benefit cost. The Company also recorded net foreign currency exchange losses of $312 million, $83 million of costs related to our trade accounts receivable factoring program and $67 million due to pension and other postretirement benefit plan settlement charges. Additionally, the Company recorded an other-than-temporary impairment charge of $39 million related to an equity method investee in Latin America and charges of $32 million related to the restructuring of our manufacturing operations in the United States.

In 2022, other income (loss) — net was a loss of $262 million. The Company recorded a net loss of $371 million related to realized and unrealized gains and losses on equity securities and trading debt securities as well as realized gains and losses on available-for-sale debt securities, net foreign currency exchange losses of $236 million, an other-than-temporary impairment charge of $96 million related to an equity method investee in Russia, and a net loss of $24 million as a result of one of our equity method investees issuing additional shares of its stock. Additionally, other income (loss) — net included net income of $219 million related to the non-service cost components of net periodic benefit income, a net gain of $153 million related to the refranchising of our bottling operations in Cambodia and dividend income of $111 million.

Refer to Note 2 of Notes to Consolidated Financial Statements for additional information on the sale of our ownership interests in Pakistan and Indonesia and the refranchising of our bottling operations in Vietnam and Cambodia. Refer to Note 4 of Notes to Consolidated Financial Statements for additional information on equity and debt securities. Refer to Note 14 of Notes to Consolidated Financial Statements for additional information on pension and other postretirement benefit plan activity. Refer to Note 17 of Notes to Consolidated Financial Statements for additional information on the restructuring of our manufacturing operations in the United States and the impairment charges. Refer to Note 20 of Notes to Consolidated Financial Statements for the impact these items had on our operating segments and Corporate.

Income Taxes

Our effective tax rate reflects the tax benefits of having significant operations outside the United States, which are generally taxed at rates lower than the statutory U.S. federal tax rate. As a result of employment actions and capital investments made by the Company, certain tax jurisdictions provide income tax incentive grants, including Brazil, Costa Rica, Singapore and Eswatini. The terms of these grants expire from 2025 to 2036. We anticipate that we will be able to extend or renew the grants in these locations. Tax incentive grants favorably impacted our income tax expense by $332 million and $406 million for the years ended December 31, 2023 and 2022, respectively. In addition, our effective tax rate reflects the benefits of having significant earnings generated in investments accounted for under the equity method.

A reconciliation of the statutory U.S. federal tax rate and our effective tax rate is as follows:

Year Ended December 31,	**2023**	2022
Statutory U.S. federal tax rate	**21.0%**	21.0%
State and local income taxes — net of federal benefit	**1.1**	1.4
Earnings in jurisdictions taxed at rates different from the statutory U.S. federal tax rate	**(0.3)**	(0.6)
Equity income or loss	**(2.1)**	(2.7)
Excess tax benefits on stock-based compensation	**(0.3)**	(0.7)
Other — net	**(2.0)**	(0.3)
Effective tax rate	**17.4%**	18.1%

On November 18, 2020, the Tax Court issued the Opinion regarding the Company’s 2015 litigation with the IRS involving transfer pricing tax adjustments in which the court predominantly sided with the IRS. On November 8, 2023, the Tax Court issued a supplemental opinion, siding with the IRS in concluding both that the blocked-income regulations apply to the Company’s operations and that the Tax Court opinion in *3M Co. & Subs. v. Commissioner* (February 9, 2023) controlled as to the validity of those regulations. The Company strongly disagrees with the Opinions and intends to vigorously defend its position. Refer to Note 12 of Notes to Consolidated Financial Statements.

As of December 31, 2023, the gross amount of unrecognized tax benefits was $929 million. If the Company were to prevail on all uncertain tax positions, the net effect would be a benefit of $632 million, exclusive of any benefits related to interest and penalties. The remaining $297 million primarily represents tax benefits that would be received in different tax jurisdictions in the event the Company did not prevail on all uncertain tax positions.

A reconciliation of the changes in the gross amount of unrecognized tax benefits is as follows (in millions):

Year Ended December 31,	2023	2022
Balance of unrecognized tax benefits at beginning of year	**$ 926**	$ 906
Increase related to prior period tax positions	**2**	6
Decrease related to prior period tax positions	**(25)**	—
Increase related to current period tax positions	**32**	38
Decrease related to settlements with taxing authorities	**—**	(2)
Decrease due to lapse of the applicable statute of limitations	**(2)**	—
Effect of foreign currency translation	**(4)**	(22)
Balance of unrecognized tax benefits at end of year	**$ 929**	$ 926

The Company recognizes interest and penalties related to unrecognized tax benefits in the line item income taxes in our consolidated statement of income. The Company had $544 million and $496 million in interest and penalties related to unrecognized tax benefits accrued as of December 31, 2023 and 2022, respectively. Of these amounts, expense of $48 million and $43 million was recognized in 2023 and 2022, respectively. If the Company were to prevail on all uncertain tax positions, the reversal of this accrual would be a benefit to the Company's effective tax rate.

Based on current tax laws, the Company's effective tax rate in 2024 is expected to be approximately 19.2% before considering the potential impact of any significant operating and nonoperating items that may affect our effective tax rate. This rate does not include the impact of the ongoing tax litigation with the IRS, if the Company were not to prevail.

Many jurisdictions have enacted legislation and adopted policies resulting from the OECD's Anti-Base Erosion and Profit Shifting project. The OECD is currently coordinating a two pillared project on behalf of the G20 and other participating countries which would grant additional taxing rights over profits earned by multinational enterprises to the countries in which their products are sold and services rendered. Pillar One would allow countries to reallocate a portion of profits earned by multinational businesses with an annual global revenue exceeding €20 billion and a profit margin of over 10% to applicable market jurisdictions. While the OECD issued draft language for the international implementation of Pillar One in October 2023, both the substantive rules and implementation process remain under discussion at the OECD so the timetable for any implementation remains uncertain.

In December 2021, the OECD issued Pillar Two model rules which would establish a global per-country minimum tax of 15%, and the European Union has approved a directive requiring member states to incorporate similar provisions into their respective domestic laws. The directive requires the rules to initially become effective for fiscal years starting on or after December 31, 2023. While it is uncertain whether the United States will enact legislation to adopt Pillar Two, numerous countries have enacted legislation, or have indicated their intent to adopt legislation, to implement certain aspects of Pillar Two effective January 1, 2024, with general implementation of the remaining global minimum tax rules by January 1, 2025. The OECD and implementing countries are expected to continue to make further revisions to their legislation and release additional guidance. The Company will continue to monitor developments to determine any potential impact in the countries in which we operate.

LIQUIDITY, CAPITAL RESOURCES AND FINANCIAL POSITION

We believe our ability to generate cash flows from operating activities is one of the fundamental strengths of our business. Refer to the heading "Cash Flows from Operating Activities" below. The Company does not typically raise capital through the issuance of stock. Instead, we use debt financing to lower our overall cost of capital and increase our return on shareowners' equity. Refer to the heading "Cash Flows from Financing Activities" below. We have a history of borrowing funds both domestically and internationally at reasonable interest rates, and we expect to be able to continue to borrow funds at reasonable rates over the long term. Our debt financing also includes the use of a commercial paper program. We currently have the ability to borrow funds in this market at levels that are consistent with our debt financing strategy, and we expect to continue to be able to do so in the future. The Company regularly reviews its optimal mix of short-term and long-term debt.

The Company's cash, cash equivalents, short-term investments and marketable securities totaled $13.7 billion as of December 31, 2023. In addition to these funds, our commercial paper program and our ability to issue long-term debt, we had $4.6 billion in unused backup lines of credit for general corporate purposes as of December 31, 2023. These backup lines of credit expire at various times through 2028.

Our current payment terms with the majority of our suppliers are 120 days. Two global financial institutions offer a voluntary supply chain finance program which enables our suppliers, at their sole discretion, to sell their receivables from the Company to these financial institutions on a non-recourse basis at a rate that leverages our credit rating and thus may be more beneficial to them. We do not believe there is a risk that our payment terms will be shortened in the near future. Refer to Note 9 of Notes to Consolidated Financial Statements for additional information.

The Company has a trade accounts receivable factoring program in certain countries. Under this program, we can elect to sell trade accounts receivables to unaffiliated financial institutions at a discount. In these factoring arrangements, for ease of administration, the Company collects customer payments related to the factored receivables and remits those payments to the financial institutions. The Company sold $17,704 million and $10,709 million of trade accounts receivables under this program during the years ended December 31, 2023 and 2022, respectively. The costs of factoring such receivables were $83 million and $27 million for the years ended December 31, 2023 and 2022, respectively. The cash received from the financial institutions is classified within the operating activities section in our consolidated statement of cash flows.

Our current capital allocation priorities are as follows: investing wisely to support our business operations, continuing to grow our dividend payment, enhancing our beverage portfolio and capabilities through consumer-centric acquisitions, and using excess cash to repurchase shares over time. We currently expect 2024 capital expenditures to be approximately $2.2 billion. During 2024, we also expect to repurchase shares to offset dilution resulting from employee stock-based compensation plans.

We are currently in litigation with the IRS for tax years 2007 through 2009. On November 18, 2020, the Tax Court issued the Opinion in which it predominantly sided with the IRS. On November 8, 2023, the Tax Court issued a supplemental opinion, siding with the IRS in concluding both that the blocked-income regulations apply to the Company's operations and that the Tax Court opinion in *3M Co. & Subs. v. Commissioner* (February 9, 2023) controlled as to the validity of those regulations. The Company strongly disagrees with the IRS' positions and the portions of the Opinions affirming such positions and intends to vigorously defend our positions utilizing every available avenue of appeal. While the Company believes that it is more likely than not that we will ultimately prevail in this litigation upon appeal, it is possible that all, or some portion of, the adjustments proposed by the IRS and sustained by the Tax Court could ultimately be upheld. In the event that all of the adjustments proposed by the IRS were to be ultimately upheld for tax years 2007 through 2009 and the IRS, with the consent of the federal courts, were to decide to apply the Tax Court Methodology to the subsequent years up to and including 2023, the Company currently estimates that the potential aggregate incremental tax and interest liability could be approximately $16 billion as of December 31, 2023. Additional income tax and interest would continue to accrue until the time any such potential liability, or portion thereof, were to be paid. The Company and the IRS are now in the process of agreeing on the tax impacts of the Opinions. Subsequent to the completion of this process, the Tax Court will render a decision in the case. The Company will have 90 days thereafter to file a notice of appeal to the U.S. Court of Appeals for the Eleventh Circuit. The IRS can then seek to collect, and the Company expects to pay, any additional tax related to the 2007 through 2009 tax years reflected in the Tax Court decision (and interest thereon). The Company currently estimates that the payment to be made at that time related to the 2007 through 2009 tax years, which is included in the above estimate of the potential aggregate incremental tax and interest liability, would be approximately $5.8 billion (including interest accrued through December 31, 2023), plus any additional interest accrued through the time of payment. Some or all of this amount, plus accrued interest, would be refunded if the Company were to prevail on appeal. Refer to Note 12 of Notes to Consolidated Financial Statements for additional information on the tax litigation.

While we believe it is more likely than not that we will prevail in the tax litigation discussed above, we are confident that, between our ability to generate cash flows from operating activities and our ability to borrow funds at reasonable interest rates, we can manage the range of possible outcomes in the final resolution of the matter.

Based on all of the aforementioned factors, the Company believes its current liquidity position is strong and will continue to be sufficient to fund our operating activities and cash commitments for investing and financing activities for the foreseeable future.

Cash Flows from Operating Activities

Net cash provided by operating activities for the years ended December 31, 2023 and 2022 was $11,599 million and $11,018 million, respectively, an increase of $581 million, or 5%. This increase was primarily driven by strong operating results and lower marketing payments resulting from year-end accruals. These items were partially offset by an unfavorable impact due to foreign currency exchange rate fluctuations, higher interest and tax payments in the current year, the unfavorable impact from the extension of certain vendor payment terms in the prior year, payments resulting from the buildup of inventory in the prior year to manage potential supply chain disruptions, payments related to our restructuring initiatives and $167 million of the $275 million milestone payment for fairlife. Refer to Note 17 of Notes to Consolidated Financial Statements for additional information on the milestone payment for fairlife.

Cash Flows from Investing Activities

Net cash used in investing activities was $3,349 million and $763 million in 2023 and 2022, respectively.

Purchases of Investments and Proceeds from Disposals of Investments

In 2023, purchases of investments were $6,698 million and proceeds from disposals of investments were $4,354 million, resulting in a net cash outflow of $2,344 million. In 2022, purchases of investments were $3,751 million and proceeds from disposals of investments were $4,771 million, resulting in a net cash inflow of $1,020 million. This activity primarily represents the purchases of, and proceeds from the disposals of, investments in marketable securities and short-term investments that were made as part of the Company's overall cash management strategy. Also included in this activity are purchases of, and proceeds from the disposals of, investments held by our captive insurance companies.

Acquisitions of Businesses, Equity Method Investments and Nonmarketable Securities

In 2023 and 2022, the Company's acquisitions of businesses, equity method investments and nonmarketable securities totaled $62 million and $73 million, respectively.

Proceeds from Disposals of Businesses, Equity Method Investments and Nonmarketable Securities

In 2023 and 2022, proceeds from disposals of businesses, equity method investments and nonmarketable securities totaled $430 million and $458 million, respectively. Refer to Note 2 of Notes to Consolidated Financial Statements for additional information.

Purchases of Property, Plant and Equipment

Purchases of property, plant and equipment during the years ended December 31, 2023 and 2022 were $1,852 million and $1,484 million, respectively.

Total capital expenditures for property, plant and equipment and the percentage of such totals by operating segment and Corporate were as follows (in millions):

Year Ended December 31,	**2023**	2022
Capital expenditures	**$ 1,852**	$ 1,484
Europe, Middle East & Africa	**2.3%**	3.3%
Latin America	**—**	0.3
North America	**22.3**	18.9
Asia Pacific	**1.2**	1.5
Global Ventures	**10.4**	12.0
Bottling Investments	**45.5**	47.0
Corporate	**18.3**	17.0

Collateral (Paid) Received Associated with Hedging Activities — Net

Collateral received associated with our hedging activities during the year ended December 31, 2023 was $366 million and collateral paid associated with our hedging activities during the year ended December 31, 2022 was $1,465 million. Refer to Note 5 of Notes to Consolidated Financial Statements for additional information on our hedging activities.

Other Investing Activities

During the years ended December 31, 2023 and 2022, the total cash inflow for other investing activities was $39 million and $706 million, respectively. The activities during 2022 included cash proceeds of $823 million received in advance of the refranchising of our bottling operations in Vietnam. Refer to Note 2 of Notes to Consolidated Financial Statements for additional information on this transaction.

Cash Flows from Financing Activities

Net cash used in financing activities was $8,310 million and $10,250 million in 2023 and 2022, respectively.

Loans, Notes Payable and Long-Term Debt

Our Company maintains debt levels we consider prudent based on our cash flows, interest coverage ratio and percentage of debt to capital. We use debt financing to lower our overall cost of capital, which increases our return on shareowners' equity. This exposes us to adverse changes in interest rates. Our interest expense may also be affected by our credit ratings.

As of December 31, 2023, our long-term debt was rated "A+" by Standard & Poor's and "A1" by Moody's. Our commercial paper program was rated "A-1" by Standard & Poor's and "P-1" by Moody's. In assessing our credit strength, both rating agencies consider our capital structure (including the amount and maturity dates of our debt) and financial policies as well as the consolidated balance sheet and other financial information of the Company. In addition, certain rating agencies also consider the financial information of certain bottlers, including CCEP, Coca-Cola Consolidated, Inc., Coca-Cola FEMSA and Coca-Cola Hellenic. While the Company has no legal obligation for the debt of these bottlers, the rating agencies believe the strategic importance of the bottlers to the Company's business model provides the Company with an incentive to keep these bottlers viable. It is our expectation that these rating agencies will continue using this methodology. If our credit ratings were to be downgraded as a result of changes in our capital structure, our major bottlers' financial performance, changes in the credit rating agencies' methodology in assessing our credit strength, or for any other reason, our cost of borrowing could increase. Additionally, if certain bottlers' credit ratings were to decline, the Company's equity income could be reduced as a result of the potential increase in interest expense for those bottlers.

We monitor our financial ratios and, as indicated above, the rating agencies consider these ratios in assessing our credit ratings. Each rating agency employs a different aggregation methodology and has different thresholds for the various financial ratios. These thresholds are not necessarily permanent, nor are they always fully disclosed to our Company.

Our global presence and strong capital position give us access to key financial markets around the world, enabling us to borrow funds at a low effective cost. This posture, coupled with active management of our mix of short-term and long-term debt as well as our mix of fixed-rate and variable-rate debt, results in a lower overall cost of borrowing. Our debt management policies, in conjunction with our share repurchase program and investment activity, can result in current liabilities exceeding current assets.

During 2023, the Company had issuances of debt of $6,891 million, which included $6,436 million of issuances of commercial paper and short-term debt with maturities greater than 90 days, $222 million of net issuances of commercial paper and short-term debt with maturities of 90 days or less, and long-term debt issuances of $233 million, net of related discounts and issuance costs.

During 2023, the Company made payments of debt of $5,034 million, which consisted of $4,591 million of payments related to commercial paper and short-term debt with maturities greater than 90 days and payments of long-term debt of $443 million.

During 2022, the Company had issuances of debt of $3,972 million, which included $2,321 million of issuances of commercial paper and short-term debt with maturities greater than 90 days, $798 million of net issuances of commercial paper and short-term debt with maturities of 90 days or less, and long-term debt issuances of $853 million, net of related discounts and issuance costs.

During 2022, the Company made payments of debt of $4,930 million, which consisted of $3,623 million of payments related to commercial paper and short-term debt with maturities greater than 90 days and payments of long-term debt of $1,307 million.

On December 31, 2021, the United Kingdom's Financial Conduct Authority, the governing body responsible for regulating LIBOR, ceased to publish certain LIBOR reference rates. However, other LIBOR reference rates, including U.S. dollar overnight, 1-month, 3-month, 6-month and 12-month maturities, continued to be published through June 2023. As a result of the discontinuation of LIBOR, we have amended our LIBOR-referencing agreements to either reference the Secured Overnight Financing Rate or include mechanics for selecting an alternative rate. Refer to Note 5 of Notes to Consolidated Financial Statements for additional information on our hedging activities.

Issuances of Stock

The issuances of stock in 2023 and 2022 were related to the exercise of stock options by employees.

Purchases of Stock for Treasury

In 2012, our Board of Directors authorized a share repurchase plan of up to 500 million shares ("2012 Plan") of the Company's common stock. In May 2022, the Company reached the maximum number of shares that could be repurchased under the 2012 Plan and thereby completed the plan. In 2019, our Board of Directors authorized a new share repurchase plan of up to 150 million shares ("2019 Plan") of the Company's common stock.

During 2023, the total cash outflow for treasury stock purchases was $2,289 million. The Company repurchased 36.9 million shares of common stock under the 2019 Plan authorized by our Board of Directors. These shares were repurchased at an average price per share of $59.08, for a total cost of $2,177 million. The net impact of the Company's issuances of stock and treasury stock purchases during 2023 resulted in a net cash outflow of $1,750 million.

During 2022, the total cash outflow for treasury stock purchases was $1,418 million. The Company repurchased 21.3 million shares of common stock under the share repurchase plans authorized by our Board of Directors. These shares were repurchased at an average price per share of $62.67, for a total cost of $1,336 million. The net impact of the Company's issuances of stock and treasury stock purchases during 2022 resulted in a net cash outflow of $581 million.

Since the inception of our share repurchase program in 1984, we have repurchased 3.6 billion shares of our common stock at an average price per share of $17.96. In addition to shares repurchased under the share repurchase plans authorized by our Board of Directors, the Company's treasury stock activity also includes shares surrendered to the Company to pay the exercise price and/or to satisfy tax withholding obligations in connection with so-called stock swap exercises of employee stock options and/or the vesting of restricted stock issued to employees.

Dividends

The Company paid dividends of $7,952 million and $7,616 million during the years ended December 31, 2023 and 2022, respectively.

At its February 2024 meeting, our Board of Directors increased our regular quarterly dividend to $0.485 per share, equivalent to a full year dividend of $1.94 per share in 2024. This is our 62nd consecutive annual increase. Our annualized common stock dividend was $1.84 per share and $1.76 per share in 2023 and 2022, respectively.

Other Financing Activities

During the years ended December 31, 2023 and 2022, the total cash outflow for other financing activities was $465 million and $1,095 million, respectively. The activities during 2023 included $108 million of the $275 million milestone payment for fairlife. The activities during 2023 and 2022 also included payments totaling $311 million and $637 million, respectively, related to the BodyArmor acquisition, which included amounts originally held back for indemnification obligations. Additionally, other financing activities during 2022 included repayments of collateral related to our hedging programs of $403 million. Refer to Note 17 of Notes to Consolidated Financial Statements for additional information on the milestone payment for fairlife.

Contractual Obligations

As of December 31, 2023, the Company's contractual obligations, including payments due by period, were as follows (in millions):

	Payments Due by Period				
	Total	2024	2025-2026	2027-2028	2029 and Thereafter
Loans and notes payable:[1]					
Commercial paper borrowings	$ 4,209	$ 4,209	$ —	$ —	$ —
Lines of credit and other short-term borrowings	348	348	—	—	—
Current maturities of long-term debt[2]	1,960	1,960	—	—	—
Long-term debt, net of current maturities[2]	36,694	—	2,936	7,579	26,179
Estimated interest payments[3]	9,855	878	1,120	909	6,948
Accrued income taxes[4]	2,649	1,569	1,080	—	—
Purchase obligations[5]	23,392	13,701	3,330	2,057	4,304
Marketing obligations[6]	4,076	2,563	756	403	354
Lease obligations	2,007	444	562	363	638
Acquisition obligations[7]	3,030	13	3,017	—	—
Held-for-sale and related obligations[8]	903	809	64	21	9
Total contractual obligations	$ 89,123	$ 26,494	$ 12,865	$ 11,332	$ 38,432

[1] Refer to Note 11 of Notes to Consolidated Financial Statements for additional information regarding loans and notes payable. Upon payment of outstanding commercial paper, we typically issue new commercial paper. Lines of credit and other short-term borrowings are expected to fluctuate depending upon current liquidity needs, especially at international subsidiaries.

[2] Refer to Note 11 of Notes to Consolidated Financial Statements for additional information regarding long-term debt. We will consider several alternatives for settling this long-term debt, including the use of cash flows from operating activities, issuance of commercial paper or issuance of other long-term debt. The table above shows expected cash payments to be made by the Company and excludes the noncash portion of debt, including any fair value adjustments, unamortized discounts and premiums.

[3] We calculated estimated interest payments for our long-term debt based on the applicable rates and payment dates. For our variable-rate debt, we have assumed the December 31, 2023 rate for all periods presented. We expect to fund such interest payments with cash flows from operating activities and/or short-term borrowings.

[4] Refer to Note 15 of Notes to Consolidated Financial Statements for additional information regarding income taxes. Accrued income taxes include $2,029 million related to the one-time transition tax required by the Tax Reform Act. Liabilities of $1,476 million for unrecognized tax benefits plus accrued interest and penalties are not included in the total above. Currently, the settlement period for the unrecognized tax benefits cannot be determined. In addition, any payments related to unrecognized tax benefits may be partially or fully offset by reductions in payments in other jurisdictions.

[5] Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms. These agreements include long-term contractual obligations, open purchase orders, accounts payable and certain accrued liabilities. We expect to fund these purchase obligations with cash flows from operating activities.

[6] We expect to fund these marketing obligations with cash flows from operating activities.

[7] Primarily represents our contingent consideration liability related to our acquisition of fairlife. Refer to Note 17 of Notes to Consolidated Financial Statements.

[8] Represents liabilities and contractual obligations that were classified as held for sale related to the Company's bottling operations in the Philippines and Bangladesh and certain bottling operations in India. Refer to Note 2 of Notes to Consolidated Financial Statements for additional information.

The total accrued liability for pension and other postretirement benefit plans recognized as of December 31, 2023 was $948 million. Refer to Note 14 of Notes to Consolidated Financial Statements. This amount is impacted by, among other items, net periodic benefit cost or income, plan funding levels, plan amendments, changes in plan demographics and assumptions, and the investment return on plan assets. Because the accrued liability does not represent expected liquidity needs, we did not include this amount in the table above.

We expect to make all contributions to our pension trusts with cash flows from operating activities. Our pension plans are generally funded in accordance with local laws and tax regulations. The Company expects to contribute approximately $47 million in 2024 to our pension trusts, all of which will be allocated to our international plans. Refer to Note 14 of Notes to Consolidated Financial Statements. We did not include our estimated contributions to our pension trusts in the table above.

As of December 31, 2023, the projected benefit obligation of the U.S. qualified pension plan was $4,094 million, and the fair value of the plan assets was $4,056 million. The projected benefit obligation of all pension plans other than the U.S. qualified pension plan was $2,450 million, and the fair value of the plans' assets was $3,204 million. The Company sponsors various unfunded pension plans outside the United States as well as unfunded nonqualified pension plans covering certain U.S. employees. These U.S. nonqualified pension plans provide benefits that are not permitted to be funded through a qualified plan because of limits imposed by the Internal Revenue Code of 1986. The expected benefit payments for these unfunded pension plans are not included in the table above. However, we anticipate benefit payments for these unfunded pension plans will be approximately $64 million annually for 2024 and 2025. Thereafter, the expected annual benefit payments will gradually decline. Refer to Note 14 of Notes to Consolidated Financial Statements.

In general, we are self-insured for large portions of many different types of claims; however, we do use commercial insurance above our self-insured retentions to reduce the Company's risk of catastrophic loss. Our reserves for the Company's self-insured losses are estimated using actuarial methods and assumptions of the insurance industry, adjusted for our specific expectations based on our claims history. As of December 31, 2023, our self-insurance reserves totaled $197 million. Refer to Note 12 of Notes to Consolidated Financial Statements. We did not include estimated payments related to our self-insurance reserves in the table above.

Deferred income tax liabilities as of December 31, 2023 were $2,639 million. Refer to Note 15 of Notes to Consolidated Financial Statements. This amount is not included in the table above because we believe that presentation would not be meaningful. Deferred income tax liabilities are calculated based on temporary differences between the tax bases of assets and liabilities and their respective book bases, which will result in taxable amounts in future years when the underlying assets or liabilities are settled at their reported financial statement amounts. The results of these calculations do not have a direct connection with the amount of cash taxes to be paid in any future years. As a result, scheduling deferred income tax liabilities as payments due by period could be misleading, because this scheduling would not relate to liquidity needs.

As of December 31, 2023, we were contingently liable for guarantees of indebtedness owed by third parties of $633 million, of which $87 million was related to VIEs. Our guarantees are primarily related to third-party customers, bottlers and vendors and arose through the normal course of business. These guarantees have various terms, and none of these guarantees is individually significant. These amounts represent the maximum potential future payments that we could be required to make under the guarantees. However, management has concluded that the likelihood of any significant amounts being paid by our Company under these guarantees is remote. As of December 31, 2023, we were not directly liable for the debt of any unconsolidated entity.

Foreign Exchange

Our international operations are subject to certain opportunities and risks, including currency fluctuations and governmental actions. We closely monitor our operations in each country and seek to adopt appropriate strategies that are responsive to changing economic and political environments as well as to fluctuations in currencies. Due to the geographic diversity of our operations, weakness in some currencies may be offset by strength in other currencies over time.

In 2023 and 2022, the weighted-average exchange rates for foreign currencies in which the Company conducted operations (all operating currencies), and for certain individual currencies, strengthened (weakened) against the U.S. dollar as follows:

Year Ended December 31,	**2023**	2022
All operating currencies	**(2)%**	(8)%
Australian dollar	**(5)**	(7)
Brazilian real	**3**	4
British pound	**2**	(11)
Chinese yuan	**(7)**	(3)
Euro	**3**	(11)
Indian rupee	**(6)**	(5)
Japanese yen	**(7)**	(17)
Mexican peso	**14**	1
Philippine peso	**(3)**	(9)
South African rand	**(11)**	(9)

The percentages in the table above do not include the effects of our hedging activities and, therefore, do not reflect the actual impact of fluctuations in foreign currency exchange rates on our operating results. Our hedging activities are designed to mitigate, over time, a portion of the potentially unfavorable impact of exchange rate fluctuations on our net income.

The total impact of foreign currency exchange rate fluctuations on net operating revenues, including the effect of our hedging activities, was a decrease of 4% and 7% in 2023 and 2022, respectively. The total impact of foreign currency exchange rate fluctuations on income before income taxes, including the effect of our hedging activities, was a decrease of 8% and 6% in 2023 and 2022, respectively.

Foreign currency exchange gains and losses are primarily the result of the remeasurement of monetary assets and liabilities from certain currencies into functional currencies. The effects of the remeasurement of these assets and liabilities are partially offset by the impact of our economic hedging program for certain exposures on our consolidated balance sheet. Refer to Note 5 of Notes to Consolidated Financial Statements. Foreign currency exchange gains and losses are recorded in the line item other income (loss) — net in our consolidated statement of income. Refer to the heading "Operations Review — Other Income (Loss) — Net" above. The Company recorded net foreign currency exchange losses of $312 million and $236 million during the years ended December 31, 2023 and 2022, respectively.

Impact of Inflation and Changing Prices

Inflation affects the way we operate in many markets around the world. In general, we believe that, over time, we will be able to increase prices to counteract the majority of the inflationary effects of increasing costs and to generate sufficient cash flows to maintain our productive capability.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our Company uses derivative financial instruments primarily to reduce our exposure to adverse fluctuations in foreign currency exchange rates, interest rates, commodity prices and other market risks. We do not enter into derivative financial instruments for trading purposes. As a matter of policy, all of our derivative positions are used to reduce risk by hedging an underlying economic exposure. Because of the high correlation between the hedging instruments and the underlying exposures, fluctuations in the values of the instruments are generally offset by reciprocal changes in the values of the underlying exposures.

We monitor our exposure to market risks using several objective measurement systems, including a sensitivity analysis to measure our exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. Refer to Note 5 of Notes to Consolidated Financial Statements for additional information about our hedging transactions and derivative financial instruments.

Foreign Currency Exchange Rates

We manage most of our foreign currency exposures on a consolidated basis, which allows us to net certain exposures and take advantage of any natural offsets. In 2023, we generated $29.2 billion of our net operating revenues from operations outside the United States. Due to the geographic diversity of our operations, weakness in some currencies may be offset by strength in other currencies over time. We use derivative financial instruments to further reduce our net exposure to foreign currency exchange rate fluctuations.

Our Company enters into forward exchange contracts and purchases foreign currency options and collars (principally euro, British pound and Japanese yen) to hedge certain portions of forecasted cash flows denominated in foreign currencies. Additionally, we enter into forward exchange contracts to offset the earnings impact related to foreign currency exchange rate fluctuations on certain monetary assets and liabilities. We also enter into forward exchange contracts as hedges of net investments in foreign operations.

The total notional values of our foreign currency derivatives were $17,505 million and $11,370 million as of December 31, 2023 and 2022, respectively. These values included derivative instruments that were designated and qualified for hedge accounting along with derivative instruments that are economic hedges. The fair value of foreign currency derivatives that qualified for hedge accounting resulted in a net unrealized gain of $22 million as of December 31, 2023, and we estimate that a 10% weakening of the U.S. dollar would have resulted in a $278 million decrease in fair value. The fair value of the foreign currency derivatives that did not qualify for hedge accounting resulted in a net unrealized loss of $15 million as of December 31, 2023, and we estimate that a 10% weakening of the U.S. dollar would have resulted in a $161 million decrease in fair value.

Interest Rates

The Company is subject to interest rate volatility with regard to existing and future issuances of debt. We monitor our mix of fixed-rate and variable-rate debt as well as our mix of short-term debt and long-term debt. From time to time, we enter into interest rate swap agreements to manage our exposure to interest rate fluctuations.

Based on the Company's variable-rate debt and derivative instruments outstanding as of December 31, 2023, we estimate that a 1 percentage point increase in interest rates would have increased interest expense by $134 million in 2023. However, this increase in interest expense would have been partially offset by the increase in interest income due to higher interest rates.

The Company is subject to interest rate risk related to its investments in highly liquid debt securities. These investments are primarily managed by external managers within the guidelines of the Company's investment policy. Our policy requires these investments to be investment grade, with the primary objective of minimizing the risk of principal loss. In addition, our policy limits the amount of credit exposure to any one issuer. We estimate that a 1 percentage point increase in interest rates would have resulted in a $29 million decrease in the fair value of our portfolio of highly liquid debt securities.

Commodity Prices

The Company is subject to market risk with respect to commodity price fluctuations, principally related to our purchases of sweeteners, metals, juices, PET and fuels. We manage our exposure to commodity risks primarily through the use of supplier pricing agreements, which enable us to establish the purchase prices for certain inputs that are used in our manufacturing and distribution operations. When deemed appropriate, we use derivative financial instruments to further manage our exposure to commodity risks. Certain of these derivatives do not qualify for hedge accounting, but they are effective economic hedges that help the Company mitigate the price risk associated with the purchases and transportation of materials used in our manufacturing processes.

The total notional values of our commodity derivatives were $379 million and $371 million as of December 31, 2023 and 2022, respectively. These values included derivative instruments that were designated and qualified for hedge accounting along with derivative instruments that are economic hedges. The fair value of commodity derivatives that qualified for hedge accounting resulted in a net unrealized loss of $3 million as of December 31, 2023, and we estimate that a 10% decrease in underlying commodity prices would have resulted in a $3 million decrease in fair value. The fair value of the commodity derivatives that did not qualify for hedge accounting resulted in a net loss of $58 million as of December 31, 2023, and we estimate that a 10% decrease in underlying commodity prices would have resulted in a $54 million decrease in fair value.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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