

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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THE COCA-COLA COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

Year Ended December 31, (In millions except per share data)	2005	2004	2003
NET OPERATING REVENUES	\$ 23,104	\$ 21,742	\$ 20,857
Cost of goods sold	8,195	7,674	7,776
GROSS PROFIT	14,909	14,068	13,081
Selling, general and administrative expenses	8,739	7,890	7,287
Other operating charges	85	480	573
OPERATING INCOME	6,085	5,698	5,221
Interest income	235	157	176
Interest expense	240	196	178
Equity income — net	680	621	406
Other loss — net	(93)	(82)	(138)
Gains on issuances of stock by equity investees	23	24	8
INCOME BEFORE INCOME TAXES	6,690	6,222	5,495
Income taxes	1,818	1,375	1,148
NET INCOME	\$ 4,872	\$ 4,847	\$ 4,347
BASIC NET INCOME PER SHARE	\$ 2.04	\$ 2.00	\$ 1.77
DILUTED NET INCOME PER SHARE	\$ 2.04	\$ 2.00	\$ 1.77
AVERAGE SHARES OUTSTANDING	2,392	2,426	2,459
Effect of dilutive securities	1	3	3
AVERAGE SHARES OUTSTANDING ASSUMING DILUTION	2,393	2,429	2,462

Refer to Notes to Consolidated Financial Statements.

THE COCA-COLA COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

December 31,	2005	2004
(In millions except par value)		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,701	\$ 6,707
Marketable securities	66	61
Trade accounts receivable, less allowances of \$72 and \$69, respectively	2,281	2,244
Inventories	1,424	1,420
Prepaid expenses and other assets	1,778	1,849
TOTAL CURRENT ASSETS	10,250	12,281
INVESTMENTS		
Equity method investments:		
Coca-Cola Enterprises Inc.	1,731	1,569
Coca-Cola Hellenic Bottling Company S.A.	1,039	1,067
Coca-Cola FEMSA, S.A. de C.V.	982	792
Coca-Cola Amatil Limited	748	736
Other, principally bottling companies	2,062	1,733
Cost method investments, principally bottling companies	360	355
TOTAL INVESTMENTS	6,922	6,252
OTHER ASSETS	2,648	2,981
PROPERTY, PLANT AND EQUIPMENT — net	5,786	6,091
TRADEMARKS WITH INDEFINITE LIVES	1,946	2,037
GOODWILL	1,047	1,097
OTHER INTANGIBLE ASSETS	828	702
TOTAL ASSETS	\$ 29,427	\$ 31,441
LIABILITIES AND SHAREOWNERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 4,493	\$ 4,403
Loans and notes payable	4,518	4,531
Current maturities of long-term debt	28	1,490
Accrued income taxes	797	709
TOTAL CURRENT LIABILITIES	9,836	11,133
LONG-TERM DEBT	1,154	1,157
OTHER LIABILITIES	1,730	2,814
DEFERRED INCOME TAXES	352	402
SHAREOWNERS' EQUITY		
Common stock, \$0.25 par value; Authorized — 5,600 shares;		
Issued — 3,507 and 3,500 shares, respectively	877	875
Capital surplus	5,492	4,928
Reinvested earnings	31,299	29,105
Accumulated other comprehensive income (loss)	(1,669)	(1,348)
Treasury stock, at cost — 1,138 and 1,091 shares, respectively	(19,644)	(17,625)
TOTAL SHAREOWNERS' EQUITY	16,355	15,935
TOTAL LIABILITIES AND SHAREOWNERS' EQUITY	\$ 29,427	\$ 31,441

Refer to Notes to Consolidated Financial Statements.

THE COCA-COLA COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31, (In millions)	2005	2004	2003
OPERATING ACTIVITIES			
Net income	\$ 4,872	\$ 4,847	\$ 4,347
Depreciation and amortization	932	893	850
Stock-based compensation expense	324	345	422
Deferred income taxes	(88)	162	(188)
Equity income or loss, net of dividends	(446)	(476)	(294)
Foreign currency adjustments	47	(59)	(79)
Gains on issuances of stock by equity investees	(23)	(24)	(8)
Gains on sales of assets, including bottling interests	(9)	(20)	(5)
Other operating charges	85	480	330
Other items	299	437	249
Net change in operating assets and liabilities	430	(617)	(168)
Net cash provided by operating activities	6,423	5,968	5,456
INVESTING ACTIVITIES			
Acquisitions and investments, principally trademarks and bottling companies	(637)	(267)	(359)
Purchases of investments and other assets	(53)	(46)	(177)
Proceeds from disposals of investments and other assets	33	161	147
Purchases of property, plant and equipment	(899)	(755)	(812)
Proceeds from disposals of property, plant and equipment	88	341	87
Other investing activities	(28)	63	178
Net cash used in investing activities	(1,496)	(503)	(936)
FINANCING ACTIVITIES			
Issuances of debt	178	3,030	1,026
Payments of debt	(2,460)	(1,316)	(1,119)
Issuances of stock	230	193	98
Purchases of stock for treasury	(2,055)	(1,739)	(1,440)
Dividends	(2,678)	(2,429)	(2,166)
Net cash used in financing activities	(6,785)	(2,261)	(3,601)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	(148)	141	183
CASH AND CASH EQUIVALENTS			
Net increase (decrease) during the year	(2,006)	3,345	1,102
Balance at beginning of year	6,707	3,362	2,260
Balance at end of year	\$ 4,701	\$ 6,707	\$ 3,362

Refer to Notes to Consolidated Financial Statements.

THE COCA-COLA COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREOWNERS' EQUITY

Year Ended December 31,	2005	2004	2003
(In millions except per share data)			
NUMBER OF COMMON SHARES OUTSTANDING			
Balance at beginning of year	2,409	2,442	2,471
Stock issued to employees exercising stock options	7	5	4
Purchases of stock for treasury ¹	(47)	(38)	(33)
Balance at end of year	2,369	2,409	2,442
COMMON STOCK			
Balance at beginning of year	\$ 875	\$ 874	\$ 873
Stock issued to employees exercising stock options	2	1	1
Balance at end of year	877	875	874
CAPITAL SURPLUS			
Balance at beginning of year	4,928	4,395	3,857
Stock issued to employees exercising stock options	229	175	105
Tax benefit from employees' stock option and restricted stock plans	11	13	11
Stock-based compensation	324	345	422
Balance at end of year	5,492	4,928	4,395
REINVESTED EARNINGS			
Balance at beginning of year	29,105	26,687	24,506
Net income	4,872	4,847	4,347
Dividends (per share — \$1.12, \$1.00 and \$0.88 in 2005, 2004 and 2003, respectively)	(2,678)	(2,429)	(2,166)
Balance at end of year	31,299	29,105	26,687
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)			
Balance at beginning of year	(1,348)	(1,995)	(3,047)
Net foreign currency translation adjustment	(396)	665	921
Net gain (loss) on derivatives	57	(3)	(33)
Net change in unrealized gain on available-for-sale securities	13	39	40
Net change in minimum pension liability	5	(54)	124
Net other comprehensive income adjustments	(321)	647	1,052
Balance at end of year	(1,669)	(1,348)	(1,995)
TREASURY STOCK			
Balance at beginning of year	(17,625)	(15,871)	(14,389)
Purchases of treasury stock	(2,019)	(1,754)	(1,482)
Balance at end of year	(19,644)	(17,625)	(15,871)
TOTAL SHAREOWNERS' EQUITY	\$ 16,355	\$ 15,935	\$ 14,090
COMPREHENSIVE INCOME			
Net income	\$ 4,872	\$ 4,847	\$ 4,347
Net other comprehensive income adjustments	(321)	647	1,052
TOTAL COMPREHENSIVE INCOME	\$ 4,551	\$ 5,494	\$ 5,399

¹ Common stock purchased from employees exercising stock options numbered 0.5 shares, 0.4 shares and 0.4 shares for the years ended December 31, 2005, 2004 and 2003, respectively.

Refer to Notes to Consolidated Financial Statements.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

The Coca-Cola Company is predominantly a manufacturer, distributor and marketer of nonalcoholic beverage concentrates and syrups. We also manufacture, distribute and market some finished beverages. In these notes, the terms “Company,” “we,” “us” or “our” mean The Coca-Cola Company and all subsidiaries included in the consolidated financial statements. Operating in more than 200 countries worldwide, we primarily sell our concentrates and syrups, as well as some finished beverages, to bottling and canning operations, distributors, fountain wholesalers and fountain retailers. We also market and distribute juice and juice drinks, sports drinks, water products, teas, coffees and other beverage products. Additionally, we have ownership interests in numerous bottling and canning operations. Significant markets for our products exist in all the world’s geographic regions.

Basis of Presentation and Consolidation

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. Our Company consolidates all entities that we control by ownership of a majority voting interest as well as variable interest entities for which our Company is the primary beneficiary. Refer to the heading “Variable Interest Entities,” below, for a discussion of variable interest entities.

We use the equity method to account for our investments for which we have the ability to exercise significant influence over operating and financial policies. Consolidated net income includes our Company’s share of the net income of these companies.

We use the cost method to account for our investments in companies that we do not control and for which we do not have the ability to exercise significant influence over operating and financial policies. In accordance with the cost method, these investments are recorded at cost or fair value, as appropriate.

We eliminate from our financial results all significant intercompany transactions, including the intercompany transactions with variable interest entities and the intercompany portion of transactions with equity method investees.

Certain amounts in the prior years’ consolidated financial statements have been reclassified to conform to the current-year presentation.

Variable Interest Entities

In December 2003, the Financial Accounting Standards Board (“FASB”) issued FASB Interpretation No. 46 (revised December 2003), “Consolidation of Variable Interest Entities” (“Interpretation 46(R)"). Application of this interpretation was required in our consolidated financial statements for the year ended December 31, 2003, for interests in variable interest entities that were considered to be special-purpose entities. Our Company determined that we did not have any arrangements or relationships with special-purpose entities. Application of Interpretation 46(R) for all other types of variable interest entities was required for our Company effective April 2, 2004.

Interpretation 46(R) addresses the consolidation of business enterprises to which the usual condition (ownership of a majority voting interest) of consolidation does not apply. This interpretation focuses on controlling financial interests that may be achieved through arrangements that do not involve voting interests. It concludes that in the absence of clear control through voting interests, a company’s exposure (variable interest) to the economic risks and potential rewards from the variable interest entity’s assets and activities is the best

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

evidence of control. If an enterprise holds a majority of the variable interests of an entity, it would be considered the primary beneficiary. Upon consolidation, the primary beneficiary is generally required to include assets, liabilities and noncontrolling interests at fair value and subsequently account for the variable interest as if it were consolidated based on majority voting interest.

In our consolidated financial statements as of December 31, 2003, and prior to December 31, 2003, we consolidated all entities that we controlled by ownership of a majority of voting interests. As a result of Interpretation 46(R), effective as of April 2, 2004, our consolidated balance sheets include the assets and liabilities of:

- all entities in which the Company has ownership of a majority of voting interests; and, additionally,
- all variable interest entities for which we are the primary beneficiary.

Our Company holds interests in certain entities, primarily bottlers, previously accounted for under the equity method of accounting that are considered variable interest entities. These variable interests relate to profit guarantees or subordinated financial support for these entities. Upon adoption of Interpretation 46(R) as of April 2, 2004, we consolidated assets of approximately \$383 million and liabilities of approximately \$383 million that were previously not recorded on our consolidated balance sheets. We did not record a cumulative effect of an accounting change, and prior periods were not restated. The results of operations of these variable interest entities were included in our consolidated results beginning April 3, 2004, and did not have a material impact for the year ended December 31, 2004. Our Company's investment, plus any loans and guarantees, related to these variable interest entities totaled approximately \$263 million and \$313 million at December 31, 2005 and 2004, respectively, representing our maximum exposures to loss. Any creditors of the variable interest entities do not have recourse against the general credit of the Company as a result of including these variable interest entities in our consolidated financial statements.

Use of Estimates and Assumptions

The preparation of our consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in our consolidated financial statements and accompanying notes. Although these estimates are based on our knowledge of current events and actions we may undertake in the future, actual results may ultimately differ from estimates and assumptions.

Risks and Uncertainties

Factors that could adversely impact the Company's operations or financial results include, but are not limited to, the following: obesity concerns; water scarcity and quality; changes in the nonalcoholic beverages business environment; increased competition; an inability to enter or expand in developing and emerging markets; fluctuations in foreign currency exchange and interest rates; the ability to maintain good relationships with our bottling partners; a deterioration in our bottling partners' financial condition; strikes or work stoppages (including at key manufacturing locations); increased cost of energy; increased cost, disruption of supply or shortage of raw materials; changes in laws and regulations relating to our business, including those regarding beverage containers and packaging; additional labeling or warning requirements; unfavorable economic and political conditions in international markets; changes in commercial and market practices within the European Economic Area; litigation or legal proceedings; adverse weather conditions; an inability to maintain brand image and product issues such as product recalls; changes in the legal and regulatory environment in various countries

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

in which we operate; changes in accounting and taxation standards including an increase in tax rates; an inability to achieve our overall long-term goals; an inability to protect our information systems; future impairment charges; and global or regional catastrophic events.

Our Company monitors our operations with a view to minimizing the impact to our overall business that could arise as a result of the risks and uncertainties inherent in our business.

Revenue Recognition

Our Company recognizes revenue when persuasive evidence of an arrangement exists, delivery of products has occurred, the sales price charged is fixed or determinable, and collectibility is reasonably assured. For our Company, this generally means that we recognize revenue when title to our products is transferred to our bottling partners, resellers or other customers. In particular, title usually transfers upon shipment to or receipt at our customers' locations, as determined by the specific sales terms of the transactions.

In addition, our customers can earn certain incentives, which are included in deductions from revenue, a component of net operating revenues in the consolidated statements of income. These incentives include, but are not limited to, cash discounts, funds for promotional and marketing activities, volume-based incentive programs and support for infrastructure programs (refer to the heading "Other Assets"). The aggregate deductions from revenue recorded by the Company in relation to these programs, including amortization expense on infrastructure initiatives, was approximately \$3.7 billion, \$3.6 billion and \$3.6 billion for the years ended December 31, 2005, 2004 and 2003, respectively.

Advertising Costs

Our Company expenses production costs of print, radio, television and other advertisements as of the first date the advertisements take place. Advertising costs included in selling, general and administrative expenses were approximately \$2.5 billion, \$2.2 billion and \$1.8 billion for the years ended December 31, 2005, 2004 and 2003, respectively. As of December 31, 2005 and 2004, advertising and production costs of approximately \$170 million and \$171 million, respectively, were recorded in prepaid expenses and other assets and in noncurrent other assets in our consolidated balance sheets.

Stock-Based Compensation

Our Company currently sponsors stock option plans and restricted stock award plans. Effective January 1, 2002, our Company adopted the preferable fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation." The fair values of the stock awards are determined using a single estimated expected life. The compensation expense is recognized on a straight-line basis over the vesting period. Refer to Note 14.

Issuances of Stock by Equity Method Investees

When one of our equity method investees issues additional shares to third parties, our percentage ownership interest in the investee decreases. In the event the issuance price per share is higher or lower than our average carrying amount per share, we recognize a noncash gain or loss on the issuance. This noncash gain or loss, net of any deferred taxes, is generally recognized in our net income in the period the change of ownership interest occurs.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

If gains have been previously recognized on issuances of an equity method investee's stock and shares of the equity method investee are subsequently repurchased by the equity method investee, gain recognition does not occur on issuances subsequent to the date of a repurchase until shares have been issued in an amount equivalent to the number of repurchased shares. This type of transaction is reflected as an equity transaction, and the net effect is reflected in our consolidated balance sheets. Refer to Note 3.

Income Taxes

Income tax expense includes United States, state, local and international income taxes, plus a provision for U.S. taxes on undistributed earnings of foreign subsidiaries not deemed to be indefinitely reinvested. Deferred tax assets and liabilities are recognized for the tax consequences of temporary differences between the financial reporting and the tax basis of existing assets and liabilities. The tax rate used to determine the deferred tax assets and liabilities is the enacted tax rate for the year in which the differences are expected to reverse. Valuation allowances are recorded to reduce deferred tax assets to the amount that will more likely than not be realized. Refer to Note 16.

Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted average number of common shares outstanding during the reporting period. Diluted net income per share is computed similarly to basic net income per share except that it includes the potential dilution that could occur if dilutive securities were exercised. Approximately 180 million, 151 million and 145 million stock option awards were excluded from the computations of diluted net income per share in 2005, 2004 and 2003, respectively, because the awards would have been antidilutive for the periods presented.

Cash Equivalents

We classify marketable securities that are highly liquid and have maturities of three months or less at the date of purchase as cash equivalents. We manage our exposure to counterparty credit risk through specific minimum credit standards, diversification of counterparties and procedures to monitor our credit risk concentrations.

Trade Accounts Receivable

We record trade accounts receivable at net realizable value. This value includes an appropriate allowance for estimated uncollectible accounts to reflect any loss anticipated on the trade accounts receivable balances and charged to the provision for doubtful accounts. We calculate this allowance based on our history of write-offs, level of past due-accounts based on the contractual terms of the receivables, and our relationships with and economic status of our bottling partners and customers.

A significant portion of our net revenues is derived from sales of our products in international markets. Refer to Note 20. We also generate a significant portion of our net revenues by selling concentrates and syrups to bottlers in which we have a noncontrolling interest, including Coca-Cola Enterprises Inc. ("CCE"), Coca-Cola Hellenic Bottling Company S.A. ("Coca-Cola HBC"), Coca-Cola FEMSA, S.A. de C.V. ("Coca-Cola FEMSA") and Coca-Cola Amatil Limited ("Coca-Cola Amatil"). Refer to Note 2.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories consist primarily of raw materials, supplies, concentrates and syrups and are valued at the lower of cost or market. We determine cost on the basis of average cost or first-in, first-out methods.

Recoverability of Equity Method and Cost Method Investments

Management periodically assesses the recoverability of our Company's equity method and cost method investments. For publicly traded investments, readily available quoted market prices are an indication of the fair value of our Company's investments. For nonpublicly traded investments, if an identified event or change in circumstances requires an impairment evaluation, management assesses fair value based on valuation methodologies, including discounted cash flows, estimates of sales proceeds and external appraisals, as appropriate. We consider the assumptions that we believe hypothetical marketplace participants would use in evaluating estimated future cash flows when employing the discounted cash flows and estimates of sales proceeds valuation methodologies. If an investment is considered to be impaired and the decline in value is other than temporary, we record a write-down.

Other Assets

Our Company advances payments to certain customers for marketing to fund future activities intended to generate profitable volume, and we expense such payments over the applicable period. Advance payments are also made to certain customers for distribution rights. Additionally, our Company invests in infrastructure programs with our bottlers that are directed at strengthening our bottling system and increasing unit case volume. When facts and circumstances indicate that the carrying value of the assets may not be recoverable, management evaluates the recoverability of these assets by preparing estimates of sales volume, the resulting gross profit and cash flows. Costs of these programs are recorded in prepaid expenses and other assets and noncurrent other assets and are being amortized over the remaining periods to be directly benefited, which range from 1 to 13 years. Amortization expense for infrastructure programs was approximately \$134 million, \$136 million and \$153 million for the years ended December 31, 2005, 2004 and 2003, respectively. Refer to heading "Revenue Recognition," above, and Note 2.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Repair and maintenance costs that do not improve service potential or extend economic life are expensed as incurred. Depreciation is recorded principally by the straight-line method over the estimated useful lives of our assets, which generally have the following ranges: buildings and improvements: 40 years or less; machinery and equipment: 15 years or less; containers: 10 years or less. Land is not depreciated, and construction in progress is not depreciated until ready for service and capitalized. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term or the estimated useful life of the improvement. Depreciation expense totaled approximately \$752 million, \$715 million and \$667 million for the years ended December 31, 2005, 2004 and 2003, respectively. Amortization expense for leasehold improvements totaled approximately \$17 million, \$7 million and \$7 million for the years ended December 31, 2005, 2004 and 2003, respectively. Refer to Note 4.

Management assesses the recoverability of the carrying amount of property, plant and equipment if certain events or changes in circumstances indicate that the carrying value of such assets may not be recoverable, such as a significant decrease in market value of the assets or a significant change in the business conditions in a particular market. If we determine that the carrying value of an asset is not recoverable based on expected

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

undiscounted future cash flows, excluding interest charges, we record an impairment loss equal to the excess of the carrying amount of the asset over its fair value.

Goodwill, Trademarks and Other Intangible Assets

In accordance with SFAS No. 142, “Goodwill and Other Intangible Assets,” we classify intangible assets into three categories: (1) intangible assets with definite lives subject to amortization; (2) intangible assets with indefinite lives not subject to amortization; and (3) goodwill. We do not amortize intangible assets with indefinite lives and goodwill. We test intangible assets with definite lives for impairment if conditions exist that indicate the carrying value may not be recoverable. Such conditions may include an economic downturn in a geographic market or a change in the assessment of future operations. For intangible assets with indefinite lives and goodwill, we perform tests for impairment at least annually or more frequently if events or circumstances indicate that assets might be impaired. Such tests for impairment are also required for intangible assets and/or goodwill recorded by our equity method investees. All goodwill is assigned to reporting units, which are one level below our operating segments. Goodwill is assigned to the reporting unit that benefits from the synergies arising from each business combination. We perform our impairment tests of goodwill at our reporting unit level. Such impairment tests for goodwill include comparing the fair value of a reporting unit with its carrying value, including goodwill. We record an impairment charge if the carrying value of the asset exceeds its fair value. Fair values are derived using discounted cash flow analyses with a number of scenarios, where applicable, that are weighted based on the probability of different outcomes. When appropriate, we consider the assumptions that we believe hypothetical marketplace participants would use in estimating future cash flows. In addition, where applicable, an appropriate discount rate is used, based on the Company’s cost of capital rate or location-specific economic factors. In case the fair value is less than the carrying value of the assets, we record an impairment charge to reduce the carrying value of the assets to fair value. These impairment charges are generally recorded in the line item other operating charges or equity income—net in the consolidated statements of income.

Our Company determines the useful lives of our identifiable intangible assets after considering the specific facts and circumstances related to each intangible asset. Factors we consider when determining useful lives include the contractual term of any agreement, the history of the asset, the Company’s long-term strategy for the use of the asset, any laws or other local regulations which could impact the useful life of the asset and, other economic factors, including competition and specific market conditions. Intangible assets that are deemed to have definite lives are amortized, generally on a straight-line basis, over their useful lives, ranging from 1 to 48 years. Refer to Note 5.

Derivative Financial Instruments

Our Company accounts for derivative financial instruments in accordance with SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities,” as amended by SFAS No. 137, “Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of FASB Statement No. 133—an amendment of FASB Statement No. 133,” SFAS No. 138, “Accounting for Certain Derivative Instruments and Certain Hedging Activities—an amendment of FASB Statement No. 133,” and SFAS No. 149, “Amendment of Statement 133 on Derivative Instruments and Hedging Activities.” We recognize all derivative instruments as either assets or liabilities at fair value in our consolidated balance sheets, with fair values of foreign currency derivatives estimated based on quoted market prices or pricing models using current market rates. Refer to Note 11.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement-Related Benefits

Using appropriate actuarial methods and assumptions, our Company accounts for defined benefit pension plans in accordance with SFAS No. 87, "Employers' Accounting for Pensions." We account for our nonpension postretirement benefits in accordance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." In 2003, we adopted SFAS No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits," ("SFAS No. 132(R)") for all U.S. plans. As permitted by this standard, in 2004, we adopted the disclosure provisions for all foreign plans. SFAS No. 132(R) requires additional disclosures about the assets, obligations, cash flows and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. This statement did not change the measurement or recognition of those plans required by SFAS No. 87, SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," or SFAS No. 106. Refer to Note 15 for a description of how we determine our principal assumptions for pension and postretirement benefit accounting.

Contingencies

Our Company is involved in various legal proceedings and tax matters. Due to their nature, such legal proceedings and tax matters involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties and governmental actions. Management assesses the probability of loss for such contingencies and accrues a liability and/or discloses the relevant circumstances, as appropriate. Refer to Note 12.

Business Combinations

In accordance with SFAS No. 141, "Business Combinations," we account for all business combinations by the purchase method. Furthermore, we recognize intangible assets apart from goodwill if they arise from contractual or legal rights or if they are separable from goodwill.

Recent Accounting Standards and Pronouncements

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections, a replacement of Accounting Principles Board ("APB") Opinion No. 20 and FASB Statement No. 3." SFAS No. 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle unless it is impracticable. APB Opinion No. 20, "Accounting Changes," previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. SFAS No. 154 became effective for our Company on January 1, 2006. We believe that the adoption of SFAS No. 154 will not have a material impact on our consolidated financial statements.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29." SFAS No. 153 is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. APB Opinion No. 29, "Accounting for Nonmonetary Transactions," provided an exception to its basic measurement principle (fair value) for exchanges of similar productive assets. Under APB Opinion No. 29, an exchange of a productive asset for a similar productive asset was based on the recorded amount of the asset relinquished. SFAS No. 153 eliminates this exception and replaces it with an exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS No. 153 became effective for our Company as of July 2, 2005, and did not have a material impact on our

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

consolidated financial statements. The Company will continue to apply the requirements of SFAS No. 153 on any future nonmonetary exchange transactions.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share Based Payment" ("SFAS No. 123(R)"). SFAS No. 123(R) supercedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and amends SFAS No. 95, "Statement of Cash Flows." Generally, the approach in SFAS No. 123(R) is similar to the approach described in SFAS No. 123. In 2005, our Company used the Black-Scholes-Merton formula to estimate the fair value of stock options granted to employees. Our Company adopted SFAS No. 123(R), using the modified-prospective method, beginning January 1, 2006. Based on the terms of our plans, our Company did not have a cumulative effect related to its plans. We do not expect the adoption of SFAS No. 123(R) to have a material impact on our Company's future stock-based compensation expense. Additionally, our equity method investees are also required to adopt SFAS No. 123(R) no later than January 1, 2006. Our proportionate share of the stock-based compensation expense resulting from the adoption of SFAS No. 123(R) by our equity method investees will be recognized as a reduction to equity income. We do not believe the adoption of SFAS No. 123(R) by our equity method investees will have a material impact on our consolidated financial statements.

During 2004, the FASB issued FASB Staff Position 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" ("FSP 106-2"). FSP 106-2 relates to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act"). The Act introduced a prescription drug benefit under Medicare known as Medicare Part D. The Act also established a federal subsidy to sponsors of retiree health care plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. During the second quarter of 2004, our Company adopted the provisions of FSP 106-2 retroactive to January 1, 2004. The adoption of FSP 106-2 did not have a material impact on our consolidated financial statements. Refer to Note 15.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an amendment of Accounting Research Bulletin No. 43, Chapter 4." SFAS No. 151 requires that abnormal amounts of idle facility expense, freight, handling costs and wasted materials (spoilage) be recorded as current period charges and that the allocation of fixed production overheads to inventory be based on the normal capacity of the production facilities. The Company adopted SFAS No. 151 on January 1, 2006. The Company does not believe that the adoption of SFAS No. 151 will have a material impact on our consolidated financial statements.

In October 2004, the American Jobs Creation Act of 2004 (the "Jobs Creation Act") was signed into law. The Jobs Creation Act includes a temporary incentive for U.S. multinationals to repatriate foreign earnings at an approximate 5.25 percent effective tax rate. Such repatriations must occur in either an enterprise's last tax year that began before the enactment date, or the first tax year that begins during the one-year period beginning on the date of enactment.

Issued in December 2004, FASB Staff Position 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004" ("FSP 109-2"), indicated that the lack of clarification of certain provisions within the Jobs Creation Act and the timing of the enactment necessitated a practical exception to the SFAS No. 109, "Accounting for Income Taxes," requirement to reflect in the period of enactment the effect of a new tax law. Accordingly, enterprises were allowed time beyond 2004 to evaluate the effect of the Jobs Creation Act on their plans for reinvestment or repatriation of foreign earnings for purposes of applying SFAS No. 109. Accordingly, in 2005, the Company repatriated \$6.1 billion of its previously unremitted earnings and recorded an associated tax expense of approximately \$315 million. Refer to Note 16.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In 2004, our Company recorded an income tax benefit of approximately \$50 million as a result of the realization of certain tax credits related to certain provisions of the Jobs Creation Act not related to repatriation provisions. Refer to Note 16.

Effective January 1, 2003, the Company adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force ("EITF") Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal plan be recognized when the liability is incurred. Under SFAS No. 146, an exit or disposal plan exists when the following criteria are met:

- Management, having the authority to approve the action, commits to a plan of termination.
- The plan identifies the number of employees to be terminated, their job classifications or functions and their locations, and the expected completion date.
- The plan establishes the terms of the benefit arrangement, including the benefits that employees will receive upon termination (including but not limited to cash payments), in sufficient detail to enable employees to determine the type and amount of benefits they will receive if they are involuntarily terminated.
- Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

SFAS No. 146 establishes that fair value is the objective for initial measurement of the liability. In cases where employees are required to render service beyond a minimum retention period until they are terminated in order to receive termination benefits, a liability for termination benefits is recognized ratably over the future service period. Under the previous rule, EITF Issue No. 94-3, a liability for the entire amount of the exit cost was recognized at the date that the entity met the four criteria described above. Refer to Note 18.

Effective January 1, 2003, our Company adopted the recognition and measurement provisions of FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("Interpretation 45"). This interpretation elaborates on the disclosures to be made by a guarantor in interim and annual financial statements about the obligations under certain guarantees. Interpretation 45 also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of this interpretation were applicable on a prospective basis to guarantees issued or modified after December 31, 2002. We do not currently provide significant guarantees on a routine basis. As a result, this interpretation has not had a material impact on our consolidated financial statements.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: BOTTLING INVESTMENTS

Coca-Cola Enterprises Inc.

CCE is a marketer, producer and distributor of bottle and can nonalcoholic beverages, operating in eight countries. On December 31, 2005, our Company owned approximately 36 percent of the outstanding common stock of CCE. We account for our investment by the equity method of accounting and, therefore, our operating results include our proportionate share of income resulting from our investment in CCE. As of December 31, 2005, our proportionate share of the net assets of CCE exceeded our investment by approximately \$281 million. This difference is not amortized.

A summary of financial information for CCE is as follows (in millions):

December 31,	2005	2004	
Current assets	\$ 3,395	\$ 3,371	
Noncurrent assets	21,962	23,090	
Total assets	\$ 25,357	\$ 26,461	
Current liabilities	\$ 3,846	\$ 3,451	
Noncurrent liabilities	15,868	17,632	
Total liabilities	\$ 19,714	\$ 21,083	
Shareowners' equity	\$ 5,643	\$ 5,378	
Company equity investment	\$ 1,731	\$ 1,569	
Year Ended December 31,	2005	2004	2003
Net operating revenues	\$ 18,706	\$ 18,158	\$ 17,330
Cost of goods sold	11,185	10,771	10,165
Gross profit	\$ 7,521	\$ 7,387	\$ 7,165
Operating income	\$ 1,431	\$ 1,436	\$ 1,577
Net income	\$ 514	\$ 596	\$ 676
Net income available to common shareowners	\$ 514	\$ 596	\$ 674

A summary of our significant transactions with CCE is as follows (in millions):

Year Ended December 31,	2005	2004	2003
Concentrate, syrup and finished product sales to CCE	\$ 5,125	\$ 5,203	\$ 5,084
Syrup and finished product purchases from CCE	428	428	403
CCE purchases of sweeteners through our Company	275	309	311
Marketing payments made by us directly to CCE	482	609	880
Marketing payments made to third parties on behalf of CCE	136	104	115
Local media and marketing program reimbursements from CCE	245	246	221
Payments made to CCE for dispensing equipment repair services	70	63	62

Syrup and finished product purchases from CCE represent purchases of fountain syrup in certain territories that have been resold by our Company to major customers and purchases of bottle and can products. Marketing

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: BOTTLING INVESTMENTS (Continued)

payments made by us directly to CCE represent support of certain marketing activities and our participation with CCE in cooperative advertising and other marketing activities to promote the sale of Company trademark products within CCE territories. These programs are agreed to on an annual basis. Marketing payments made to third parties on behalf of CCE represent support of certain marketing activities and programs to promote the sale of Company trademark products within CCE's territories in conjunction with certain of CCE's customers. Pursuant to cooperative advertising and trade agreements with CCE, we received funds from CCE for local media and marketing program reimbursements. Payments made to CCE for dispensing equipment repair services represent reimbursement to CCE for its costs of parts and labor for repairs on cooler, dispensing, or post-mix equipment owned by us or our customers.

In 2005, our equity income related to CCE decreased by approximately \$33 million as compared to 2004, related to our proportionate share of certain charges and gains recorded by CCE. Our proportionate share of CCE's charges included an approximate \$51 million decrease to equity income, primarily related to the tax liability recorded by CCE in the fourth quarter of 2005 resulting from the repatriation of previously unremitted foreign earnings under the Jobs Creation Act and approximately \$18 million due to restructuring charges recorded by CCE. These restructuring charges were primarily related to workforce reductions associated with the reorganization of CCE's North American operations, changes in executive management and elimination of certain positions in CCE's corporate headquarters. These charges were partially offset by an approximate \$37 million increase to equity income in the second quarter of 2005 resulting from CCE's high fructose corn syrup ("HFCS") lawsuit settlement proceeds and changes in certain of CCE's state and provincial tax rates. Refer to Note 17.

In the second quarter of 2004, our Company and CCE agreed to terminate the Sales Growth Initiative ("SGI") agreement and certain other marketing funding programs that were previously in place. Due to termination of these agreements, a significant portion of the cash payments to be made by us directly to CCE was eliminated prospectively. At the termination of these agreements, we agreed that the concentrate price that CCE pays us for sales made in the United States and Canada would be reduced. Total cash support paid by our Company under the SGI agreement prior to its termination was approximately \$58 million and approximately \$161 million for 2004 and 2003, respectively. These amounts are included in the line item marketing payments made by us directly to CCE in the table above.

In the second quarter of 2004, our Company and CCE agreed to establish a Global Marketing Fund, under which we expect to pay CCE \$62 million annually through December 31, 2014, as support for certain marketing activities. The term of the agreement will automatically be extended for successive 10-year periods thereafter unless either party gives written notice of termination of this agreement. The marketing activities to be funded under this agreement will be agreed upon each year as part of the annual joint planning process and will be incorporated into the annual marketing plans of both companies. We paid CCE \$62 million in 2005 and a pro rata amount of \$42 million for 2004. These amounts are included in the line item marketing payments made by us directly to CCE in the table above.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: BOTTLING INVESTMENTS (Continued)

Our Company previously entered into programs with CCE designed to help develop cold-drink infrastructure. Under these programs, our Company paid CCE for a portion of the cost of developing the infrastructure necessary to support accelerated placements of cold-drink equipment. These payments support a common objective of increased sales of Company trademarked beverages from increased availability and consumption in the cold-drink channel. In connection with these programs, CCE agreed to:

- (1) purchase and place specified numbers of Company-approved cold-drink equipment each year through 2010;
- (2) maintain the equipment in service, with certain exceptions, for a period of at least 12 years after placement;
- (3) maintain and stock the equipment in accordance with specified standards; and
- (4) annual reporting to our Company of minimum average annual unit case volume throughout the economic life of the equipment and other specified information.

CCE must achieve minimum average unit case volume for a 12-year period following the placement of equipment. These minimum average unit case volume levels ensure adequate gross profit from sales of concentrate to fully recover the capitalized costs plus a return on the Company's investment. Should CCE fail to purchase the specified numbers of cold-drink equipment for any calendar year through 2010, the parties agreed to mutually develop a reasonable solution. Should no mutually agreeable solution be developed, or in the event that CCE otherwise breaches any material obligation under the contracts and such breach is not remedied within a stated period, then CCE would be required to repay a portion of the support funding as determined by our Company. In the third quarter of 2004, our Company and CCE agreed to amend the contract to defer the placement of some equipment from 2004 and 2005, as previously agreed under the original contract, to 2009 and 2010. In connection with this amendment, CCE agreed to pay the Company approximately \$2 million in 2004, \$3 million annually in 2005 through 2008, and \$1 million in 2009. In 2005, our Company and CCE agreed to amend the contract for North America to move to a system of purchase and placement credits, whereby CCE earns credit toward its annual purchase and placement requirements based upon the type of equipment it purchases and places. The amended contract also provides that no breach by CCE will occur even if they do not achieve the required number of purchase and placement credits in any given year, so long as (1) the shortfall does not exceed 20 percent of the required purchase and placement credits for that year; (2) a compensating payment is made to our Company by CCE; (3) the shortfall is corrected in the following year; and (4) CCE meets all specified purchase and placement credit requirements by the end of 2010. The payments we made to CCE under these programs are recorded in prepaid expenses and other assets and in noncurrent other assets and amortized as deductions from revenues over the 10-year period following the placement of the equipment. Our carrying values for these infrastructure programs with CCE were approximately \$662 million and \$759 million as of December 31, 2005 and 2004, respectively. The Company has no further commitments under these programs.

In March 2004, the Company and CCE launched the Dasani water brand in Great Britain. The product was voluntarily recalled. During 2004, our Company reimbursed CCE \$32 million for product recall costs incurred by CCE.

In March 2003, our Company acquired a 100 percent ownership interest in Truesdale Packaging Company LLC ("Truesdale") from CCE. Refer to Note 19.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: BOTTLING INVESTMENTS (Continued)

If valued at the December 31, 2005 quoted closing price of CCE shares, the fair value of our investment in CCE would have exceeded our carrying value by approximately \$1.5 billion.

Other Equity Method Investments

Our other equity method investments include our ownership interests in Coca-Cola HBC, Coca-Cola FEMSA and Coca-Cola Amatil for which we own 24 percent, 40 percent and 32 percent of their common shares, respectively.

Operating results include our proportionate share of income (loss) from our equity method investments. A summary of financial information for our equity method investments in the aggregate, other than CCE, is as follows (in millions):

December 31,	2005	2004	
Current assets	\$ 7,803	\$ 6,723	
Noncurrent assets	20,698	19,107	
Total assets	\$ 28,501	\$ 25,830	
Current liabilities	\$ 7,705	\$ 5,507	
Noncurrent liabilities	8,395	8,924	
Total liabilities	\$ 16,100	\$ 14,431	
Shareowners' equity	\$ 12,401	\$ 11,399	
Company equity investment	\$ 4,831	\$ 4,328	
Year Ended December 31,	2005	2004	2003
Net operating revenues	\$ 24,389	\$ 21,202	\$ 19,797
Cost of goods sold	14,141	12,132	11,661
Gross profit	\$ 10,248	\$ 9,070	\$ 8,136
Operating income	\$ 2,669	\$ 2,406	\$ 1,666
Net income (loss)	\$ 1,501	\$ 1,389	\$ 580
Net income (loss) available to common shareowners	\$ 1,477	\$ 1,364	\$ 580

Net sales to equity method investees other than CCE, the majority of which are located outside the United States, were approximately \$7.4 billion in 2005, \$5.2 billion in 2004 and \$4.0 billion in 2003. Total support payments, primarily marketing, made to equity method investees other than CCE were approximately \$475 million, \$442 million and \$511 million in 2005, 2004 and 2003, respectively.

Our Company owns a 50 percent interest in Multon, a Russian juice business ("Multon"), which we acquired in April 2005 jointly with Coca-Cola HBC, for a total purchase price of approximately \$501 million, split equally between the Company and Coca-Cola HBC. Multon produces and distributes juice products under the DOBRIY, Rich, Nico and other trademarks in Russia, Ukraine and Belarus. Equity income—net includes our proportionate share of Multon's net income beginning April 20, 2005. Refer to Note 19.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: BOTTLING INVESTMENTS (Continued)

During the second quarter of 2004, the Company's equity income benefited by approximately \$37 million for its share of a favorable tax settlement related to Coca-Cola FEMSA.

In December 2004, the Company sold to an unrelated financial institution certain of its production assets that were previously leased to the Japanese supply chain management company (refer to discussion below). The assets were sold for approximately \$271 million, and the sale resulted in no gain or loss. The financial institution entered into a leasing arrangement with the Japanese supply chain management company. These assets were previously reported in our consolidated balance sheet line item property, plant and equipment—net and assigned to our North Asia, Eurasia and Middle East operating segment.

During 2004, our Company sold our bottling operations in Vietnam, Cambodia, Sri Lanka and Nepal to Coca-Cola Sabco (Pty) Ltd. ("Sabco") for a total consideration of \$29 million. In addition, Sabco assumed certain debts of these bottling operations. The proceeds from the sale of these bottlers were approximately equal to the carrying value of the investment.

Effective May 6, 2003, one of our Company's equity method investees, Coca-Cola FEMSA, consummated a merger with another of the Company's equity method investees, Panamerican Beverages, Inc. ("Panamco"). Our Company received new Coca-Cola FEMSA shares in exchange for all Panamco shares previously held by the Company. Our Company's ownership interest in Coca-Cola FEMSA increased from 30 percent to approximately 40 percent as a result of this merger. This exchange of shares was treated as a nonmonetary exchange of similar productive assets, and no gain was recorded by our Company as a result of this merger.

In connection with the merger, Coca-Cola FEMSA management initiated steps to streamline and integrate operations. This process included the closing of various distribution centers and manufacturing plants. Furthermore, due to the challenging economic conditions and an uncertain political situation in Venezuela, certain intangible assets were determined to be impaired and written down to their fair market value. During 2003, our Company recorded a noncash pretax charge of \$102 million primarily related to our proportionate share of these matters. This charge is included in the consolidated statement of income line item equity income—net.

In December 2003, the Company issued a standby line of credit to Coca-Cola FEMSA. Refer to Note 12.

The Company and the major shareowner of Coca-Cola FEMSA have an understanding that will permit this shareowner to purchase from our Company an amount of Coca-Cola FEMSA shares sufficient for this shareowner to regain a 51 percent ownership interest in Coca-Cola FEMSA. Pursuant to this understanding, which is in place until May 2006, this shareowner would pay the higher of the prevailing market price per share at the time of the sale or the sum of approximately \$2.22 per share plus the Company's carrying costs. Both resulting amounts are in excess of our Company's carrying value.

In July 2003, we made a convertible loan of approximately \$133 million to The Coca-Cola Bottling Company of Egypt ("TCCBCE"). The loan is convertible into preferred shares of TCCBCE upon receipt of governmental approvals. Additionally, upon certain defaults under either the loan agreement or the terms of the preferred shares, we have the ability to convert the loan or the preferred shares into common shares. As of December 31, 2005, our Company owned approximately 42 percent of the common shares of TCCBCE. Since the adoption of Interpretation 46(R) in 2004, TCCBCE has been consolidated in our consolidated financial statements.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: BOTTLING INVESTMENTS (Continued)

Effective October 1, 2003, the Company and all of its bottling partners in Japan created a nationally integrated supply chain management company to centralize procurement, production and logistics operations for the entire Coca-Cola system in Japan. As a result of the creation of this supply chain management company in Japan, a portion of our Company's business was essentially converted from a finished product business model to a concentrate business model, thus reducing our net operating revenues and cost of goods sold by the same amounts. The formation of this entity included the sale of Company inventory and leasing of certain Company assets to this new entity on October 1, 2003, as well as our recording of a liability for certain contractual obligations to Japanese bottlers. Such amounts were not material to the Company's results of operations.

In November 2003, Coca-Cola HBC approved a share capital reduction totaling approximately 473 million euros and the return of 2 euros per share to all shareowners. In December 2003, our Company received our share capital return payment from Coca-Cola HBC equivalent to \$136 million, and we recorded a reduction to our investment in Coca-Cola HBC.

If valued at the December 31, 2005 quoted closing prices of shares actively traded on stock markets, the value of our equity method investments in publicly traded bottlers other than CCE would have exceeded our carrying value by approximately \$2.4 billion.

Net Receivables and Dividends from Equity Method Investees

The total amount of net receivables due from equity method investees, including CCE, was approximately \$644 million and \$573 million as of December 31, 2005 and 2004, respectively. The total amount of dividends received from equity method investees, including CCE, was approximately \$234 million, \$145 million and \$112 million for the years ended December 31, 2005, 2004 and 2003, respectively.

NOTE 3: ISSUANCES OF STOCK BY EQUITY METHOD INVESTEES

In 2005, our Company recorded approximately \$23 million of noncash pretax gains on issuances of stock by equity method investees. We recorded deferred taxes of approximately \$8 million on these gains. These gains primarily related to an issuance of common stock by Coca-Cola Amatil, which was valued at an amount greater than the book value per share of our investment in Coca-Cola Amatil. Coca-Cola Amatil issued approximately 34 million shares of common stock with a fair value of \$5.78 each in connection with the acquisition of SPC Ardmona Pty. Ltd., an Australian packaged fruit company. This issuance of common stock reduced our ownership interest in the total outstanding shares of Coca-Cola Amatil from approximately 34.0 percent to approximately 32.4 percent.

In 2004, our Company recorded approximately \$24 million of noncash pretax gains on issuances of stock by CCE. The issuances primarily related to the exercise of CCE stock options by CCE employees at amounts greater than the book value per share of our investment in CCE. We recorded deferred taxes of approximately \$9 million on these gains. These issuances of stock reduced our ownership interest in the total outstanding shares of CCE from approximately 37.2 percent to approximately 36.0 percent.

In 2003, our Company recorded approximately \$8 million of noncash pretax gains on issuances of stock by equity method investees. These gains primarily related to the issuance by CCE of common stock valued at an amount greater than the book value per share of our investment in CCE. These transactions reduced our ownership interest in the total outstanding shares of CCE from approximately 37.3 percent to approximately 37.2 percent.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: PROPERTY, PLANT AND EQUIPMENT

The following table summarizes our property, plant and equipment (in millions):

December 31,	2005	2004
Land	\$ 447	\$ 479
Buildings and improvements	2,692	2,822
Machinery and equipment	6,226	6,138
Containers	468	480
Construction in progress	306	230
	\$ 10,139	\$ 10,149
Less accumulated depreciation	4,353	4,058
Property, plant and equipment — net	\$ 5,786	\$ 6,091

NOTE 5: GOODWILL, TRADEMARKS AND OTHER INTANGIBLE ASSETS

The following tables set forth information for intangible assets subject to amortization and for intangible assets not subject to amortization (in millions):

December 31,	2005	2004
Amortized intangible assets (various, principally trademarks):		
Gross carrying amount	\$ 314	\$ 292
Less accumulated amortization	168	128
Amortized intangible assets—net	\$ 146	\$ 164
Unamortized intangible assets:		
Trademarks ¹	\$ 1,946	\$ 2,037
Goodwill ²	1,047	1,097
Bottlers' franchise rights ³	521	374
Other	161	164
Unamortized intangible assets	\$ 3,675	\$ 3,672

¹ The decrease in 2005 was primarily the result of impairment charges of approximately \$84 million related to trademarks in the Philippines and the effect of translation adjustments, partially offset by acquisitions of trademarks and brands in 2005 totaling approximately \$22 million, none of which were individually significant. Refer to Note 17.

² The decrease in 2005 was primarily the result of translation adjustments, partially offset by goodwill recognized in connection with the Bremer acquisition. Refer to Note 19.

³ The increase in 2005 was primarily related to the Bremer and Sucos Mais acquisitions. Refer to Note 19.

Total amortization expense for intangible assets subject to amortization was approximately \$29 million, \$35 million and \$23 million for the years ended December 31, 2005, 2004 and 2003, respectively.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: GOODWILL, TRADEMARKS AND OTHER INTANGIBLE ASSETS (Continued)

Information about estimated amortization expense for intangible assets subject to amortization for the five years succeeding December 31, 2005, is as follows (in millions):

	Amortization Expense
2006	\$ 16
2007	15
2008	14
2009	14
2010	13

Goodwill by operating segment was as follows (in millions):

December 31,	2005	2004
North America	\$ 141	\$ 140
Africa	—	—
East, South Asia and Pacific Rim	26	26
European Union	772	816
Latin America	85	92
North Asia, Eurasia and Middle East	23	23
	\$ 1,047	\$ 1,097

In 2005, our Company recorded an impairment charge related to trademarks for beverages sold in the Philippines of approximately \$84 million. The Philippines is a component of our East, South Asia and Pacific Rim operating segment. The carrying value of our trademarks in the Philippines, prior to the recording of the impairment charges in 2005, was approximately \$268 million. The impairment was the result of our revised outlook of the Philippines, which has been unfavorably impacted by declines in volume and income before income taxes resulting from the continued lack of an affordable package offering and the continued limited availability of these trademark beverages in the marketplace. We determined the amount of this impairment charge by comparing the fair value of the intangible assets to the carrying value. Fair values were derived using discounted cash flow analyses with a number of scenarios that were weighted based on the probability of different outcomes. Because the fair value was less than the carrying value of the assets, we recorded an impairment charge to reduce the carrying value of the assets to fair value. This impairment charge was recorded in the line item other operating charges in the consolidated statement of income.

In 2004, acquisition of intangible assets totaled approximately \$89 million. This amount is primarily related to the Company's acquisition of trademarks with indefinite lives in the Latin America operating segment.

In 2004, our Company recorded impairment charges related to intangible assets of approximately \$374 million. The decrease in bottlers' franchise rights in 2004 was primarily due to this impairment charge, offset by an increase due to translation adjustment. These impairment charges primarily were in the European Union operating segment and were included in other operating charges in our consolidated statement of income. The charges were primarily related to franchise rights at Coca-Cola Erfrischungsgetraenke AG ("CCEAG"). The impairment was the result of our revised outlook for the German market, which has been unfavorably impacted by volume declines resulting from market shifts related to the deposit law on nonrefillable beverage packages and the corresponding lack of availability for our products in the discount retail channel. The

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: GOODWILL, TRADEMARKS AND OTHER INTANGIBLE ASSETS (Continued)

deposit laws in Germany led to discount chains creating proprietary packages that could only be returned to their own stores. These proprietary packages were continuing to gain market share and customer acceptance.

At the end of 2004, the German government passed an amendment to the mandatory deposit legislation that requires retailers, including discount chains, to accept returns of each type of nonrefillable beverage containers that retailers sell, regardless of where the beverage package type was purchased. In addition, the mandatory deposit requirement was expanded to other beverage categories. The amendment allows for a transition period to enable manufacturers and retailers to establish a national take-back system for nonrefillable packages. The transition period is expected to last at least until mid-2006. In the second half of 2005, the Company was able to gain limited availability of our products in the discount retail channel.

NOTE 6: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consisted of the following (in millions):

December 31,	2005	2004
Trade accounts payable and other accrued expenses	\$ 2,315	\$ 2,309
Accrued marketing	1,268	1,194
Accrued compensation	468	438
Sales, payroll and other taxes	215	222
Container deposits	209	199
Accrued streamlining costs (refer to Note 18)	18	41
Accounts payable and accrued expenses	\$ 4,493	\$ 4,403

NOTE 7: SHORT-TERM BORROWINGS AND CREDIT ARRANGEMENTS

Loans and notes payable consist primarily of commercial paper issued in the United States and a liability to acquire the remaining approximate 59 percent of CCEAG's outstanding stock. The Company currently owns 41 percent of CCEAG's outstanding stock. In February 2002, the Company acquired control of CCEAG and agreed to put/call agreements with the other shareowners of CCEAG, which resulted in the recording of a liability to acquire the remaining shares in CCEAG no later than December 31, 2006. The present value of the total amount likely to be paid by our Company to all other CCEAG shareowners was approximately \$941 million at December 31, 2005, and approximately \$1,041 million at December 31, 2004. This amount increased from the initial liability of approximately \$600 million due to the accretion of the discounted value to the ultimate maturity of the liability, as well as approximately \$222 million of translation adjustment related to this liability. The accretion of the discounted value to its ultimate maturity value is recorded in the line item other loss—net, and this amount was approximately \$60 million, \$58 million and \$51 million, respectively, for the years ended December 31, 2005, 2004 and 2003.

As of December 31, 2005 and 2004, we had approximately \$3,311 million and \$4,235 million, respectively, outstanding in commercial paper borrowings. Our weighted-average interest rates for commercial paper outstanding were approximately 4.2 percent and 2.2 percent per year at December 31, 2005 and 2004, respectively. In addition, we had \$1,794 million in lines of credit and other short-term credit facilities available as of December 31, 2005, of which approximately \$266 million was outstanding. This entire outstanding amount of approximately \$266 million related to our international operations. Included in the available credit facilities

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: SHORT-TERM BORROWINGS AND CREDIT ARRANGEMENTS (Continued)

discussed above, the Company had \$1,150 million in lines of credit for general corporate purposes, including commercial paper backup. There were no borrowings under these lines of credit during 2005.

These credit facilities are subject to normal banking terms and conditions. Some of the financial arrangements require compensating balances, none of which is presently significant to our Company.

NOTE 8: LONG-TERM DEBT

Long-term debt consisted of the following (in millions):

December 31,	2005	2004
5 $\frac{7}{8}$ % euro notes due 2005	\$ —	\$ 663
4% U.S. dollar notes due 2005	—	750
5 $\frac{3}{4}$ % U.S. dollar notes due 2009	399	399
5 $\frac{3}{4}$ % U.S. dollar notes due 2011	499	499
7 $\frac{3}{8}$ % U.S. dollar notes due 2093	116	116
Other, due through 2014 ^{1,2}	168	220
	\$ 1,182	\$ 2,647
Less current portion	28	1,490
Long-term debt	\$ 1,154	\$ 1,157

¹ 2004 balance includes a \$5 million fair value adjustment related to interest rate swap agreements. Refer to Note 11.

² The weighted-average interest rate on outstanding balances was 6% and 4% for the years ended December 31, 2005 and 2004, respectively.

The above notes include various restrictions, none of which is presently significant to our Company.

After giving effect to interest rate management instruments, the principal amount of our long-term debt that had fixed and variable interest rates, respectively, was \$1,181 million and \$1 million on December 31, 2005. After giving effect to interest rate management instruments, the principal amount of our long-term debt that had fixed and variable interest rates, respectively, was \$1,895 million and \$752 million on December 31, 2004. Including the effect of interest rate management instruments, the weighted-average interest rate on the outstanding balances of our Company's long-term debt was 6.0 percent and 4.4 percent per year for the years ended December 31, 2005 and 2004, respectively.

Total interest paid was approximately \$233 million, \$188 million and \$180 million in 2005, 2004 and 2003, respectively. For a more detailed discussion of interest rate management, refer to Note 11.

Maturities of long-term debt for the five years succeeding December 31, 2005, are as follows (in millions):

	Maturities of Long-Term Debt
2006	\$ 28
2007	29
2008	70
2009	409
2010	9

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9: COMPREHENSIVE INCOME

Accumulated Other Comprehensive Income (Loss) (“AOCI”), including our proportionate share of equity method investees’ AOCI, consisted of the following (in millions):

December 31,	2005	2004
Foreign currency translation adjustment	\$ (1,587)	\$ (1,191)
Accumulated derivative net losses	(23)	(80)
Unrealized gain on available-for-sale securities	104	91
Minimum pension liability	(163)	(168)
Accumulated other comprehensive income (loss)	\$ (1,669)	\$ (1,348)

A summary of the components of other comprehensive income (loss), including our proportionate share of equity method investees’ other comprehensive income (loss), for the years ended December 31, 2005, 2004 and 2003, is as follows (in millions):

	Before-Tax Amount	Income Tax	After-Tax Amount
2005			
Net foreign currency translation adjustment	\$ (440)	\$ 44	\$ (396)
Net gain on derivatives	94	(37)	57
Net change in unrealized gain on available-for-sale securities	20	(7)	13
Net change in minimum pension liability	5	—	5
Other comprehensive income (loss)	\$ (321)	\$ —	\$ (321)

	Before-Tax Amount	Income Tax	After-Tax Amount
2004			
Net foreign currency translation adjustment	\$ 766	\$ (101)	\$ 665
Net loss on derivatives	(4)	1	(3)
Net change in unrealized gain on available-for-sale securities	48	(9)	39
Net change in minimum pension liability	(81)	27	(54)
Other comprehensive income (loss)	\$ 729	\$ (82)	\$ 647

	Before-Tax Amount	Income Tax	After-Tax Amount
2003			
Net foreign currency translation adjustment	\$ 913	\$ 8	\$ 921
Net loss on derivatives	(63)	30	(33)
Net change in unrealized gain on available-for-sale securities	65	(25)	40
Net change in minimum pension liability	181	(57)	124
Other comprehensive income (loss)	\$ 1,096	\$ (44)	\$ 1,052

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: FINANCIAL INSTRUMENTS

Certain Debt and Marketable Equity Securities

Investments in debt and marketable equity securities, other than investments accounted for by the equity method, are categorized as trading, available-for-sale or held-to-maturity. On December 31, 2005 and 2004, we had no trading securities. Our marketable equity investments are categorized as available-for-sale with their cost basis determined by the specific identification method. We record available-for-sale instruments at fair value, with unrealized gains and losses, net of deferred income taxes, reported as a component of AOCI. Debt securities categorized as held-to-maturity are stated at amortized cost.

As of December 31, 2005 and 2004, available-for-sale and held-to-maturity securities consisted of the following (in millions):

	Cost	<u>Gross Unrealized</u>		Estimated Fair Value
		Gains	Losses	
2005				
Available-for-sale securities:				
Equity securities	\$ 138	\$ 167	\$ (2)	\$ 303
Other securities	13	—	—	13
	\$ 151	\$ 167	\$ (2)	\$ 316
Held-to-maturity securities:				
Bank and corporate debt	\$ 348	\$ —	\$ —	\$ 348
2004				
Available-for-sale securities:				
Equity securities	\$ 144	\$ 146	\$ (2)	\$ 288
Other securities	5	—	(1)	4
	\$ 149	\$ 146	\$ (3)	\$ 292
Held-to-maturity securities:				
Bank and corporate debt	\$ 68	\$ —	\$ —	\$ 68

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: FINANCIAL INSTRUMENTS (Continued)

As of December 31, 2005 and 2004, these investments were included in the following captions (in millions):

	Available- for-Sale Securities	Held-to- Maturity Securities
2005		
Cash and cash equivalents	\$ —	\$ 346
Current marketable securities	64	2
Cost method investments, principally bottling companies	239	—
Other assets	13	—
	\$ 316	\$ 348
<hr/>		
	Available- for-Sale Securities	Held-to- Maturity Securities
2004		
Cash and cash equivalents	\$ —	\$ 68
Current marketable securities	61	—
Cost method investments, principally bottling companies	229	—
Other assets	2	—
	\$ 292	\$ 68

The contractual maturities of these investments as of December 31, 2005, were as follows (in millions):

	Available-for-Sale Securities		Held-to-Maturity Securities	
	Cost	Fair Value	Amortized Cost	Fair Value
2006	\$ —	\$ —	\$ 348	\$ 348
2007-2010	—	—	—	—
2011-2015	—	—	—	—
After 2015	13	13	—	—
Equity securities	138	303	—	—
	\$ 151	\$ 316	\$ 348	\$ 348

For the years ended December 31, 2005, 2004 and 2003, gross realized gains and losses on sales of available-for-sale securities were not material. The cost of securities sold is based on the specific identification method.

Fair Value of Other Financial Instruments

The carrying amounts of cash and cash equivalents, non-marketable cost method investments, receivables, accounts payable and accrued expenses, and loans and notes payable approximate their fair values because of the relatively short-term maturity of these instruments.

We carry our non-marketable cost method investments at cost or, if a decline in the value of the investment is deemed to be other than temporary, at fair value. Estimates of fair value are generally based upon discounted cash flow analyses.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: FINANCIAL INSTRUMENTS (Continued)

We recognize all derivative instruments as either assets or liabilities at fair value in our consolidated balance sheets, with fair values estimated based on quoted market prices or pricing models using current market rates. Virtually all of our derivatives are straightforward, over-the-counter instruments with liquid markets. For further discussion of our derivatives, including a disclosure of derivative values, refer to Note 11.

The fair value of our long-term debt is estimated based on quoted prices for those or similar instruments. As of December 31, 2005, the carrying amounts and fair values of our long-term debt, including the current portion, were approximately \$1,182 million and approximately \$1,240 million, respectively. As of December 31, 2004, these carrying amounts and fair values were approximately \$2,647 million and approximately \$2,736 million, respectively.

NOTE 11: HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS

Our Company uses derivative financial instruments primarily to reduce our exposure to adverse fluctuations in interest rates and foreign currency exchange rates and, to a lesser extent, in commodity prices and other market risks. When entered into, the Company formally designates and documents the financial instrument as a hedge of a specific underlying exposure, as well as the risk management objectives and strategies for undertaking the hedge transactions. The Company formally assesses, both at the inception and at least quarterly thereafter, whether the financial instruments that are used in hedging transactions are effective at offsetting changes in either the fair value or cash flows of the related underlying exposure. Because of the high degree of effectiveness between the hedging instrument and the underlying exposure being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the fair values or cash flows of the underlying exposures being hedged. Any ineffective portion of a financial instrument's change in fair value is immediately recognized in earnings. Virtually all of our derivatives are straightforward over-the-counter instruments with liquid markets. Our Company does not enter into derivative financial instruments for trading purposes.

The fair values of derivatives used to hedge or modify our risks fluctuate over time. We do not view these fair value amounts in isolation, but rather in relation to the fair values or cash flows of the underlying hedged transactions or other exposures. The notional amounts of the derivative financial instruments do not necessarily represent amounts exchanged by the parties and, therefore, are not a direct measure of our exposure to the financial risks described above. The amounts exchanged are calculated by reference to the notional amounts and by other terms of the derivatives, such as interest rates, foreign currency exchange rates or other financial indices.

Our Company recognizes all derivative instruments as either assets or liabilities in our consolidated balance sheets at fair value. The accounting for changes in fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. At the inception of the hedging relationship, the Company must designate the instrument as a fair value hedge, a cash flow hedge, or a hedge of a net investment in a foreign operation. This designation is based upon the exposure being hedged.

We have established strict counterparty credit guidelines and enter into transactions only with financial institutions of investment grade or better. We monitor counterparty exposures daily and review any downgrade in credit rating immediately. If a downgrade in the credit rating of a counterparty were to occur, we have provisions requiring collateral in the form of U.S. government securities for substantially all of our transactions. To mitigate presettlement risk, minimum credit standards become more stringent as the duration of the derivative financial instrument increases. To minimize the concentration of credit risk, we enter into derivative

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

transactions with a portfolio of financial institutions. The Company has master netting agreements with most of the financial institutions that are counterparties to the derivative instruments. These agreements allow for the net settlement of assets and liabilities arising from different transactions with the same counterparty. Based on these factors, we consider the risk of counterparty default to be minimal.

Interest Rate Management

Our Company monitors our mix of fixed-rate and variable-rate debt as well as our mix of term debt versus non-term debt. This monitoring includes a review of business and other financial risks. We also enter into interest rate swap agreements to manage our mix of fixed-rate and variable-rate debt. Interest rate swap agreements that meet certain conditions required under SFAS No. 133 for fair value hedges are accounted for as such, with the offset recorded to adjust the fair value of the underlying exposure being hedged. During 2005, 2004 and 2003, there was no ineffectiveness related to fair value hedges. At December 31, 2005, our Company had no outstanding interest rate swap agreements. At December 31, 2004, the fair value of our Company's interest rate swap agreements was approximately \$6 million. The Company estimates the fair value of its interest rate derivatives based on quoted market prices.

Foreign Currency Management

The purpose of our foreign currency hedging activities is to reduce the risk that our eventual U.S. dollar net cash inflows resulting from sales outside the United States will be adversely affected by changes in foreign currency exchange rates.

We enter into forward exchange contracts and purchase foreign currency options (principally euro and Japanese yen) and collars to hedge certain portions of forecasted cash flows denominated in foreign currencies. The effective portion of the changes in fair value for these contracts, which have been designated as cash flow hedges, are reported in AOCI and reclassified into earnings in the same financial statement line item and in the same period or periods during which the hedged transaction affects earnings. Any ineffective portion (which was not significant in 2005, 2004 or 2003) of the change in fair value of these instruments is immediately recognized in earnings. These contracts had maturities up to one year as of December 31, 2005.

Additionally, the Company enters into forward exchange contracts that are not designated as hedging instruments under SFAS No. 133. These instruments are used to offset the earnings impact relating to the variability in foreign currency exchange rates on certain monetary assets and liabilities denominated in nonfunctional currencies. Changes in the fair value of these instruments are immediately recognized in earnings in the line item other loss—net of our consolidated statements of income to offset the effect of remeasurement of the monetary assets and liabilities.

The Company also enters into forward exchange contracts to hedge its net investment position in certain major currencies. Under SFAS No. 133, changes in the fair value of these instruments are recognized in foreign currency translation adjustment, a component of AOCI, to offset the change in the value of the net investment being hedged. For the years ended December 31, 2005, 2004 and 2003, approximately \$40 million, \$8 million and \$29 million, respectively, of losses relating to derivative financial instruments were recorded in foreign currency translation adjustment.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The following table presents the fair values, carrying values and maturities of the Company's foreign currency derivative instruments outstanding as of December 31, 2005 and 2004 (in millions):

	Carrying Values	Fair Values	Maturity
2005			
Forward contracts	\$ 28	\$ 28	2006
Options and collars	11	11	2006
	\$ 39	\$ 39	
<hr/>			
	Carrying Values	Fair Values	Maturity
2004			
Forward contracts	\$ 27	\$ 27	2005
Options and collars	12	12	2005
	\$ 39	\$ 39	

The Company estimates the fair value of its foreign currency derivatives based on quoted market prices or pricing models using current market rates. These amounts are primarily reflected in prepaid expenses and other assets in our consolidated balance sheets.

Summary of AOCI

For the years ended December 31, 2005, 2004 and 2003, we recorded a net gain (loss) to AOCI of approximately \$55 million, \$6 million and \$(31) million, respectively, net of both income taxes and reclassifications to earnings, primarily related to gains and losses on foreign currency cash flow hedges. These items will generally offset cash flow gains and losses relating to the underlying exposures being hedged in future periods. The Company estimates that it will reclassify into earnings during the next 12 months gains of approximately \$21 million from the after-tax amount recorded in AOCI as of December 31, 2005, as the anticipated foreign currency cash flows occur.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The following table summarizes activity in AOCI related to derivatives designated as cash flow hedges held by the Company during the applicable periods (in millions):

	Before-Tax Amount	Income Tax	After-Tax Amount
2005			
Accumulated derivative net losses as of January 1, 2005	\$ (56)	\$ 22	\$ (34)
Net changes in fair value of derivatives	135	(53)	82
Net gains reclassified from AOCI into earnings	(44)	17	(27)
Accumulated derivative net gains as of December 31, 2005	\$ 35	\$ (14)	\$ 21
<hr/>			
	Before-Tax Amount	Income Tax	After-Tax Amount
2004			
Accumulated derivative net losses as of January 1, 2004	\$ (66)	\$ 26	\$ (40)
Net changes in fair value of derivatives	(76)	30	(46)
Net losses reclassified from AOCI into earnings	86	(34)	52
Accumulated derivative net losses as of December 31, 2004	\$ (56)	\$ 22	\$ (34)
<hr/>			
	Before-Tax Amount	Income Tax	After-Tax Amount
2003			
Accumulated derivative net losses as of January 1, 2003	\$ (15)	\$ 6	\$ (9)
Net changes in fair value of derivatives	(165)	65	(100)
Net losses reclassified from AOCI into earnings	114	(45)	69
Accumulated derivative net losses as of December 31, 2003	\$ (66)	\$ 26	\$ (40)

The Company did not discontinue any cash flow hedge relationships during the years ended December 31, 2005, 2004 and 2003.

NOTE 12: COMMITMENTS AND CONTINGENCIES

As of December 31, 2005, we were contingently liable for guarantees of indebtedness owed by third parties in the amount of approximately \$248 million. These guarantees primarily are related to third-party customers, bottlers and vendors and have arisen through the normal course of business. These guarantees have various terms, and none of these guarantees is individually significant. The amount represents the maximum potential future payments that we could be required to make under the guarantees; however, we do not consider it probable that we will be required to satisfy these guarantees.

In December 2003, we granted a \$250 million standby line of credit to Coca-Cola FEMSA with normal market terms. As of December 31, 2005 and 2004, no amounts have been drawn against this line of credit. This standby line of credit expires in December 2006.

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

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12: COMMITMENTS AND CONTINGENCIES (Continued)

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

In 2003, the Securities and Exchange Commission (“SEC”) initiated an investigation into whether the Company, or certain persons associated with the Company, violated federal securities laws in connection with the conduct alleged by a former employee of the Company. Additionally in 2003, the United States Attorney’s Office for the Northern District of Georgia commenced a criminal investigation of the allegations raised by the same former employee. On April 18, 2005, the Company announced that it had reached a settlement ending the SEC’s investigation. Pursuant to the settlement, the Company agreed to maintain certain measures implemented prior to or during the preceding two years and to undertake additional remedial measures in the areas of corporate compliance and disclosure. The settlement did not require the payment of a fine or other monetary sanction. On April 18, 2005, the Company also announced that it had received notification that the United States Attorney’s Office was terminating its investigation without taking further action.

During the period from 1970 to 1981, our Company owned Aqua-Chem, Inc. (“Aqua-Chem”). A division of Aqua-Chem manufactured certain boilers that contained gaskets that Aqua-Chem purchased from outside suppliers. Several years after our Company sold this entity, Aqua-Chem received its first lawsuit relating to asbestos, a component of some of the gaskets. In September 2002, Aqua-Chem notified our Company that it believes we are obligated for certain costs and expenses associated with its asbestos litigations. Aqua-Chem demanded that our Company reimburse it for approximately \$10 million for out-of-pocket litigation-related expenses. Aqua-Chem has also demanded that the Company acknowledge a continuing obligation to Aqua-Chem for any future liabilities and expenses that are excluded from coverage under the applicable insurance or for which there is no insurance. Our Company disputes Aqua-Chem’s claims, and we believe we have no obligation to Aqua-Chem for any of its past, present or future liabilities, costs or expenses. Furthermore, we believe we have substantial legal and factual defenses to Aqua-Chem’s claims. The parties entered into litigation to resolve this dispute, which was stayed by agreement of the parties pending the outcome of litigation filed in Wisconsin by certain insurers of Aqua-Chem. In that case, five plaintiff insurance companies filed a declaratory judgment action against Aqua-Chem, the Company and 16 defendant insurance companies seeking a determination of the parties’ rights and liabilities under policies issued by the insurers and reimbursement for amounts paid by plaintiffs in excess of their obligations. That litigation remains pending, and the Company believes it has substantial legal and factual defenses to the insurers’ claims. Aqua-Chem and the Company subsequently reached a settlement agreement with five of the insurers in the Wisconsin insurance coverage litigation, and those insurers will pay funds into an escrow account for payment of costs arising from the asbestos claims against Aqua-Chem. Aqua-Chem has also reached a settlement agreement with an additional insurer regarding payment of that insurer’s policy proceeds for Aqua-Chem’s asbestos claims. Aqua-Chem and the Company will continue to negotiate with the 15 other insurers that are parties to the Wisconsin insurance coverage case and will litigate their claims against such insurers to the extent negotiations do not result in settlements. The Company also believes Aqua-Chem has substantial insurance coverage to pay Aqua-Chem’s asbestos claimants.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12: COMMITMENTS AND CONTINGENCIES (Continued)

In 1999, the Competition Directorate of the European Commission (the “Commission”) began an investigation of various commercial and market practices of the Company and its bottlers in Austria, Belgium, Denmark, Germany and Great Britain. On October 19, 2004, the Company and certain of its bottlers submitted a formal Undertaking to the Commission, and the Commission accepted the Undertaking, subject to formal review by third parties. Following the comment period, the Commission presented to the Company certain comments it had received from third parties, as well as certain additional comments of the Commission’s legal staff. The Company addressed those additional comments, revised the Undertaking accordingly and submitted the final Undertaking to the Commission. On June 22, 2005, the Commission adopted a decision pursuant to Article 9(1) of Regulation (EC) 1/2003. The decision renders legally binding the commitments set forth in the Undertaking submitted by the Company and certain of its bottlers on October 19, 2004, as such Undertaking was revised following consultations with national competition authorities of European Economic Area Member States and industry participants. The final Undertaking is substantially similar to the Undertaking initially submitted on October 19, 2004. In light of the commitments, the Commission declared that there were no further grounds for action on its part and, without prejudice to Article 9(2) of Regulation (EC) 1/2003, that the proceedings in the case should therefore be brought to an end. The Undertaking potentially applies in 27 countries and in all channels of distribution where the Company’s carbonated soft drinks account for over 40 percent of national sales and twice the nearest competitor’s share. The commitments the Company made in the Undertaking relate broadly to exclusivity, percentage-based purchasing commitments, transparency, target rebates, tying, assortment or range commitments, and agreements concerning products of other suppliers. The Undertaking also applies to shelf space commitments in agreements with take-home customers and to financing and availability agreements in the on-premise channel. In addition, the Undertaking includes commitments that are applicable to commercial arrangements concerning the installation and use of technical equipment (such as coolers, fountain equipment and vending machines). The Undertaking does not imply any recognition on the Company’s or the bottlers’ part of any infringement of European Union competition rules. The Company believes that the Undertaking, while imposing restrictions, clarifies the application of competition rules to its practices in Europe and will allow the Coca-Cola system to be able to compete vigorously while adhering to the Undertaking’s provisions.

The Spanish Competition Service (the “Service”) made unannounced visits to the Company’s offices and those of certain of its bottlers in Spain in 2000. In December 2003, the Service suspended its investigation until the Commission notified the Service how the Commission would proceed in its commercial and market practices investigation referred to above. On June 22, 2005, the Commission informed the Service that the Commission had adopted the above referenced decision pursuant to Article 9(1) of Regulation (EC) 1/2003. On June 24, 2005, the Company received an Order from the Service, informing us of the Service’s proposal to discontinue its investigation and dismiss the proceedings. On July 15, 2005, the Service issued its decision discontinuing its investigation and dismissing the proceedings, and this decision has become final.

The French Competition Directorate (the “Directorate”) has also initiated an inquiry into commercial practices related to the soft drink sector in France. This inquiry has been conducted through visits to the offices of the Company; however, no conclusions have been communicated to the Company by the Directorate. As a result of the Undertaking given by the Company and certain of its bottlers to the Commission referenced above, the Company believes the investigation has been discontinued.

The Company is discussing with the Commission issues relating to parallel trade within the European Union arising out of comments received by the Commission from third parties. The Company is cooperating fully with the Commission and is providing information on these issues and the measures taken and to be taken

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12: COMMITMENTS AND CONTINGENCIES (Continued)

to address any issues raised. The Company is unable to predict at this time with any reasonable degree of certainty what action, if any, the Commission will take with respect to these issues.

At the time we acquire or divest our interest in an entity, we sometimes agree to indemnify the seller or buyer for specific contingent liabilities. Management believes that any liability to the Company that may arise as a result of any such indemnification agreements will not have a material adverse effect on the financial condition of the Company taken as a whole.

The Company is involved in various tax matters. We establish reserves at the time that we determine it is probable we will be liable to pay additional taxes related to certain matters and the amounts of such possible additional taxes are reasonably estimable. We adjust these reserves, including any impact on the related interest and penalties, in light of changing facts and circumstances, such as the progress of a tax audit. A number of years may elapse before a particular matter, for which we may have established a reserve, is audited and finally resolved or when a tax assessment is raised. The number of years with open tax audits varies depending on the tax jurisdiction. While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, we record a reserve when we determine the likelihood of loss is probable and the amount of loss is reasonably estimable. Such liabilities are recorded in the line item accrued income taxes in the Company's consolidated balance sheets. Favorable resolution of tax matters that had been previously reserved would be recognized as a reduction to our income tax expense, when known.

The Company is also involved in various tax matters where we have determined that the probability of an unfavorable outcome is reasonably possible. Management believes that any liability to the Company that may arise as a result of currently pending tax matters will not have a material adverse effect on the financial condition of the Company taken as a whole.

NOTE 13: NET CHANGE IN OPERATING ASSETS AND LIABILITIES

Net cash provided by (used in) operating activities attributable to the net change in operating assets and liabilities is composed of the following (in millions):

Year Ended December 31,	2005	2004	2003
(Increase) decrease in trade accounts receivable	\$ (79)	\$ (5)	\$ 80
(Increase) decrease in inventories	(79)	(57)	111
Decrease (increase) in prepaid expenses and other assets	244	(397)	(276)
Increase (decrease) in accounts payable and accrued expenses	280	45	(164)
Increase (decrease) in accrued taxes	145	(194)	53
(Decrease) increase in other liabilities	(81)	(9)	28
	\$ 430	\$ (617)	\$ (168)

NOTE 14: STOCK COMPENSATION PLANS

Effective January 1, 2002, our Company adopted the preferable fair value recognition provisions of SFAS No. 123. In accordance with the provisions of SFAS No. 123, \$324 million, \$345 million and \$422 million were recorded for total stock-based compensation expense in 2005, 2004 and 2003, respectively. The \$324 million and \$345 million recorded in 2005 and 2004, respectively, were recorded in selling, general and administrative expenses. Of the \$422 million recorded in 2003, \$407 million was recorded in selling, general and administrative expenses, and \$15 million was recorded in other operating charges. Refer to Note 18.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: STOCK COMPENSATION PLANS (Continued)

During 2005, the Company changed its estimated service period for retirement-eligible participants in its plans when the terms of their stock-based compensation awards provide for accelerated vesting upon early retirement. The full-year impact of this change in our estimated service period was approximately \$50 million for 2005.

Stock Option Plans

Under our 1991 Stock Option Plan (the “1991 Option Plan”), a maximum of 120 million shares of our common stock was approved to be issued or transferred to certain officers and employees pursuant to stock options granted under the 1991 Option Plan. Options to purchase common stock under the 1991 Option Plan have been granted to Company employees at fair market value at the date of grant.

The 1999 Stock Option Plan (the “1999 Option Plan”) was approved by shareowners in April 1999. Following the approval of the 1999 Option Plan, no grants were made from the 1991 Option Plan, and shares available under the 1991 Option Plan were no longer available to be granted. Under the 1999 Option Plan, a maximum of 120 million shares of our common stock was approved to be issued or transferred to certain officers and employees pursuant to stock options granted under the 1999 Option Plan. Options to purchase common stock under the 1999 Option Plan have been granted to Company employees at fair market value at the date of grant.

The 2002 Stock Option Plan (the “2002 Option Plan”) was approved by shareowners in April 2002. An amendment to the 2002 Option Plan which permitted the issuance of stock appreciation rights was approved by shareowners in April 2003. Under the 2002 Option Plan, a maximum of 120 million shares of our common stock was approved to be issued or transferred to certain officers and employees pursuant to stock options and stock appreciation rights granted under the 2002 Option Plan. The stock appreciation rights permit the holder, upon surrendering all or part of the related stock option, to receive common stock in an amount up to 100 percent of the difference between the market price and the option price. No stock appreciation rights have been issued under the 2002 Option Plan as of December 31, 2005. Options to purchase common stock under the 2002 Option Plan have been granted to Company employees at fair market value at the date of grant.

Stock options granted in December 2003 and thereafter generally become exercisable over a four-year annual vesting period and expire 10 years from the date of grant. Stock options granted from 1999 through July 2003 generally become exercisable over a four-year annual vesting period and expire 15 years from the date of grant. Prior to 1999, stock options generally became exercisable over a three-year vesting period and expired 10 years from the date of grant.

The following table sets forth information about the weighted-average fair value of options granted during the year using the Black-Scholes-Merton option-pricing model and the weighted-average assumptions used for such grants:

	2005	2004	2003
Weighted-average fair value of options at grant date	\$ 8.23	\$ 8.84	\$ 13.49
Dividend yields	2.6%	2.5%	1.9%
Expected volatility	19.9%	23.0%	28.1%
Risk-free interest rates	4.3%	3.8%	3.5%
Expected lives	6 years	6 years	6 years

THE COCA-COLA COMPANY AND SUBSIDIARIES
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NOTE 14: STOCK COMPENSATION PLANS (Continued)

To ensure the best market-based assumptions were used to determine the estimated fair value of stock options granted in 2005, 2004 and 2003, we obtained two independent market quotes. Our Black-Scholes-Merton option-pricing model value was not materially different from the independent quotes.

A summary of stock option activity under all plans is as follows (shares in millions):

	2005		2004		2003	
	Shares	Weighted-Average Price	Shares	Weighted-Average Price	Shares	Weighted-Average Price
Outstanding on January 1	183	\$ 49.41	167	\$ 50.56	159	\$ 50.24
Granted ¹	34	41.26	31	41.63	24	49.67
Exercised	(7)	35.63	(5)	35.54	(4)	26.96
Forfeited/expired ²	(7)	49.11	(10)	51.64	(12)	51.45
Outstanding on December 31	203	\$ 48.50	183	\$ 49.41	167	\$ 50.56
Exercisable on December 31	131	\$ 51.61	116	\$ 52.02	102	\$ 51.97
Shares available on December 31 for options that may be granted	58		85		108	

¹ No grants were made from the 1991 Option Plan during 2005, 2004 or 2003.

² Shares forfeited/expired relate to the 1991, 1999 and 2002 Option Plans.

The following table summarizes information about stock options as of December 31, 2005 (shares in millions):

Range of Exercise Prices	Outstanding Stock Options			Exercisable Stock Options	
	Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
\$ 40.00 to \$ 50.00	147	9.4 years	\$ 44.93	76	\$ 46.96
\$ 50.01 to \$ 60.00	46	8.1 years	\$ 56.25	45	\$ 56.29
\$ 60.01 to \$ 86.75	10	2.8 years	\$ 65.85	10	\$ 65.85
\$ 40.00 to \$ 86.75	203	8.8 years	\$ 48.50	131	\$ 51.61

Restricted Stock Award Plans

Under the amended 1989 Restricted Stock Award Plan and the amended 1983 Restricted Stock Award Plan (the "Restricted Stock Award Plans"), 40 million and 24 million shares of restricted common stock, respectively, were originally available to be granted to certain officers and key employees of our Company.

On December 31, 2005, 31 million shares remain available for grant under the Restricted Stock Award Plans. Participants are entitled to vote and receive dividends on the shares and, under the 1983 Restricted Stock Award Plan, participants are reimbursed by our Company for income taxes imposed on the award, but not for taxes generated by the reimbursement payment. The shares are subject to certain transfer restrictions and may be forfeited if a participant leaves our Company for reasons other than retirement, disability or death, absent a change in control of our Company.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: STOCK COMPENSATION PLANS (Continued)

The following awards were outstanding as of December 31, 2005:

- 422,700 shares of time-based restricted stock in which the restrictions lapse upon the achievement of continued employment over a specified period of time. An additional 10,000 shares were promised for an employee based outside of the United States;
- 713,000 shares of performance-based restricted stock in which restrictions lapse upon the achievement of specific performance goals over a specified performance period. An additional 75,000 shares were promised, based upon achievement of relevant performance criteria, for an employee based outside of the United States; and
- 2,356,728 performance share unit awards which could result in a future grant of restricted stock after the achievement of specific performance goals over a specified performance period. Such awards are subject to adjustment based on the final performance relative to the goals, resulting in a minimum grant of no shares and a maximum grant of 3,499,092 shares.

In the third quarter of 2004, in connection with Douglas N. Daft's retirement, the Compensation Committee of the Board of Directors released to Mr. Daft 200,000 shares of restricted stock previously granted to him during the period from April 1992 to October 1998. The terms of these grants provided that the restricted shares be released upon retirement after age 62 but not earlier than five years from the date of grant. The Compensation Committee determined to release the shares in recognition of Mr. Daft's 27 years of service to the Company and the fact that he would turn 62 in March 2005. Mr. Daft forfeited 500,000 shares of restricted stock granted to him in November 2000, since as of the date of his retirement, he had not held these shares for five years from the date of grant. In addition, Mr. Daft forfeited 1,000,000 shares of performance-based restricted stock, since Mr. Daft retired prior to the completion of the performance period.

Time-Based Restricted Stock Awards

The following table summarizes information about time-based restricted stock awards:

	Number of Shares		
	2005	2004	2003
Outstanding on January 1	513,700	1,224,900	1,506,485
Granted ¹	9,000	140,000	—
Released	(100,000)	(296,800)	(254,585)
Cancelled/Forfeited	—	(554,400)	(27,000)
Outstanding on December 31	422,700²	513,700	1,224,900

¹ In 2005 and 2004, the Company granted time-based restricted stock awards with average fair value of \$41.80 per share and \$48.97 per share, respectively.

² In 2005, the Company promised to grant an additional 10,000 shares upon completion of three years of service. This award is similar to time-based restricted stock, including the payment of dividend equivalents, but was granted in this manner because the employee was based outside of the United States.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: STOCK COMPENSATION PLANS (Continued)

Performance-Based Restricted Stock Awards

In 2001, shareowners approved an amendment to the 1989 Restricted Stock Award Plan to allow for the grant of performance-based awards. These awards are released only upon the achievement of specific measurable performance criteria. These awards pay dividends during the performance period. The majority of awards have specific earnings per share targets for achievement. If the earnings per share targets are not met, the awards will be cancelled.

The following table summarizes information about performance-based restricted stock awards:

	Number of Shares		
	2005	2004	2003
Outstanding on January 1	713,000	2,507,720	2,655,000
Granted ¹	50,000	—	52,720
Released	—	(110,000)	—
Cancelled/Forfeited	(50,000)	(1,684,720)	(200,000)
Outstanding on December 31	713,000²	713,000 ²	2,507,720 ²

¹ In 2005, 50,000 shares of three-year performance-based restricted stock were granted at an average fair value of \$42.40 per share. In 2003, 52,720 shares of three-year performance-based restricted stock were granted at an average fair value of \$42.91 per share.

² In 2002, the Company promised to grant an additional 50,000 shares at the end of three years and an additional 75,000 shares at the end of four years, at an average fair value of \$46.88 per share, if the Company achieved predefined performance targets over the respective measurement periods. These awards are similar to the performance-based restricted stock, including the payment of dividend equivalents, but were granted in this manner because the employees were based outside of the United States. The award to grant 50,000 shares was cancelled during 2005 because the performance target was not met. The award to grant 75,000 shares was outstanding as of December 31, 2005.

The Company did not recognize compensation expense for the majority of these awards, as it is not probable the performance targets will be achieved.

Performance Share Unit Awards

In 2003, the Company modified its use of performance-based awards and established a program to grant performance share unit awards under the 1989 Restricted Stock Award Plan to executives. The number of performance share units earned shall be determined at the end of each performance period, generally three years, based on performance criteria determined by the Board of Directors and may result in an award of restricted stock for U.S. participants and certain international participants at that time. The restricted stock may be granted to other international participants shortly before the fifth anniversary of the original award. Restrictions on such stock generally lapse on the fifth anniversary of the original award date. Generally, performance share unit awards are subject to the performance criteria of compound annual growth in earnings per share over the performance period, as adjusted for certain items approved by the Compensation Committee of the Board of Directors (“adjusted EPS”). The purpose of these adjustments is to ensure a consistent year to year comparison of the specified performance criteria. Performance share units do not pay dividends during the performance period. Accordingly, the fair value of these units is the quoted market value of the Company stock

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: STOCK COMPENSATION PLANS (Continued)

on the date of the grant less the present value of the expected dividends not received during the performance period.

Performance share unit Target Awards for the 2004-2006, 2005-2007 and 2006-2008 performance periods require adjusted EPS growth in line with our Company's internal projections over the performance periods. In the event adjusted EPS exceeds the target projection, additional shares up to the Maximum Award may be granted. In the event adjusted EPS falls below the target projection, a reduced number of shares as few as the Threshold Award may be granted. If adjusted EPS falls below the Threshold Award performance level, no shares will be granted. Of the outstanding granted performance share unit awards as of December 31, 2005, 726,379; 862,649; and 695,700 awards are for the 2004-2006, 2005-2007 and 2006-2008 performance periods, respectively. In addition, 72,000 performance share unit awards, with predefined qualitative performance criteria and release criteria that differ from the program described above, were granted in 2004 and were outstanding as of December 31, 2005.

The following table summarizes information about performance share unit awards:

	Number of Share Units		
	2005	2004	2003
Outstanding on January 1	1,583,447	798,931	—
Granted ¹	835,440	953,196	798,931
Cancelled/Forfeited	(62,159)	(168,680)	—
Outstanding on December 31	2,356,728	1,583,447	798,931
Threshold Award	1,352,388	950,837	399,466
Target Award	2,356,728	1,583,447	798,931
Maximum Award	3,499,092	2,339,171	1,198,397

¹ In 2005, 2004 and 2003, the Company granted performance share unit awards with average fair value of \$37.71 per share, \$38.71 per share and \$46.78 per share, respectively.

The Company recognizes compensation expense when it becomes probable that the performance criteria specified in the plan will be achieved. The compensation expense is recognized over the remaining performance period and is recorded in selling, general and administrative expenses. The Company has concluded that it is not probable the performance criteria for the 2004-2006 performance period will be achieved; accordingly, no compensation expense has been recognized for awards related to this performance period.

NOTE 15: PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

Our Company sponsors and/or contributes to pension and postretirement health care and life insurance benefit plans covering substantially all U.S. employees. We also sponsor nonqualified, unfunded defined benefit pension plans for certain associates. In addition, our Company and its subsidiaries have various pension plans and other forms of postretirement arrangements outside the United States. We use a measurement date of December 31 for substantially all of our pension and postretirement benefit plans.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

Obligations and Funded Status

The following table sets forth the change in benefit obligations for our benefit plans (in millions):

December 31,	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Benefit obligation at beginning of year ¹	\$ 2,800	\$ 2,495	\$ 801	\$ 761
Service cost	91	85	28	27
Interest cost	156	147	43	44
Foreign currency exchange rate changes	(69)	71	—	1
Amendments	2	—	—	—
Actuarial (gain) loss ²	223	124	(63)	(11)
Benefits paid ³	(133)	(125)	(25)	(25)
Settlements	(28)	—	—	—
Curtailments	(7)	3	—	—
Other	6	—	3	4
Benefit obligation at end of year¹	\$ 3,041	\$ 2,800	\$ 787	\$ 801

¹ For pension benefit plans, the benefit obligation is the projected benefit obligation. For other benefit plans, the benefit obligation is the accumulated postretirement benefit obligation.

² During 2004, our accumulated postretirement benefit obligation was reduced by \$67 million due to the adoption of FSP 106-2. Refer to Note 1.

³ Benefits paid from pension benefit plans during 2005 and 2004 included \$28 million and \$25 million, respectively, in payments related to unfunded pension plans that were paid from Company assets. All of the benefits paid from other benefit plans during 2005 and 2004 were paid from Company assets.

The accumulated benefit obligation for our pension plans was \$2,650 million and \$2,440 million at December 31, 2005 and 2004, respectively.

For pension plans with projected benefit obligations in excess of plan assets, the total projected benefit obligation and fair value of plan assets were \$1,391 million and \$702 million, respectively, as of December 31, 2005, and \$1,112 million and \$388 million, respectively, as of December 31, 2004. For pension plans with accumulated benefit obligations in excess of plan assets, the total accumulated benefit obligation and fair value of plan assets were \$875 million and \$331 million, respectively, as of December 31, 2005, and \$916 million and \$341 million, respectively, as of December 31, 2004.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

The following table sets forth the change in the fair value of plan assets for our benefit plans (in millions):

December 31,	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Fair value of plan assets at beginning of year ¹	\$ 2,397	\$ 2,024	\$ 10	\$ —
Actual return on plan assets	233	243	1	1
Employer contributions	163	179	8	9
Foreign currency exchange rate changes	(47)	51	—	—
Benefits paid	(105)	(100)	—	—
Other	(4)	—	—	—
Fair value of plan assets at end of year ¹	\$ 2,637	\$ 2,397	\$ 19	\$ 10

¹ Plan assets include 1.6 million shares of common stock of our Company with a fair value of \$65 million and \$67 million as of December 31, 2005 and 2004, respectively. Dividends received on common stock of our Company during 2005 and 2004 were \$1.8 million and \$1.6 million, respectively.

The pension and other benefit amounts recognized in our consolidated balance sheets are as follows (in millions):

December 31,	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Funded status — plan assets less than benefit obligations	\$ (404)	\$ (403)	\$ (768)	\$ (791)
Unrecognized net actuarial loss	550	447	123	187
Unrecognized prior service cost (benefit)	44	47	(6)	(6)
Net prepaid asset (liability) recognized	\$ 190	\$ 91	\$ (651)	\$ (610)
Prepaid benefit cost	\$ 620	\$ 527	\$ —	\$ —
Accrued benefit liability	(570)	(595)	(651)	(610)
Intangible asset	12	15	—	—
Accumulated other comprehensive income	128	144	—	—
Net prepaid asset (liability) recognized	\$ 190	\$ 91	\$ (651)	\$ (610)

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

Components of Net Periodic Benefit Cost

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

Year Ended December 31,	Pension Benefits			Other Benefits		
	2005	2004	2003	2005	2004	2003
Service cost	\$ 91	\$ 85	\$ 76	\$ 28	\$ 27	\$ 25
Interest cost	156	147	140	43	44	44
Expected return on plan assets	(167)	(153)	(130)	(1)	—	—
Amortization of prior service cost (benefit)	7	8	7	—	(1)	—
Recognized net actuarial loss	43	35	27	1	3	6
Net periodic benefit cost ¹	\$ 130	\$ 122	\$ 120	\$ 71	\$ 73	\$ 75

¹ During 2004, net periodic benefit cost for our other postretirement benefit plans was reduced by \$12 million due to our adoption of FSP 106-2. Refer to Note 1.

In 2003, the Company recorded a charge of \$23 million for special retirement benefits and curtailment costs as part of the streamlining costs. Refer to Note 18.

Assumptions

Certain weighted-average assumptions used in computing the benefit obligations are as follows:

December 31,	Pension Benefits		Other Benefits	
	2005	2004	2005	2004
Discount rate	5¼%	5½%	5¾%	6%
Rate of increase in compensation levels	4%	4%	4½%	4½%

Certain weighted-average assumptions used in computing net periodic benefit cost are as follows:

Year Ended December 31,	Pension Benefits			Other Benefits		
	2005	2004	2003	2005	2004	2003
Discount rate ¹	5½%	6%	6%	6%	6¼%	6½%
Rate of increase in compensation levels	4%	4¼%	4¼%	4½%	4½%	4½%
Expected long-term rate of return on plan assets	7¾%	7¾%	7¾%	8½%	8½%	—%

¹ On March 27, 2003, the primary qualified and nonqualified U.S. pension plans, as well as the U.S. postretirement health care plan, were remeasured to reflect the effect of the curtailment resulting from the Company's streamlining initiatives. Refer to Note 18. The discount rate assumption used to determine 2003 net periodic benefit cost for these U.S. plans was 6¾ percent prior to the remeasurement and 6½ percent subsequent to the remeasurement. This change in the discount rate is reflected in the 2003 weighted-average discount rate of 6 percent for all pension benefit plans and 6½ percent for other benefit plans.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

The assumed health care cost trend rates are as follows:

December 31,	2005	2004
Health care cost trend rate assumed for next year	9%	9½%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5¼%	5¼%
Year that the rate reaches the ultimate trend rate	2010	2010

Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement health care plans. A one percentage point change in the assumed health care cost trend rate would have the following effects (in millions):

	One Percentage Point Increase	One Percentage Point Decrease
Effect on accumulated postretirement benefit obligation as of December 31, 2005	\$ 125	\$ (108)
Effect on total of service cost and interest cost in 2005	\$ 14	\$ (12)

The discount rate assumptions used to account for pension and other postretirement benefit plans reflect the rates at which the benefit obligations could be effectively settled. These rates were determined using a cash flow matching technique whereby a hypothetical portfolio of high quality debt securities was constructed that mirrors the specific benefit obligations for each of our primary U.S. plans. The rate of compensation increase assumption is determined by the Company based upon annual reviews. We review external data and our own historical trends for health care costs to determine the health care cost trend rate assumptions.

Plan Assets

The following table sets forth the actual asset allocation and weighted-average target asset allocation for our U.S. and non-U.S. pension plan assets:

December 31,	2005	2004	Target Asset Allocation
Equity securities ¹	58%	60%	57%
Debt securities	29	31	33
Real estate and other ²	13	9	10
Total	100%	100%	100%

¹ As of December 31, 2005 and 2004, 2 percent and 3 percent, respectively, of total pension plan assets were invested in common stock of our Company.

² As of December 31, 2005 and 2004, 6 percent and 4 percent, respectively, of total pension plan assets were invested in real estate.

Investment objectives for the Company's U.S. pension plan assets, which comprise 71 percent of total pension plan assets as of December 31, 2005, are to:

- (1) optimize the long-term return on plan assets at an acceptable level of risk;
- (2) maintain a broad diversification across asset classes and among investment managers;
- (3) maintain careful control of the risk level within each asset class; and
- (4) focus on a long-term return objective.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

Asset allocation targets promote optimal expected return and volatility characteristics given the long-term time horizon for fulfilling the obligations of the pension plans. Selection of the targeted asset allocation for U.S. plan assets was based upon a review of the expected return and risk characteristics of each asset class, as well as the correlation of returns among asset classes.

Investment guidelines are established with each investment manager. These guidelines provide the parameters within which the investment managers agree to operate, including criteria that determine eligible and ineligible securities, diversification requirements and credit quality standards, where applicable. Unless exceptions have been approved, investment managers are prohibited from buying or selling commodities, futures or option contracts, as well as from short selling of securities. Furthermore, investment managers agree to obtain written approval for deviations from stated investment style or guidelines.

As of December 31, 2005, no investment manager was responsible for more than 10 percent of total U.S. plan assets. In addition, diversification requirements for each investment manager prevent a single security or other investment from exceeding 10 percent, at historical cost, of the total U.S. plan assets.

The expected long-term rate of return assumption for U.S. plan assets is based upon the target asset allocation and is determined using forward-looking assumptions in the context of historical returns and volatilities for each asset class, as well as correlations among asset classes. We evaluate the rate of return assumption on an annual basis. The expected long-term rate of return assumption used in computing 2005 net periodic pension cost for the U.S. plans was 8.5 percent. As of December 31, 2005, the 10-year annualized return on U.S. plan assets was 9.6 percent, the 15-year annualized return was 11.6 percent, and the annualized return since inception was 12.7 percent.

Plan assets for our pension plans outside the United States are insignificant on an individual plan basis.

Cash Flows

Information about the expected cash flows for our pension and other postretirement benefit plans is as follows (in millions):

	Pension Benefits	Other Benefits
Expected employer contributions:		
2006	\$ 103	\$ 9
Expected benefit payments ¹ :		
2006	\$ 125	\$ 30
2007	131	32
2008	134	34
2009	135	37
2010	140	39
2011-2015	782	233

¹ The expected benefit payments for our other postretirement benefit plans do not reflect any estimated federal subsidies expected to be received under the Medicare Prescription Drug, Improvement and Modernization Act of 2003. Federal subsidies are estimated to range from \$1.9 million in 2006 to \$3.0 million in 2010 and are estimated to be \$19.8 million for the period 2011-2015.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

Defined Contribution Plans

Our Company sponsors a qualified defined contribution plan covering substantially all U.S. employees. Under this plan, we match 100 percent of participants' contributions up to a maximum of 3 percent of compensation. Company contributions to the U.S. plan were approximately \$21 million, \$18 million and \$20 million in 2005, 2004 and 2003, respectively. We also sponsor defined contribution plans in certain locations outside the United States. Company contributions to those plans were approximately \$14 million, \$8 million and \$7 million in 2005, 2004 and 2003, respectively.

NOTE 16: INCOME TAXES

Income before income taxes consisted of the following (in millions):

Year Ended December 31,	2005	2004	2003
United States	\$ 2,268	\$ 2,535	\$ 2,029
International	4,422	3,687	3,466
	\$ 6,690	\$ 6,222	\$ 5,495

Income tax expense (benefit) consisted of the following for the years ended December 31, 2005, 2004 and 2003 (in millions):

	United States	State and Local	International	Total
2005				
Current	\$ 873	\$ 188	\$ 845	\$ 1,906
Deferred	(72)	(25)	9	(88)
2004				
Current	\$ 350	\$ 64	\$ 799	\$ 1,213
Deferred	209	29	(76)	162
2003				
Current	\$ 426	\$ 84	\$ 826	\$ 1,336
Deferred	(145)	(11)	(32)	(188)

We made income tax payments of approximately \$1,676 million, \$1,500 million and \$1,325 million in 2005, 2004 and 2003, respectively.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16: INCOME TAXES (Continued)

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

Year Ended December 31,	2005	2004	2003
Statutory U.S. federal rate	35.0 %	35.0 %	35.0 %
State and local income taxes — net of federal benefit	1.2	1.0	0.9
Earnings in jurisdictions taxed at rates different from the statutory U.S. federal rate	(12.1)¹	(9.4) ^{5,6}	(10.6) ¹⁰
Equity income or loss	(2.3)	(3.1) ⁷	(2.4) ¹¹
Other operating charges	0.4²	(0.9) ⁸	(1.1) ¹²
Other — net	0.3³	(0.5) ⁹	(0.9)
Repatriation under the Jobs Creation Act	4.7⁴	—	—
Effective rates	27.2 %	22.1 %	20.9 %

¹ Includes approximately \$29 million (or 0.4 percent) tax benefit related to the favorable resolution of certain tax matters in various international jurisdictions.

² Includes approximately \$4 million tax benefit related to the Philippines impairment charges. Refer to Note 5 and Note 17.

³ Includes approximately \$72 million (or 1.1 percent) tax benefit related to the favorable resolution of certain domestic tax matters.

⁴ Related to repatriation of approximately \$6.1 billion of previously unremitted foreign earnings under the Jobs Creation Act, resulting in a tax provision of approximately \$315 million.

⁵ Includes approximately \$92 million (or 1.4 percent) tax benefit related to the favorable resolution of certain tax matters in various international jurisdictions.

⁶ Includes a tax charge of approximately \$75 million (or 1.2 percent) related to the recording of a valuation allowance on various deferred tax assets recorded in Germany.

⁷ Includes an approximate \$50 million (or 0.8 percent) tax benefit related to the realization of certain foreign tax credits per provisions of the Jobs Creation Act.

⁸ Includes a tax benefit of approximately \$171 million primarily related to impairment of franchise rights at CCEAG and certain manufacturing investments. Refer to Note 17.

⁹ Includes an approximate \$36 million (or 0.6 percent) tax benefit related to the favorable resolution of various domestic tax matters.

¹⁰ Includes an approximate \$50 million (or 0.8 percent) tax benefit related primarily to the favorable resolution of certain tax matters in various international jurisdictions.

¹¹ Includes the tax benefit of approximately \$3 million related to the write-down of certain intangible assets held by bottling investments in Latin America. Refer to Note 2.

¹² Includes the tax benefit of approximately \$186 million related to charges for streamlining initiatives. Refer to Note 18.

Our effective tax rate reflects the tax benefits from having significant operations outside the United States that are taxed at rates lower than the statutory U.S. rate of 35 percent.

Undistributed earnings of the Company's foreign subsidiaries amounted to approximately \$5.1 billion at December 31, 2005. Those earnings are considered to be indefinitely reinvested and, accordingly, no U.S. federal and state income taxes have been provided thereon. Upon distribution of those earnings in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practical because of the complexities associated with its hypothetical calculation; however, unrecognized foreign tax credits would be available to reduce a portion of the U.S. liability.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16: INCOME TAXES (Continued)

As discussed in Note 1, the Jobs Creation Act was enacted in October 2004. One of the provisions provides a one-time benefit related to foreign tax credits generated by equity investments in prior years. The Company recorded an income tax benefit of approximately \$50 million as a result of this law change in 2004. The Jobs Creation Act also included a temporary incentive for U.S. multinationals to repatriate foreign earnings at an approximate 5.25 percent effective tax rate. During the first quarter of 2005, the Company decided to repatriate approximately \$2.5 billion in previously unremitted foreign earnings. Therefore, the Company recorded a provision for taxes on such previously unremitted foreign earnings of approximately \$152 million in the first quarter of 2005. Also, during 2005, the United States Internal Revenue Service and the United States Department of Treasury issued additional guidance related to the Jobs Creation Act. As a result of this guidance, the Company reduced the accrued taxes previously provided on such unremitted earnings by \$25 million in the second quarter of 2005. Also, during the fourth quarter of 2005, the Company repatriated an additional \$3.6 billion, with an associated tax liability of approximately \$188 million. Therefore, the total previously unremitted earnings that was repatriated during the full year of 2005 was \$6.1 billion with an associated tax liability of approximately \$315 million. This liability was recorded in the current year as federal and state and local tax expenses in the amount of \$301 million and \$14 million, respectively.

The tax effects of temporary differences and carryforwards that give rise to deferred tax assets and liabilities consist of the following (in millions):

December 31,	2005	2004
Deferred tax assets:		
Property, plant and equipment	\$ 60	\$ 71
Trademarks and other intangible assets	64	65
Equity method investments (including translation adjustment)	445	530
Other liabilities	200	149
Benefit plans	649	594
Net operating/capital loss carryforwards	750	856
Other	295	257
Gross deferred tax assets	2,463	2,522
Valuation allowances	(786)	(854)
Total deferred tax assets ^{1,2}	\$ 1,677	\$ 1,668
Deferred tax liabilities:		
Property, plant and equipment	\$ (641)	\$ (684)
Trademarks and other intangible assets	(278)	(247)
Equity method investments (including translation adjustment)	(674)	(612)
Other liabilities	(80)	(71)
Other	(170)	(180)
Total deferred tax liabilities ³	\$ (1,843)	\$ (1,794)
Net deferred tax assets (liabilities)	\$ (166)	\$ (126)

¹ Noncurrent deferred tax assets of \$192 million and \$251 million were included in the consolidated balance sheets line item other assets at December 31, 2005 and 2004, respectively.

² Current deferred tax assets of \$153 million and \$146 million were included in the consolidated balance sheets line item prepaid expenses and other assets at December 31, 2005 and 2004, respectively.

³ Current deferred tax liabilities of \$159 million and \$121 million were included in the consolidated balance sheets line item accounts payable and accrued expenses at December 31, 2005 and 2004, respectively.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16: INCOME TAXES (Continued)

On December 31, 2005 and 2004, we had approximately \$116 million and \$194 million, respectively, of net deferred tax assets located in countries outside the United States.

On December 31, 2005, we had approximately \$3,345 million of loss carryforwards available to reduce future taxable income. Loss carryforwards of approximately \$1,365 million must be utilized within the next five years; \$123 million must be utilized within the next 10 years, and the remainder can be utilized over a period greater than 10 years.

As of December 31, 2005, 2004 and 2003, the Company had valuation allowances of \$786 million, \$854 million and \$630 million, respectively, which were primarily related to the realization of recorded tax benefits on tax loss carryforwards from operations in various jurisdictions. In 2005, the Company recognized a decrease in its valuation allowances of \$68 million. In 2004, the Company recognized an increase in its valuation allowances of \$224 million. In 2003, the Company recognized a decrease in its valuation allowances of \$108 million.

NOTE 17: SIGNIFICANT OPERATING AND NONOPERATING ITEMS

In 2005, our Company received approximately \$109 million related to the settlement of a class action lawsuit concerning price-fixing in the sale of HFCS purchased by the Company during the years 1991 to 1995. Subsequent to the receipt of this settlement amount, the Company distributed approximately \$62 million to certain bottlers in North America. From 1991 to 1995, the Company purchased HFCS on behalf of these bottlers. Therefore, these bottlers were ultimately entitled to a portion of the proceeds of the settlement. Of the approximately \$62 million we distributed to certain bottlers in North America, approximately \$49 million was distributed to CCE. The Company's remaining share of the settlement was approximately \$47 million, which was recorded as a reduction of cost of goods sold and impacted the Corporate operating segment.

During 2005, we recorded approximately \$23 million of noncash pretax gains on the issuances of stock by equity method investees. Refer to Note 3.

The Company recorded approximately \$50 million of expense in 2005 as a result of a change in our estimated service period for the acceleration of certain stock-based compensation awards. Refer to Note 14.

Equity income in 2005 was reduced by approximately \$33 million for the Corporate segment, primarily related to our proportionate share of the tax liability recorded by CCE resulting from its repatriation of previously unremitted foreign earnings under the Jobs Creation Act, as well as our proportionate share of restructuring charges. Those amounts were partially offset by our proportionate share of CCE's HFCS lawsuit settlement proceeds and changes in certain of CCE's state and provincial tax rates. Refer to Note 2.

Our Company recorded impairment charges during 2005 of approximately \$84 million related to certain trademarks for beverages sold in the Philippines and approximately \$1 million related to impairment of other assets. These impairment charges were recorded in the consolidated statement of income line item other operating charges. Refer to Note 5.

During 2004, our Company's equity income benefited by approximately \$37 million for our proportionate share of a favorable tax settlement related to Coca-Cola FEMSA.

In 2004, we recorded approximately \$24 million of noncash pretax gains on the issuances of stock by CCE. Refer to Note 3.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17: SIGNIFICANT OPERATING AND NONOPERATING ITEMS (Continued)

We recorded impairment charges during 2004 of approximately \$374 million, primarily related to the impairment of franchise rights at CCEAG and approximately \$18 million related to other assets. These impairment charges were recorded in the consolidated statement of income line item other operating charges. Refer to Note 5.

We recorded additional impairment charges in 2004 of approximately \$88 million. These impairments primarily related to the write-downs of certain manufacturing investments and an intangible asset. As a result of operating losses, management prepared analyses of cash flows expected to result from the use of the assets and their eventual disposition. Because the sum of the undiscounted cash flows was less than the carrying value of such assets, we recorded an impairment charge to reduce the carrying value of the assets to fair value. These impairment charges were recorded in the consolidated statement of income line item other operating charges.

Also in 2004, our Company received a \$75 million insurance settlement related to the class action lawsuit that was settled in 2000. The Company donated \$75 million to The Coca-Cola Foundation in 2004.

In 2003, the Company reached a settlement with certain defendants in a vitamin antitrust litigation matter. In that litigation, the Company alleged that certain vitamin manufacturers participated in a global conspiracy to fix the price of some vitamins, including vitamins used in the manufacture of some of the Company's products. Also in 2003, the Company received a settlement relating to this litigation of approximately \$52 million, which was recorded as a reduction to cost of goods sold.

Refer to Note 2 for disclosure regarding the merger of Coca-Cola FEMSA and Panamco in 2003 and the recording of a \$102 million noncash pretax charge to the consolidated statement of income line item equity income—net.

During 2003, we recorded approximately \$8 million of noncash pretax gains on the issuances of stock by equity method investees. Refer to Note 3.

NOTE 18: STREAMLINING COSTS

During 2003, the Company took steps to streamline and simplify its operations, primarily in North America and Germany. In North America, the Company integrated the operations of three formerly separate North American business units—Coca-Cola North America, The Minute Maid Company and Coca-Cola Fountain. In Germany, CCEAG took steps to improve its efficiency in sales, distribution and manufacturing, and our German Division office also implemented streamlining initiatives. Selected other operations also took steps to streamline their operations to improve overall efficiency and effectiveness. As disclosed in Note 1, under SFAS No. 146, a liability is accrued only when certain criteria are met. All of the Company's streamlining initiatives met the criteria of SFAS No. 146 as of December 31, 2003, and all related costs were incurred as of December 31, 2003.

Employees separated from the Company as a result of these streamlining initiatives were offered severance or early retirement packages, as appropriate, which included both financial and nonfinancial components. The expenses recorded during the year ended December 31, 2003 included costs associated with involuntary terminations and other direct costs associated with implementing these initiatives. As of December 31, 2003, approximately 3,700 associates were separated pursuant to these streamlining initiatives. Other direct costs included the relocation of employees; contract termination costs; costs associated with the development, communication and administration of these initiatives; and asset write-offs. During 2003, the Company incurred total pretax expenses related to these streamlining initiatives of approximately \$561 million, or \$0.15 per share

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18: STREAMLINING COSTS (Continued)

after-tax. These expenses were recorded in our consolidated statements of income line item other operating charges.

The table below summarizes the costs incurred in 2003, the balances of accrued streamlining expenses, and the movement in those balances as of and for the years ended December 31, 2003, 2004 and 2005 (in millions):

	Costs Incurred in 2003	Payments	Noncash and Exchange	Accrued Balance December 31, 2003	Payments	Noncash and Exchange	Accrued Balance December 31, 2004	Payments	Noncash and Exchange	Accrued Balance December 31, 2005
Severance pay and benefits	\$ 248	\$ (113)	\$ 3	\$ 138	\$ (118)	\$ (2)	\$ 18	\$ (14)	\$ (2)	\$ 2
Retirement related benefits	43	—	(14)	29	—	(29)	—	—	—	—
Outside services— legal, outplacement, consulting	36	(25)	—	11	(10)	(1)	—	—	—	—
Other direct costs	133	(81)	(1)	51	(29)	1	23	(6)	(1)	16
Total¹	\$ 460	\$ (219)	\$ (12)	\$ 229	\$ (157)	\$ (31)	\$ 41	\$ (20)	\$ (3)	\$ 18
Asset impairments	\$ 101									
Total costs incurred	\$ 561									

¹ As of December 31, 2004 and 2005, \$41 million and \$18 million, respectively, was included in our consolidated balance sheets line item accounts payable and accrued expenses.

The total streamlining initiative costs incurred for the year ended December 31, 2003 by operating segment were as follows (in millions):

North America	\$ 273
Africa	12
East, South Asia and Pacific Rim	11
European Union	157
Latin America	8
North Asia, Eurasia and Middle East	33
Corporate	67
Total	\$ 561

NOTE 19: ACQUISITIONS AND INVESTMENTS

During 2005, our Company's acquisition and investment activity totaled approximately \$637 million and included the acquisition of the German soft drink bottling company Bremer Erfrischungsgetraenke GmbH ("Bremer") for approximately \$160 million from InBev SA. This transaction was accounted for as a business combination, and the results of Bremer's operations have been included in the Company's consolidated financial statements beginning in September 2005. The Company recorded approximately \$54 million of property, plant and equipment, approximately \$85 million of franchise rights and approximately \$58 million of goodwill related to this acquisition. The franchise rights have been assigned an indefinite life, and the goodwill was allocated to the Germany and Nordic reporting unit within the European Union operating segment.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19: ACQUISITIONS AND INVESTMENTS (Continued)

In August 2005, we completed the acquisition of the remaining 49 percent interest in the business of CCDA Waters L.L.C. (“CCDA”) not previously owned by our Company. Our Company and Danone Waters of North America, Inc. (“DWNA”) had formed CCDA in July 2002 for the production, marketing and distribution of DWNA’s bottled spring and source water business in the United States. This transaction was accounted for as a business combination, and the consolidated results of CCDA’s operations have been included in the Company’s consolidated financial statements since July 2002. CCDA is included in our North America operating segment. In July 2005, the Company acquired Sucos Mais, a Brazilian juice company. The results of Sucos Mais have been included in our consolidated financial statements since July 2005.

Assuming the results of these businesses had been included in operations beginning on January 1, 2005, pro forma financial data would not be required due to immateriality.

On April 20, 2005, our Company and Coca-Cola HBC jointly acquired Multon for a total purchase price of approximately \$501 million, split equally between the Company and Coca-Cola HBC. The Company’s investment in Multon is accounted for under the equity method. Equity income—net includes our proportionate share of the results of Multon’s operations beginning April 20, 2005.

During 2004, our Company’s acquisition and investment activity totaled approximately \$267 million, primarily related to the purchase of trademarks, brands and related contractual rights in Latin America, none of which was individually significant.

During 2003, our Company’s acquisition and investment activity totaled approximately \$359 million. These acquisitions included purchases of trademarks, brands and related contractual rights of approximately \$142 million, none of which was individually significant. Other acquisition and investing activity totaled approximately \$217 million, none of which were individually significant. In March 2003, our Company acquired a 100 percent ownership interest in Truesdale from our equity method investee CCE for cash consideration of approximately \$58 million. Truesdale owns a noncarbonated beverage production facility. The purchase price was allocated primarily to property, plant and equipment acquired. No amount was allocated to intangible assets. Truesdale is included in our North America operating segment.

NOTE 20: OPERATING SEGMENTS

During 2005, the Company made certain changes to its operating structure impacting its Europe, Eurasia and Middle East operating segment and its Asia operating segment. The Company replaced these operating segments with three new operating segments: the European Union operating segment; the North Asia, Eurasia and Middle East operating segment; and the East, South Asia and Pacific Rim operating segment. The European Union operating segment includes the Company’s operations in all of the current member states of the European Union as well as the European Free Trade Association countries, Switzerland, Israel and the Palestinian Territories, and Greenland. The North Asia, Eurasia and Middle East operating segment includes the Company’s operations in China, Japan, Eurasia and Middle East (other than Israel and the Palestinian Territories), Russia, Ukraine and Belarus, and other European countries not included in the European Union operating segment. The East, South Asia and Pacific Rim operating segment includes the Company’s operations in India, the Philippines, Southeast and West Asia, and South Pacific and Korea. As of December 31, 2005, our Company’s operating structure consisted of the following operating segments: North America; Africa; East, South Asia and Pacific Rim; European Union; Latin America; North Asia, Eurasia and Middle East; and Corporate. Prior year amounts have been reclassified to conform with the new operating structure described above.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20: OPERATING SEGMENTS (Continued)

Segment Products and Services

The business of our Company is nonalcoholic beverages. Our operating segments derive a majority of their revenues from the manufacture and sale of beverage concentrates and syrups and, in some cases, the sale of finished beverages. The following table summarizes the contribution to net operating revenues from Company operations (in millions):

Year Ended December 31,	2005	2004	2003
Company operations, excluding bottling operations	\$ 19,687	\$ 18,651	\$ 17,990
Company-owned bottling operations	3,417	3,091	2,867
Consolidated net operating revenues	\$ 23,104	\$ 21,742	\$ 20,857

Method of Determining Segment Income or Loss

Management evaluates the performance of our operating segments separately to individually monitor the different factors affecting financial performance. Segment income or loss includes substantially all of the segment's costs of production, distribution and administration. Our Company typically manages and evaluates equity method investments and related income on a segment level. However, we manage certain investments, such as our equity interests in CCE and Coca-Cola HBC, within the Corporate operating segment. Our Company manages income taxes and financial costs, such as interest income and expense, on a global basis within the Corporate operating segment. We evaluate segment performance based on income or loss before income taxes.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20: OPERATING SEGMENTS (Continued)

Information about our Company's operations by operating segment is as follows (in millions):

	North America	Africa	East, South Asia and Pacific Rim	European Union	Latin America	North Asia, Eurasia and Middle East	Corporate	Consolidated
2005								
Net operating revenues	\$ 6,676	\$ 1,263	\$ 1,258	\$ 6,803	\$ 2,527	\$ 4,494 ¹	\$ 83	\$ 23,104
Operating income (loss) ²	1,554	415	201 ³	2,247	1,207	1,709	(1,248) ⁴	6,085
Interest income							235	235
Interest expense							240	240
Depreciation and amortization	348	29	75	245	40	61	134	932
Equity income — net	10	13	70	2	207	59	319 ⁵	680
Income (loss) before income taxes ²	1,559	414	303 ^{3,6}	2,191	1,429	1,749	(955) ^{4,5}	6,690
Identifiable operating assets	4,621	758	761	4,711 ⁷	1,622	1,140	8,892 ⁸	22,505
Investments ⁹	124	161	1,099	36	1,853	784	2,865	6,922
Capital expenditures	265	40	45	217	57	126	149	899
2004								
Net operating revenues	\$ 6,423	\$ 1,067	\$ 1,276	\$ 6,570	\$ 2,123	\$ 4,182 ¹	\$ 101	\$ 21,742
Operating income (loss) ¹⁰	1,606	340	344	1,812	1,069	1,629	(1,102) ¹¹	5,698
Interest income							157	157
Interest expense							196	196
Depreciation and amortization	345	28	60	234	42	84	100	893
Equity income — net	11	12	72	1	185 ¹²	26	314	621
Income (loss) before income taxes ¹⁰	1,629	337	429	1,747	1,270 ¹²	1,641	(831) ^{11,13}	6,222
Identifiable operating assets	4,731	789	753	5,144 ⁷	1,405	1,108	11,259 ⁸	25,189
Investments ⁹	116	162	1,097	67	1,580	493	2,737	6,252
Capital expenditures	247	28	41	225	38	59	117	755
2003								
Net operating revenues	\$ 6,157	\$ 827	\$ 1,331	\$ 6,086	\$ 2,042	\$ 4,321 ¹	\$ 93	\$ 20,857
Operating income (loss) ¹⁴	1,282	249	367	1,897	970	1,487	(1,031) ¹⁵	5,221
Interest income							176	176
Interest expense							178	178
Depreciation and amortization	305	27	53	220	52	81	112	850
Equity income — net	13	13	59	3	(5) ¹⁶	18	305	406
Income (loss) before income taxes ¹⁴	1,326	249	423	1,847	975 ¹⁶	1,483	(808) ¹⁵	5,495
Identifiable operating assets	4,953	721	887	5,118 ⁷	1,440	1,051	7,702 ⁸	21,872
Investments ⁹	109	156	1,015	71	1,348	547	2,292	5,538
Capital expenditures	309	13	91	188	35	67	109	812

Intercompany transfers between operating segments are not material and are eliminated.

Certain prior year amounts have been reclassified to conform to the current year presentation.

¹ Net operating revenues in Japan represented approximately 66 percent of total North Asia, Eurasia and Middle East operating segment net operating revenues in 2005, 72 percent in 2004 and 82 percent in 2003.

² Operating income (loss) and income (loss) before income taxes were reduced by approximately \$12 million for North America, \$3 million for Africa, \$3 million for East, South Asia and Pacific Rim, \$3 million for European Union, \$4 million for Latin America, \$3 million for North Asia, Eurasia and Middle East and \$22 million for Corporate as a result of accelerated amortization of stock-based compensation expense due to a change in our estimated service period for retirement-eligible participants. Refer to Note 14.

³ Operating income (loss) and income (loss) before income taxes were reduced by approximately \$85 million and \$89 million, respectively, for East, South Asia and Pacific Rim related to the Philippines impairment charges. Refer to Note 17.

⁴ Operating income (loss) and income (loss) before income taxes benefited by approximately \$47 million for Corporate related to the settlement of a class action lawsuit related to HFCS purchases. Refer to Note 17.

THE COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20: OPERATING SEGMENTS (Continued)

- ⁵ Equity income—net and income (loss) before income taxes were impacted by approximately \$33 million for Corporate primarily related to our proportionate share of the tax liability recorded as a result of CCE's repatriation of unremitted foreign earnings under the Jobs Creation Act, restructuring charges, offset by CCE's HFCS lawsuit settlement proceeds, and changes in certain of CCE's state and provincial tax rates. Refer to Note 17.
- ⁶ Income (loss) before income taxes benefited by approximately \$22 million for East, South Asia and Pacific Rim due to issuances of stock by Coca-Cola Amatil, one of our equity method investees. Refer to Note 3.
- ⁷ Identifiable operating assets in Germany represented approximately 48 percent of total European Union identifiable operating assets in 2005, 48 percent in 2004 and 51 percent in 2003.
- ⁸ Principally cash and cash equivalents, marketable securities, finance subsidiary receivables, goodwill, trademarks and other intangible assets and property, plant and equipment.
- ⁹ Principally equity and cost method investments in bottling companies.
- ¹⁰ Operating income (loss) and income (loss) before income taxes were reduced by approximately \$18 million for North America, \$15 million for East, South Asia and Pacific Rim, \$368 million for European Union, \$6 million for Latin America, \$9 million for North Asia, Eurasia and Middle East and \$64 million for Corporate as a result of other operating charges recorded for asset impairments. Refer to Note 17.
- ¹¹ Operating income (loss) and income (loss) before income taxes for Corporate were impacted as a result of the Company's receipt of a \$75 million insurance settlement related to the class action lawsuit settled in 2000. The Company subsequently donated \$75 million to The Coca-Cola Foundation.
- ¹² Equity income—net and income (loss) before income taxes for Latin America were increased by approximately \$37 million as a result of a favorable tax settlement related to Coca-Cola FEMSA, one of our equity method investees. Refer to Note 2.
- ¹³ Income (loss) before income taxes was increased by approximately \$24 million for Corporate due to noncash pre-tax gains that were recognized on the issuances of stock by CCE, one of our equity method investees. Refer to Note 3.
- ¹⁴ Operating income (loss) and income (loss) before income taxes were reduced by approximately \$273 million for North America, \$12 million for Africa, \$11 million for East, South Asia and Pacific Rim, \$157 million for European Union, \$8 million for Latin America, \$33 million for North Asia, Eurasia and Middle East and \$67 million for Corporate as a result of streamlining charges. Refer to Note 18.
- ¹⁵ Operating income (loss) and income (loss) before income taxes were increased by approximately \$52 million for Corporate as a result of the Company's receipt of a settlement related to a vitamin antitrust litigation matter. Refer to Note 17.
- ¹⁶ Equity income—net and income (loss) before income taxes for Latin America were reduced by approximately \$102 million primarily for a charge related to one of our equity method investees. Refer to Note 2.

Five-Year Compound Growth Rates

Five Years Ended December 31, 2005	Net Operating Revenues	Operating Income
Consolidated	6.2%	10.5%
North America	4.2%	1.8%
Africa	15.4%	21.3%
East, South Asia and Pacific Rim	3.7%	*%
European Union	15.6%	13.7%
Latin America	4.4%	5.5%
North Asia, Eurasia and Middle East	(0.2)%	6.9%
Corporate	*	*

* Calculation is not meaningful.

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Coca-Cola Company and Subsidiaries

Management of the Company is responsible for the preparation and integrity of the Consolidated Financial Statements appearing in our Annual Report on Form 10-K. The financial statements were prepared in conformity with generally accepted accounting principles appropriate in the circumstances and, accordingly, include certain amounts based on our best judgments and estimates. Financial information in this Annual Report on Form 10-K is consistent with that in the financial statements.

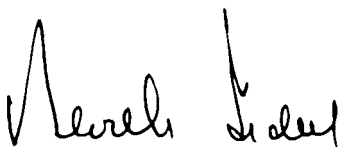
Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rules 13a-15(f) under the Securities Exchange Act of 1934 (“Exchange Act”). The Company’s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Consolidated Financial Statements. Our internal control over financial reporting is supported by a program of internal audits and appropriate reviews by management, written policies and guidelines, careful selection and training of qualified personnel and a written Code of Business Conduct adopted by our Company’s Board of Directors, applicable to all Company Directors and all officers and employees of our Company and subsidiaries.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and even when determined to be effective, can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Audit Committee of our Company’s Board of Directors, composed solely of Directors who are independent in accordance with the requirements of the New York Stock Exchange listing standards, the Exchange Act and the Company’s Corporate Governance Guidelines, meets with the independent auditors, management and internal auditors periodically to discuss internal control over financial reporting and auditing and financial reporting matters. The Committee reviews with the independent auditors the scope and results of the audit effort. The Committee also meets periodically with the independent auditors and the chief internal auditor without management present to ensure that the independent auditors and the chief internal auditor have free access to the Committee. Our Audit Committee’s Report can be found in the Company’s 2006 Proxy statement.

Management assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2005. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework*. Based on our assessment, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2005.

The Company’s independent auditors, Ernst & Young LLP, a registered public accounting firm, are appointed by the Audit Committee of the Company’s Board of Directors, subject to ratification by our Company’s shareowners. Ernst & Young LLP have audited and reported on the Consolidated Financial Statements of The Coca-Cola Company and subsidiaries, management’s assessment of the effectiveness of the Company’s internal control over financial reporting and the effectiveness of the Company’s internal control over financial reporting. The reports of the independent auditors are contained in this Annual Report.




E. Neville Isdell
Chairman, Board of Directors,
and Chief Executive Officer

February 24, 2006



Connie D. McDaniel
Vice President
and Controller

February 24, 2006



Gary P. Fayard
Executive Vice President
and Chief Financial Officer

February 24, 2006

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareowners

The Coca-Cola Company

We have audited the accompanying consolidated balance sheets of The Coca-Cola Company and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, shareowners' equity, and cash flows for each of the three years in the period ended December 31, 2005. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Coca-Cola Company and subsidiaries at December 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, in 2004 the Company adopted the provisions of FASB Interpretation No. 46 (revised December 2003) regarding the consolidation of variable interest entities.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of The Coca-Cola Company and subsidiaries' internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2006, expressed an unqualified opinion thereon.

Ernst & Young LLP

Atlanta, Georgia
February 24, 2006

**Report of Independent Registered Public Accounting Firm
on Internal Control Over Financial Reporting**

**Board of Directors and Shareowners
*The Coca-Cola Company***

We have audited management's assessment, included in the accompanying Report of Management on Internal Control Over Financial Reporting, that The Coca-Cola Company and subsidiaries maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Coca-Cola Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that The Coca-Cola Company and subsidiaries maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, The Coca-Cola Company and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of The Coca-Cola Company and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, shareowners' equity, and cash flows for each of the three years in the period ended December 31, 2005, and our report dated February 24, 2006, expressed an unqualified opinion thereon.

Ernst & Young LLP

Atlanta, Georgia
February 24, 2006

Quarterly Data (Unaudited)

Year Ended December 31,	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
(In millions, except per share data)					
2005					
Net operating revenues	\$ 5,206	\$ 6,310	\$ 6,037	\$ 5,551	\$ 23,104
Gross profit	3,388	4,164	3,802	3,555	14,909
Net income	1,002	1,723	1,283	864	4,872
Basic net income per share	\$ 0.42	\$ 0.72	\$ 0.54	\$ 0.36	\$ 2.04
Diluted net income per share	\$ 0.42	\$ 0.72	\$ 0.54	\$ 0.36	\$ 2.04
2004					
Net operating revenues	\$ 5,028	\$ 5,914	\$ 5,596	\$ 5,204	\$ 21,742
Gross profit	3,267	3,875	3,535	3,391	14,068
Net income	1,127	1,584	935	1,201	4,847
Basic net income per share	\$ 0.46	\$ 0.65	\$ 0.39	\$ 0.50	\$ 2.00
Diluted net income per share	\$ 0.46	\$ 0.65	\$ 0.39	\$ 0.50	\$ 2.00

Our reporting period ends on the Friday closest to the last day of the quarterly calendar period. Our fiscal year ends on December 31 regardless of the day of the week on which December 31 falls.

Certain amounts previously reported in our 2005 and 2004 Quarterly Reports on Form 10-Q were reclassified to conform to our year-end presentation.

The Company's first quarter of 2005 results were impacted by two fewer shipping days as compared to the first quarter of 2004. Additionally, the Company recorded the following transactions which impacted results:

- Provision for taxes on unremitted foreign earnings of approximately \$152 million. Refer to Note 16.
- Approximately \$22 million of noncash pretax gains on issuances of stock by Coca-Cola Amatil in connection with the acquisition of SPC Ardmona Pty. Ltd., an Australian fruit company. Refer to Note 3.
- An income tax benefit of approximately \$56 million related to the reversal of previously accrued taxes resulting from favorable resolution of tax matters. Refer to Note 16.
- Approximately \$50 million of accelerated amortization of stock-based compensation expense related to a change in our estimated service period for retirement-eligible participants. Refer to Note 14.

In the second quarter of 2005, the Company recorded the following transactions which impacted results:

- The receipt of approximately \$42 million related to the settlement of a class action lawsuit concerning the purchase of HFCS. Refer to Note 17.
- An approximate \$21 million benefit to equity income for our proportionate share of CCE's HFCS lawsuit settlement. Refer to Note 2.
- An income tax benefit of approximately \$17 million related to the reversal of previously accrued taxes resulting from favorable resolution of tax matters. Refer to Note 16.
- An income tax benefit of approximately \$25 million as a result of additional guidance issued by the United States Internal Revenue Service and the United States Department of Treasury related to the Jobs Creation Act. Refer to Note 16.

In the third quarter of 2005, the Company recorded the following transactions which impacted results:

- Approximately \$89 million of impairment charges primarily related to intangible assets (mainly trademark beverages sold in the Philippines market). Approximately \$85 million and \$4 million of these impairment charges are recorded in the line items other operating charges and equity income — net, respectively, in our consolidated statements of income. Refer to Note 17.

- Approximately \$5 million of a pretax noncash charge to equity income — net due to our proportionate share of CCE's restructuring charges. Refer to Note 2.
- Approximately \$18 million in income tax benefit related to the reversal of previously accrued taxes resulting from favorable resolution of tax matters. Refer to Note 16.

The Company's fourth quarter of 2005 results were impacted by one additional shipping day as compared to the fourth quarter of 2004. Additionally, the Company recorded the following transactions in the fourth quarter of 2005 which impacted results:

- A receipt of approximately \$5 million related to the settlement of a class action lawsuit concerning the purchase of HFCS. Refer to Note 17.
- An approximate \$49 million reduction to our equity income due to our proportionate share of CCE's tax expense related to repatriation of previously unremitted foreign earnings under the Jobs Creation Act and restructuring charges recorded by CCE, partially offset by changes in certain of CCE's state and provincial tax rates and additional proceeds from CCE's HFCS lawsuit settlement. Refer to Note 2.
- An income tax benefit of approximately \$10 million related to the reversal of previously accrued taxes resulting from favorable resolution of tax matters. Refer to Note 16.
- A provision for taxes on unremitted foreign earnings of approximately \$188 million. Refer to Note 16.

In the second quarter of 2004, the Company recorded the following transactions which impacted results:

- Equity income benefited by approximately \$37 million for our proportionate share of a favorable tax settlement related to Coca-Cola FEMSA. Refer to Note 2.
- Impairment charges totaling approximately \$88 million primarily related to write-downs of certain manufacturing investments and an intangible asset. Refer to Note 17.
- Approximately \$49 million of noncash pretax gains on issuances of stock by CCE. Refer to Note 3.
- An income tax benefit of approximately \$41 million related to the reversal of previously accrued taxes resulting from a favorable agreement with authorities. Refer to Note 16.

In the third quarter of 2004, the Company recorded the following transactions which impacted results:

- An income tax benefit of approximately \$39 million related to the reversal of previously accrued taxes resulting from favorable resolution of tax matters. Refer to Note 16.
- An income tax expense of approximately \$75 million related to the recognition of a valuation allowance on certain deferred taxes of CCEAG. Refer to Note 16.
- Impairment charges totaling approximately \$392 million primarily related to franchise rights at CCEAG. Refer to Note 17.

In the fourth quarter of 2004, the Company recorded the following transactions which impacted results:

- A receipt of \$75 million for an insurance settlement related to the class action lawsuit that was settled in 2000 and a donation of \$75 million to The Coca-Cola Foundation. Refer to Note 17.
- An income tax benefit of approximately \$48 million related to the reversal of previously accrued taxes resulting from favorable resolution of tax matters. Refer to Note 16.
- An income tax benefit of approximately \$50 million related to the realization of certain foreign tax credits per provisions of the Jobs Creation Act. Refer to Note 16.
- Approximately \$25 million of noncash pretax losses to adjust the amount of the gain recognized in the second quarter of 2004 on issuances of stock by CCE. Refer to Note 3.

GLOSSARY

As used in this report, the following terms have the meanings indicated.

Bottler or Bottling Partner: business that buys concentrates (sometimes referred to as “beverage bases”) or syrups from the Company, converts them into finished packaged products and sells them to customers.

Carbonated Soft Drink: nonalcoholic carbonated beverage (sometimes referred to as “soft drinks”) containing flavorings and sweeteners. Excludes, among others, waters and flavored waters, juice and juice drinks, sports drinks, and teas and coffees.

The Coca-Cola System: the Company and its bottling partners.

Coca-Cola Trademark Beverages: cola-flavored Company Trademark Beverages bearing the Coca-Cola trademark.

Company: The Coca-Cola Company together with its subsidiaries.

Company Trademark Beverages: beverages bearing our trademarks and certain other beverage products licensed to our Company for which our Company provides marketing support and from the sale of which it derives income.

Concentrate: material manufactured from Company-defined ingredients and sold to bottlers to prepare finished beverages through the addition of water and, depending on the product, sweeteners and/or carbonated water, marketed under trademarks of the Company.

Consumer: person who drinks Company products.

Cost of Capital: after-tax blended cost of equity and borrowed funds used to invest in operating capital required for business.

Customer: retail outlet, restaurant or other operation that sells or serves Company products directly to consumers.

Derivatives: contracts or agreements, the value of which may change based on changes in interest rates, exchange rates, prices of securities, or financial or commodity indices. The Company uses derivatives to reduce our exposure to adverse fluctuations in interest and foreign currency exchange rates and other market risks.

Fountain: system used by retail outlets to dispense product into cups or glasses for immediate consumption.

Gallon: unit of physical volume measurement for concentrates (sometimes referred to as “beverage bases”), syrups, finished beverages and powders (in all cases, expressed in equivalent gallons of syrup) sold by the Company to its bottling partners or other customers. Most of the Company’s revenues are based on gallon sales, a measure of primarily “wholesale” activity.

Gross Profit Margin: gross profit divided by net operating revenues.

Market: when used in reference to geographic areas, territory in which the Company and its bottling partners do business, often defined by national boundaries.

Noncarbonated Beverages: nonalcoholic beverages without carbonation including, but not limited to, waters and flavored waters, juice and juice drinks, sports drinks, and teas and coffees.

Operating Margin: operating income divided by net operating revenues.

Per Capita Consumption: average number of servings consumed per person, per year in a specific market. Per capita consumption of Company beverage products is calculated by multiplying our unit case volume by 24, and dividing by the population.

Serving: eight U.S. fluid ounces of a finished beverage.

GLOSSARY (Continued)

Syrup: concentrate mixed with sweetener and water, sold to bottlers and customers who add carbonated water to produce finished carbonated soft drinks.

Unit Case: unit of volume measurement equal to 192 U.S. fluid ounces of finished beverage (24 eight-ounce servings).

Unit Case Volume, or Volume: the number of unit cases (or unit case equivalents) of Company beverage products directly or indirectly sold by the Coca-Cola system to customers. Unit case volume primarily consists of beverage products bearing Company trademarks. Unit case volume also includes sales by joint ventures in which the Company is a partner and beverage products licensed to, or distributed by, our Company, and brands owned by our bottling partners for which our Company provides marketing support and from the sale of which it derives income. Such beverage products licensed to, or distributed by, our Company or owned by our bottling partners account for a minimal portion of total unit case volume. Unit case volume is derived based on estimates received by the Company from its bottling partners and distributors.