

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

TABLE OF CONTENTS

	<u>Page</u>
Consolidated Statements of Income.....	66
Consolidated Balance Sheets	67
Consolidated Statements of Cash Flows.....	68
Consolidated Statements of Shareowners' Equity	69
Notes to Consolidated Financial Statements.....	70
Report of Management on Internal Control Over Financial Reporting	128
Report of Independent Registered Public Accounting Firm	129
Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting	130
Quarterly Data (Unaudited)	131

THE COCA-COLA COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

Year Ended December 31, (In millions except per share data)	2007	2006	2005
NET OPERATING REVENUES	\$ 28,857	\$ 24,088	\$ 23,104
Cost of goods sold	10,406	8,164	8,195
GROSS PROFIT	18,451	15,924	14,909
Selling, general and administrative expenses	10,945	9,431	8,739
Other operating charges	254	185	85
OPERATING INCOME	7,252	6,308	6,085
Interest income	236	193	235
Interest expense	456	220	240
Equity income—net	668	102	680
Other income (loss)—net	173	195	(93)
Gains on issuances of stock by equity method investees	—	—	23
INCOME BEFORE INCOME TAXES	7,873	6,578	6,690
Income taxes	1,892	1,498	1,818
NET INCOME	\$ 5,981	\$ 5,080	\$ 4,872
BASIC NET INCOME PER SHARE	\$ 2.59	\$ 2.16	\$ 2.04
DILUTED NET INCOME PER SHARE	\$ 2.57	\$ 2.16	\$ 2.04
AVERAGE SHARES OUTSTANDING	2,313	2,348	2,392
Effect of dilutive securities	18	2	1
AVERAGE SHARES OUTSTANDING ASSUMING DILUTION	2,331	2,350	2,393

Refer to Notes to Consolidated Financial Statements.

THE COCA-COLA COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

December 31,	2007	2006
(In millions except par value)		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,093	\$ 2,440
Marketable securities	215	150
Trade accounts receivable, less allowances of \$56 and \$63, respectively	3,317	2,587
Inventories	2,220	1,641
Prepaid expenses and other assets	2,260	1,623
TOTAL CURRENT ASSETS	12,105	8,441
INVESTMENTS		
Equity method investments:		
Coca-Cola Enterprises Inc.	1,637	1,312
Coca-Cola Hellenic Bottling Company S.A.	1,549	1,251
Coca-Cola FEMSA, S.A.B. de C.V.	996	835
Coca-Cola Amatil Limited	806	817
Other, principally bottling companies and joint ventures	2,301	2,095
Cost method investments, principally bottling companies	488	473
TOTAL INVESTMENTS	7,777	6,783
OTHER ASSETS	2,675	2,701
PROPERTY, PLANT AND EQUIPMENT—net	8,493	6,903
TRADEMARKS WITH INDEFINITE LIVES	5,153	2,045
GOODWILL	4,256	1,403
OTHER INTANGIBLE ASSETS	2,810	1,687
TOTAL ASSETS	\$ 43,269	\$ 29,963
LIABILITIES AND SHAREOWNERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 6,915	\$ 5,055
Loans and notes payable	5,919	3,235
Current maturities of long-term debt	133	33
Accrued income taxes	258	567
TOTAL CURRENT LIABILITIES	13,225	8,890
LONG-TERM DEBT	3,277	1,314
OTHER LIABILITIES	3,133	2,231
DEFERRED INCOME TAXES	1,890	608
SHAREOWNERS' EQUITY		
Common stock, \$0.25 par value; Authorized—5,600 shares;		
Issued—3,519 and 3,511 shares, respectively	880	878
Capital surplus	7,378	5,983
Reinvested earnings	36,235	33,468
Accumulated other comprehensive income (loss)	626	(1,291)
Treasury stock, at cost—1,201 and 1,193 shares, respectively	(23,375)	(22,118)
TOTAL SHAREOWNERS' EQUITY	21,744	16,920
TOTAL LIABILITIES AND SHAREOWNERS' EQUITY	\$ 43,269	\$ 29,963

Refer to Notes to Consolidated Financial Statements.

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

Year Ended December 31, (In millions)	2007	2006	2005
OPERATING ACTIVITIES			
Net income	\$ 5,981	\$ 5,080	\$ 4,872
Depreciation and amortization	1,163	938	932
Stock-based compensation expense	313	324	324
Deferred income taxes	109	(35)	(88)
Equity income or loss, net of dividends	(452)	124	(446)
Foreign currency adjustments	9	52	47
Gains on issuances of stock by equity investees	—	—	(23)
Gains on sales of assets, including bottling interests	(244)	(303)	(9)
Other operating charges	166	159	85
Other items	99	233	299
Net change in operating assets and liabilities	6	(615)	430
Net cash provided by operating activities	7,150	5,957	6,423
INVESTING ACTIVITIES			
Acquisitions and investments, principally beverage and bottling companies	(5,653)	(901)	(637)
Purchases of other investments	(99)	(82)	(53)
Proceeds from disposals of other investments	448	640	33
Purchases of property, plant and equipment	(1,648)	(1,407)	(899)
Proceeds from disposals of property, plant and equipment	239	112	88
Other investing activities	(6)	(62)	(28)
Net cash used in investing activities	(6,719)	(1,700)	(1,496)
FINANCING ACTIVITIES			
Issuances of debt	9,979	617	178
Payments of debt	(5,638)	(2,021)	(2,460)
Issuances of stock	1,619	148	230
Purchases of stock for treasury	(1,838)	(2,416)	(2,055)
Dividends	(3,149)	(2,911)	(2,678)
Net cash provided by (used in) financing activities	973	(6,583)	(6,785)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	249	65	(148)
CASH AND CASH EQUIVALENTS			
Net increase (decrease) during the year	1,653	(2,261)	(2,006)
Balance at beginning of year	2,440	4,701	6,707
Balance at end of year	\$ 4,093	\$ 2,440	\$ 4,701

Refer to Notes to Consolidated Financial Statements.

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

Year Ended December 31, (In millions except per share data)	2007	2006	2005
NUMBER OF COMMON SHARES OUTSTANDING			
Balance at beginning of year	2,318	2,369	2,409
Stock issued to employees exercising stock options	8	4	7
Purchases of stock for treasury ¹	(35)	(55)	(47)
Treasury stock issued to employees exercising stock options	23	—	—
Treasury stock issued to former shareholders of glacéau	4	—	—
Balance at end of year	2,318	2,318	2,369
COMMON STOCK			
Balance at beginning of year	\$ 878	\$ 877	\$ 875
Stock issued to employees exercising stock options	2	1	2
Balance at end of year	880	878	877
CAPITAL SURPLUS			
Balance at beginning of year	5,983	5,492	4,928
Stock issued to employees exercising stock options	1,001	164	229
Tax (charge) benefit from employees' stock option and restricted stock plans	(28)	3	11
Stock-based compensation	309	324	324
Stock purchased by former shareholders of glacéau	113	—	—
Balance at end of year	7,378	5,983	5,492
REINVESTED EARNINGS			
Balance at beginning of year	33,468	31,299	29,105
Adjustment for the cumulative effect on prior years of the adoption of Interpretation No. 48	(65)	—	—
Net income	5,981	5,080	4,872
Dividends (per share—\$1.36, \$1.24 and \$1.12 in 2007, 2006 and 2005, respectively)	(3,149)	(2,911)	(2,678)
Balance at end of year	36,235	33,468	31,299
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)			
Balance at beginning of year	(1,291)	(1,669)	(1,348)
Net foreign currency translation adjustment	1,575	603	(396)
Net gain (loss) on derivatives	(64)	(26)	57
Net change in unrealized gain on available-for-sale securities	14	43	13
Net change in pension liability	392	—	—
Net change in pension liability, prior to adoption of SFAS No. 158	—	46	5
Net other comprehensive income adjustments	1,917	666	(321)
Adjustment to initially apply SFAS No. 158	—	(288)	—
Balance at end of year	626	(1,291)	(1,669)
TREASURY STOCK			
Balance at beginning of year	(22,118)	(19,644)	(17,625)
Stock issued to employees exercising stock options	428	—	—
Stock purchased by former shareholders of glacéau	66	—	—
Purchases of treasury stock	(1,751)	(2,474)	(2,019)
Balance at end of year	(23,375)	(22,118)	(19,644)
TOTAL SHAREOWNERS' EQUITY	\$ 21,744	\$ 16,920	\$ 16,355
COMPREHENSIVE INCOME			
Net income	\$ 5,981	\$ 5,080	\$ 4,872
Net other comprehensive income adjustments	1,917	666	(321)
TOTAL COMPREHENSIVE INCOME	\$ 7,898	\$ 5,746	\$ 4,551

¹ Common stock purchased from employees exercising stock options numbered approximately zero shares, zero shares and 0.5 million shares for the years ended December 31, 2007, 2006 and 2005, 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 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. We primarily sell concentrates and syrups, as well as finished beverages, to bottling and canning operations, distributors, fountain wholesalers and fountain retailers. Our Company owns or licenses more than 450 brands, including Coca-Cola, Diet Coke, Fanta and Sprite, and a variety of diet and light beverages, waters, enhanced waters, juices and juice drinks, teas, coffees, and energy and sports drinks. Additionally, we have ownership interests in numerous beverage joint ventures, 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 proportionate share of the net income or net loss 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 and notes have been revised to conform to the current-year presentation.

Variable Interest Entities

Financial Accounting Standards Board (“FASB”) Interpretation No. 46 (revised December 2003), “Consolidation of Variable Interest Entities” (“Interpretation No. 46(R)”) addresses the consolidation of business enterprises to which the usual condition (ownership of a majority voting interest) of consolidation does not apply. Interpretation No. 46(R) 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 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.

Our consolidated balance sheets include the assets and liabilities of the following:

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

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

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

Our Company holds interests in certain entities, primarily bottlers, that are considered variable interest entities. These variable interests relate to profit guarantees or subordinated financial support for these entities. Our Company's investment, plus any loans and guarantees, related to these variable interest entities totaled approximately \$647 million and \$429 million at December 31, 2007 and 2006, 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; inability to expand operations in developing and emerging markets; fluctuations in foreign currency exchange; interest rate increases; inability 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 and packaging 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 the United States and 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 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; an inability to successfully manage our Company-owned bottling operations; 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. Our sales terms do not allow for a right of return except for matters related to any manufacturing defects on our part.

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

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

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

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 \$4.1 billion, \$3.8 billion and \$3.7 billion for the years ended December 31, 2007, 2006 and 2005, 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 \$2.8 billion, \$2.6 billion and \$2.5 billion for the years ended December 31, 2007, 2006 and 2005, respectively. As of December 31, 2007 and 2006, advertising and production costs of approximately \$224 million and \$214 million, respectively, were recorded in prepaid expenses and other assets in our consolidated balance sheets.

Stock-Based Compensation

Our Company currently sponsors stock option plans and restricted stock award plans. Refer to Note 15. Prior to January 1, 2006, the Company accounted for these plans under the fair value recognition and measurement provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation." Effective January 1, 2006, the Company adopted SFAS No. 123 (revised 2004), "Share Based Payment" ("SFAS No. 123(R)"). Our Company adopted SFAS No. 123(R) using the modified prospective method. Based on the terms of our plans, our Company did not have a cumulative effect related to our plans. The adoption of SFAS No. 123(R) did not have a material impact on our stock-based compensation expense for the year ended December 31, 2006. The fair values of the stock awards are determined using an estimated expected life. The Company recognizes compensation expense on a straight-line basis over the period the award is earned by the employee.

Our equity method investees also adopted SFAS No. 123(R) effective 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 is recognized as a reduction of equity income. The adoption of SFAS No. 123(R) by our equity method investees did not have a material impact on our consolidated financial statements.

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 in ownership interest occurs.

If gains or losses 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 or loss 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 4.

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

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

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

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. On January 1, 2007, the Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("Interpretation No. 48") to account for uncertainty in income taxes recognized in the Company's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." Refer to Note 17.

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 71 million, 175 million and 180 million stock option awards were excluded from the computations of diluted net income per share in 2007, 2006 and 2005, 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 the economic status of our bottling partners and customers.

Activity in the allowance for doubtful accounts was as follows (in millions):

Year Ended December 31,	2007	2006	2005
Balance, beginning of year	\$ 63	\$ 72	\$ 69
Net charges to costs and expenses	17	2	17
Write-offs	(32)	(12)	(12)
Other ¹	8	1	(2)
Balance, end of year	\$ 56	\$ 63	\$ 72

¹ Other includes acquisitions, divestitures and currency translation.

A significant portion of our net operating revenues is derived from sales of our products in international markets. Refer to Note 21. We also generate a significant portion of our net operating 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 Hellenic"), Coca-Cola FEMSA, S.A.B. de C.V. ("Coca-Cola FEMSA") and Coca-Cola Amatil Limited ("Coca-Cola Amatil"). Refer to Note 3.

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 and packaging (which includes ingredients and supplies) and finished goods (which include concentrates and syrups in our concentrate and foodservice operations, and finished beverages in our bottling and canning operations). Inventories are valued at the lower of cost or market. We determine cost on the basis of the average cost or first-in, first-out methods. Refer to Note 2.

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. If we determine that the carrying value of the assets is not recoverable, we record an impairment loss equal to the excess of the carrying amount of the assets over fair value of the assets. Costs of these programs are recorded in prepaid expenses and other assets and noncurrent other assets and are amortized over the remaining periods directly benefited, which range from 1 to 11 years. Amortization expense for infrastructure programs was approximately \$151 million, \$136 million and \$134 million for the years ended December 31, 2007, 2006 and 2005, respectively. Refer to heading "Revenue Recognition," above, and Note 3.

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, including renewals that are deemed to be reasonably assured, or the estimated useful life of the improvement. Depreciation expense, including the depreciation expense of assets under capital lease, totaled approximately \$958 million, \$763 million and \$752 million for the years ended December 31, 2007, 2006 and 2005, respectively. Amortization expense for leasehold improvements totaled approximately \$21 million, \$21 million and \$17 million for the years ended December 31, 2007, 2006 and 2005, respectively. Refer to Note 5.

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

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

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

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 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 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. We record an impairment charge when the carrying value of the definite-lived intangible asset is not recoverable by the cash flows generated from the use of the asset.

Intangible assets with indefinite lives and goodwill are not amortized. We test these intangible assets and goodwill for impairment at least annually or more frequently if events or circumstances indicate that such intangible assets or goodwill might be impaired. Such tests for impairment are also required for intangible assets with indefinite lives 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 the respective reporting unit with its carrying value, including goodwill. We use a variety of methodologies in conducting these impairment tests, including 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. When the fair value is less than the carrying value of the intangible assets or the reporting unit, 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, to the extent they relate to equity method investees, as a reduction of 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, primarily on a straight-line basis, over their useful lives, generally ranging from 1 to 20 years. Refer to Note 6.

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

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

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

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. Cash flows from derivative instruments designated as net investment hedges are classified as investing activities. Cash flows from other derivative instruments used to manage interest, commodity or currency exposures are classified as operating activities. Refer to Note 12.

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," and we account for our nonpension postretirement benefits in accordance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," as amended by SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans—an amendment of FASB Statements No. 87, 88, 106, and 132(R)." Effective December 31, 2006 for our Company, SFAS No. 158 required that previously unrecognized actuarial gains or losses, prior service costs or credits and transition obligations or assets be recognized generally through adjustments to accumulated other comprehensive income and credits to prepaid benefit cost or accrued benefit liability. As a result of these adjustments, the current funded status of defined benefit pension plans and other postretirement benefit plans is reflected in the Company's consolidated balance sheets as of December 31, 2007 and 2006. Refer to Note 16.

Our equity method investees also adopted SFAS No. 158 effective December 31, 2006. Refer to Note 3 for the impact on our consolidated balance sheet resulting from the adoption of SFAS No. 158 by our equity method investees.

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 13.

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 December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business Combinations." SFAS No. 141(R) amends the principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS No. 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141(R) is effective for our Company on January 1, 2009, and the Company will apply prospectively to all business combinations subsequent to the effective date.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of Accounting Research Bulletin No. 51." SFAS No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS

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

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

No. 160 also establishes disclosure requirements that clearly identify and distinguish between the controlling and noncontrolling interests and requires the separate disclosure of income attributable to controlling and noncontrolling interests. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. The Company is currently evaluating the impact that the adoption of SFAS No. 160 will have on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB Statement No. 115.” SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings at each subsequent reporting date. SFAS No. 159 was effective for our Company on January 1, 2008. The adoption of SFAS No. 159 did not have a material impact on our consolidated financial statements.

In September 2006, the SEC staff published SAB No. 108, “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements.” SAB No. 108 addresses quantifying the financial statement effects of misstatements, specifically, how the effects of prior year uncorrected errors must be considered in quantifying misstatements in the current year financial statements. SAB No. 108 was effective for fiscal years ending after November 15, 2006. The adoption of SAB No. 108 by our Company in the fourth quarter of 2006 did not have a material impact on our consolidated financial statements.

As previously discussed, our Company adopted SFAS No. 158 related to defined benefit pension and other postretirement plans. Refer to Note 16.

In September 2006, the FASB issued SFAS No. 157, “Fair Value Measurements.” SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosure requirements about fair value measurements. SFAS No. 157 was effective for our Company on January 1, 2008. However, in February 2008, the FASB released a FASB Staff Position (FSP FAS 157-2—Effective Date of FASB Statement No. 157) which delayed the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The adoption of SFAS No. 157 for our financial assets and liabilities did not have a material impact upon adoption. We do not believe the adoption of SFAS No. 157 for our non-financial assets and liabilities, effective January 1, 2009, will have a material impact on our consolidated financial statements.

In July 2006, the FASB issued Interpretation No. 48 which clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with SFAS No. 109, “Accounting for Income Taxes.” Interpretation No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Interpretation No. 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. For our Company, Interpretation No. 48 was effective January 1, 2007. As a result of the adoption of Interpretation No. 48, we recorded an approximate \$65 million increase in accrued income taxes in our consolidated balance sheet for unrecognized tax benefits, which was accounted for as a cumulative effect adjustment to the January 1, 2007 balance of reinvested earnings. Refer to Note 17.

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

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

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

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. The adoption of SFAS No. 154 did 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 consolidated financial statements.

As previously discussed, our Company adopted SFAS No. 123(R) related to share based payments effective January 1, 2006. 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 adoption of SFAS No. 151 did not 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 included a temporary incentive for U.S. multinationals to repatriate foreign earnings at an approximate 5.25 percent effective tax rate. 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" 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 17.

NOTE 2: INVENTORIES

Inventories consisted of the following (in millions):

December 31,	2007	2006
Raw materials and packaging	\$ 1,199	\$ 923
Finished goods	789	548
Other	232	170
Inventories	\$ 2,220	\$ 1,641

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

NOTE 3: BOTTLING INVESTMENTS

Coca-Cola Enterprises Inc.

CCE is a marketer, producer and distributor of bottle and can nonalcoholic beverages, operating in eight countries. As of December 31, 2007, our Company owned approximately 35 percent of the outstanding common stock of CCE. We account for our investment by the equity method of accounting and, therefore, our net income includes our proportionate share of income resulting from our investment in CCE. As of December 31, 2007, our proportionate share of the net assets of CCE exceeded our investment by approximately \$337 million. This difference is not amortized.

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

Year Ended December 31,	2007	2006	2005
Net operating revenues	\$ 20,936	\$ 19,804	\$ 18,743
Cost of goods sold	12,955	12,067	11,258
Gross profit	\$ 7,981	\$ 7,737	\$ 7,485
Operating income (loss)	\$ 1,470	\$ (1,495)	\$ 1,431
Net income (loss)	\$ 711	\$ (1,143)	\$ 514

December 31,	2007	2006
Current assets	\$ 4,092	\$ 3,802
Noncurrent assets	19,954	19,564
Total assets	\$ 24,046	\$ 23,366
Current liabilities	\$ 5,343	\$ 3,924
Noncurrent liabilities	13,014	14,916
Total liabilities	\$ 18,357	\$ 18,840
Shareowners' equity	\$ 5,689	\$ 4,526
Company equity investment	\$ 1,637	\$ 1,312

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

Year Ended December 31,	2007	2006	2005
Concentrate, syrup and finished product sales to CCE	\$ 5,948	\$ 5,378	\$ 5,125
Syrup and finished product purchases from CCE	410	415	428
CCE purchases of sweeteners through our Company	326	274	275
Marketing payments made by us directly to CCE	636	514	482
Marketing payments made to third parties on behalf of CCE	123	113	136
Local media and marketing program reimbursements from CCE	299	279	245
Payments made to CCE for dispensing equipment repair services	78	74	70
Other payments—net	102	99	81

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 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.

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

NOTE 3: BOTTLING INVESTMENTS (Continued)

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. The Other payments—net line in the table above represents payments made to and received from CCE that are individually not significant.

In 2007, our equity income related to CCE was increased by approximately \$11 million related to our proportionate share of certain items recorded by CCE. Our proportionate share of these items included an approximate \$35 million increase to equity income, primarily related to tax benefits recorded by CCE. This increase was partially offset by an approximate \$24 million decrease to equity income, primarily related to restructuring charges recorded by CCE. Refer to Note 19.

The Canadian Bottler's Agreements between our Company and CCE expired on January 28, 2008. We continue to operate under the terms of the expired agreements while we negotiate the terms of the new agreements.

In 2006, our Company's equity income related to CCE decreased by approximately \$587 million, related to our proportionate share of certain items recorded by CCE. Our proportionate share of these items included approximately \$602 million resulting from the impact of an impairment charge recorded by CCE. CCE recorded a \$2.9 billion pretax (\$1.8 billion after tax) impairment of its North American franchise rights. The decline in the estimated fair value of CCE's North American franchise rights was the result of several factors, including but not limited to (1) CCE's revised outlook on 2007 raw material costs driven by significant increases in aluminum and high fructose corn syrup ("HFCS"); (2) a challenging marketplace environment with increased pricing pressures in several high-growth beverage categories; and (3) increased interest rates contributing to a higher discount rate and corresponding capital charge. Our proportionate share of CCE's charges also included approximately \$18 million due to restructuring charges recorded by CCE. These charges were partially offset by approximately \$33 million related to our proportionate share of changes in certain of CCE's state and Canadian federal and provincial tax rates. All of these charges and changes impacted our Bottling Investments operating segment.

In 2005, our equity income related to CCE was reduced by approximately \$33 million 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 HFCS lawsuit settlement proceeds and changes in certain of CCE's state and provincial tax rates. Refer to Note 19.

Our Company and CCE have established 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

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

NOTE 3: BOTTLING INVESTMENTS (Continued)

each year as part of the annual joint planning process and will be incorporated into the annual marketing plans of both companies. These amounts are included in the line item marketing payments made by us directly to CCE in the table above.

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 \$494 million and \$576 million as of December 31, 2007 and 2006, respectively. The Company has no further commitments under these programs.

Effective December 31, 2006, CCE adopted SFAS No. 158. Our proportionate share of the impact of CCE's adoption of SFAS No. 158 was an approximate \$132 million pretax (\$84 million after tax) reduction in both the carrying value of our investment in CCE and our accumulated other comprehensive income (loss) ("AOCI"). Refer to Note 10 and Note 16.

If valued at the December 31, 2007 quoted closing price of CCE shares, the fair value of our investment in CCE would have exceeded our carrying value by approximately \$2.8 billion.

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

NOTE 3: BOTTLING INVESTMENTS (Continued)

Other Equity Method Investments

Our other equity method investments include our ownership interests in Coca-Cola Hellenic, Coca-Cola FEMSA and Coca-Cola Amatil. As of December 31, 2007, we owned approximately 23 percent, 32 percent and 30 percent, respectively, of these companies' common shares.

Operating results include our proportionate share of income (loss) from our equity method investments. As of December 31, 2007, our investment in our equity method investees in the aggregate, other than CCE, exceeded our proportionate share of the net assets of these equity method investees by approximately \$1,122 million. This difference is not amortized.

A summary of financial information for our equity method investees in the aggregate, other than CCE, is as follows (in millions):

Year Ended December 31,	2007	2006	2005
Net operating revenues	\$ 28,112	\$ 24,990	\$ 24,389
Cost of goods sold	16,003	14,717	14,141
Gross profit	\$ 12,109	\$ 10,273	\$ 10,248
Operating income	\$ 3,369	\$ 2,697	\$ 2,669
Net income (loss)	\$ 1,868	\$ 1,475	\$ 1,501
Net income (loss) available to common shareowners	\$ 1,868	\$ 1,455	\$ 1,477
<hr/>			
December 31,	2007	2006	
Current assets	\$ 10,159	\$ 8,735	
Noncurrent assets	24,682	21,755	
Total assets	\$ 34,841	\$ 30,490	
Current liabilities	\$ 8,587	\$ 7,839	
Noncurrent liabilities	10,360	9,777	
Total liabilities	\$ 18,947	\$ 17,616	
Shareowners' equity	\$ 15,894	\$ 12,874	
Company equity investment	\$ 5,652	\$ 4,998	

Net sales to equity method investees other than CCE, the majority of which are located outside the United States, were approximately \$8.0 billion in 2007, \$7.6 billion in 2006 and \$7.4 billion in 2005. Total payments, primarily marketing, made to equity method investees other than CCE were approximately \$546 million, \$512 million and \$475 million in 2007, 2006 and 2005, respectively.

In 2007, the Company and Coca-Cola FEMSA jointly acquired Jugos del Valle, S.A.B. de C.V. ("Jugos del Valle"), the second largest producer of packaged juices, nectars and fruit-flavored beverages in Mexico and the largest producer of such beverages in Brazil. The total purchase price was approximately \$370 million plus the assumption of approximately \$85 million in debt and was split equally between the Company and Coca-Cola FEMSA. The Company's investment in Jugos del Valle is accounted for under the equity method. Equity income—net includes

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

NOTE 3: BOTTLING INVESTMENTS (Continued)

our proportionate share of the results of Jugos del Valle's operations beginning November 2007 and is included in the Latin America operating segment. Refer to Note 20.

During 2007, the Company acquired a 34 percent interest in Tokyo Coca-Cola Bottling Company ("Tokyo CCBC"). The Company's investment in Tokyo CCBC is accounted for under the equity method. Equity income—net includes our proportionate share of the results of Tokyo CCBC's operations beginning July 2007 and is included in the Bottling Investments operating segment. In the third quarter of 2007, the Company also acquired an additional interest in Nordeste Refrigerantes S.A. ("NORSA"). After this acquisition, the Company owned approximately 60 percent of NORSA. The Company began consolidating this entity from the date we acquired the additional 11 percent interest. The combined purchase price for these third quarter acquisitions was approximately \$203 million. NORSA is included in the Bottling Investments operating segment. Refer to Note 20.

In 2007, the Company sold a portion of its interest in Coca-Cola Amatil for proceeds of approximately \$143 million. As a result of this transaction, we recognized a gain of approximately \$73 million, which impacted the Corporate segment and was included in other income (loss)—net in our consolidated statement of income. Our ownership interest in the total outstanding shares of Coca-Cola Amatil was reduced from approximately 32 percent to 30 percent. Refer to Note 19.

During 2007, the Company sold substantially all of its interest in Vonpar Refrescos S.A. ("Vonpar"), a bottler headquartered in Brazil. Total proceeds from the sale were approximately \$238 million, and we recognized a gain on this sale of approximately \$70 million, which impacted the Corporate segment and is included in other income (loss)—net in our consolidated statements of income. Prior to this sale, our Company owned approximately 49 percent of Vonpar's outstanding common stock and accounted for the investment using the equity method. Refer to Note 19.

In 2007, our equity income was also reduced by approximately \$62 million in the Bottling Investments operating segment related to our proportionate share of an impairment recorded by Coca-Cola Amatil as a result of the sale of its bottling operations in South Korea. Refer to Note 19.

Equity income in 2007 was reduced by approximately \$99 million in the Bottling Investments operating segment related to our proportionate share of asset write-downs recorded by Coca-Cola Bottlers Philippines, Inc. ("CCBPI"). The asset write-downs primarily related to excess and obsolete bottles and cases at CCBPI. Refer to Note 19.

In 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. At the time of the merger, the Company and Fomento Economico Mexicano, S.A.B. de C.V. ("FEMSA"), the major shareowner of Coca-Cola FEMSA, reached an understanding under which this shareowner could purchase from our Company an amount of Coca-Cola FEMSA shares sufficient for this shareowner to regain majority ownership interest in Coca-Cola FEMSA. That understanding expired in May 2006; however, in the third quarter of 2006, the Company and the shareowner reached an agreement under which the Company would sell a number of shares representing 8 percent of the capital stock of Coca-Cola FEMSA to FEMSA. As a result of this sale, which occurred in the fourth quarter of 2006, the Company received cash proceeds of approximately \$427 million and realized a gain of approximately \$175 million, which was recorded in the consolidated statement of income line item other income (loss)—net and impacted the Corporate operating segment. Also as a result of this sale, our ownership interest in Coca-Cola FEMSA was reduced from approximately 40 percent to approximately 32 percent. Refer to Note 19.

In 2006, our Company sold a portion of our investment in Coca-Cola Icecek A.S. ("Coca-Cola Icecek"), an equity method investee bottler incorporated in Turkey, in an initial public offering. Our Company received cash proceeds of

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

NOTE 3: BOTTLING INVESTMENTS (Continued)

approximately \$198 million and realized a gain of approximately \$123 million, which was recorded in the consolidated statement of income line item other income (loss)—net and impacted the Corporate operating segment. As a result of this public offering, our Company's interest in Coca-Cola Icecek decreased from approximately 36 percent to approximately 20 percent. Refer to Note 19.

Our Company owns a 50 percent interest in Multon, a Russian juice business ("Multon"), which we acquired in April 2005 jointly with Coca-Cola Hellenic, for a total purchase price of approximately \$501 million, split equally between the Company and Coca-Cola Hellenic. 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 20.

Effective December 31, 2006, our equity method investees other than CCE, also adopted SFAS No. 158. Our proportionate share of the impact of the adoption of SFAS No. 158 by our equity method investees other than CCE was an approximate \$18 million pretax (\$12 million after tax) reduction in the carrying value of our investments in those equity method investees and our AOCI. Refer to Note 10 and Note 16.

If valued at the December 31, 2007, 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 \$5.8 billion.

Net Receivables and Dividends from Equity Method Investees

The total amount of net receivables due from equity method investees, including CCE, was approximately \$933 million and \$857 million as of December 31, 2007 and 2006, respectively. The total amount of dividends received from equity method investees, including CCE, was approximately \$216 million, \$226 million and \$234 million for the years ended December 31, 2007, 2006 and 2005, respectively.

NOTE 4: ISSUANCES OF STOCK BY EQUITY METHOD INVESTEES

In 2007 and 2006, our equity method investees did not issue any additional shares to third parties that resulted in our Company recording any noncash pretax gains.

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 percent to approximately 32 percent.

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

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

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

December 31,	2007	2006
Land	\$ 731	\$ 495
Buildings and improvements	3,539	3,020
Machinery and equipment	8,924	7,333
Containers	828	556
Construction in progress	422	507
	\$ 14,444	\$ 11,911
Less accumulated depreciation	5,951	5,008
Property, plant and equipment—net¹	\$ 8,493	\$ 6,903

¹ The increase in 2007 is primarily related to business combinations, purchases of property, plant and equipment and the effect of translation adjustments, which were partially offset by disposals. Refer to Note 20.

NOTE 6: 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,	2007	2006
Amortized intangible assets (various, principally customer relationships and trademarks):		
Gross carrying amount ¹	\$ 685	\$ 372
Less accumulated amortization	192	174
Amortized intangible assets—net	\$ 493	\$ 198
Unamortized intangible assets:		
Trademarks ²	\$ 5,153	\$ 2,045
Goodwill ³	4,256	1,403
Bottlers' franchise rights ⁴	2,184	1,359
Other	133	130
Unamortized intangible assets	\$ 11,726	\$ 4,937

¹ The increase in 2007 is primarily related to business combinations and acquisitions of trademarks with definite lives totaling approximately \$333 million and the effect of translation adjustments, which were partially offset by disposals. Refer to Note 20.

² The increase in 2007 is primarily related to business combinations and acquisitions of trademarks and brands totaling approximately \$3,075 million and the effect of translation adjustments, which were partially offset by impairment charges of approximately \$2 million and disposals. Refer to Note 20.

³ The increase in 2007 is primarily related to the acquisitions of Energy Brands, Inc., also known as glacéau, CCBPI and 18 German bottling and distribution operations, and the effect of translation adjustments. Refer to Note 20.

⁴ The increase in 2007 is primarily related to the acquisitions of CCBPI, NORSA and 18 German bottling and distribution operations, and the effect of translation adjustments. Refer to Note 20.

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

NOTE 6: GOODWILL, TRADEMARKS AND OTHER INTANGIBLE ASSETS (Continued)

Total amortization expense for intangible assets subject to amortization was approximately \$33 million, \$18 million and \$29 million for the years ended December 31, 2007, 2006 and 2005, respectively.

Information about estimated amortization expense for intangible assets subject to amortization for the five years succeeding December 31, 2007, is as follows (in millions):

	Amortization Expense
2008	\$ 52
2009	48
2010	47
2011	44
2012	40

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

December 31,	2007	2006
Africa	\$ —	\$ —
Eurasia	36	14
European Union	780	696
Latin America	207	119
North America	2,412	141
Pacific	30	29
Bottling Investments	791	404
	\$ 4,256	\$ 1,403

In 2006, our Company recorded impairment charges of approximately \$41 million primarily related to trademarks for beverages sold in the Philippines and Indonesia. The Philippines and Indonesia are components of our Pacific operating segment. The amount of these impairment charges was determined by comparing the fair values of the intangible assets to their respective carrying values. The fair values were determined using discounted cash flow analyses. Because the fair values were less than the carrying values of the assets, we recorded impairment charges to reduce the carrying values of the assets to their respective fair values. These impairment charges were recorded in the line item other operating charges in the consolidated statement of income. Refer to Note 19.

In 2005, our Company recorded an impairment charge related to trademarks for beverages sold in the Philippines of approximately \$84 million. 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 for the Philippines, which had 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. Refer to Note 19.

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

NOTE 7: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

December 31,	2007	2006
Other accrued expenses	\$ 2,379	\$ 1,700
Accrued marketing	1,749	1,348
Trade accounts payable	1,380	929
Accrued compensation	696	550
Sales, payroll and other taxes	352	264
Container deposits	359	264
Accounts payable and accrued expenses	\$ 6,915	\$ 5,055

NOTE 8: SHORT-TERM BORROWINGS AND CREDIT ARRANGEMENTS

Loans and notes payable consist primarily of commercial paper issued in the United States. As of December 31, 2007 and 2006, we had approximately \$5,420 million and \$1,942 million, respectively, outstanding in commercial paper borrowings. Our weighted-average interest rates for commercial paper outstanding were approximately 4.5 percent and 5.2 percent per year at December 31, 2007 and 2006, respectively. In addition, we had approximately \$4,963 million in lines of credit and other short-term credit facilities available as of December 31, 2007, of which approximately \$499 million was outstanding. The outstanding amount of approximately \$499 million was primarily related to our international operations. Included in the available credit facilities discussed above, the Company had \$3,750 million in lines of credit for general corporate purposes, including commercial paper backup. There were no borrowings under these lines of credit during 2007.

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.

As of December 31, 2006, loans and notes payable included a liability to acquire the remaining approximate 59 percent of the outstanding stock of Coca-Cola Erfrischungsgetraenke AG ("CCEAG"). As of December 31, 2006, the Company owned approximately 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. The present value of the total amount to be paid by our Company to all other CCEAG shareowners was approximately \$1,068 million at December 31, 2006, which was paid in January 2007. 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 and the translation adjustment related to this liability, partially offset by payments made to the other CCEAG shareowners during the term of the agreements. The accretion of the discounted value to its ultimate maturity value is recorded in the line item other income (loss)—net. The accretion was approximately \$58 million and \$60 million, respectively, for the years ended December 31, 2006 and 2005.

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

NOTE 9: LONG-TERM DEBT

On November 1, 2007, the Company issued approximately \$1,750 million of notes due on November 15, 2017. The proceeds from this \$1,750 million debt issuance were used to repay short-term debt, including commercial paper issued to finance our current year acquisitions. Refer to Note 20.

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

December 31,	2007	2006
5 ³ / ₄ % U.S. dollar notes due 2009	\$ 399	\$ 399
5 ³ / ₄ % U.S. dollar notes due 2011	499	499
5 ⁷ / ₂₀ % U.S. dollar notes due 2017	1,747	—
7 ³ / ₈ % U.S. dollar notes due 2093	116	116
Other, due through 2014 ¹	649	333
	\$ 3,410	\$ 1,347
Less current portion	133	33
Long-term debt	\$ 3,277	\$ 1,314

¹ The weighted-average interest rate on outstanding balances was 6.5% and 6.0%, respectively, for the years ended December 31, 2007 and 2006.

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

The principal amount of our long-term debt that had fixed and variable interest rates, respectively, was approximately \$3,409 million and \$1 million at December 31, 2007. The principal amount of our long-term debt that had fixed and variable interest rates, respectively, was approximately \$1,346 million and \$1 million at December 31, 2006. The weighted-average interest rate on the outstanding balances of our Company's long-term debt was 5.8 percent and 6.0 percent, respectively, for the years ended December 31, 2007 and 2006.

Total interest paid was approximately \$405 million, \$212 million and \$233 million in 2007, 2006 and 2005, respectively. For a more detailed discussion of interest rate management, refer to Note 12.

Maturities of long-term debt for the five years succeeding December 31, 2007 are as follows (in millions):

	Maturities of Long-Term Debt
2008	\$ 133
2009	591
2010	58
2011	553
2012	196

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

NOTE 10: COMPREHENSIVE INCOME

AOCI, including our proportionate share of equity method investees' AOCI, consisted of the following (in millions):

December 31,	2007	2006
Foreign currency translation adjustment	\$ 591	\$ (984)
Accumulated derivative net losses	(113)	(49)
Unrealized gain on available-for-sale securities	161	147
Adjustment to pension and other benefit liabilities	(13)	(405) ¹
Accumulated other comprehensive income (loss)	\$ 626	\$ (1,291)

¹ Includes adjustment of \$(288) million, net of tax, relating to the initial adoption of SFAS No. 158. Refer to Note 16.

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, 2007, 2006 and 2005, is as follows (in millions):

	Before-Tax Amount	Income Tax	After-Tax Amount
2007			
Net foreign currency translation adjustment	\$ 1,729	\$ (154)	\$ 1,575
Net loss on derivatives	(109)	45	(64)
Net change in unrealized gain on available-for-sale securities	24	(10)	14
Net change in pension liability	605	(213)	392
Other comprehensive income (loss)	\$ 2,249	\$ (332)	\$ 1,917

	Before-Tax Amount	Income Tax	After-Tax Amount
2006			
Net foreign currency translation adjustment	\$ 685	\$ (82)	\$ 603
Net loss on derivatives	(44)	18	(26)
Net change in unrealized gain on available-for-sale securities	53	(10)	43
Net change in pension liability, prior to adoption of SFAS No. 158	68	(22)	46
Other comprehensive income (loss)	\$ 762	\$ (96)	\$ 666

	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 pension liability, prior to adoption of SFAS No. 158	5	—	5
Other comprehensive income (loss)	\$ (321)	\$ —	\$ (321)

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

NOTE 11: 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. Our marketable equity investments are categorized as trading or available-for-sale with their cost basis determined by the specific identification method. Trading securities are carried at fair value with realized and unrealized gains and losses included in net income. 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, 2007 and 2006, trading, available-for-sale and held-to-maturity securities consisted of the following (in millions):

	Cost	Gross Unrealized		Estimated Fair Value
		Gains	Losses	
2007				
Trading securities:				
Equity securities	\$ 90	\$ 2	\$ —	\$ 92
Other securities	12	—	(3)	9
	\$ 102	\$ 2	\$ (3)	\$ 101
Available-for-sale securities:				
Equity securities	\$ 235	\$ 247	\$ —	\$ 482
Other securities	17	—	(2)	15
	\$ 252	\$ 247	\$ (2)	\$ 497
Held-to-maturity securities:				
Bank and corporate debt	\$ 67	\$ —	\$ —	\$ 67
	Cost	Gross Unrealized		Estimated Fair Value
		Gains	Losses	
2006				
Trading securities:				
Equity securities	\$ 60	\$ 6	\$ —	\$ 66
Available-for-sale securities:				
Equity securities	\$ 240	\$ 219	\$ (1)	\$ 458
Other securities	13	—	—	13
	\$ 253	\$ 219	\$ (1)	\$ 471
Held-to-maturity securities:				
Bank and corporate debt	\$ 83	\$ —	\$ —	\$ 83

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

NOTE 11: FINANCIAL INSTRUMENTS (Continued)

As of December 31, 2007 and 2006, these investments were included in the following captions (in millions):

	Trading Securities	Available- for-Sale Securities	Held-to- Maturity Securities
2007			
Cash and cash equivalents	\$ —	\$ —	\$ 66
Current marketable securities	101	113	1
Cost method investments, principally bottling companies	—	369	—
Other assets	—	15	—
	\$ 101	\$ 497	\$ 67
2006			
Cash and cash equivalents	\$ —	\$ —	\$ 82
Current marketable securities	66	83	1
Cost method investments, principally bottling companies	—	372	—
Other assets	—	16	—
	\$ 66	\$ 471	\$ 83

The contractual maturities of these investments as of December 31, 2007 were as follows (in millions):

	Trading Securities		Available-for-Sale Securities		Held-to-Maturity Securities	
	Cost	Fair Value	Cost	Fair Value	Amortized Cost	Fair Value
2008	\$ 2	\$ 1	\$ —	\$ —	\$ 67	\$ 67
2009-2012	2	2	—	—	—	—
2013-2017	5	3	2	2	—	—
After 2017	3	3	15	13	—	—
Equity securities	90	92	235	482	—	—
	\$ 102	\$ 101	\$ 252	\$ 497	\$ 67	\$ 67

For the years ended December 31, 2007, 2006 and 2005, gross realized gains and losses on sales of trading and 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, 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 estimate that the fair values of non-marketable cost method investments approximate their carrying amounts.

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 11: 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 12.

The fair value of our long-term debt is estimated based on quoted prices for those or similar instruments. As of December 31, 2007, the carrying amounts and fair values of our long-term debt, including the current portion, were approximately \$3,410 million and \$3,416 million, respectively. As of December 31, 2006, these carrying amounts and fair values were approximately \$1,347 million and \$1,386 million, respectively.

NOTE 12: HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS

When deemed appropriate, our Company uses derivative financial instruments primarily to reduce our exposure to adverse fluctuations in interest rates and foreign currency exchange rates, commodity prices and other market risks. Derivative instruments used to manage fluctuations in certain commodity prices were not material to the consolidated financial statements for the years ended December 31, 2007, 2006 and 2005. 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 transactions with a portfolio of financial institutions. The Company has master netting agreements with most of the financial institutions that are counterparties

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

NOTE 12: HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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 short-term debt versus long-term debt. This monitoring includes a review of business and other financial risks. From time to time, in anticipation of future debt issuances, we may manage our risk to interest rate fluctuations through the use of derivative financial instruments. The Company had no outstanding interest rate swaps or other related derivative financial instruments as of December 31, 2007 and 2006. Any ineffective portion, which was not significant in 2007, 2006 or 2005, of these instruments was immediately recognized in net income.

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, was 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 2007, 2006 or 2005, of the change in the fair value of these instruments was immediately recognized in net income.

Additionally, the Company enters into forward exchange contracts that are effective economic hedges and 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 income (loss)—net in 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, 2007, 2006 and 2005, we recorded net gain (loss) in foreign currency translation adjustment related to those instruments of approximately \$(7) million, \$3 million and \$(40) million, respectively.

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

NOTE 12: HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The following table presents the carrying values, fair values and maturities of the Company's foreign currency derivative instruments outstanding as of December 31, 2007 and 2006 (in millions):

	Carrying Values Assets/(Liabilities)	Fair Values Assets/(Liabilities)	Maturity
2007			
Forward contracts	\$ (58)	\$ (58)	2008-2009
Options and collars	46	46	2008
	\$ (12)	\$ (12)	
2006			
Forward contracts	\$ (21)	\$ (21)	2007-2008
Options and collars	18	18	2007
	\$ (3)	\$ (3)	

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 and accounts payable and accrued expenses in our consolidated balance sheets. As of December 31, 2007, we had \$23 million reflected in prepaid expenses and other assets and \$35 million reflected in accounts payable and accrued expenses.

Summary of AOCI

For the years ended December 31, 2007, 2006 and 2005, we recorded a net gain (loss) to AOCI of approximately \$(59) million, \$(31) million and \$55 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 losses of approximately \$46 million from the after-tax amount recorded in AOCI as of December 31, 2007, as the anticipated cash flows occur.

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

NOTE 12: 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
2007			
Accumulated derivative net gains (losses) as of January 1, 2007	\$ (16)	\$ 6	\$ (10)
Net changes in fair value of derivatives	(158)	61	(97)
Net reclassification from AOCI into earnings	62	(24)	38
Accumulated derivative net gains (losses) as of December 31, 2007	\$ (112)	\$ 43	\$ (69)

	Before-Tax Amount	Income Tax	After-Tax Amount
2006			
Accumulated derivative net gains (losses) as of January 1, 2006	\$ 35	\$ (14)	\$ 21
Net changes in fair value of derivatives	(38)	15	(23)
Net reclassification from AOCI into earnings	(13)	5	(8)
Accumulated derivative net gains (losses) as of December 31, 2006	\$ (16)	\$ 6	\$ (10)

	Before-Tax Amount	Income Tax	After-Tax Amount
2005			
Accumulated derivative net gains (losses) as of January 1, 2005	\$ (56)	\$ 22	\$ (34)
Net changes in fair value of derivatives	135	(53)	82
Net reclassification from AOCI into earnings	(44)	17	(27)
Accumulated derivative net gains (losses) as of December 31, 2005	\$ 35	\$ (14)	\$ 21

The Company did not discontinue any cash flow hedge relationships during the years ended December 31, 2007, 2006 and 2005.

NOTE 13: COMMITMENTS AND CONTINGENCIES

As of December 31, 2007, we were contingently liable for guarantees of indebtedness owed by third parties in the amount of approximately \$267 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 was individually significant. The amount represents the maximum potential future payments that we could be required to make under the guarantees; however, we do not consider it probable that we will be required to satisfy these guarantees.

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

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.

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

NOTE 13: COMMITMENTS AND CONTINGENCIES (Continued)

During the period from 1970 to 1981, our Company owned Aqua-Chem, Inc., now known as Cleaver-Brooks, 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 believed we were obligated for certain costs and expenses associated with its asbestos litigations. Aqua-Chem demanded that our Company reimburse it for approximately \$10 million for out-of-pocket litigation-related expenses. Aqua-Chem also demanded that the Company acknowledge a continuing obligation to Aqua-Chem for any future liabilities and expenses that are excluded from coverage under the applicable insurance or for which there is no insurance. Our Company disputes Aqua-Chem’s claims, and we believe we have no obligation to Aqua-Chem for any of its past, present or future liabilities, costs or expenses. Furthermore, we believe we have substantial legal and factual defenses to Aqua-Chem’s claims. The parties entered into litigation in Georgia to resolve this dispute, which was stayed by agreement of the parties pending the outcome of litigation filed in Wisconsin by certain insurers of Aqua-Chem. In that case, five plaintiff insurance companies filed a declaratory judgment action against Aqua-Chem, the Company and 16 defendant insurance companies seeking a determination of the parties’ rights and liabilities under policies issued by the insurers and reimbursement for amounts paid by plaintiffs in excess of their obligations. During the course of the Wisconsin coverage litigation, Aqua-Chem and the Company reached settlements with several of the insurers, including plaintiffs, who have or will pay funds into an escrow account for payment of costs arising from the asbestos claims against Aqua-Chem. On July 24, 2007, the Wisconsin trial court entered a final declaratory judgment regarding the rights and obligations of the parties under the insurance policies issued by the remaining defendant insurers, which judgment was not appealed. The judgment directs, among other things, that each insurer whose policy is triggered is jointly and severally liable for one-hundred percent of Aqua-Chem’s losses up to policy limits. The Georgia litigation remains subject to the stay agreement.

The Company has had discussions with the Competition Directorate of the European Commission (the “European Commission”) about issues relating to parallel trade within the European Union arising out of comments received by the European Commission from third parties. The Company has fully cooperated with the European Commission and has provided information on these issues and the measures taken and to be taken to address them. The Company is unable to predict at this time with any reasonable degree of certainty what action, if any, the European 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, with respect to some of which the outcome is uncertain. We establish reserves to remove some or all of the tax benefit of any of our tax positions at the time we determine that it becomes uncertain based upon one of the following conditions: (1) the tax position is not “more likely than not” to be sustained, (2) the tax position is “more likely than not” to be sustained, but for a lesser amount, or (3) the tax position is “more likely than not” to be sustained, but not in the financial period in which the tax position was originally taken. For purposes of evaluating whether or not a tax position is uncertain, (1) we presume the tax position will be examined by the relevant taxing authority that has full knowledge of all relevant information, (2) the technical merits of a tax position are derived from authorities such as legislation and statutes, legislative intent, regulations, rulings and case law and their applicability to the facts and circumstances of the tax position, and (3) each tax position is evaluated without consideration of the possibility of offset or aggregation with other tax positions taken. A number of years may elapse before a particular uncertain tax position is audited and finally resolved or when a tax assessment is raised. The number

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

NOTE 13: COMMITMENTS AND CONTINGENCIES (Continued)

of years subject to tax assessments varies depending on the tax jurisdiction. The tax benefit that has been previously reserved because of a failure to meet the “more likely than not” recognition threshold would be recognized in our income tax expense in the first interim period when the uncertainty disappears under any one of the following conditions: (1) the tax position is “more likely than not” to be sustained, (2) the tax position, amount, and/or timing is ultimately settled through negotiation or litigation, or (3) the statute of limitations for the tax position has expired. Refer to Note 17.

NOTE 14: 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,	2007	2006	2005
(Increase) in trade accounts receivable	\$ (406)	\$ (214)	\$ (79)
(Increase) in inventories	(258)	(150)	(79)
(Increase) decrease in prepaid expenses and other assets	(244)	(152)	244
Increase in accounts payable and accrued expenses	762	173	280
Increase (decrease) in accrued taxes	185	(68)	145
(Decrease) in other liabilities	(33)	(204)	(81)
	\$ 6	\$ (615)	\$ 430

NOTE 15: STOCK COMPENSATION PLANS

Effective January 1, 2006, the Company adopted SFAS No. 123(R) using the modified prospective method. Based on the terms of our plans, our Company did not have a cumulative effect related to its plans. The adoption of SFAS No. 123(R) did not have a material impact on our stock-based compensation expense for the year ended December 31, 2006. Prior to 2006, our Company accounted for stock option plans and restricted stock plans under the preferable fair value recognition provisions of SFAS No. 123.

Our total stock-based compensation expense was approximately \$313 million, \$324 million and \$324 million in 2007, 2006 and 2005, respectively. These amounts were recorded in selling, general and administrative expenses in our consolidated statements of income. The total income tax benefit recognized in the income statement for share-based compensation arrangements was approximately \$91 million, \$93 million and \$90 million for 2007, 2006 and 2005, respectively. As of December 31, 2007, we had approximately \$441 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under our plans. This cost is expected to be recognized over a weighted-average period of 1.8 years as stock-based compensation expense. This expected cost does not include the impact of any future stock-based compensation awards. Additionally, our equity method investees also adopted SFAS No. 123(R) effective 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 is recognized as a reduction to equity income. The adoption of SFAS No. 123(R) by our equity method investees did not have a material impact on our consolidated financial statements.

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.

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

NOTE 15: STOCK COMPENSATION PLANS (Continued)

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, 2007. 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 four years (with approximately 25 percent of the total grant vesting each year on the anniversary of the grant date) and expire 10 years from the date of grant. Stock options granted from 1999 through July 2003 generally became exercisable over four-years and expire 15 years from the date of grant. Prior to 1999, stock options generally became exercisable over a three-year vesting period and expire 10 years from the date of grant. The 1999 Stock Option Plan and the 2002 Stock Option Plan have been amended to provide a maximum option term of 10 years for all new grants.

The fair value of each option award is estimated on the grant date using a Black-Scholes-Merton option-pricing model that uses the assumptions noted in the following table. The expected term of the options represents the period of time that options granted are expected to be outstanding and is derived by analyzing historic exercise behavior. Expected volatilities are based on implied volatilities from traded options on the Company’s stock, historical volatility of the Company’s stock, and other factors. The risk-free interest rate for the period matching the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant. The dividend yield is the calculated yield on the Company’s stock at the time of the grant.

The common stock to be issued, transferred and/or sold under the stock option plans shall be made available from authorized and unissued Company common stock or from the Company’s treasury shares. In 2007, the Company began issuing common stock under these plans from the Company’s treasury shares.

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

NOTE 15: STOCK COMPENSATION PLANS (Continued)

The following table sets forth information about the weighted-average fair value of options granted during the past three years and the weighted-average assumptions used for such grants:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Fair value of options at grant date	\$ 8.46	\$ 8.16	\$ 8.23
Dividend yields	2.6%	2.7%	2.6%
Expected volatility	15.4%	19.3%	19.9%
Risk-free interest rates	4.6%	4.5%	4.3%
Expected term of the option	6 years	6 years	6 years

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

NOTE 15: STOCK COMPENSATION PLANS (Continued)

A summary of stock option activity under all plans for the years ended December 31, 2007, 2006 and 2005 is as follows:

	Shares (In millions)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value (In millions)
2007				
Outstanding on January 1, 2007	186	\$ 48.52		
Granted ¹	41	48.06		
Exercised	(31)	46.79		
Forfeited/expired ²	(14)	53.91		
Outstanding on December 31, 2007	182	\$ 48.29	7.6 years	\$ 2,419
Expected to vest at December 31, 2007	178	\$ 48.35	7.6 years	\$ 2,357
Exercisable on December 31, 2007	121	\$ 49.66	7.2 years	\$ 1,453
Shares available on December 31, 2007 for options that may be granted	30			
2006				
Outstanding on January 1, 2006	203	\$ 48.50		
Granted ¹	2	41.65		
Exercised	(4)	44.53		
Forfeited/expired ²	(15)	48.30		
Outstanding on December 31, 2006	186	\$ 48.52	8.1 years	\$ 502
Exercisable on December 31, 2006	141	\$ 50.50	8.0 years	\$ 227
Shares available on December 31, 2006 for options that may be granted	64			
2005				
Outstanding on January 1, 2005	183	\$ 49.41		
Granted ¹	34	41.26		
Exercised	(7)	35.63		
Forfeited/expired ²	(7)	49.11		
Outstanding on December 31, 2005	203	\$ 48.50	8.8 years	\$ 0
Exercisable on December 31, 2005	131	\$ 51.61	8.4 years	\$ 0
Shares available on December 31, 2005 for options that may be granted	58			

¹ No grants were made from the 1991 Option Plan during 2007, 2006 or 2005.

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

The total intrinsic value of the options exercised during the years ended December 31, 2007, 2006 and 2005 was \$284 million, \$11 million and \$49 million, respectively.

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

NOTE 15: STOCK COMPENSATION PLANS (Continued)

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.

At December 31, 2007, approximately 28 million shares remain available for grant under the Restricted Stock Award Plans, when all outstanding awards including promises to grant restricted stock and performance share unit ("PSU") awards at the target level are included. Participants are entitled to vote and receive dividends on the restricted shares and, for awards prior to January 1, 2008 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 1983 Restricted Stock Plan has been amended to eliminate this tax reimbursement for future awards. 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 following awards were outstanding and nonvested as of December 31, 2007:

- 479,459 shares of time-based restricted stock and promises to grant restricted stock in which the restrictions lapse upon the achievement of continued employment over a specified period of time;
- 286,800 shares of performance-based restricted stock and promises to grant restricted stock in which restrictions lapse upon the achievement of specific performance goals over a specified performance period;
- 2,780,333 PSU 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 4,545,750 shares; and
- 422,238 shares of restricted stock and promises to grant restricted stock were issued for PSU awards.

The Company recognizes compensation expense for awards that are subject to performance criteria, when it is probable that the performance criteria specified in the plan will be achieved. The compensation expense is recognized on a straight-line basis over the remaining vesting period and is recorded in selling, general and administrative expenses.

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

NOTE 15: STOCK COMPENSATION PLANS (Continued)

Time-Based Restricted Stock Awards

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

	2007		2006		2005	
	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value
Nonvested on January 1	413,700	\$ 35.84	432,700	\$ 36.46	513,700	\$ 39.97
Granted	55,180	56.34	—	—	9,000	41.80
Promises to grant	20,579	53.35	21,000	48.84	10,000	42.84
Vested and released ¹	—	—	(30,000)	58.48	(100,000)	55.62
Cancelled/forfeited	(10,000)	42.84	(10,000)	21.91	—	—
Nonvested on December 31	479,459²	\$ 38.81	413,700 ²	\$ 35.84	432,700 ²	\$ 36.46

¹ The total fair value of time-based restricted shares vested and released during the years ended December 31, 2006 and 2005, was approximately \$1.3 million and \$4.3 million, respectively. The grant-date fair value is the quoted market value of the Company stock on the respective grant date.

² The nonvested shares on December 31, 2007, 2006 and 2005 include promises to grant time-based restricted stock of 41,579; 31,000; and 10,000, respectively. These awards are similar to time-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.

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 COCA-COLA COMPANY AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: STOCK COMPENSATION PLANS (Continued)

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

	2007		2006		2005	
	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value
Nonvested on January 1	293,000	\$ 43.40	788,000	\$ 47.32	838,000	\$ 47.62
Granted	28,100	53.43	224,000	43.66	50,000	42.40
Promises to grant	15,700	63.77	—	—	—	—
Vested and released ¹	—	—	(50,000)	56.25	—	—
Cancelled/forfeited	(50,000)	42.40	(669,000)	47.15	(100,000)	47.38
Nonvested on December 31	286,800²	\$ 45.67	293,000	\$ 43.40	788,000 ²	\$ 47.32

¹ The total fair value of performance-based restricted shares vested and released during the year ended December 31, 2006, was approximately \$2.1 million. The grant-date fair value is the quoted market value of the Company stock on the respective grant date.

² The nonvested shares on December 31, 2007 and 2005 include promises to grant performance-based restricted stock of 15,700 and 75,000, respectively. These awards are similar to 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.

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

Performance share unit awards require achievement of certain financial measures primarily compound annual growth in earnings per share or economic profit. These financial measures are adjusted for certain items approved by the Compensation Committee of the Board of Directors. The purpose of these adjustments is to ensure a consistent year to year comparison of the specific performance criteria. Economic profit is our net operating profit after tax less the cost of the capital used in our business. In the event that the financial result equals the target projection, the Company will grant the number of restricted shares equal to the Target Award in the underlying PSU agreement. In the event the financial result exceeds the target projection, additional shares up to the Maximum Award may be granted. In the event the financial result falls below the target projection, a reduced number of shares may be granted. If the financial result falls below the Threshold Award performance level, no shares will be granted. Performance share unit awards provide for cash equivalent payments to former executives who become ineligible for restricted stock grants due to certain events such as death, disability or termination. Of the outstanding granted performance share unit awards as of December 31, 2007, 743,494; 754,700; and 1,045,639 awards are for the 2005-2007, 2006-2008 and 2007-2009 performance periods, respectively. Based on the Company's financial results for the 2005-2007 performance period,

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

NOTE 15: STOCK COMPENSATION PLANS (Continued)

the Maximum Award of 150 percent of target was achieved. Also, outstanding as of December 31, 2007 are 164,500 performance share units granted in 2007 with certain financial measures of a business unit of the Company as the performance criteria. In addition, 72,000 performance share units, 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, 2007.

The following table summarizes information about performance share unit awards based on the Target Award amounts in the PSU agreements:

	2007		2006		2005	
	Share Units	Weighted-Average Grant-Date Fair Value	Share Units	Weighted-Average Grant-Date Fair Value	Share Units	Weighted-Average Grant-Date Fair Value
Outstanding on January 1	2,271,240	\$ 39.99	2,356,728	\$ 40.42	1,583,447	\$ 41.83
Granted	1,221,578	46.51	160,000	37.84	835,440	37.71
Conversions:						
Restricted stock ¹	(203,609)	45.45	(123,852)	42.07	—	—
Promises to grant ²	(179,292)	46.78	—	—	—	—
Paid in cash equivalent ³	(23,790)	46.83	(7,178)	41.87	—	—
Cancelled/forfeited	(305,794)	44.22	(114,458)	43.45	(62,159)	40.06
Outstanding on December 31	2,780,333	\$ 41.50	2,271,240	\$ 39.99	2,356,728	\$ 40.42

¹ Represents performance share units converted to restricted stock based on the certification of financial results for the 2004-2006 performance period and for certain executives prior to retirement. The vesting of this restricted stock is subject to terms of the performance share unit agreements.

² Represents performance share units converted to promises to grant restricted stock for executives based on the certification of financial results for the 2004-2006 performance period. These awards are similar to restricted stock, including payment of dividend equivalents, but were granted in this manner because the executives were based outside of the United States. The vesting of promises to grant restricted stock is subject to terms of the performance share unit agreements.

³ Represents share units that converted to cash equivalent payments of approximately \$1.2 million and \$0.3 million in 2007 and 2006, respectively, to former executives who were ineligible for restricted stock grants due to certain events such as death, disability or termination.

The following table summarizes the number of performance share units at various award levels:

December 31,	2007	2006	2005
Threshold Award	1,627,376	1,297,632	1,352,388
Target Award	2,780,333	2,271,240	2,356,728
Maximum Award	4,545,750	3,370,860	3,499,092

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

NOTE 15: STOCK COMPENSATION PLANS (Continued)

The following table summarizes information about the conversions of performance share unit awards to restricted stock and promises to grant restricted stock:

	2007		2006	
	Share Units	Weighted-Average Grant-Date Fair Value ¹	Share Units	Weighted-Average Grant-Date Fair Value ¹
Nonvested on January 1	123,852	\$ 42.07	—	\$ —
Granted	203,609	45.45	123,852	42.07
Promises to grant	179,292	46.78	—	—
Vested and released ²	(59,515)	46.78	—	—
Cancelled/forfeited	(25,000)	46.78	—	—
Nonvested on December 31	422,238³	\$ 44.76	123,852	\$ 42.07

- ¹ The weighted-average grant-date fair value is based on the fair values of the PSU awards-grant fair values.
- ² The total fair value of restricted shares that were vested and released during the year ended December 31, 2007 was approximately \$2.9 million.
- ³ The nonvested shares on December 31, 2007 include promises to grant restricted stock of 179,292. These awards are similar to restricted stock, including the payment of dividend equivalents, but were granted in this manner because the employees were based outside of the United States.

NOTE 16: 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.

Effective December 31, 2006, the Company adopted SFAS No. 158, which required the recognition in pension obligations and AOCI of actuarial gains or losses, prior service costs or credits and transition assets or obligations that had previously been deferred under the reporting requirements of SFAS No. 87, SFAS No. 106 and SFAS No. 132(R). As a result of the adoption, the Company recorded approximately \$288 million as a reduction of the December 31, 2006 retained earnings. The applicable December 31, 2007 and 2006 balances included in our consolidated financial statements and footnotes reflect the adoption of SFAS No. 158.

In February and October of 2007, the Company amended its U.S. retiree medical plan to limit the Company's exposure to increases in retiree medical costs associated with current and future retirees. Based on the materiality of the change in liability resulting from the amendments, we remeasured the assets and liabilities of the U.S. retiree medical plan effective February 28, 2007 and October 31, 2007. As a result of the remeasurements, the Company reduced its liabilities for the U.S. retiree medical plan by approximately \$435 million. In accordance with SFAS No. 158, the Company also recognized the appropriate effects of the change in AOCI and deferred taxes.

Certain amounts in the prior years' disclosure have been reclassified to conform to the current year presentation.

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

NOTE 16: 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	
	2007	2006	2007	2006
Benefit obligation at beginning of year ¹	\$ 3,297	\$ 3,041	\$ 828	\$ 787
Service cost	123	108	40	31
Interest cost	191	168	34	46
Foreign currency exchange rate changes	117	79	1	(1)
Amendments	48	4	(342)	—
Actuarial (gain) loss	(189)	(55)	(95)	(25)
Benefits paid ²	(159)	(137)	(31)	(23)
Business combinations	103	96	—	10
Settlements	(23)	(10)	—	—
Curtailments	1	—	—	—
Special termination benefits	7	—	—	—
Other	1	3	3	3
Benefit obligation at end of year¹	\$ 3,517	\$ 3,297	\$ 438	\$ 828

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 Benefits paid from pension benefit plans during 2007 and 2006 included approximately \$41 million and \$31 million, respectively, in payments related to unfunded pension plans that were paid from Company assets. Benefits paid from other benefit plans during 2007 and 2006 included approximately \$13 million and \$23 million, respectively, that were paid from Company assets.

The accumulated benefit obligation for our pension plans was approximately \$3,080 million and approximately \$2,885 million as of December 31, 2007 and 2006, 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 approximately \$1,372 million and \$691 million, respectively, as of December 31, 2007, and \$1,591 million and \$890 million, respectively, as of December 31, 2006. For pension plans with accumulated benefit obligations in excess of plan assets, the total accumulated benefit obligation and fair value of plan assets were approximately \$996 million and \$441 million, respectively, as of December 31, 2007, and approximately \$852 million and \$278 million, respectively, as of December 31, 2006.

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

NOTE 16: 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	
	2007	2006	2007	2006
Fair value of plan assets at beginning of year ¹	\$ 3,091	\$ 2,637	\$ 248	\$ 19
Actual return on plan assets	269	339	13	5
Employer contributions	59	95	—	224
Foreign currency exchange rate changes	98	62	—	—
Benefits paid	(118)	(106)	(18)	—
Business combinations	35	68	—	—
Settlements	(1)	—	—	—
Other	(5)	(4)	3	—
Fair value of plan assets at end of year ¹	\$ 3,428	\$ 3,091	\$ 246	\$ 248

¹ Plan assets include 1.6 million shares of common stock of our Company with a fair value of approximately \$99 million and \$77 million as of December 31, 2007 and 2006, respectively. Dividends received on common stock of our Company during 2007 and 2006 were approximately \$2.2 million and \$2.0 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	
	2007	2006	2007	2006
Funded status—plan assets less than benefit obligations	\$ (89)	\$ (206)	\$ (192)	\$ (580)
Fourth quarter contribution	4	3	—	—
Net prepaid asset (liability) recognized	\$ (85)	\$ (203)	\$ (192)	\$ (580)
Prepaid benefit cost	\$ 596	\$ 494	\$ —	\$ —
Current liability	(42)	(31)	(1)	—
Long-term liability	(639)	(666)	(191)	(580)
Net prepaid asset (liability) recognized	\$ (85)	\$ (203)	\$ (192)	\$ (580)

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

NOTE 16: PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

The following tables set forth the 2007 changes in AOCI for our benefit plans (in millions):

	Pension Benefits	Other Benefits
Net actuarial loss (gain) at beginning of year	\$ 265	\$ 97
Amortization of (loss) gain	(18)	(1)
(Gain) loss arising during the year	(227)	(88)
Translation loss (gain)	9	—
Net actuarial loss (gain) at end of year	\$ 29	\$ 8

	Pension Benefits	Other Benefits
Net prior service cost (credit) at beginning of year	\$ 37	\$ (5)
Amortization of (cost) credit	(7)	42
Cost (credit) arising during the year	48	(342)
Translation loss (gain)	1	—
Net prior service cost (credit) at end of year	\$ 79	\$ (305)

Amounts in AOCI expected to be recognized as components of net periodic pension cost in 2008 are as follows (in millions, pretax):

	Pension Benefits	Other Benefits
Amortization of actuarial loss (gain)	\$ 9	\$ —
Amortization of prior service cost (credit)	10	(61)
	\$ 19	\$ (61)

Components of Net Periodic Benefit Cost

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

December 31,	Pension Benefits			Other Benefits		
	2007	2006	2005	2007	2006	2005
Service cost	\$ 123	\$ 108	\$ 91	\$ 40	\$ 31	\$ 28
Interest cost	191	168	156	34	46	43
Expected return on plan assets	(231)	(191)	(167)	(20)	(5)	(1)
Amortization of prior service cost (credit)	7	7	7	(42)	—	—
Amortization of actuarial loss (gain)	18	46	37	1	3	1
Net periodic benefit cost	\$ 108	\$ 138	\$ 124	\$ 13	\$ 75	\$ 71
Settlement charge	3	1	6	—	—	—
Curtailement charge	2	—	—	—	—	—
Total costs recognized in the statements of income	\$ 113	\$ 139	\$ 130	\$ 13	\$ 75	\$ 71

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

NOTE 16: PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

Assumptions

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

December 31,	Pension Benefits		Other Benefits	
	2007	2006	2007	2006
Discount rate	6%	5 1/2%	6 1/4	6%
Rate of increase in compensation levels	4 1/4%	4 1/4%	N/A	N/A

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

Year Ended December 31,	Pension Benefits			Other Benefits		
	2007	2006	2005	2007	2006	2005
Discount rate	5 1/2%	5 1/4%	5 1/2%	6%	5 3/4%	6%
Rate of increase in compensation levels	4 1/4%	4%	4%	N/A	N/A	N/A
Expected long-term rate of return on plan assets	7 3/4%	7 3/4%	7 3/4%	8 1/2%	8 1/2%	8 1/2%

The assumed health care cost trend rates are as follows:

December 31,	2007	2006
Health care cost trend rate assumed for next year	9%	9%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5%	5%
Year that the rate reaches the ultimate trend rate	2012	2011

During 2007, the Company amended its U.S. retiree medical plan to limit the Company's exposure to increases in retiree medical costs for both current and future retirees. As a result, the effects of a one percentage point change in the assumed health care cost trend rate would not be significant to the Company.

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. Rates for each of our primary U.S. plans at December 31, 2007 were determined using a cash flow matching technique whereby the rates of a yield curve, developed from high-quality debt securities, were applied to the benefit obligations to determine the appropriate discount rate. 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.

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

NOTE 16: PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

Plan Assets

Pension Benefit Plans

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,	2007	2006	Target Asset Allocation
Equity securities ¹	58%	58%	56%
Debt securities	29	31	34
Real estate and other ²	13	11	10
Total	100%	100%	100%

¹ As of December 31, 2007 and 2006, 3 percent and 2 percent, respectively, of total pension plan assets were invested in common stock of our Company.

² As of December 31, 2007 and 2006, 7 percent and 6 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 66 percent of total pension plan assets as of December 31, 2007, 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.

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, 2007, 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 individual manager's portfolio.

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 2007 net periodic pension cost for the U.S. plans was 8.5 percent. As of December 31, 2007, the 10-year annualized return on U.S. plan assets was 8.3 percent, the 15-year annualized return was 11.2 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.

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

NOTE 16: PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

Other Benefit Plans

Plan assets associated with other benefits represent funding of the primary U.S. postretirement benefit plans. In late 2006, we established and contributed \$216 million to a U.S. Voluntary Employee Beneficiary Association (“VEBA”), a tax-qualified trust. While the VEBA assets will remain segregated from the primary U.S. pension master trust, the current investments were determined in a methodology similar to that applied to the U.S. pension plans described above.

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:		
2008	\$ 52	\$ 1
Expected benefit payments ¹ :		
2008	\$ 185	\$ 32
2009	168	34
2010	179	37
2011	177	40
2012	185	42
2013-2017	1,083	208

¹ The expected benefit payments for our other postretirement benefit plans are net of estimated federal subsidies expected to be received under the Medicare Prescription Drug, Improvement and Modernization Act of 2003. Federal subsidies are estimated to be approximately \$2 million in 2008 to 2012 and estimated to be approximately \$15 million for the period 2013-2017.

Defined Contribution Plans

Our Company sponsors qualified defined contribution plans covering substantially all U.S. employees. Under the primary 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 \$29 million, \$25 million and \$21 million in 2007, 2006 and 2005, respectively. We also sponsor defined contribution plans in certain locations outside the United States. Company contributions to those plans were approximately \$25 million, \$16 million and \$14 million in 2007, 2006 and 2005, respectively.

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

NOTE 17: INCOME TAXES

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

Year Ended December 31,	2007	2006	2005
United States	\$ 2,545	\$ 2,126	\$ 2,268
International	5,328	4,452	4,422
	\$ 7,873	\$ 6,578	\$ 6,690

Income tax expense (benefit) consisted of the following for the years ended December 31, 2007, 2006 and 2005 (in millions):

	United States	State and Local	International	Total
2007				
Current	\$ 664	\$ 75	\$ 1,044	\$ 1,783
Deferred	98	(13)	24	109
2006				
Current	\$ 608	\$ 47	\$ 878	\$ 1,533
Deferred	(20)	(22)	7	(35)
2005				
Current	\$ 873	\$ 188	\$ 845	\$ 1,906
Deferred	(72)	(25)	9	(88)

We made income tax payments of approximately \$1,596 million, \$1,601 million and \$1,676 million in 2007, 2006 and 2005, respectively.

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

NOTE 17: INCOME TAXES (Continued)

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

Year Ended December 31,	2007	2006	2005
Statutory U.S. federal tax rate	35.0%	35.0%	35.0%
State and local income taxes—net of federal benefit	0.6	0.7	1.2
Earnings in jurisdictions taxed at rates different from the statutory U.S. federal rate	(10.8)^{1,2}	(11.4) ⁷	(12.1) ¹¹
Equity income or loss	(1.3)^{3,4}	(0.6) ⁸	(2.3)
Other operating charges	0.5⁵	0.6 ⁹	0.4 ¹²
Other—net	0.0⁶	(1.5) ¹⁰	0.3 ¹³
Repatriation under the Jobs Creation Act	—	—	4.7 ¹⁴
Effective tax rates	24.0%	22.8%	27.2%

¹ Includes approximately \$19 million (or 0.2 percent) tax benefit related to tax rate change in Germany.

² Includes approximately \$85 million (or 1.1 percent) tax charge related to amounts required to be recorded for changes to our uncertain tax positions under Interpretation No. 48, including interest and penalties, in various international jurisdictions.

³ Includes approximately 0.4 percent impact to our effective tax rate related to charges recorded by our equity method investments. Refer to Note 3 and Note 19.

⁴ Includes approximately 0.4 percent impact to our effective tax rate related to the sale of a portion of our investment in Coca-Cola Amatil and the sale of our investment in Vonpar. Refer to Note 3 and Note 19.

⁵ Includes approximately 0.5 percent impact to our effective tax rate related to the impairment of assets and investments in our bottling operations and other restructuring charges. Refer to Note 18.

⁶ Includes approximately \$11 million (or 0.1 percent) tax charge related to amounts required to be recorded for changes to our uncertain tax positions under Interpretation No. 48, including interest and penalties, in certain domestic jurisdictions.

⁷ Includes approximately \$24 million (or 0.4 percent) tax charge related to the resolution of certain tax matters in various international jurisdictions.

⁸ Includes approximately 2.4 percent impact to our effective tax rate related to charges recorded by our equity method investees. Refer to Note 3 and Note 19.

⁹ Includes the tax rate impact related to the impairment of assets and investments in our bottling operations, contract termination costs related to production capacity efficiencies and other restructuring charges. Refer to Note 19.

¹⁰ Includes approximately 1.8 percent tax rate benefit related to the sale of a portion of our investment in Coca-Cola FEMSA and Coca-Cola Icecek. Refer to Note 3 and Note 19.

¹¹ Includes approximately \$29 million (or 0.4 percent) tax benefit related to the favorable resolution of certain tax matters in various international jurisdictions.

¹² Includes approximately \$4 million tax benefit related to the Philippines impairment charges. Refer to Note 19.

¹³ Includes approximately \$72 million (or 1.1 percent) tax benefit related to the favorable resolution of certain domestic tax matters.

¹⁴ 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.

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

NOTE 17: INCOME TAXES (Continued)

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. During 2007, the Company had several subsidiaries that benefited from various tax incentive grants. The terms of these grants range from 2010 to 2031. The Company expects each of the grants to be renewed indefinitely. The grants did not have a material effect on the results of operations for the years ended December 31, 2007, 2006 or 2005.

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various states and foreign jurisdictions. U.S. tax authorities have completed their federal income tax examinations for all years prior to 2005.

With respect to state and local jurisdictions and countries outside the United States, with limited exceptions, the Company and its subsidiaries are no longer subject to income tax audits for years before 2001. Although the outcome of tax audits is always uncertain, the Company believes that adequate amounts of tax, including interest and penalties, have been provided for any adjustments that are expected to result from those years.

The Company adopted the provisions of Interpretation No. 48, effective January 1, 2007. As a result of the implementation of Interpretation No. 48, the Company recorded an approximate \$65 million increase in liabilities for unrecognized tax benefits, which was accounted for as a reduction to the January 1, 2007, balance of reinvested earnings. As of December 31, 2007, the gross amount of unrecognized tax benefits was approximately \$643 million. If the Company were to prevail on all uncertain tax positions, the net effect would be a benefit to the Company's effective tax rate of approximately \$147 million, exclusive of any benefits related to interest and penalties. The remaining approximately \$496 million, which was recorded as a deferred tax asset, primarily represents tax benefits that would be received in different tax jurisdictions in the event that the Company did not prevail on all uncertain tax positions. A reconciliation of the changes in the gross balance of unrecognized tax benefits amounts during 2007 follows:

Year Ended December 31,	2007
Beginning balance of unrecognized tax benefit	\$ 511
Increases related to prior period tax positions	22
Increases due to current period tax positions	51
Decreases related to settlements with taxing authorities	(4)
Reductions as a result of a lapse of the applicable statute of limitations	(1)
Increases/(decreases) from effects of exchange rates	64
Ending balance of unrecognized tax benefits	\$ 643

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. As of December 31, 2007, the Company had approximately \$272 million in interest and penalties related to unrecognized tax benefits accrued, of which approximately \$82 million was recognized through tax expense in 2007. If the Company were to prevail on all uncertain tax positions, the reversal of this accrual would also be a benefit to the Company's effective tax rate.

It is reasonably possible that the amount of unrecognized benefit with respect to certain of our unrecognized tax positions will significantly change within the next twelve months. These changes may be the result of settlement of ongoing audits, competent authority proceedings related to transfer pricing, or final settlements in transfer pricing matters that are the subject of litigation. At this time, an estimate of the range of the reasonably possible outcomes cannot be made.

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

NOTE 17: INCOME TAXES (Continued)

Undistributed earnings of the Company's foreign subsidiaries amounted to approximately \$11.9 billion at December 31, 2007. 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. tax liability.

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. 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. 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 were 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 2005 as federal and state and local tax expenses in the amount of \$301 million and \$14 million, respectively.

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

NOTE 17: INCOME TAXES (Continued)

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,	2007	2006
Deferred tax assets:		
Property, plant and equipment	\$ 45	\$ 58
Trademarks and other intangible assets	76	75
Equity method investments (including translation adjustment)	238	354
Other liabilities	845	190
Benefit plans	881	1,056
Net operating/capital loss carryforwards	554	593
Other	266	224
Gross deferred tax assets	2,905	2,550
Valuation allowances	(611)	(678)
Total deferred tax assets^{1,2}	\$ 2,294	\$ 1,872
Deferred tax liabilities:		
Property, plant and equipment	\$ (670)	\$ (630)
Trademarks and other intangible assets	(1,925)	(504)
Equity method investments (including translation adjustment)	(841)	(622)
Other liabilities	(90)	(82)
Benefit plans	(226)	(190)
Other	(157)	(200)
Total deferred tax liabilities³	\$ (3,909)	\$ (2,228)
Net deferred tax liabilities	\$ (1,615)	\$ (356)

¹ Noncurrent deferred tax assets of \$66 million and \$168 million were included in the consolidated balance sheets line item other assets at December 31, 2007 and 2006, respectively.

² Current deferred tax assets of \$238 million and \$117 million were included in the consolidated balance sheets line item prepaid expenses and other assets at December 31, 2007 and 2006, respectively.

³ Current deferred tax liabilities of \$29 million and \$33 million were included in the consolidated balance sheets line item accounts payable and accrued expenses at December 31, 2007 and 2006, respectively.

As of December 31, 2007 and 2006, we had approximately \$610 million and \$93 million, respectively, of net deferred tax liabilities located in countries outside the United States.

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

NOTE 17: INCOME TAXES (Continued)

As of December 31, 2007, we had approximately \$2,827 million of loss carryforwards available to reduce future taxable income. Loss carryforwards of approximately \$207 million must be utilized within the next five years, \$67 million must be utilized within the next 10 years, and the remainder can be utilized over a period greater than 10 years.

An analysis of our deferred tax asset valuation allowances is as follows (in millions):

Year Ended December 31,	2007	2006	2005
Balance, beginning of year	\$ 678	\$ 786	\$ 854
Additions	201	50	43
Deductions	(268)	(158)	(111)
Balance, end of year	\$ 611	\$ 678	\$ 786

The Company's deferred tax asset valuation allowances are primarily the result of uncertainties regarding the future realization of recorded tax benefits on tax loss carryforwards from operations in various jurisdictions. In 2007, the Company recognized a net decrease in its valuation allowances of \$67 million. This decrease was primarily related to the reversal of valuation allowances on deferred tax assets recorded on the basis difference in equity investments. The Company also recognized a decrease in certain deferred tax assets and corresponding valuation allowances related to a change in German tax rates. In 2006, the Company recognized a net decrease in its valuation allowances of \$108 million. This decrease was primarily related to the reversal of valuation allowances that covered certain deferred tax assets recorded on capital loss carryforwards. A portion of the capital loss carryforwards was utilized to offset taxable gains on the sale of a portion of the investments in Coca-Cola Icecek and Coca-Cola FEMSA. In 2005, the Company recognized a decrease in its valuation allowances of \$68 million. This decrease was primarily related to a change in tax rates which resulted in a reduction of certain deferred tax assets and corresponding valuation allowances.

NOTE 18: RESTRUCTURING COSTS

During 2007, the Company took steps to streamline and simplify its operations globally. In North America, the Company reorganized its operations around three main business units: Sparkling Beverages, Still Beverages and Emerging Brands. In Ireland, the Company announced a plan to close its beverage concentrate manufacturing and distribution plant in Drogheda in September 2008. The plant closure is expected to improve operating productivity and enhance capacity utilization. The costs associated with this plant closure are included in the Corporate segment. Selected other operations also took steps to streamline their operations to improve overall efficiency and effectiveness.

Employees separated or to be separated from the Company as a result of these streamlining initiatives were offered severance or early retirement packages, as appropriate, that included both financial and nonfinancial components. The expenses recorded during the year ended December 31, 2007 included costs related to involuntary terminations and other direct costs associated with implementing these initiatives. Other direct costs included expenses to relocate employees; contract termination costs; costs associated with the development, communication and administration of these initiatives; accelerated depreciation; and asset write-offs. During 2007, the Company incurred total pretax expenses related to these streamlining initiatives of approximately \$237 million. These expenses were primarily recorded in the line item other operating charges in our consolidated statement of income. The Company currently expects the total cost of these initiatives to be approximately \$342 million. The Company expects to expense the remainder of the costs in 2008. The remaining costs primarily relate to severance pay and benefits and accelerated depreciation related to the closing of the Drogheda Plant.

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

NOTE 18: RESTRUCTURING COSTS (Continued)

The table below summarizes the balance of accrued streamlining expenses, which is included in the balance of accounts payable and accrued expenses in the consolidated balance sheets, and the changes in the accrued amounts as of and for the year ended December 31, 2007 (in millions):

	Costs Incurred in 2007	Payments	Noncash and Exchange	Accrued Balance December 31, 2007
Severance pay and benefits	\$ 148	\$ (72)	\$ 2	\$ 78
Outside services—legal, outplacement, consulting	4	(3)	—	1
Other direct costs	85	(8)	(61)	16
Total	\$ 237	\$ (83)	\$ (59)	\$ 95

The total streamlining initiative costs incurred by operating segment were as follows (in millions):

Year Ended December 31,	2007
Africa	\$ 33
Eurasia	3
European Union	33
Latin America	4
North America	23
Pacific	3
Bottling Investments	29
Corporate	109
Total	\$ 237

NOTE 19: SIGNIFICANT OPERATING AND NONOPERATING ITEMS

During 2007, our Company recorded restructuring charges of approximately \$237 million (refer to Note 18) and asset write-downs totaling approximately \$31 million related to certain assets and investments in bottling operations, none of which was individually significant. Of this total, approximately \$14 million was recorded in cost of goods sold, and approximately \$254 million was recorded in other operating charges in our consolidated statement of income.

In 2007, the Company sold a portion of its interest in Coca-Cola Amatil for proceeds of approximately \$143 million. As a result of this transaction, we recognized a pretax gain of approximately \$73 million, which impacted the Corporate operating segment and was included in other income (loss)—net in our consolidated statement of income. Refer to Note 3.

During 2007, the Company sold substantially all of its interest in Vonpar. Total proceeds from the sale were approximately \$238 million, and we recognized a pretax gain on this sale of approximately \$70 million, which impacted the Corporate operating segment and was included in other income (loss)—net in our consolidated statement of income. Refer to Note 3.

In 2007, the Company recorded pretax gains of approximately \$66 million and \$18 million resulting from the sales of real estate in Spain and the United States, respectively. The gains were included in other income (loss)—net in the consolidated statement of income and impacted the Corporate operating segment. Total proceeds amounted to approximately \$106 million.

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

NOTE 19: SIGNIFICANT OPERATING AND NONOPERATING ITEMS (Continued)

Equity income in 2007 was reduced by approximately \$99 million in the Bottling Investments operating segment related to our proportionate share of asset write-downs recorded by CCBPI. The asset write-downs primarily related to excess and obsolete bottles and cases at CCBPI. Refer to Note 3.

In 2007, our equity income was also reduced by approximately \$62 million in the Bottling Investments operating segment related to our proportionate share of an impairment recorded by Coca-Cola Amatil as a result of the sale of its bottling operations in South Korea. Refer to Note 3.

Equity income was increased in 2007 by approximately \$11 million in the Bottling Investments operating segment, primarily consisting of our proportionate share of tax benefits recorded by CCE, partially offset by our proportionate share of restructuring charges recorded by CCE. Refer to Note 3.

In 2006, our Company recorded charges of approximately \$606 million related to our proportionate share of charges recorded by our equity method investees. Of this amount, approximately \$602 million related to our proportionate share of an impairment charge recorded by CCE for its North American franchise rights. Our proportionate share of CCE's charges also included approximately \$18 million due to restructuring charges recorded by CCE. These charges were partially offset by approximately \$33 million related to our proportionate share of changes in certain of CCE's state and Canadian federal and provincial tax rates. The charges were recorded in the line item equity income—net in the consolidated statement of income. All of these charges and changes impacted our Bottling Investments operating segment. Refer to Note 3.

During 2006, our Company also recorded charges of approximately \$112 million, primarily related to the impairment of assets and investments in our bottling operations, approximately \$53 million for contract termination costs related to production capacity efficiencies and approximately \$24 million related to other restructuring costs. These charges impacted the Africa, the European Union, the Pacific, the Bottling Investments and the Corporate operating segments. None of these charges was individually significant. Approximately \$4 million of these charges was recorded in the line item cost of goods sold and approximately \$185 million of these charges was recorded in the line item other operating charges in the consolidated statement of income. Refer to Note 21.

The Company made a \$100 million donation to The Coca-Cola Foundation in 2006, which resulted in a charge to the consolidated statement of income line item selling, general and administrative expenses and impacted the Corporate operating segment.

In 2006, the Company sold a portion of its Coca-Cola FEMSA shares to FEMSA and recorded a pretax gain of approximately \$175 million in the consolidated statement of income line item other income (loss)—net, which impacted the Corporate operating segment. Refer to Note 3.

The Company sold a portion of our investment in Coca-Cola Icecek in an initial public offering in 2006. Our Company received net cash proceeds of approximately \$198 million and realized a pretax gain of approximately \$123 million, which was recorded as other income (loss)—net in the consolidated statement of income and impacted the Corporate operating segment. Refer to Note 3.

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

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

NOTE 19: SIGNIFICANT OPERATING AND NONOPERATING ITEMS (Continued)

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 4.

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 15.

Equity income in 2005 was reduced by approximately \$33 million for the Bottling Investments operating 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 3.

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.

NOTE 20: ACQUISITIONS AND INVESTMENTS

During 2007, our Company's acquisition and investment activity, including the acquisition of trademarks, totaled approximately \$5,653 million.

In the fourth quarter of 2007, the Company and Coca-Cola FEMSA jointly acquired Jugos del Valle, the second largest producer of packaged juices, nectars and fruit-flavored beverages in Mexico and the largest producer of such beverages in Brazil. The purchase price was approximately \$370 million plus the assumption of approximately \$85 million in debt and was split equally between the Company and Coca-Cola FEMSA. As of December 31, 2007, the Company owned a 50 percent interest in Jugos del Valle. The Company's investment in Jugos del Valle is accounted for under the equity method. Equity income—net includes our proportionate share of the results of Jugos del Valle's operations beginning November 2007 and is included in the Latin America operating segment.

In order to increase the efficiency of our bottling and distribution operations in the German market, the Company, through its consolidated German bottling operation CCEAG, acquired 18 German bottling and distribution operations on September 1, 2007 for a total purchase price of approximately \$660 million. Following the acquisition, the Company owns the franchise rights for all of the German market. The purchase price consisted of approximately 17 percent of the outstanding shares of CCEAG valued at approximately \$385 million, approximately \$156 million in cash, guaranteed future cash payments valued at approximately \$85 million, and assumed debt of approximately \$34 million. The acquisition agreements also provide the former owners of the 18 German bottling and distribution operations a put option to sell their respective shares in CCEAG back to the Company on January 2, 2014, with notification to the Company required by September 30, 2013. In addition, the agreements provide the Company with a call option to repurchase the issued shares of CCEAG back from the former owners of the 18 German bottling and distribution operations on January 2, 2014, with notification to the former owners of the 18 German bottlers and distributors by December 15, 2013. The strike price of the call option is approximately 20 percent higher than the strike

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

NOTE 20: ACQUISITIONS AND INVESTMENTS (Continued)

price of the put option. Upon closing of the acquisition, we made preliminary estimates of the fair values of the assets and liabilities for consolidation. Due to the number of entities involved, our Company is still in the process of determining valuations for many of the assets and liabilities acquired; therefore, the preliminary estimates are subject to adjustment as additional information is obtained. This additional information includes, but is not limited to, valuations and physical counts of property, plant and equipment; valuation models for identifiable intangible assets; adjustments resulting from reviewing the closing balance sheets of the acquired entities; and income tax valuations. Accordingly, subsequent revisions to these preliminary estimates should be expected. As these issues are identified and resolved, adjustments will be made to the preliminary values assigned to the assets and liabilities acquired, including goodwill, which may be material. The preliminary amount of purchase price allocated to franchise rights was approximately \$343 million, property, plant and equipment was approximately \$251 million, deferred tax liabilities was approximately \$99 million, and goodwill was approximately \$111 million. Approximately \$33 million of the goodwill is deductible for tax purposes. The franchise rights have been assigned an indefinite life. This transaction was accounted for as a business combination, with the results of the 18 German bottling and distribution operations included in the Bottling Investments operating segment since September 1, 2007. Management has begun to formulate a plan to improve the efficiency of the German bottling and distribution operations. As of December 31, 2007, this plan had not yet been finalized.

In the third quarter of 2007, the Company acquired a 34 percent interest in Tokyo CCBC. The Company's investment in Tokyo CCBC is accounted for under the equity method. Equity income—net includes our proportionate share of the results of Tokyo CCBC's operations beginning July 2007 and is included in the Bottling Investments operating segment. In the third quarter of 2007, the Company also acquired an additional interest in NORSA. After this acquisition, the Company owned approximately 60 percent of NORSA. The Company began consolidating this entity from the date we acquired the additional 11 percent interest. The combined purchase price for these third quarter acquisitions was approximately \$203 million. NORSA is included in the Bottling Investments operating segment.

On June 7, 2007, in an effort to expand our still beverage offerings, our Company acquired Energy Brands Inc., also known as glacéau, the maker of enhanced water brands such as vitaminwater, fruitwater and smartwater, and vitaminenergy, for approximately \$4.1 billion. On the acquisition date, we made a cash payment of approximately \$2.9 billion for a 71.4 percent interest in glacéau and entered into a put and call option agreement with certain entities associated with the Tata Group ("Tata") to acquire the remaining 28.6 percent ownership interest in glacéau. As a result of the terms of these agreements with Tata, the amount to be paid under the put and call option agreement of \$1.2 billion was recorded at the acquisition date as an additional investment in glacéau, with the offset being recorded as a current liability within loans and notes payable on the consolidated balance sheet. On October 22, 2007, the Company exercised its right to call the remaining interest in glacéau and paid Tata \$1.2 billion such that the Company owned 100 percent of glacéau as of December 31, 2007. Under the purchase method of accounting, the total purchase price of glacéau is allocated to the tangible assets, liabilities and identifiable intangible assets acquired based on their estimated fair values. Any excess of purchase price over the aggregate fair value of acquired net assets is recorded as goodwill. Based upon a preliminary purchase price allocation, using information currently available, the Company allocated approximately \$2.8 billion to trademarks, approximately \$2.2 billion to goodwill, approximately \$0.2 billion to customer relationships and approximately \$0.9 billion to deferred tax liabilities. The trademarks have been assigned indefinite lives. The goodwill resulting from this acquisition is primarily related to our ability to optimize the route to market and increase the availability of the product, which will result in additional product sales. The goodwill also includes the recognition of deferred tax liabilities associated with the identifiable intangible assets recorded in purchase accounting. The goodwill is not deductible for tax purposes. These purchase price allocations are preliminary estimates and are subject to change as additional information is obtained. Some of these changes could be material. Some of the

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

NOTE 20: ACQUISITIONS AND INVESTMENTS (Continued)

additional information the Company expects to obtain includes, among other things, valuations of property, plant and equipment and identifiable intangible assets. On August 30, 2007, the Company announced its plans to transition to a new distribution model for glacéau products. This new distribution model includes a mix of current glacéau distributors and existing Coca-Cola system bottlers. Also, the Company will retain the distribution rights for certain channels. The implementation of this plan resulted in approximately \$0.2 billion in liabilities for anticipated costs to terminate existing glacéau distribution agreements, which was reflected as an adjustment to the original allocation of acquisition costs. The Company completed the majority of the transition in the fourth quarter of 2007, and anticipates the remainder to be completed in the first half of 2008. The Company paid out approximately half of its originally accrued liability to former glacéau distributors as of December 31, 2007. The acquisition of glacéau was accounted for as a business combination, with the results of the acquired entity included in the North America operating segment as of the acquisition date.

In addition, certain executive officers and former shareholders of glacéau invested approximately \$179 million of their proceeds from the sale of glacéau in common stock of the Company at then current market prices. These shares of Company common stock were placed in escrow pursuant to the glacéau acquisition agreement.

As discussed below, in the second quarter of 2007, the Company divested a portion of its interest in Scarlet Ibis Investment 3 (Proprietary) Limited (“Scarlet”), a bottling company in South Africa.

During the first quarter of 2007, our Company acquired the remaining 65 percent interest in CCBPI from San Miguel Corporation (“SMC”) for consideration of approximately \$591 million plus assumed net debt, of which \$100 million was placed in escrow until certain matters related to the closing balance sheet audit of CCBPI were resolved. During the third quarter of 2007, the entire escrow amount was released, and our Company recovered \$70 million. The adjusted purchase price after the recovery from escrow was approximately \$521 million plus assumed debt, net of acquired cash, of approximately \$79 million. Of the \$521 million of consideration, the Company has outstanding notes payable to SMC for approximately \$120 million. As a result of the acquisition, the Company owns 100 percent of the outstanding stock of CCBPI. Upon closing of the acquisition, we made preliminary estimates of the fair values of the assets and liabilities for consolidation. Our Company has prepared valuations for many of the assets and liabilities acquired, and the preliminary estimates have been adjusted accordingly. The preliminary amount of purchase price allocated to property, plant and equipment was approximately \$319 million, franchise rights was approximately \$354 million and goodwill was approximately \$152 million. The goodwill is not deductible for tax purposes. Future adjustments necessary to finalize the purchase accounting are not expected to be significant. The franchise rights have been assigned an indefinite life. CCBPI is included in the Bottling Investments operating segment. Management finalized a plan to improve the efficiency of CCBPI, which included the closing of eight production facilities during the third quarter of 2007. The acquisition of CCBPI was accounted for as a business combination, with the results of the acquired entity included in the Bottling Investments operating segment as of the acquisition date.

First quarter 2007 acquisition and investing activities also included approximately \$327 million related to the purchase of Fuze Beverage, LLC (“Fuze”), maker of Fuze enhanced juices and teas in the U.S., and Leao Junior S.A. (“Leao Junior”), a Brazilian herbal beverage company. The preliminary amount of purchase price related to these acquisitions allocated to property, plant and equipment was approximately \$13 million, identifiable intangible assets, primarily trademarks, was approximately \$150 million and goodwill was approximately \$163 million. The purchase price allocations will be adjusted once additional fair value information is obtained. The acquisitions of Fuze and Leao Junior were accounted for as business combinations, with the results of the acquired entities included in the North America and Latin America operating segments, respectively, as of the acquisition dates.

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

NOTE 20: ACQUISITIONS AND INVESTMENTS (Continued)

The acquisitions of the 18 German bottling and distribution operations, glacéau, CCBPI, Fuze, Leao Junior, NORSA, our 34 percent investment in Tokyo CCBC and our 50 percent investment in Jugos del Valle in 2007 were primarily financed through the issuance of commercial paper and long-term debt.

Assuming the results of the businesses acquired in 2007 had been included in operations beginning on January 1, 2006, the estimated pro forma net operating revenues of the Company for the years ended December 31, 2007 and 2006 would have been approximately \$29.6 billion and \$25.9 billion, respectively. The estimated pro forma net income, excluding the effect of interest expense as a result of financing the acquisitions, for the years ended December 31, 2007 and 2006 would not have been significantly different than the reported amounts.

During 2006, our Company's acquisition and investment activity, including the acquisition of trademarks, totaled approximately \$901 million. In the third quarter of 2006, our Company acquired a controlling shareholding interest in Kerry Beverages Limited ("KBL"). KBL was formed by the Company and the Kerry Group in 1993 and has a majority ownership in 11 joint ventures that manufacture and distribute Company products across nine provinces in China. KBL also has a minority interest in the joint venture bottler in Beijing. Subsequent to the acquisition, the Company changed KBL's name to Coca-Cola China Industries Limited ("CCCIL"). As a result of the transaction, the Company owns 89.5 percent of the outstanding shares of CCCIL, and we have agreed to purchase the remaining 10.5 percent by the end of 2008 at the same price per share as the initial purchase price plus interest. We have all voting and economic rights over the remaining shares. This transaction was accounted for as a business combination, and the results of CCCIL's operations have been included in the Company's consolidated financial statements since August 29, 2006. CCCIL is included in the Bottling Investments operating segment.

In the third quarter of 2006, our Company signed agreements with J. Bruce Llewellyn and Brucephil, Inc. ("Brucephil"), the parent company of The Philadelphia Coca-Cola Bottling Company, for the potential purchase of the remaining shares of Brucephil not currently owned by the Company. The agreements provide for the Company's purchase of the shares upon the election of Mr. Llewellyn or the election of the Company. Based on the terms of these agreements, the Company concluded that it must consolidate Brucephil under Interpretation No. 46(R). Brucephil's financial statements were consolidated effective September 29, 2006. Brucephil is included in our Bottling Investments operating segment.

Also in the third quarter of 2006, our Company acquired Apollinaris GmbH ("Apollinaris"). Apollinaris has been selling sparkling and still mineral water in Germany since 1862. This transaction was accounted for as a business combination, and the results of Apollinaris' operations have been included in the Company's consolidated financial statements since July 1, 2006. A portion of Apollinaris' business is included in the European Union operating segment, and the balance is included in the Bottling Investments operating segment.

The combined amount paid or to be paid to complete these third quarter 2006 transactions totaled approximately \$707 million. As a result of these transactions, the Company recorded approximately \$707 million of franchise rights, approximately \$74 million of trademarks and approximately \$182 million of goodwill. The franchise rights and trademarks have been assigned an indefinite life.

In January 2006, our Company acquired a 100 percent interest in TJC Holdings (Pty) Ltd. ("TJC"), a bottling company in South Africa, from Chef Limited and Tom Cook Trust for cash consideration of approximately \$200 million. Subsequently, the Company renamed TJC as Scarlet. This transaction was accounted for as a business combination, with the results of Scarlet included in the Company's consolidated financial statements since the date of acquisition. In May 2007, Scarlet issued common shares to a Black Economic Empowerment Entity ("BEEE") at a price per share equal to the current carrying value of our investment in Scarlet, which was subsequently renamed as

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

NOTE 20: ACQUISITIONS AND INVESTMENTS (Continued)

Shanduka Beverages (Proprietary) Limited (“Shanduka”). This issuance reduced the Company’s ownership interest in Shanduka to 30 percent. As a result of subordinated financial support provided by the Company for the BEEE to complete this transaction, the Company concluded that we must continue to consolidate Shanduka’s operations under Interpretation No. 46(R). Shanduka is included in our Bottling Investments operating segment.

Assuming the results of the businesses acquired in 2006 had been included in operations beginning on January 1, 2005, pro forma financial data would not be required for 2005 or 2006 due to immateriality.

During 2005, our Company’s acquisition and investment activity totaled approximately \$637 million and included the acquisition of the German 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 reporting unit within the European Union operating segment.

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. Sucos Mais is included in our Latin America operating segment.

Assuming the results of our 2005 acquisitions had been included in operations beginning on January 1, 2004, pro forma financial data would not be required due to immateriality.

On April 20, 2005, our Company and Coca-Cola Hellenic jointly acquired Multon for a total purchase price of approximately \$501 million, split equally between the Company and Coca-Cola Hellenic. 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. Multon is included in our Eurasia operating segment.

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

NOTE 21: OPERATING SEGMENTS

Effective January 1, 2007, the Company combined the Eurasia and Middle East Division, and the Russia, Ukraine and Belarus Division, both of which were previously included in the North Asia, Eurasia and Middle East operating segment, with the India Division, previously included in the East, South Asia and Pacific Rim operating segment, to form the Eurasia operating segment. In addition, we combined the China Division and the Japan Division, previously included in the North Asia, Eurasia and Middle East operating segment, with the remaining East, South Asia and Pacific Rim operating segment to form the Pacific operating segment. As a result, effective January 1, 2007, our organizational structure consisted of the following operating segments: Africa, Eurasia, European Union, Latin America, North America, Pacific, Bottling Investments and Corporate. Prior-period amounts have been reclassified to conform to the new operating structure described above.

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.

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. 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 21: OPERATING SEGMENTS (Continued)

Information about our Company's operations by operating segment for the years ended December 31, 2007, 2006 and 2005, is as follows (in millions):

	Africa	Eurasia	European Union	Latin America	North America	Pacific	Bottling Investments	Corporate	Eliminations	Consolidated
2007										
Net operating revenues:										
Third party	\$ 1,273									
Intersegment	54	\$ 970	\$ 4,145	\$ 3,069	\$ 7,761	\$ 3,997 ¹	\$ 7,570	\$ 72	\$	\$ 28,857
Total net revenues	1,327	1,084	4,990	3,244	7,836	4,406	7,695	72	(1,797)	28,857
Operating income (loss)	450 ²	380 ²	2,612 ²	1,749 ²	1,696 ²	1,699 ²	153 ²	(1,487) ²	—	7,252
Interest income	—	—	—	—	—	—	—	236	—	236
Interest expense	—	—	—	—	—	—	—	456	—	456
Depreciation and amortization	17	7	140	41	359	82	388	129	—	1,163
Equity income—net	—	19	(7)	3	(1)	—	630	24	—	668
Income (loss) before income taxes	441 ²	399 ²	2,615 ²	1,753 ²	1,695 ²	1,680 ²	761 ^{2,3}	(1,471) ^{2,3}	—	7,873
Identifiable operating assets ⁴	636	437	2,947 ⁵	1,989	10,510	1,468	8,962 ⁵	8,543	—	35,492
Investments ⁶	2	394	78	243	11	9	6,949	91	—	7,777
Capital expenditures	39	38	76	47	344	191	645	268	—	1,648
2006										
Net operating revenues:										
Third party	\$1,103	\$ 791	\$ 3,660	\$ 2,484	\$ 7,013	\$ 3,990 ¹	\$ 4,954	\$ 93	\$ —	\$ 24,088
Intersegment	37	86	704	132	16	128	89	—	(1,192)	—
Total net revenues	1,140	877	4,364	2,616	7,029	4,118	5,043	93	(1,192)	24,088
Operating income (loss)	424 ⁷	275	2,254 ⁷	1,438	1,683	1,650 ⁷	18 ⁷	(1,434) ^{7,8}	—	6,308
Interest income	—	—	—	—	—	—	—	193	—	193
Interest expense	—	—	—	—	—	—	—	220	—	220
Depreciation and amortization	16	8	100	25	361	60	278	90	—	938
Equity income—net	—	27	(4)	—	—	—	56 ⁹	23	—	102
Income (loss) before income taxes	413 ⁷	302	2,258 ⁷	1,434	1,681	1,644 ⁷	67 ^{7,9}	(1,221) ^{7,8,10}	—	6,578
Identifiable operating assets ⁴	572	314	2,557 ⁵	1,516	4,778	1,120	5,953 ⁵	6,370	—	23,180
Investments ⁶	—	348	64	—	2	7	6,302	60	—	6,783
Capital expenditures	37	6	93	44	421	133	418	255	—	1,407
2005										
Net operating revenues:										
Third party	\$1,107	\$ 650	\$ 4,260	\$ 2,064	\$ 6,676	\$ 4,158 ¹	\$ 4,106	\$ 83	\$ —	\$ 23,104
Intersegment	13	75	651	94	—	115	—	—	(948)	—
Total net revenues	1,120	725	4,911	2,158	6,676	4,273	4,106	83	(948)	23,104
Operating income (loss)	396 ¹¹	198 ¹¹	2,219 ¹¹	1,176 ¹¹	1,553 ¹¹	1,821 ^{11,12}	(37)	(1,241) ^{11,13}	—	6,085
Interest income	—	—	—	—	—	—	—	235	—	235
Interest expense	—	—	—	—	—	—	—	240	—	240
Depreciation and amortization	18	11	86	27	348	48	265	129	—	932
Equity income—net	—	20	—	—	—	—	624 ¹⁴	36	—	680
Income (loss) before income taxes	382 ¹¹	217 ¹¹	2,225 ¹¹	1,175 ¹¹	1,549 ¹¹	1,814 ^{11,12}	590 ¹⁴	(1,262) ^{11,13,15}	—	6,690
Identifiable operating assets ⁴	561	329	2,182 ⁵	1,324	4,645	998	3,842 ⁵	8,624	—	22,505
Investments ⁶	—	275	16	6	—	7	6,538	80	—	6,922
Capital expenditures	23	5	78	24	265	91	264	149	—	899

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

¹ Net operating revenues in Japan represented approximately 9 percent of total consolidated net operating revenues in 2007, 11 percent in 2006 and 13 percent in 2005.

² Operating income (loss) and income (loss) before income taxes were reduced by approximately \$34 million for Africa, \$3 million for Eurasia, \$33 million for European Union, \$4 million for Latin America, \$23 million for North America, \$3 million for Pacific, \$47 million for Bottling Investments and \$121 million for Corporate primarily due to asset write-downs and restructuring costs. Refer to Note 18.

³ Income (loss) before income taxes was decreased by approximately \$150 million for Bottling Investments primarily due to our proportionate share of asset write-downs and restructuring costs, net of benefits from tax rate changes, recorded by equity method investees and was increased by \$227 million for Corporate primarily due to gains on the sale of real estate in Spain and in the United States, the sale of our ownership in Vonpar and the sale of Coca-Cola Amatil shares. Refer to Note 19.

⁴ Principally cash and cash equivalents, marketable securities, finance subsidiary receivables, goodwill, trademarks and other intangible assets and property, plant and equipment—net.

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

NOTE 21: OPERATING SEGMENTS (Continued)

⁵ Property, plant and equipment—net in Germany represented approximately 21 percent of total consolidated property, plant and equipment—net in 2007, 19 percent in 2006 and 19 percent in 2005.

⁶ Principally equity and cost method investments in bottling companies.

⁷ Operating income (loss) and income (loss) before income taxes were reduced by approximately \$3 million for Africa, \$36 million for the European Union, \$62 million for the Pacific, \$87 million for Bottling Investments and \$1 million for Corporate primarily due to asset impairments, contract termination costs related to production capacity efficiencies and other restructuring costs. Refer to Note 19.

⁸ Operating income (loss) and income (loss) before income taxes were reduced by \$100 million for Corporate as a result of a donation made to The Coca-Cola Foundation. Refer to Note 19.

⁹ Equity income—net and income (loss) before income taxes were reduced by approximately \$587 million for Bottling Investments primarily related to our proportionate share of impairment and restructuring charges recorded by CCE which were partially offset by our proportionate share of changes in certain of CCE's state and Canadian federal and provincial tax rates (refer to Note 3 and Note 19), and were reduced by approximately \$19 million due to our proportionate share of restructuring charges recorded by other equity method investees.

¹⁰ Income (loss) before income taxes was increased by approximately \$298 million for Corporate as a result of net gains on the sale of Coca-Cola FEMSA shares and the sale of a portion of our investment in Coca-Cola Icecek in an initial public offering. Refer to Note 19.

¹¹ Operating income (loss) and income (loss) before income taxes were reduced by approximately \$3 million for Africa, \$3 million for Eurasia, \$3 million for the European Union, \$4 million for Latin America, \$12 million for North America, \$3 million for the Pacific, 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 15.

¹² Operating income (loss) and income (loss) before income taxes were reduced by approximately \$85 million for the Pacific related to the Philippines impairment charges. Refer to Note 19.

¹³ 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 19.

¹⁴ Equity income—net and income (loss) before income taxes were reduced by approximately \$33 million for Bottling Investments 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 and restructuring charges, offset by CCE's HFCS lawsuit settlement proceeds and changes in certain of CCE's state and provincial tax rates, and by approximately \$4 million due to our proportionate share of impairments of certain intangible assets and investments recorded by an equity method investee in the Philippines. Refer to Note 3 and Note 19.

¹⁵ Income (loss) before income taxes benefited by approximately \$23 million for Corporate due to 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 4.

Geographic Data (in millions)

Year Ended December 31,	2007	2006	2005
Net operating revenues:			
United States	\$ 7,556	\$ 6,662	\$ 6,299
International	21,301	17,426	16,805
Net operating revenues	\$ 28,857	\$ 24,088	\$ 23,104
<hr/>			
December 31,	2007	2006	2005
Property, plant and equipment—net:			
United States	\$ 2,750	\$ 2,607	\$ 2,309
International	5,743	4,296	3,522
Property, plant and equipment—net	\$ 8,493	\$ 6,903	\$ 5,831

NOTE 22: SUBSEQUENT EVENT

On February 5, 2008, the Company and Honest Tea, Inc. completed an agreement resulting in the Company holding an approximate 40 percent interest in Honest Tea, Inc., the maker of organic beverages, including beverages sold under the Honest Tea trademark. The Company also may elect to buy, and the remaining Honest Tea, Inc. shareholders may elect to sell to the Company, the outstanding interest not currently owned by the Company.

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.

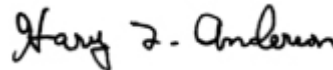
The Audit Committee of our Company’s Board of Directors, composed solely of Directors who are independent in accordance with the requirements of the New York Stock Exchange listing standards, the Exchange Act and the Company’s Corporate Governance Guidelines, meets with the independent auditors, management and internal auditors periodically to discuss internal control over financial reporting and auditing and financial reporting matters. The Audit Committee reviews with the independent auditors the scope and results of the audit effort. The Audit 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 Audit Committee. Our Audit Committee’s Report can be found in the Company’s 2008 Proxy Statement.

Management assessed the effectiveness of the Company’s internal control over financial reporting as of December 31, 2007. 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*. During 2007, the Company acquired the 65 percent interest in Coca-Cola Bottlers Philippines, Inc. which it did not already own and 18 bottling and distribution operations in Germany. Refer to Note 20 of Notes to Consolidated Financial Statements for additional information regarding these events. In accordance with SEC Staff guidance, management has excluded these businesses from its evaluation of the effectiveness of the Company’s internal control over financial reporting as of December 31, 2007. The net operating revenues attributable to these businesses represented approximately 3.5 percent of the Company’s consolidated net operating revenues for the year ended December 31, 2007, and their aggregate total assets represented approximately 5.0 percent of the Company’s consolidated total assets as of December 31, 2007. Based on our assessment, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2007.

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 has audited and reported on the consolidated financial statements of The Coca-Cola Company and subsidiaries and 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 27, 2008



Harry L. Anderson
Vice President and Controller
February 27, 2008



Gary P. Fayard
Executive Vice President
and Chief Financial Officer
February 27, 2008

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, 2007 and 2006, and the related consolidated statements of income, shareowners' equity, and cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

As discussed in Notes 1 and 17 to the consolidated financial statements, in 2007 the Company adopted FASB Interpretation No. 48 related to accounting for uncertainty in income taxes. Also as discussed in Note 1 to the consolidated financial statements, in 2006 the Company adopted SFAS No. 158 related to defined benefit pension and other postretirement plans.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), The Coca-Cola Company's internal control over financial reporting as of December 31, 2007, 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 27, 2008, expressed an unqualified opinion thereon.

Ernst + Young LLP

Atlanta, Georgia
February 27, 2008

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 The Coca-Cola Company's internal control over financial reporting as of December 31, 2007, 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 included in the accompanying Report of Management on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on 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, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

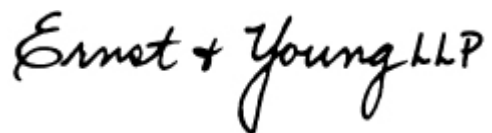
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal 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.

As indicated in the accompanying Report of Management on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Coca-Cola Bottlers Philippines, Inc. (CCBPI) and 18 bottling and distribution operations in Germany, which are included in the 2007 consolidated financial statements of The Coca-Cola Company and subsidiaries and constituted approximately 5.0 percent of the Company's consolidated total assets as of December 31, 2007 and approximately 3.5 percent of the Company's consolidated net operating revenues for the year then ended. Our audit of internal control over financial reporting of The Coca-Cola Company also did not include an evaluation of the internal control over financial reporting of CCBPI and the 18 bottling and distribution operations in Germany.

In our opinion, The Coca-Cola Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, 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, 2007 and 2006, and the related consolidated statements of income, shareowners' equity, and cash flows for each of the three years in the period ended December 31, 2007, and our report dated February 27, 2008, expressed an unqualified opinion thereon.

The signature of Ernst & Young LLP is written in a cursive, handwritten style in black ink.

Atlanta, Georgia
February 27, 2008

Quarterly Data (Unaudited)

Year Ended December 31, (In millions except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2007					
Net operating revenues	\$ 6,103	\$ 7,733	\$ 7,690	\$ 7,331	\$ 28,857
Gross profit	3,958	4,997	4,806	4,690	18,451
Net income	1,262	1,851	1,654	1,214	5,981
Basic net income per share	\$ 0.55	\$ 0.80	\$ 0.72	\$ 0.52	\$ 2.59
Diluted net income per share	\$ 0.54	\$ 0.80	\$ 0.71	\$ 0.52	\$ 2.57
2006					
Net operating revenues	\$ 5,226	\$ 6,476	\$ 6,454	\$ 5,932	\$ 24,088
Gross profit	3,500	4,366	4,189	3,869	15,924
Net income	1,106	1,836	1,460	678	5,080
Basic net income per share	\$ 0.47	\$ 0.78	\$ 0.62	\$ 0.29	\$ 2.16
Diluted net income per share	\$ 0.47	\$ 0.78	\$ 0.62	\$ 0.29	\$ 2.16

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.

The Company's first quarter of 2007 results were impacted by one less shipping day as compared to the first quarter of 2006. Additionally, the Company recorded the following transactions which impacted results:

- Approximately \$10 million of charges primarily related to restructuring and asset write-downs in Africa, Bottling Investments and Corporate. Refer to Note 18 and Note 19.
- An approximate \$73 million charge to equity income—net primarily related to our proportionate share of asset write-downs by CCBPI. Refer to Note 19.
- An approximate \$137 million net gain primarily due to the sale of real estate in Spain and the sale of substantially all of our ownership interest in Vonpar. Refer to Note 19.
- Approximately \$73 million of tax expense related to the gains on the sale of our ownership interest in Vonpar and the sale of real estate in Spain, as mentioned above. Refer to Note 17.
- An approximate \$11 million tax expense related to amounts required to be recorded for changes to our uncertain tax positions under Interpretation No. 48, including interest and penalties. Refer to Note 17.

In the second quarter of 2007, the Company recorded the following transactions which impacted results:

- Approximately \$48 million of charges primarily related to restructuring and asset write-downs in Africa, European Union, Latin America, the Pacific, Bottling Investments and Corporate. Refer to Note 18 and Note 19.
- An approximate \$89 million charge to equity income—net primarily related to our proportionate share of an impairment recorded on investments by Coca-Cola Amatil in bottling operations in South Korea, along with our proportionate share of an asset write-down recorded by CCBPI and our proportionate share of restructuring charges recorded by CCE. Refer to Note 3 and Note 19.
- An approximate \$38 million tax benefit related to restructuring and asset write-downs and our proportionate share of charges recorded by equity investees, as mentioned above. Refer to Note 17.
- An approximate \$30 million tax expense related to amounts required to be recorded for changes to our uncertain tax positions under Interpretation No. 48. Refer to Note 17.

In the third quarter of 2007, the Company recorded the following transactions which impacted results:

- Approximately \$84 million of charges primarily related to restructuring activities and asset write-downs in Africa, Eurasia, European Union, Latin America, North America, Bottling Investments and Corporate. Refer to Note 18 and Note 19.
- An approximate \$73 million net gain related to the sale of a portion of our ownership interest in Coca-Cola Amatil. Refer to Note 3 and Note 19.
- An approximate \$21 million increase to equity income—net primarily related to our proportionate share of tax benefits recorded at CCE, partially offset by asset write-downs and restructuring costs recorded by CCBPI. Refer to Note 3 and Note 19.
- An approximate \$15 million tax expense related to amounts required to be recorded for changes to our uncertain tax positions under Interpretation No. 48. Refer to Note 17.
- A tax charge of approximately \$31 million primarily related to the gain on the sale of a portion of our ownership interest in Coca-Cola Amatil, as mentioned above. Refer to Note 17.
- An approximate \$19 million tax benefit related to tax rate changes in Germany. Refer to Note 17.

The Company's fourth quarter of 2007 results were impacted by one additional shipping day as compared to the fourth quarter of 2006. Additionally, the Company recorded the following transactions which impacted results:

- Approximately \$126 million of charges primarily related to asset write-downs and restructuring activities in Africa, Eurasia, the European Union, Latin America, North America, the Pacific, Bottling Investments and Corporate. Refer to Note 18 and Note 19.
- An approximate \$18 million gain related to the sale of real estate in the United States. Refer to Note 19.
- An approximate \$9 million charge to equity income—net primarily due to our proportionate share of asset write-downs and restructuring costs recorded at various equity method investees, offset by tax benefits recorded by CCE. Refer to Note 3 and Note 19.
- An approximate \$40 million tax expense related to amounts required to be recorded for changes to our uncertain tax positions under Interpretation No. 48. Refer to Note 17.
- An income tax benefit of approximately \$19 million primarily related to asset write-downs and restructuring activities in Africa, Eurasia, the European Union, Latin America, North America, the Pacific, Bottling Investments and Corporate. Refer to Note 17.

The Company's first quarter of 2006 results were impacted by one less shipping day as compared to the first quarter of 2005. Additionally, the Company recorded the following transactions which impacted results:

- Impairment charges totaling approximately \$42 million primarily related to the impairment of certain assets and investments in certain bottling operations in Asia. Refer to Note 19.
- Approximately \$3 million of charges primarily related to restructuring in the Pacific. Refer to Note 19.
- An approximate \$9 million charge to equity income for our proportionate share of CCE's restructuring costs. Refer to Note 3.
- An income tax benefit of approximately \$7 million primarily related to asset impairment and restructuring charges in Asia. Refer to Note 17.
- Approximately \$10 million of income tax expense primarily related to increases in tax reserves. Refer to Note 17.

In the second quarter of 2006, the Company recorded the following transactions which impacted results:

- An approximate \$123 million net gain related to the sale of a portion of our investment in Coca-Cola Icecek in an initial public offering. This gain was recorded in the line item other income (loss)—net. Refer to Note 19.

- Charges totaling approximately \$31 million primarily related to costs associated with production capacity efficiencies and other restructuring costs in Asia and the European Union. Refer to Note 19.
- An approximate \$21 million benefit to equity income for our proportionate share of favorable changes in certain of CCE's state and Canadian federal and provincial tax rates. Refer to Note 3 and Note 19.
- Approximately \$22 million of income tax expense related to the anticipated future resolution of certain tax matters. Refer to Note 17.
- An income tax benefit of approximately \$14 million related to the sale of a portion of our investment in Coca-Cola Icecek. Refer to Note 17.

In the third quarter of 2006, the Company recorded the following transactions which impacted results:

- Approximately \$39 million of charges primarily related to the impairment of certain intangible assets and investments in certain bottling operations, costs to rationalize production and other restructuring costs in Africa, the European Union and Asia. Refer to Note 19.
- An approximate \$3 million charge to equity income—net for our proportionate share of items impacting investees. Refer to Note 3 and Note 19.
- An income tax benefit of approximately \$41 million related to the reversal of a tax valuation allowance due to the sale of a portion of our equity method investment in Coca-Cola FEMSA, partially offset by a charge for the anticipated future resolution of certain tax matters and a change in the tax rate applicable to a portion of the temporary difference between the book and tax basis of our investment in Coca-Cola FEMSA. Refer to Note 3 and Note 19.
- An income tax benefit of approximately \$12 million associated with impairment charges, costs to rationalize production and other restructuring costs. Refer to Note 17.

The Company's fourth quarter of 2006 results were impacted by one additional shipping day as compared to the fourth quarter of 2005. Additionally, the Company recorded the following transactions which impacted results:

- An approximate \$615 million charge to equity income related to the Company's proportionate share of CCE's impairment charges and restructuring charges recorded by other equity method investees, partially offset by changes in certain of CCE's state and Canadian federal and provincial tax rates. Refer to Note 3 and Note 19.
- Approximately \$74 million of charges primarily related to restructuring and asset impairments in the Pacific and certain bottling operations. Refer to Note 19.
- A \$100 million donation made to The Coca-Cola Foundation. Refer to Note 19.
- An approximate \$175 million net gain related to the sale of Coca-Cola FEMSA shares. This gain was recorded in the line item other income (loss)—net. Refer to Note 19.
- An income tax benefit of approximately \$10 million associated with restructuring costs and impairment charges. Refer to Note 17.
- An income tax benefit of approximately \$38 million associated with a donation made to The Coca-Cola Foundation. Refer to Note 17.
- An income tax benefit of approximately \$37 million related to the reversal of previously accrued taxes resulting from the anticipated future resolution of certain tax matters. Refer to Note 17.
- An income tax benefit of approximately \$57 million associated with items impacting investees. Refer to Note 17.
- Approximately \$76 million of income tax expense associated with the gain on the sale of Coca-Cola FEMSA shares. Refer to Note 17.