ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and consolidated financial statements and notes thereto contained in “Item 8. Financial Statements and Supplementary Data” of this report.

Year Ended December 31,	**2009**	2008	2007[1]	2006	2005[2]
(In millions except per share data)					
SUMMARY OF OPERATIONS					
Net operating revenues	**$ 30,990**	$ 31,944	$ 28,857	$ 24,088	$ 23,104
Net income attributable to shareowners of The Coca-Cola Company	**6,824**	5,807	5,981	5,080	4,872
PER SHARE DATA					
Basic net income	**$ 2.95**	$ 2.51	$ 2.59	$ 2.16	$ 2.04
Diluted net income	**2.93**	2.49	2.57	2.16	2.04
Cash dividends	**1.64**	1.52	1.36	1.24	1.12
BALANCE SHEET DATA					
Total assets	**$ 48,671**	$ 40,519	$ 43,269	$ 29,963	$ 29,427
Long-term debt	**5,059**	2,781	3,277	1,314	1,154

[1] In 2007, we adopted new accounting guidance that clarified the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements. This guidance 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. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

[2] The American Jobs Creation Act of 2004 was enacted in October 2004. Among other things, 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. During 2005, the Company repatriated approximately $6.1 billion in previously unremitted foreign earnings, with an associated tax liability of approximately $315 million.

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

Overview

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

- *Our Business* — a general description of our business and the nonalcoholic beverages segment of the commercial beverages industry, our objective, our strategic priorities, our core capabilities, and challenges and risks of our business.
- *Critical Accounting Policies and Estimates* — a discussion of accounting policies that require critical judgments and estimates.
- *Operations Review* — an analysis of our Company’s consolidated results of operations for the three years presented in our consolidated financial statements. Except to the extent that differences among our operating segments are material to an understanding of our business as a whole, we present the discussion in the MD&A on a consolidated basis.
- *Liquidity, Capital Resources and Financial Position* — an analysis of cash flows; off-balance sheet arrangements and aggregate contractual obligations; foreign exchange; an overview of financial position; and the impact of inflation and changing prices.

Our Business

General

The Coca-Cola Company is the world's leading owner and marketer of nonalcoholic beverage brands and the world's largest manufacturer, distributor and marketer of concentrates and syrups used to produce nonalcoholic beverages. We own or license and market more than 500 nonalcoholic beverage brands, primarily sparkling beverages but also a variety of still beverages such as waters, enhanced waters, juices and juice drinks, ready-to-drink teas and coffees, and energy and sports drinks. Along with Coca-Cola, which is recognized as the world's most valuable brand, we own and market four of the world's top five nonalcoholic sparkling beverage brands, including Diet Coke, Fanta and Sprite. Through the world's largest beverage distribution system, consumers in more than 200 countries enjoy the Company's beverages at a rate of approximately 1.6 billion servings each day. Our Company generates revenues, income and cash flows by selling beverage concentrates and syrups as well as finished beverages. We generally sell these products to bottling and canning operations, fountain wholesalers and some fountain retailers, and, in the case of finished products, to distributors. Our bottlers sell our branded products to businesses and institutions including retail chains, supermarkets, restaurants, small neighborhood grocers, sports and entertainment venues, and schools and colleges. We continue to expand our marketing presence and increase our unit case volume in developed, developing and emerging markets. Our strong and stable system helps us to capture growth by manufacturing, distributing and marketing existing, enhanced and new innovative products to our consumers throughout the world.

We have three types of bottling relationships: bottlers in which our Company has no ownership interest, bottlers in which our Company has a noncontrolling ownership interest and bottlers in which our Company has a controlling ownership interest. We authorize our bottling partners to manufacture and package products made from our concentrates and syrups into branded finished products that they then distribute and sell. While we primarily manufacture, market and sell concentrates and syrups to our bottling partners, from time to time we have viewed it as advantageous to acquire a controlling interest in a bottling operation, often on a temporary basis. Often, though not always, these acquired bottling operations are in underperforming markets where we believe we can use our resources and expertise to improve performance. Owning such a controlling interest has allowed us to compensate for limited local resources and has enabled us to help focus the bottler's sales and marketing programs and assist in the development of the bottler's business and information systems and the establishment of appropriate capital structures. Acquisitions or consolidation of bottling operations during 2008 and 2007 resulted in a substantial increase in the number of bottling plants included in our consolidated financial statements and in the number of our associates. Refer to Note 17 of Notes to Consolidated Financial Statements. In 2009, net operating revenues generated by Company-owned or consolidated bottling operations (which are included in the Bottling Investments operating segment) represented approximately 26 percent of our Company's consolidated net operating revenues and distributed approximately 11 percent of our worldwide unit case volume. In 2009, bottling partners in which our Company has no ownership interest or a noncontrolling ownership interest produced and distributed approximately 79 percent of our worldwide unit case volume. The remaining approximately 10 percent of our worldwide unit case volume in 2009 was produced by our fountain operations and our juice and juice drink, sports drink and other finished beverage operations.

We make significant marketing expenditures in support of our brands, including expenditures for advertising, sponsorship fees and special promotional events. As part of our marketing activities, we, at our discretion, provide retailers and distributors with promotions and point-of-sale displays; our bottling partners with advertising support and funds designated for the purchase of cold-drink equipment; and our consumers with coupons, discounts and promotional incentives. These marketing expenditures help to enhance awareness of and increase consumer preference for our brands. We believe that greater awareness and preference promote long-term growth in unit case volume, per capita consumption and our share of worldwide nonalcoholic beverage sales.

The Nonalcoholic Beverages Segment of the Commercial Beverages Industry

We operate in the highly competitive nonalcoholic beverages segment of the commercial beverages industry. We face strong competition from numerous other general and specialty beverage companies. We, along with other beverage companies, are affected by a number of factors, including, but not limited to, cost to manufacture and distribute products, consumer spending, economic conditions, availability and quality of water, consumer preferences, inflation, political climate, local and national laws and regulations, foreign currency exchange fluctuations, fuel prices and weather patterns.

Our Objective

Our objective is to use our formidable assets — brands, financial strength, unrivaled distribution system, global reach, and a strong commitment by our management and associates worldwide — to achieve long-term sustainable growth. Our vision for sustainable growth includes the following:

- People: Being a great place to work where people are inspired to be the best they can be.
- Portfolio: Bringing to the world a portfolio of beverage brands that anticipates and satisfies people's desires and needs.
- Partners: Nurturing a winning network of partners and building mutual loyalty.
- Planet: Being a responsible global citizen that makes a difference.
- Profit: Maximizing return to shareowners while being mindful of our overall responsibilities.
- Productivity: Managing our people, time and money for greatest effectiveness.

Strategic Priorities

We have four strategic priorities designed to create long-term sustainable growth for our Company and the Coca-Cola system and value for our shareowners. These strategic priorities are driving global beverage leadership; accelerating innovation; leveraging our balanced geographic portfolio; and leading the Coca-Cola system for growth. To enable the entire Coca-Cola system so that we can deliver on these strategic priorities, we must further enhance our core capabilities of consumer marketing; commercial leadership; and franchise leadership.

Core Capabilities

Consumer Marketing

Marketing investments are designed to enhance consumer awareness of and increase consumer preference for our brands. This produces long-term growth in unit case volume, per capita consumption and our share of worldwide nonalcoholic beverage sales. Through our relationships with our bottling partners and those who sell our products in the marketplace, we create and implement integrated marketing programs, both globally and locally, that are designed to heighten consumer awareness of and product appeal for our brands. In developing a strategy for a Company brand, we conduct product and packaging research, establish brand positioning, develop precise consumer communications and solicit consumer feedback. Our integrated marketing activities include, but are not limited to, advertising, point-of-sale merchandising and sales promotions.

We have disciplined marketing strategies that focus on driving volume in emerging markets, increasing our brand value in developing markets and growing profit in our most developed markets. In emerging markets, we are investing in infrastructure programs that drive volume through increased access to consumers. In developing markets, where consumer access has largely been established, our focus is on differentiating our brands. In our most developed markets, we continue to invest in brands and infrastructure programs, but at a slower rate than revenue growth.

We are focused on affordability and ensuring we are communicating the appropriate message based on the current economic environment.

Commercial Leadership

The Coca-Cola system has millions of customers around the world who sell or serve our products directly to consumers. We focus on enhancing value for our customers and providing solutions to grow their beverage businesses. Our approach includes understanding each customer's business and needs, whether that customer is a sophisticated retailer in a developed market or a kiosk owner in an emerging market. We focus on ensuring that our customers have the right product and package offerings and the right promotional tools to deliver enhanced value to themselves and the Company. We are constantly looking to build new beverage consumption occasions in our customers' outlets through unique and innovative consumer experiences, product availability and delivery systems, and beverage merchandising and displays. We participate in joint brand-building initiatives with our customers in order to drive customer preference for our brands. Through our commercial leadership initiatives, we embed ourselves further into our retail customers' businesses while developing strategies for better execution at the point of sale.

Franchise Leadership

We must continue to improve our franchise leadership capabilities to give our Company and our bottling partners the ability to grow together through shared values, aligned incentives and a sense of urgency and flexibility that supports consumers' always changing needs and tastes. The financial health and success of our bottling partners are critical components of the Company's success. We work with our bottling partners to identify system requirements that enable us to quickly achieve scale and efficiencies, and we share best practices throughout the bottling system. Our system leadership allows us to leverage recent acquisitions to expand our volume base and enhance margins. With our bottling partners, we work to produce differentiated beverages and packages that are appropriate for the right channels and consumers. We also design business models for sparkling and still beverages in specific markets to ensure that we appropriately share the value created by these beverages with our bottling partners. We will continue to build a supply chain network that leverages the size and scale of the Coca-Cola system to gain a competitive advantage.

Challenges and Risks

Being a global company provides unique opportunities for our Company. Challenges and risks accompany those opportunities.

Our management has identified certain challenges and risks that demand the attention of the nonalcoholic beverages segment of the commercial beverages industry and our Company. Of these, four key challenges and risks are discussed below.

Obesity and Inactive Lifestyles. Increasing concern among consumers, public health professionals and government agencies of the potential health problems associated with obesity and inactive lifestyles represents a significant challenge to our industry. We recognize that obesity is a complex public health problem. Our commitment to consumers begins with our broad product line, which includes a wide selection of diet and light beverages, juices and juice drinks, sports drinks and water products. Our commitment also includes adhering to responsible policies in schools and in the marketplace; supporting programs to encourage physical activity and promote nutrition education; and continuously meeting changing consumer needs through beverage innovation, choice and variety. We are committed to playing an appropriate role in helping address this issue in cooperation with governments, educators and consumers through science-based solutions and programs.

Water Quality and Quantity. Water quality and quantity is an issue that increasingly requires our Company's attention and collaboration with the nonalcoholic beverages segment of the commercial beverages industry, governments, nongovernmental organizations and communities where we operate. Water is the main ingredient in substantially all of our products. It is also a limited natural resource facing unprecedented challenges from overexploitation, increasing pollution and poor management. Our Company is in an excellent position to share the water-related knowledge we have developed in the communities we serve — water resource management, water treatment, wastewater treatment systems, and models for working with communities and partners in addressing water and sanitation needs. We are actively engaged in assessing the specific water-related risks that we and many of our bottling partners face and have implemented a formal water risk management program. We are working with our global partners to develop water sustainability projects. We are actively encouraging improved water efficiency and conservation efforts throughout our system. As demand for water continues to increase around the world, we expect commitment and continued action on our part will be crucial in the successful long-term stewardship of this critical natural resource.

Evolving Consumer Preferences. Consumers want more choices. We are impacted by shifting consumer demographics and needs, on-the-go lifestyles, aging populations in developed markets and consumers who are empowered with more information than ever. We are committed to generating new avenues for growth through our core brands with a focus on diet and light products. We are also committed to continuing to expand the variety of choices we provide to consumers to meet their needs, desires and lifestyle choices.

Increased Competition and Capabilities in the Marketplace. Our Company is facing strong competition from some well-established global companies and many local participants. We must continue to selectively expand into other profitable segments of the nonalcoholic beverages segment of the commercial beverages industry and strengthen our capabilities in marketing and innovation in order to maintain our brand loyalty and market share.

All four of these challenges and risks — obesity and inactive lifestyles, water quality and quantity, evolving consumer preferences, and increased competition and capabilities in the marketplace — have the potential to have a material adverse effect on the nonalcoholic beverages segment of the commercial beverages industry and on our Company; however, we believe our Company is well positioned to appropriately address these challenges and risks.

See also "Item 1A. Risk Factors" in Part I of this report for additional information about risks and uncertainties facing our Company.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States, which require management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We believe that our most critical accounting policies and estimates relate to the following:

- Basis of Presentation
- Principles of Consolidation
- Recoverability of Noncurrent Assets
- Revenue Recognition
- Income Taxes
- Contingencies

Management has discussed the development, selection and disclosure of critical accounting policies and estimates with the Audit Committee of the Company's Board of Directors. While our estimates and assumptions are based on our knowledge of current events and actions we may undertake in the future, actual results may ultimately differ from these estimates and assumptions. For a discussion of the Company's significant accounting policies, refer to Note 1 of Notes to Consolidated Financial Statements.

Basis of Presentation

Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States. 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. Furthermore, when testing assets for impairment in future periods, if management uses different assumptions or if different conditions occur, impairment charges may result.

We use the equity method to account for investments in companies if our investment provides us with the ability to exercise significant influence over operating and financial policies of the investee. Our consolidated net income includes our Company's proportionate share of the net income or loss of these companies. The carrying values of our equity method investments are increased or decreased by our proportionate share of the net income or loss and other comprehensive income (loss) ("OCI") of these companies. The carrying values of our equity method investments are also decreased by dividends we receive from the investees. Our judgment regarding the level of influence over each equity method investment includes considering key factors such as our ownership interest, representation on the board of directors, participation in policy-making decisions and material intercompany transactions.

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

Accounting principles generally accepted in the United States provide entities the option to measure many financial instruments and certain other items at fair value, with the change in fair value being included in the determination of net income. The Company has currently chosen not to elect the fair value option; and therefore, we only measure assets and liabilities at fair value if required under other accounting guidance.

Certain amounts in the prior years' consolidated financial statements and notes have been revised to conform to the current year presentation.

Principles of Consolidation

Our Company consolidates all entities that we control by ownership of a majority voting interest as well as VIEs of which our Company is the primary beneficiary. Generally, we consolidate only business enterprises that we control by ownership of a majority voting interest. However, there are situations in which consolidation is required even though the usual condition (ownership of a majority voting interest) of consolidation does not apply. These situations generally occur when one entity has a controlling financial interest in another business enterprise that was achieved through arrangements that do not involve voting interests, which results in a disproportionate relationship between such entity's voting interests in, and its exposure to the economic risks and potential rewards of, the other business enterprise. This disproportionate relationship results in what is known as a variable interest, and the entity in which we have the variable interest is referred to as a VIE.

In accordance with accounting principles generally accepted in the United States as of December 31, 2009, the best evidence of control of a VIE is not necessarily voting interests. The entity that holds a majority of the variable interests in a VIE is deemed to be the primary beneficiary and therefore to control the entity. 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 a majority voting interest.

Our Company holds interests in certain entities, primarily bottling operations, that are considered VIEs. These variable interests relate to profit guarantees or subordinated financial support for these entities. Our Company's investments, plus any loans and guarantees, related to these VIEs totaled approximately $708 million and $604 million at December 31, 2009, and 2008, respectively, representing our maximum exposures to loss. Creditors of the VIEs do not have recourse against the general credit of the Company as a result of including these VIEs in our consolidated financial statements. The Company's investment, plus any loans and guarantees, related to VIEs was not significant to the Company's consolidated financial statements. In addition, assets and liabilities of VIEs for which we are the primary beneficiary were not significant to the Company's consolidated financial statements. We do not have any significant variable interests in entities for which we were not determined to be the primary beneficiary.

In June 2009, the Financial Accounting Standards Board ("FASB") amended its guidance on accounting for VIEs. The new accounting guidance resulted in a change in our accounting policy effective January 1, 2010. Among other things, the new guidance requires more qualitative than quantitative analyses to determine the primary beneficiary of a VIE, requires continuous assessments of whether an enterprise is the primary beneficiary of a VIE, enhances disclosures about an enterprise's involvement with a VIE, and amends certain guidance for determining whether an entity is a VIE. Under the new guidance, a VIE must be consolidated if the enterprise has both (a) the power to direct the activities of the VIE that most significantly impact the entity's economic performance, and (b) the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

Beginning January 1, 2010, we deconsolidated certain entities as a result of this change in accounting policy. These entities are primarily bottling operations and had previously been consolidated due to certain loan guarantees and/or other financial support given by the Company. These financial arrangements, although not significant to our consolidated financial statements, resulted in a disproportionate relationship between our voting interests in these entities and our exposure to the economic risks and potential rewards of the entities. As a result, we determined that we held a majority of the variable interests in these entities and, therefore, were deemed to be the primary beneficiary. The loan guarantees and/or other financial support given by the Company to these entities are included in the calculation of our maximum exposure to loss discussed above. Although these financial arrangements resulted in us holding a majority of the variable interests in these VIEs, the majority of these arrangements did not empower us to direct the activities of the VIEs that most significantly impact the VIEs' economic performance. Consequently, subsequent to the change in accounting policy, the Company deconsolidated the majority of these VIEs.

The entities that have been deconsolidated accounted for less than 1 percent of net income attributable to shareowners of The Coca-Cola Company in 2009, and we have accounted for these entities under the equity method of accounting since January 1, 2010. Although the deconsolidation of these entities will impact individual line items in our consolidated financial statements, the impact on net income attributable to shareowners of The Coca-Cola Company in future periods will be nominal. The equity method of accounting is intended to be a single line consolidation and, therefore, generally should result in the same net income attributable to the investor as would be the case if the investee had been consolidated. The main impact on our consolidated financial statements beginning in 2010 will be that instead of these entities' results of operations and balance sheets affecting our consolidated line items, our proportionate share of net income or loss from these entities will be reported in equity income (loss) — net, in our consolidated income statements, and our investment in these entities will be reported as equity method investments in our consolidated balance sheets. Refer to the heading "Operations Review" for the estimated impact that the deconsolidation of these entities will have on individual line items in our consolidated income statements in future periods.

Recoverability of Noncurrent Assets

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

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

Management's assessments of the recoverability and impairment tests of noncurrent assets involve critical accounting estimates. These estimates require significant management judgment, include inherent uncertainties and are often interdependent; therefore, they do not change in isolation. Factors that management must estimate include, among others, the economic life of the asset, sales volume, prices, inflation, cost of capital, marketing spending, foreign currency exchange rates, tax rates and capital spending. These factors are even more difficult to predict when global financial markets are highly volatile. The estimates we use when assessing the recoverability of noncurrent assets are consistent with those we use in our internal planning. When performing impairment tests, we estimate the fair values of the assets using management's best assumptions, which we believe would be consistent with what a hypothetical marketplace participant would use. Estimates and assumptions used in these tests are evaluated and updated as appropriate. The variability of these factors depends on a number of conditions, including uncertainty about future events, and thus our accounting estimates may change from period to period. If other assumptions and estimates had been used when these tests were performed, impairment charges could have resulted. As mentioned above, these factors do not change in isolation; and therefore, we do not believe it is practicable to present the impact of changing a single factor. Furthermore, if management uses different assumptions or if different conditions occur in future periods, future impairment charges could result.

Our Company faces many uncertainties and risks related to various economic, political and regulatory environments in the countries in which we operate, particularly in developing or emerging markets. Refer to the heading "Our Business — Challenges and Risks," above, and "Item 1A. Risk Factors" in Part I of this report. As a result, management must make numerous assumptions which involve a significant amount of judgment when completing recoverability and impairment tests of noncurrent assets in various regions around the world.

Investments in Equity and Debt Securities

The carrying values of our investments in equity securities are determined using the equity method, the cost method or the fair value method. Refer to the heading "Basis of Presentation," above, for information related to how the carrying values of our equity method investments are determined. We account for investments in companies that we do not control or account for under the equity method either at fair value or under the cost method, as applicable. Investments in equity securities are carried at fair value, if the fair value of the security is readily determinable. Equity investments carried at fair value are classified as either trading or available-for-sale securities. Realized and unrealized gains and losses on trading securities and realized gains and losses on available-for-sale securities are included in net income. Unrealized gains and losses, net of deferred taxes, on available-for-sale securities are included in our consolidated balance sheets as a component of accumulated other comprehensive income (loss) ("AOCI"). Trading securities are reported as marketable securities in our consolidated balance sheets. Securities classified as available-for-sale are reported as either marketable securities or other investments in our consolidated balance sheets, depending on the length of time we intend to hold the investment. Investments in equity securities that do not qualify for fair value accounting are accounted for under the cost method. In accordance with the cost method, our initial investment is recorded at cost and we record dividend income when applicable dividends are declared. Cost method investments are reported as other investments in our consolidated balance sheets.

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

The following table presents the carrying values of our investments in equity and debt securities (in millions):

December 31, 2009	Carrying Value	Percentage of Total Assets
Equity method investments	$ 6,217	13%
Securities classified as available-for-sale	398	*
Cost method investments	149	*
Securities classified as held-to-maturity	199	*
Securities classified as trading	61	*
Total	$ 7,024	14%

* Accounts for less than 1 percent of the Company's total assets.

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

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

As of December 31, 2009, the Company had several investments classified as available-for-sale securities in which our cost basis had exceeded the fair value of the investment. Unrealized gains and losses on available-for-sale securities, as of December 31, 2009, were approximately $176 million and $21 million, respectively. Management assessed each individual investment with unrealized losses to determine if the decline in fair value was other than temporary. Based on these assessments, management determined that the decline in fair value of each of these investments was temporary in nature. We will continue to monitor these investments in future periods. Refer to Note 2 of Notes to Consolidated Financial Statements.

During the first quarter of 2009, the Company recorded a charge of approximately $27 million in other income (loss) — net as a result of an other-than-temporary decline in the fair value of a cost method investment. As of December 31, 2008, the estimated fair value of this investment approximated the Company's carrying value in the investment. However, during the first quarter of 2009, the Company was informed by the investee of its intent to reorganize its capital structure in 2009, which would result in the Company's shares in the investee being canceled. As a result, the Company determined that the decline in fair value of this cost method investment was other than temporary. This impairment charge impacted the Corporate operating segment. Refer to the heading "Operations Review — Other Income (Loss) — Net," and Note 13 and Note 14 of Notes to Consolidated Financial Statements.

As of December 31, 2008, the Company had several investments classified as available-for-sale securities in which our cost basis exceeded the fair value of the investment, each of which initially occurred between the end of the second quarter and the beginning of the third quarter of 2008. Management assessed each individual investment to determine if the decline in fair value was other than temporary. Based on these assessments, management determined that the decline in fair value of each investment was other than temporary based on a number of factors, including, but not limited to, uncertainty regarding our intent to hold certain of these investments for a period of time that would be sufficient to recover our cost basis in the event of a market recovery; the fact that the fair value of each investment had continued to decline since the time that our cost basis initially exceeded its fair value; and the Company's uncertainty around the near-term prospects for certain of the investments. As a result of the other-than-temporary decline in fair value of these investments, the Company recognized impairment charges of approximately $81 million during the fourth quarter of 2008. Certain of these investments are classified as marketable securities, while others are classified as other investments in the consolidated balance sheets. These impairment charges were recorded to other income (loss) — net in the consolidated statement of income. Refer to the heading "Operations Review — Other Income (Loss) — Net," and Note 2 and Note 14 of Notes to Consolidated Financial Statements.

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

December 31, 2009	Fair Value	Carrying Value	Difference
Coca-Cola FEMSA, S.A.B. de C.V.	$ 3,892	$ 1,062	$ 2,830
Coca-Cola Enterprises Inc.[1]	3,582	25	3,557
Coca-Cola Amatil Limited	2,348	868	1,480
Coca-Cola Hellenic Bottling Company S.A.	1,959	1,406	553
Coca-Cola Icecek A.S.	502	160	342
Grupo Continental, S.A.B.	401	169	232
Coca-Cola Embonor S.A.	289	258	31
Coca-Cola Bottling Co. Consolidated	134	72	62
Embotelladoras Coca-Cola Polar S.A.	108	94	14
	$ 13,215	$ 4,114	$ 9,101

[1] The carrying value of our investment in CCE was reduced to zero as of December 31, 2008, primarily as a result of recording our proportionate share of impairment charges and items impacting AOCI recorded by CCE. The subsequent increase in the carrying value of our investment in CCE was due to our proportionate share of CCE's 2009 net income and items impacting AOCI.

Other Assets

Our Company invests in infrastructure programs with our bottlers that are directed at strengthening our bottling system and increasing unit case volume. Additionally, our Company advances payments to certain customers to fund future marketing activities intended to generate profitable volume and expenses such payments over the periods benefited. Advance payments are also made to certain customers for distribution rights. Payments under these programs are generally capitalized and reported as other assets in our consolidated balance sheets. As of December 31, 2009, the carrying value of these assets was approximately $1,976 million, or 4 percent of our total assets. When facts and circumstances indicate that the carrying value of these assets may not be recoverable, management assesses the recoverability of the carrying value by preparing estimates of sales volume and the resulting gross profit and cash flows. These estimated future cash flows are consistent with those we use in our internal planning. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount, we recognize an impairment loss. The impairment loss recognized is the amount by which the carrying amount exceeds the fair value.

Property, Plant and Equipment

As of December 31, 2009, the carrying value of our property, plant and equipment, net of depreciation, was approximately $9,561 million, or 20 percent of our total assets. Certain events or changes in circumstances may indicate that the recoverability of the carrying amount of property, plant and equipment should be assessed, including, among others, a significant decrease in market value, a significant change in the business climate in a particular market, or a current period operating or cash flow loss combined with historical losses or projected future losses. When such events or changes in circumstances are present, we estimate the future cash flows expected to result from the use of the asset (or asset group) and its eventual disposition. These estimated future cash flows are consistent with those we use in our internal planning. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount, we recognize an impairment loss. The impairment loss recognized is the amount by which the carrying amount exceeds the fair value. We use a variety of methodologies to determine the fair value of property, plant and equipment, including appraisals and discounted cash flow models, which are consistent with the assumptions we believe hypothetical marketplace participants would use.

In 2007, our Company recorded a charge of approximately $99 million in equity income (loss) — net. This charge was primarily related to our proportionate share of asset impairments recorded by Coca-Cola Bottlers Philippines, Inc., ("CCBPI") due to excess and obsolete bottles and cases. These charges impacted the Bottling Investments operating segment. Refer to the heading "Operations Review — Equity Income (Loss) — Net," and Note 14 of Notes to Consolidated Financial Statements.

Goodwill, Trademarks and Other Intangible Assets

Intangible assets are classified into one of three categories: (1) intangible assets with definite lives subject to amortization; (2) intangible assets with indefinite lives not subject to amortization; and (3) goodwill. For intangible assets with definite lives, tests for impairment must be performed if conditions exist that indicate the carrying value may not be recoverable. For intangible assets with indefinite lives and goodwill, tests for impairment must be performed at least annually or more frequently if events or circumstances indicate that assets might be impaired.

The following table presents the carrying values of intangible assets included in our consolidated balance sheet (in millions):

December 31, 2009	Carrying Value	Percentage of Total Assets
Trademarks with indefinite lives	$ 6,183	13%
Goodwill	4,224	9
Bottlers' franchise rights	1,953	4
Definite-lived intangible assets, net	344	*
Other intangible assets not subject to amortization	124	*
Total	$ 12,828	26%

* Accounts for less than 1 percent of the Company's total assets.

When facts and circumstances indicate that the carrying value of definite-lived intangible assets may not be recoverable, management assesses the recoverability of the carrying value by preparing estimates of sales volume and the resulting gross profit and cash flows. These estimated future cash flows are consistent with those we use in our internal planning. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount, we recognize an impairment loss. The impairment loss recognized is the amount by which the carrying amount exceeds the fair value. We use a variety of methodologies to determine the fair value of these assets, including discounted cash flow models, which are consistent with the assumptions we believe hypothetical marketplace participants would use.

We test intangible assets determined to have indefinite useful lives, including trademarks, franchise rights and goodwill, for impairment annually, or more frequently if events or circumstances indicate that assets might be impaired. Our Company performs these annual impairment reviews as of the first day of our third fiscal quarter. We use a variety of methodologies in conducting impairment assessments of indefinite-lived intangible assets, including, but not limited to, discounted cash flow models, which are based on the assumptions we believe hypothetical marketplace participants would use. For indefinite-lived intangible assets, other than goodwill, if the carrying amount exceeds the fair value, an impairment charge is recognized in an amount equal to that excess.

We perform impairment tests of goodwill at our reporting unit level, which is one level below our operating segments. Our operating segments are primarily based on geographic responsibility, which is consistent with the way management runs our business. Our operating segments are subdivided into smaller geographic regions or territories that we sometimes refer to as business units. These business units are also our reporting units. The Bottling Investments operating segment includes all Company-owned or consolidated bottling operations, regardless of geographic location. Generally, each Company-owned or consolidated bottling operation within our Bottling Investments operating segment is its own reporting unit. Goodwill is assigned to the reporting unit or units that benefit from the synergies arising from each business combination. We had no changes to our reporting units in 2009.

The goodwill impairment test consists of a two-step process, if necessary. The first step is to compare the fair value of a reporting unit to its carrying value, including goodwill. We typically use discounted cash flow models to determine the fair value of a reporting unit. The assumptions used in these models are consistent with those we believe hypothetical marketplace participants would use. If the fair value of the reporting unit is less than its carrying value, the second step of the impairment test must be performed in order to determine the amount of impairment loss, if any. The second step compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds its implied fair value, an impairment charge is recognized in an amount equal to that excess. The loss recognized cannot exceed the carrying amount of goodwill.

Intangible assets acquired in recent transactions are naturally more susceptible to impairment, primarily due to the fact that they are recorded at fair value based on recent operating plans and macroeconomic conditions present at the time of acquisition. Consequently, if operating results and/or macroeconomic conditions deteriorate shortly after an acquisition, it could result in the impairment of the acquired assets. A deterioration of macroeconomic conditions may not only negatively impact the estimated operating cash flows used in our cash flow models, but may also negatively impact other assumptions used in our analyses, including, but not limited to, the estimated cost of capital and/or discount rates. Additionally, as discussed above, in accordance with accounting principles generally accepted in the United States, we are required to ensure that assumptions used to determine fair value in our analyses are consistent with the assumptions a hypothetical marketplace participant would use. As a result, the cost of capital and/or discount rates used in our analyses may increase or decrease based on market conditions and trends, regardless of whether our Company's actual cost of capital has changed. Therefore, our Company may recognize an impairment of an intangible asset or assets in spite of realizing actual cash flows that are approximately equal to or greater than our previously forecasted amounts. The Company has acquired significant intangible assets in the past several years through asset acquisitions and business combinations, including, among others, the acquisition of brands and licenses in Denmark and Finland from Carlsberg Group Beverages ("Carlsberg"); 18 German bottling and distribution operations; Energy Brands Inc., also known as glacéau; and CCBPI. Refer to Note 17 of Notes to Consolidated Financial Statements for more detailed information about recently acquired intangible assets.

As of our most recent annual impairment review, the Company had no significant impairments of its intangible assets, individually or in the aggregate. In addition, as of December 31, 2009, we did not have any reporting units with a material amount of goodwill for which it is reasonably likely that they will fail step one of a goodwill impairment test in the near term. However, if macroeconomic conditions continue to worsen, it is possible that we may experience significant impairments of some of our intangible assets, which would require us to recognize impairment charges. Management will continue to monitor the fair value of our intangible assets in future periods.

In 2009, the Company recognized a $23 million impairment charge due to a change in the expected useful life of an intangible asset, which was previously determined to have an indefinite life. Refer to the heading "Operations Review — Other Operating Charges," and Note 13 of Notes to Consolidated Financial Statements.

As previously mentioned, the Company is required to record its proportionate share of impairment charges recorded by our equity method investees. In 2008, we recorded our proportionate share of approximately $7.6 billion pretax ($4.9 billion after-tax) of charges recorded by CCE due to impairments of its North American franchise rights in the second quarter and fourth quarter of 2008. The Company's proportionate share of these charges was approximately $1.6 billion. The decline in the estimated fair value of CCE's North American franchise rights during the second quarter was the result of several factors including, but not limited to, (1) challenging macroeconomic conditions which contributed to lower than anticipated volume for higher-margin packages and certain higher-margin beverage categories; (2) increases in raw material costs including significant increases in aluminum, HFCS and resin; and (3) increased delivery costs as a result of higher fuel costs. The decline in the estimated fair value of CCE's North American franchise rights during the fourth quarter was primarily driven by financial market conditions as of the measurement date that caused (1) a dramatic increase in market debt rates, which impacted the capital charge, and (2) a significant decline in the funded status of CCE's defined benefit pension plans. In addition, the market price of CCE's common stock declined by more than 50 percent between the date of CCE's interim impairment test (May 23, 2008) and the date of CCE's annual impairment test (October 24, 2008). Our proportionate share of these charges was recorded to equity income (loss) — net in our consolidated statement of income and impacted the Bottling Investments operating segment. Refer to the heading "Operations Review — Equity Income (Loss) — Net" and Note 14 of Notes to Consolidated Financial Statements.

Revenue Recognition

We recognize revenue when persuasive evidence of an arrangement exists, delivery of products has occurred, the sales price 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 each transaction. Our sales terms do not allow for a right of return except for matters related to any manufacturing defects on our part.

Our customers can earn certain incentives, which are included in deductions from revenue, a component of net operating revenues in the consolidated statements of income. These incentives include, but are not limited to, cash discounts, funds for promotional and marketing activities, volume-based incentive programs and support for infrastructure programs. Refer to Note 1 of Notes to Consolidated Financial Statements. The aggregate deductions from revenue recorded by the Company in relation to these programs, including amortization expense on infrastructure programs, were approximately $4.5 billion, $4.4 billion and $4.1 billion for the years ended December 31, 2009, 2008 and 2007, respectively. In preparing the financial statements, management must make estimates related to the contractual terms, customer performance and sales volume to determine the total amounts recorded as deductions from revenue. Management also considers past results in making such estimates. The actual amounts ultimately paid may be different from our estimates. Such differences are recorded once they have been determined, and have historically not been significant.

Income Taxes

In July 2006, the FASB issued accounting guidance that clarified the accounting for uncertainty in income taxes recognized in an enterprise's financial statements. This guidance 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. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Our Company adopted the provisions of this accounting guidance and changed our accounting policy effective January 1, 2007. As a result, 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.

Our annual tax rate is based on our income, statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Significant judgment is required in determining our annual tax expense and in evaluating our tax positions. We establish reserves to remove some or all of the tax benefit of any of our tax positions at the time we determine that the positions become uncertain based upon one of the following: (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 considerations of the possibility of offset or aggregation with other tax positions taken. We adjust these reserves, including any impact on the related interest and penalties, in light of changing facts and circumstances, such as the progress of a tax audit.

A number of years may elapse before a particular matter for which we have established a reserve is audited and finally resolved. The number of years with open tax audits 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. Settlement of any particular issue would usually require the use of cash.

Tax law requires items to be included in the tax return at different times than when these items are reflected in the consolidated financial statements. As a result, the annual tax rate reflected in our consolidated financial statements is different than that reported in our tax return (our cash tax rate). Some of these differences are permanent, such as expenses that are not deductible in our tax return, and some differences reverse over time, such as depreciation expense. These timing differences create deferred tax assets and liabilities. Deferred tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities. The tax rates used to determine deferred tax assets or liabilities are the enacted tax rates in effect for the year and manner in which the differences are expected to reverse. Based on the evaluation of all available information, the Company recognizes future tax benefits, such as net operating loss carryforwards, to the extent that realizing these benefits is considered more likely than not.

We evaluate our ability to realize the tax benefits associated with deferred tax assets by analyzing our forecasted taxable income using both historical and projected future operating results, the reversal of existing taxable temporary differences, taxable income in prior carryback years (if permitted) and the availability of tax planning strategies. A valuation allowance is required to be established unless management determines that it is more likely than not that the Company will ultimately realize the tax benefit associated with a deferred tax asset.

Additionally, undistributed earnings of a subsidiary are accounted for as a temporary difference, except that deferred tax liabilities are not recorded for undistributed earnings of a foreign subsidiary that are deemed to be indefinitely reinvested in the foreign jurisdiction. The Company has formulated a specific plan for reinvestment of undistributed earnings of its foreign subsidiaries which demonstrates that such earnings will be indefinitely reinvested in the applicable tax jurisdictions. Should we change our plans, we would be required to record a significant amount of deferred tax liabilities.

The Company's effective tax rate is expected to be approximately 23.0 percent to 23.5 percent in 2010. This estimated tax rate does not reflect the impact of any unusual or special items that may affect our tax rate in 2010.

Contingencies

Our Company is subject to various claims and contingencies, mostly related to legal proceedings and tax matters (both income taxes and indirect taxes). 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. Management believes that any liability to the Company that may arise as a result of currently pending legal proceedings, tax matters or other contingencies will not have a material adverse effect on the financial condition of the Company taken as a whole. Refer to Note 8 of Notes to Consolidated Financial Statements.

Recent Accounting Standards and Pronouncements

Refer to Note 1 of Notes to Consolidated Financial Statements for a discussion of recent accounting standards and pronouncements.

Operations Review

We manufacture, distribute and market nonalcoholic beverage concentrates and syrups. We also manufacture, distribute and market finished beverages. Our organizational structure as of December 31, 2009, consisted of the following operating segments, the first six of which are sometimes referred to as "operating groups" or "groups": Eurasia and Africa; Europe; Latin America; North America; Pacific; Bottling Investments; and Corporate. For further information regarding our operating segments, refer to Note 18 of Notes to Consolidated Financial Statements.

Beverage Volume

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

Information about our volume growth by operating segment is as follows:

	Percent Change			
	2009 vs. 2008		2008 vs. 2007	
Year Ended December 31,	**Unit Cases[1,2]**	**Concentrate Sales**	Unit Cases[1,2]	Concentrate Sales
Worldwide	**3%**	**3%**	5%	4%
Eurasia & Africa	**4%**	**5%**	7%	7%
Europe	**(1)**	**(2)**	3	—
Latin America	**6**	**7**	8	6
North America	**(2)**	**(2)**	(1)	(2)
Pacific	**7**	**7**	8	8
Bottling Investments	**2**	**N/A**	14	N/A

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

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

Unit Case Volume

Although most of our Company's revenues are not based directly on unit case volume, we believe unit case volume is one of the measures of the underlying strength of the Coca-Cola system because it measures our product trends at the consumer level. The Coca-Cola system sold approximately 24.4 billion unit cases of our products in 2009, approximately 23.7 billion unit cases in 2008 and approximately 22.7 billion unit cases in 2007.

Year Ended December 31, 2009, versus Year Ended December 31, 2008

In Eurasia and Africa, unit case volume increased 4 percent, which consisted of 3 percent growth in sparkling beverages and 8 percent growth in still beverages. The group's unit case volume growth was primarily attributable to 31 percent growth in India, led by 32 percent growth in sparkling beverages. This growth was largely due to double-digit growth in Trademarks Thums Up, Sprite, Maaza, Fanta and Coca-Cola. Still beverages in India grew 28 percent. The group also benefited from 6 percent volume growth in North and West Africa and 10 percent volume growth in East and Central Africa. The group's unit case volume growth also included the impact of a 14 percent volume decline in Russia, primarily due to the continued challenging economic environment. In addition, South Africa and Turkey each experienced a 1 percent unit case volume decline.

Unit case volume in Europe decreased 1 percent, primarily attributable to the ongoing difficult macroeconomic conditions throughout most of Europe. These difficult macroeconomic conditions impacted a number of key markets and contributed to unit case volume declines of 8 percent in South and Eastern Europe, 4 percent in Iberia and 2 percent in Germany. The volume declines in these markets were partially offset by 6 percent unit case volume growth in France and 4 percent growth in Great Britain. The unit case volume growth in both France and Great Britain was led by Trademark Coca-Cola.

In Latin America, unit case volume increased 6 percent, which consisted of 3 percent growth in sparkling beverages and 24 percent growth in still beverages. The group benefited from strong volume growth in key markets, including 6 percent in Mexico, 4 percent in Brazil, 2 percent in Argentina and double-digit growth in Colombia. Acquisitions contributed 1 percentage point of the group's total unit case volume growth. The group's sparkling beverage volume growth was primarily attributable to 4 percent growth in brand Coca-Cola. The successful integration of Jugos del Valle, S.A.B. de C.V. ("Jugos del Valle") drove still beverage volume growth.

Unit case volume in North America decreased 2 percent, which reflected the impact of a continuing difficult U.S. economic environment and a competitive pricing environment. The effect of the economic environment and pricing environment was partially offset by the impact of strong customer and consumer programs. North America's unit case volume decline consisted of a 3 percent decline in sparkling beverages, partially offset by 1 percent growth in still beverages. The decline in sparkling beverages was partly attributable to the significant price increase taken by bottlers in the fourth quarter of 2008. The decline was partially offset by the continued strong performance of Coca-Cola Zero, which had unit case volume growth of 19 percent. Still beverage unit case volume growth was primarily due to the strong performance of Fuze Beverage, LLC ("Fuze"), Trademark Simply and tea. The unit case volume growth in still beverages was reduced by a double-digit volume decline in the North American water businesses, including Trademark Dasani, primarily due to the slowing water category and the Company's decision to not pursue unprofitable volume opportunities in bulk water/case packs in North America.

In Pacific, unit case volume increased 7 percent, which consisted of growth in sparkling and still beverages of 6 percent and 8 percent, respectively. Sparkling beverage growth in Pacific included 14 percent growth in Trademark Sprite and 5 percent growth in Trademark Coca-Cola. The group's volume growth was led by 16 percent growth in China, which reflected 11 percent growth in sparkling beverages and 30 percent growth in still beverages. China's sparkling beverage volume growth was led by double-digit growth in Trademark Sprite and 6 percent growth in Trademark Coca-Cola. China's still beverage volume growth was led by double-digit growth in Minute Maid. The unit case volume growth in China was partially offset by a 2 percent volume decline in Japan, primarily due to the continued severe economic challenges and unfavorable weather conditions during what are traditionally high-volume months. Sparkling beverage volume in Japan was even, while still beverages declined 3 percent. The decline in still beverages included the impact of a 5 percent volume decline in Aquarius and a 3 percent decline in Georgia Coffee. Due to the weak economy, Georgia Coffee was negatively impacted by shifts away from the at-work vending channel. The group's volume increase also included a 1 percent increase in the Philippines.

Unit case volume for Bottling Investments increased 2 percent, primarily due to the impact of unit case volume growth of 16 percent in China, 31 percent in India and 1 percent in the Philippines. The Company's consolidated bottling operations account for approximately 33 percent, 65 percent and 100 percent of the unit case volume in China, India and the Philippines, respectively. The favorable impact of unit case volume in these markets was partially offset by the sale of certain bottling operations during 2008, including Refrigerantes Minas Gerais Ltda. ("Remil"), a bottler in Brazil, and the sale of a portion of our ownership interest in Coca-Cola Beverages Pakistan Ltd. ("Coca-Cola Pakistan"), which resulted in its deconsolidation. Refer to Note 14 of Notes to Consolidated Financial Statements. In addition, Germany's unit case volume declined 2 percent. The Company's consolidated bottling operations account for 100 percent of the unit case volume in Germany.

Beginning January 1, 2010, we deconsolidated certain entities as a result of the Company's adoption of new accounting guidance issued by the FASB. These entities are primarily bottling operations and have been accounted for under the equity method of accounting since they were deconsolidated. Refer to the heading "Critical Accounting Policies and Estimates — Principles of Consolidation," above. The entities that have been deconsolidated as a result of this change in accounting policy accounted for approximately 1 percent of the Company's worldwide unit case volume in 2009 and were primarily included in the Bottling Investments operating segment. However, the deconsolidation of these entities will only impact the unit case volume data for our Bottling Investments operating segment, since our geographic segment data reflects unit case volume growth for all bottlers in the applicable geographic areas, both consolidated and unconsolidated. The Bottling Investments operating segment data reflects unit case volume growth for consolidated bottlers only.

Year Ended December 31, 2008, versus Year Ended December 31, 2007

In Eurasia and Africa, unit case volume increased 7 percent, which reflected growth in sparkling and still beverages of 4 percent and 21 percent, respectively. Unit case volume growth of 15 percent in Turkey, 14 percent in India and 11 percent in Southern Eurasia drove the group's growth. Acquisitions contributed 6 percent of the unit case volume growth in Turkey during 2008. High single-digit volume growth in North and West Africa and 7 percent volume growth in Nigeria also significantly contributed to the group's growth. South Africa's unit case volume increased 1 percent for the year, which included the impact of supply chain issues related to carbon dioxide shortages in the early part of 2008. Our system has invested in manufacturing capabilities that allow us to produce our own supply of carbon dioxide to mitigate the risk of future shortages. Russia's unit case volume was even for the year, primarily due to a more challenging economic environment and unseasonable weather during the summer.

Unit case volume in Europe increased 3 percent, primarily attributable to high single-digit volume growth in Eastern Europe. The group's unit case volume growth reflected 1 percent growth in sparkling beverages and 11 percent growth in still beverages. The unit case volume growth in sparkling beverages included 1 percent growth in Trademark Coca-Cola. Also included in the group's 2008 volume growth was the impact of a low single-digit volume decline in Iberia, primarily due to the slowing Western European economy and a truck drivers' strike in Spain during the second quarter of 2008.

In Latin America, unit case volume increased 8 percent. The group benefited from strong volume growth in all key markets, including 9 percent in Mexico, 7 percent in Brazil and 5 percent in Argentina. Acquisitions contributed 3 percent of the group's total unit case volume growth in 2008. The group's unit case volume growth consisted of 4 percent growth in sparkling beverages and 40 percent growth in still beverages. Sparkling beverage unit case volume growth was primarily attributable to 4 percent volume growth in Coca-Cola. The successful integration of Jugos del Valle, which we acquired jointly with Coca-Cola FEMSA in 2007, drove still beverage volume growth. Still beverage unit case volume grew 21 percent in 2008, excluding the impact of acquisitions.

Unit case volume in North America decreased 1 percent, which reflected the impact of a difficult U.S. economic environment and significant bottler price increases during the fourth quarter of 2008. The overall unit case volume decline in North America during 2008 consisted of a 3 percent unit case volume decline in sparkling beverages, partially offset by a 5 percent increase in still beverages. The decline in sparkling beverages was partly attributable to the softness of our Foodservice business and other on-premise channels, which were negatively impacted by economic conditions. The negative impact of macroeconomic conditions and bottler price increases was tempered by the successful execution of the three-cola strategy (focusing on driving unit case volume growth for Coca-Cola, Coca-Cola Zero and Diet Coke). Coca-Cola Zero continued its strong performance, increasing unit case volume 36 percent in

2008. Still beverage unit case volume increased 5 percent in 2008, primarily due to the strong performance of glacéau, Fuze, Trademark Simply and Minute Maid Enhanced Juices. Acquisitions contributed 4 percent of the volume growth in still beverages during 2008. The overall 5 percent unit case volume growth in still beverages also included the impact of volume declines in Trademark Dasani and Trademark Powerade during 2008, primarily due to the slowing water and sports drink categories.

In Pacific, unit case volume increased 8 percent. The group's unit case volume growth was driven by 19 percent volume growth in China, which consisted of growth in both sparkling and still beverages. China's sparkling unit case volume increased 15 percent, primarily attributable to double-digit volume growth in both Trademark Coca-Cola and Trademark Sprite. Double-digit unit case volume growth in Minute Maid accounted for the majority of China's 30 percent unit case volume growth in still beverages. Also contributing to the volume growth of still beverages in China was the impact of Yuan Ye, a tea manufactured from tea leaves instead of tea powder, which was launched in 2008. The strong performance in China across our brands was partly attributable to our successful activation of the Beijing 2008 Olympic Games. In Japan, unit case volume was even. Sparkling beverage unit case volume grew 5 percent in 2008, led by 6 percent growth in Trademark Coca-Cola and 13 percent growth in Trademark Fanta. Unit case volume growth in Trademark Coca-Cola was primarily attributable to the continued success of Coca-Cola Zero and the successful execution of the three-cola strategy (focusing on driving unit case volume growth for Coca-Cola, Coca-Cola Zero and Diet Coke or Coca-Cola Light). Still beverage unit case volume declined 1 percent in 2008, primarily due to declines in Sokenbicha and Aquarius. The impact of these volume declines on still beverages was partially offset by a 2 percent unit case volume increase in Georgia Coffee.

Unit case volume for Bottling Investments increased 14 percent. The group's unit case volume growth was primarily attributable to the full year impact of prior year acquisitions, including, but not limited to, 18 bottling and distribution operations in Germany, Nordeste Refrigerantes S.A. ("NORSA") and CCBPI. Refer to Note 17 of Notes to Consolidated Financial Statements. Additionally, the unit case volume growth reflected the overall improving health of the Company's consolidated bottling operations. The favorable impact that the previously mentioned items had on unit case volume growth was partially offset by the sale of Remil and the sale of a portion of our ownership interest in Coca-Cola Pakistan, which resulted in its deconsolidation. Refer to the heading "Operations Review — Other Income (Loss) — Net" and Note 14 of Notes to Consolidated Financial Statements.

Concentrate Sales Volume

In 2009, concentrate sales volume and unit case volume both grew 3 percent compared to 2008. The differences between unit case volume and concentrate sales volume growth rates for individual operating segments were primarily due to the timing of concentrate shipments and the impact of unit case volume from certain joint ventures in which the Company has an equity interest, but to which the Company does not sell concentrates, syrups, beverage bases or powders.

Concentrate sales volume and unit case volume grew 4 percent and 5 percent, respectively, in 2008 compared to 2007. The differences between unit case volume and concentrate sales volume growth rates for all segments were primarily due to timing of concentrate shipments and the impact of unit case volume from certain joint ventures in which the Company has an equity interest, but to which the Company does not sell concentrates, syrups, beverage bases or powders.

Analysis of Consolidated Statements of Income

Year Ended December 31,	2009	2008	2007	Percent Change 2009 vs. 2008	Percent Change 2008 vs. 2007
(In millions except percentages and per share data)					
NET OPERATING REVENUES	**$ 30,990**	$ 31,944	$ 28,857	**(3)%**	11%
Cost of goods sold	**11,088**	11,374	10,406	**(3)**	9
GROSS PROFIT	**19,902**	20,570	18,451	**(3)**	11
GROSS PROFIT MARGIN	**64.2%**	64.4%	63.9%		
Selling, general and administrative expenses	**11,358**	11,774	10,945	**(4)**	8
Other operating charges	**313**	350	254	*****	*
OPERATING INCOME	**8,231**	8,446	7,252	**(3)**	16
OPERATING MARGIN	**26.6%**	26.4%	25.1%		
Interest income	**249**	333	236	**(25)**	41
Interest expense	**355**	438	456	**(19)**	(4)
Equity income (loss) — net	**781**	(874)	668	*****	*
Other income (loss) — net	**40**	39	219	*****	*
INCOME BEFORE INCOME TAXES	**8,946**	7,506	7,919	**19**	(5)
Income taxes	**2,040**	1,632	1,892	**25**	(14)
Effective tax rate	**22.8%**	21.7%	23.9%		
CONSOLIDATED NET INCOME	**6,906**	5,874	6,027	**18**	(3)
Less: Net income attributable to noncontrolling interests	**82**	67	46	**22**	46
NET INCOME ATTRIBUTABLE TO SHAREOWNERS OF THE COCA-COLA COMPANY	**$ 6,824**	$ 5,807	$ 5,981	**18%**	(3)%
NET INCOME PER SHARE[1]					
Basic net income per share	**$ 2.95**	$ 2.51	$ 2.59	**18%**	(3)%
Diluted net income per share	**$ 2.93**	$ 2.49	$ 2.57	**18%**	(3)%

* Calculation is not meaningful.

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

Net Operating Revenues

Net operating revenues decreased by $954 million, or 3 percent, in 2009 compared to 2008 and increased by $3,087 million, or 11 percent, in 2008 compared to 2007. The following table illustrates, on a percentage basis, the estimated impact of key factors resulting in the increase (decrease) in net operating revenues:

	Percent Change	
Year Ended December 31,	**2009 vs. 2008**	2008 vs. 2007
Increase in concentrate sales volume	**3%**	4%
Structural changes	**(1)**	—
Price and product/geographic mix	**—**	3
Impact of currency fluctuations versus the U.S. dollar	**(5)**	4
Total percentage increase (decrease)	**(3)%**	11%

Refer to the heading "Beverage Volume" for a discussion of concentrate sales volume. Also included in concentrate sales volume is the impact of acquired beverage companies and the acquisition of trademarks.

Year Ended December 31, 2009, versus Year Ended December 31, 2008

"Structural changes" refers to acquisitions or dispositions of bottling, distribution or canning operations and consolidation or deconsolidation of bottling and distribution entities for accounting purposes. Structural changes accounted for approximately 1 percent of the decrease in net operating revenues. This decrease was primarily attributable to the sale of certain bottling operations during 2008, including Remil and a portion of our ownership interest in Coca-Cola Pakistan, which resulted in its deconsolidation. Refer to the heading "Operations Review — Other Income (Loss) — Net" and Note 14 of Notes to Consolidated Financial Statements.

Price and product/geographic mix had a net zero percent impact on net operating revenues. Favorable pricing and product/package mix in a number of our key markets was offset by: shifts in our marketing and media spend strategies, shifts away from the at-work vending channel in our Japanese business, our current focus to drive greater affordability initiatives across many key markets to ensure we continue building brand relevance and equity with consumers, and unfavorable geographic mix as a result of growth in our emerging and developing markets. The shift in our marketing and media spend strategies was primarily due to spending more marketing dollars toward in-store activations, loyalty points programs and point-of-sale marketing. Many of these strategies impact net revenues instead of marketing expenses. Refer to the heading "Selling, General and Administrative Expenses," below. The growth in our emerging and developing markets resulted in unfavorable geographic mix due to the fact that the revenue per unit sold in these markets is generally less than in developed markets. Refer to the heading "Operating Income and Operating Margin," below. We currently expect the impact of price and product/geographic mix in 2010 to be similar to 2009.

The unfavorable impact of currency fluctuations decreased net operating revenues by approximately 5 percent. The unfavorable impact of changes in foreign currency exchange rates was primarily due to a stronger U.S. dollar compared to most foreign currencies, including the euro, South African rand, British pound, Brazilian real, Mexican peso and Australian dollar, which had an unfavorable impact on the Eurasia and Africa, Europe, Latin America, Pacific and Bottling Investments operating segments. The unfavorable impact of a stronger U.S. dollar compared to the aforementioned currencies was partially offset by the impact of a weaker U.S. dollar compared to certain other foreign currencies, including the Japanese yen, which had a favorable impact on the Pacific operating segment. Refer to the heading "Liquidity, Capital Resources and Financial Position — Foreign Exchange."

Beginning January 1, 2010, we deconsolidated certain entities as a result of the Company's adoption of new accounting guidance issued by the FASB. These entities are primarily bottling operations and have been accounted for under the equity method of accounting since they were deconsolidated. Refer to the heading "Critical Accounting Policies and Estimates — Principles of Consolidation," above. The entities that have been deconsolidated as a result of this change in accounting policy accounted for approximately 3 percent of the Company's consolidated net operating revenues in 2009. Refer to the heading "Critical Accounting Policies and Estimates — Principles of Consolidation," above.

Year Ended December 31, 2008, versus Year Ended December 31, 2007

Structural changes had a net zero percent impact on net operating revenues. The increase in net operating revenues attributable to the full year impact of prior year acquisitions, including, but not limited to, 18 German bottling and distribution operations, NORSA and CCBPI, was offset by the sale of Remil and the sale of a portion of our ownership interest in Coca-Cola Pakistan, which resulted in its deconsolidation. Refer to Note 14 and Note 17 of Notes to Consolidated Financial Statements.

Price and product/geographic mix increased net operating revenues by 3 percent, primarily due to favorable pricing and product/package mix across the majority of the operating segments.

The favorable impact of currency fluctuations increased net operating revenues by 4 percent. The U.S. dollar weakened against certain key currencies in 2008 including, but not limited to, the euro, Japanese yen and Brazilian real. The fluctuations in these currencies favorably impacted the Europe, Pacific, Latin America and Bottling Investments operating segments. The favorable impact of fluctuations in the aforementioned currencies was partially offset by the unfavorable impact of the U.S. dollar strengthening against the South African rand and the British pound during 2008. The fluctuations in these currencies unfavorably impacted the Eurasia and Africa, Europe and Bottling Investments operating segments. Refer to the heading “Liquidity, Capital Resources and Financial Position — Foreign Exchange.”

Net Operating Revenues by Operating Segment

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

Year Ended December 31,	**2009**	2008	2007
Eurasia & Africa	**6.4%**	6.7%	6.8%
Europe	**13.9**	15.0	15.4
Latin America	**12.0**	11.3	10.6
North America	**26.4**	25.7	26.9
Pacific	**14.6**	13.7	13.9
Bottling Investments	**26.4**	27.3	26.2
Corporate	**0.3**	0.3	0.2
	100.0%	100.0%	100.0%

The percentage contribution of each operating segment has changed due to net operating revenues in certain operating segments growing at a faster rate compared to the other operating segments. Net operating revenue growth rates are impacted by concentrate sales volume growth rates, structural changes, price and product/geographic mix, and foreign currency fluctuations.

The size and timing of structural changes, including acquisitions or dispositions of bottling and canning operations, do not occur consistently from period to period. As a result, anticipating the impact of such events on future increases or decreases in net operating revenues (and other financial statement line items) usually is not possible. However, we expect to continue to buy and sell bottling interests in limited circumstances and, as a result, structural changes will continue to affect our consolidated financial statements in future periods.

Gross Profit

Year Ended December 31, 2009, versus Year Ended December 31, 2008

Our gross profit margin decreased to 64.2 percent in 2009 from 64.4 percent in 2008, primarily due to foreign currency fluctuations, the growth of our finished product operations, unfavorable geographic mix as a result of growth in our emerging and developing markets, our current focus to drive greater affordability initiatives across many key markets, and unfavorable channel and product mix in certain key markets. The unfavorable impact of the previously mentioned items was partially offset by the favorable impact of price increases in certain markets, lower costs related to several key commodities and the sale of certain bottling operations in 2008. Generally, bottling and finished product operations produce higher net operating revenues but lower gross profit margins compared to concentrate and syrup operations. Bottling operations sold in 2008 included Remil and a portion of our ownership interest in Coca-Cola Pakistan, which resulted in its deconsolidation. Refer to the heading "Operations Review — Other Income (Loss) — Net" and Note 14 of Notes to Consolidated Financial Statements.

Beginning January 1, 2010, we deconsolidated certain entities as a result of the Company's adoption of new accounting guidance issued by the FASB. These entities are primarily bottling operations and have been accounted for under the equity method of accounting since they were deconsolidated. Refer to the heading "Critical Accounting Policies and Estimates — Principles of Consolidation," above. The Company expects the deconsolidation of these entities to have a favorable impact on our gross profit margin percentage in future periods. Generally, bottling and finished product operations produce higher net operating revenues but lower gross profit margins compared to concentrate and syrup operations. Refer to the heading "Net Operating Revenues," above.

Year Ended December 31, 2008, versus Year Ended December 31, 2007

Our gross profit margin increased to 64.4 percent in 2008 from 63.9 percent in 2007. The increase in our gross profit margin was primarily attributable to favorable price and product mix across the majority of our operating segments, as well as the favorable impact of the sale of Remil and the sale of a portion of our ownership interest in Coca-Cola Pakistan, which resulted in its deconsolidation. Refer to the heading "Operations Review — Other Income (Loss) — Net" and Note 14 of Notes to Consolidated Financial Statements. The favorable impact of the previously mentioned items was partially offset by the full year impact of 2007 acquisitions, including, but not limited to, 18 German bottling and distribution operations, NORSA, glacéau, CCBPI and Leao Junior S.A. ("Leao Junior"), a Brazilian tea company. Refer to Note 17 of Notes to Consolidated Financial Statements. In addition to the full year impact of prior year acquisitions, our 2008 gross profit margin was also unfavorably impacted by increases in the cost of raw materials and freight.

Selling, General and Administrative Expenses

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

Year Ended December 31,	**2009**	2008	2007
Selling expenses	**$ 5,433**	$ 5,776	$ 5,029
Advertising expenses	**2,791**	2,998	2,774
General and administrative expenses	**2,893**	2,734	2,829
Stock-based compensation expense	**241**	266	313
Selling, general and administrative expenses	**$ 11,358**	$ 11,774	$ 10,945

Year Ended December 31, 2009, versus Year Ended December 31, 2008

Selling, general and administrative expenses decreased by $416 million, or 4 percent, in 2009 compared to 2008. The decrease was primarily attributable to the impact of foreign currency fluctuations, which decreased selling, general and administrative expenses by approximately 4 percent. In addition to the impact of foreign currency fluctuations, selling expenses decreased due to the sale of certain bottling operations in 2008. Bottling operations sold in 2008 included Remil and a portion of our ownership interest in Coca-Cola Pakistan, which resulted in its deconsolidation. Advertising expenses were impacted by shifts in our marketing and media spend strategies, primarily due to spending more marketing dollars toward in-store activations, loyalty points programs and point-of-sale marketing. Many of these strategies impact net operating revenues instead of marketing expenses. Refer to the heading "Net Operating Revenues," above. The increase in general and administrative expenses was primarily due to an increase in pension costs and higher short-term incentive costs, partially offset by savings generated from the Company's ongoing productivity initiatives.

The increase in our pension expense was primarily attributable to the significant decline in the value of our pension plan assets precipitated by the credit crisis and financial system instability in 2008. As a result of this decline, along with a decrease in the discount rate, our 2009 pension costs increased by $103 million. Refer to the heading "Liquidity, Capital Resources and Financial Position — Off-Balance Sheet Arrangements and Aggregate Contractual Obligations" and Note 10 of Notes to Consolidated Financial Statements for further discussion.

Our 2010 pension expense is expected to decrease by approximately $50 million compared to 2009. The anticipated decrease is primarily due to the appreciation of our pension plan assets and the impact of the $269 million in contributions to our pension plans in 2009, partially offset by a decrease in the discount rate. Refer to the heading "Liquidity, Capital Resources and Financial Position — Off-Balance Sheet Arrangements and Aggregate Contractual Obligations" and Note 10 of Notes to Consolidated Financial Statements for further discussion.

As of December 31, 2009, we had approximately $335 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 1.7 years as stock-based compensation expense. This expected cost does not include the impact of any future stock-based compensation awards. Refer to Note 9 of Notes to Consolidated Financial Statements.

Beginning January 1, 2010, we deconsolidated certain entities as a result of the Company's adoption of new accounting guidance issued by the FASB. These entities are primarily bottling operations and have been accounted for under the equity method of accounting since they were deconsolidated. Refer to the heading "Critical Accounting Policies and Estimates — Principles of Consolidation," above. The entities that were deconsolidated as of January 1, 2010, accounted for approximately 2 percent of the Company's consolidated selling, general and administrative expenses in 2009.

Year Ended December 31, 2008, versus Year Ended December 31, 2007

Selling, general and administrative expenses increased $829 million, or 8 percent, in 2008 compared to 2007. This increase was primarily attributable to the impact of foreign currency fluctuations, which accounted for approximately 4 percent of the total increase in selling, general and administrative expenses. In addition to the impact of foreign currency fluctuations, the increase in advertising expenses reflected the Company's continued investment in our brands and building market execution capabilities. Selling expenses increased primarily to support our bottling operations. In addition to the previously mentioned items, the increase in selling, general and administrative expenses in 2008 was also partially attributable to the full year impact of bottlers and brands acquired during 2007. Refer to Note 17 of Notes to Consolidated Financial Statements. These increases were partially offset by a decline in general and administrative expenses, primarily due to expense management and productivity initiatives. In addition, general and administrative expenses during 2008 also benefited from the full year impact of amendments made to the U.S. retiree medical plan and other employee benefit related costs during 2007. Refer to Note 10 of Notes to Consolidated Financial Statements for further discussion of the amendments made to the U.S. retiree medical plan during 2007.

Other Operating Charges

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

Year Ended December 31,	**2009**	2008	2007
Eurasia & Africa	**$ 4**	$ 1	$ 37
Europe	**7**	—	33
Latin America	**—**	1	4
North America	**31**	56	23
Pacific	**1**	—	3
Bottling Investments	**141**	46	33
Corporate	**129**	246	121
Total	**$ 313**	$ 350	$ 254

In 2009, the Company incurred other operating charges of approximately $313 million, which consisted of $166 million related to restructuring charges, $107 million attributable to the Company's ongoing productivity initiatives and $40 million due to asset impairments.

The Company's restructuring activities in 2009 primarily related to the integration of the 18 German bottling and distribution operations acquired in 2007. The Company began these integration initiatives in 2008 and has incurred total pretax expenses of approximately $131 million since they commenced. The expenses recorded in connection with these integration activities have been primarily due to involuntary terminations. The Company is currently reviewing other integration and restructuring opportunities within the German bottling and distribution operations, which if implemented will result in additional charges in future periods. However, as of December 31, 2009, the Company has not finalized any additional plans. Refer to Note 15 of Notes to Consolidated Financial Statements for additional information related to restructuring charges.

Other operating charges included expenses related to the Company's ongoing productivity initiatives. The Company has recognized approximately $162 million related to these initiatives since they commenced in the first quarter of 2008. The Company is targeting $500 million in annualized savings from productivity initiatives by the end of 2011 to provide additional flexibility to invest for growth. The savings are expected to be generated in a number of areas and include aggressively managing operating expenses supported by lean techniques, redesigning key processes to drive standardization and effectiveness, better leveraging our size and scale, and driving savings in indirect costs through the implementation of a "procure-to-pay" program. In realizing these savings, the Company expects to incur total costs of approximately $500 million by the end of 2011. The Company believes we are on track to achieve our $500 million target in annualized savings by the end of 2011 and has realized more than half of the targeted annualized savings by December 31, 2009. Refer to Note 15 of Notes to Consolidated Financial Statements for additional information related to the Company's ongoing productivity initiatives.

The asset impairment charges recorded in 2009 were the result of a change in the expected useful life of an intangible asset and a change in disposal strategy related to a building that is no longer occupied. Refer to Note 13 of Notes to Consolidated Financial Statements for additional fair value information related to these impairment charges.

During 2008, the Company incurred other operating charges of approximately $350 million, which consisted of $194 million due to restructuring charges, $63 million related to contract termination fees, $55 million attributable to productivity initiatives and $38 million as a result of asset impairments. The restructuring charges in 2008 were primarily related to steps the Company took in 2007 to streamline and simplify its operations globally, which included the closing of a beverage concentrate manufacturing and distribution plant in Drogheda, Ireland, as well as streamlining activities in other selected business units. Refer to Note 15 of Notes to Consolidated Financial Statements for additional information on the restructuring charges and productivity initiatives. The contract termination fees were primarily the result of penalties incurred by the Company to terminate existing supply and co-packer agreements. Charges related to asset impairments were primarily due to the write-down of manufacturing lines that produce product packaging materials. Refer to Note 14 of Notes to Consolidated Financial Statements for additional information related to the contract termination fees and asset impairments.

In 2007, the Company incurred restructuring charges of approximately $237 million and asset impairments of $31 million. These restructuring charges were primarily related to the reorganization of the North American business around three main business units: Sparkling Beverages, Still Beverages and Emerging Brands. They also included the plan to close a beverage concentrate manufacturing and distribution plant in Drogheda, Ireland, as well as individually insignificant streamlining activities throughout many other business units. Refer to Note 15 for additional information on the restructuring charges. The asset impairments were primarily related to certain assets and investments in bottling operations, none of which was individually significant. Of this total, $254 million was recorded in other operating charges and $14 million was recorded in cost of goods sold. Refer to Note 14 of Notes to Consolidated Financial Statements.

Operating Income and Operating Margin

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

Year Ended December 31,	**2009**	2008	2007
Eurasia & Africa	**9.8%**	9.9%	9.2%
Europe	**35.8**	37.6	38.3
Latin America	**24.8**	24.8	24.1
North America	**20.7**	18.8	23.4
Pacific	**22.9**	22.0	23.4
Bottling Investments	**2.2**	3.1	2.1
Corporate	**(16.2)**	(16.2)	(20.5)
	100.0%	100.0%	100.0%

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

Year Ended December 31,	**2009**	2008	2007
Consolidated	**26.6%**	26.4%	25.1%
Eurasia & Africa	**41.0%**	39.1%	34.4%
Europe	**68.4**	66.4	62.4
Latin America	**55.2**	57.9	57.0
North America	**20.7**	19.3	21.9
Pacific	**41.6**	42.6	42.5
Bottling Investments	**2.2**	3.0	2.0
Corporate	*****	*	*

* Calculation is not meaningful.

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

- In 2009, foreign currency exchange rates unfavorably impacted consolidated operating income by approximately 11 percent. The unfavorable impact of changes in foreign currency exchange rates was primarily due to a stronger U.S. dollar compared to most foreign currencies, including the euro, South African rand, British pound, Brazilian real, Mexican peso and Australian dollar, which had an unfavorable impact on the Eurasia and Africa, Europe, Latin America, Pacific and Bottling Investments operating segments. The unfavorable impact of a stronger U.S. dollar compared to the aforementioned currencies was partially offset by the impact of a weaker U.S. dollar compared to certain other foreign currencies, including the Japanese yen, which had a favorable impact on the Pacific operating segment. Refer to the heading "Liquidity, Capital Resources and Financial Position — Foreign Exchange."
- In 2009, operating income was unfavorably impacted by fluctuations in foreign currency exchange rates by approximately 15 percent for Eurasia and Africa, 11 percent for Europe, 18 percent for Latin America, 1 percent for North America, 19 percent for Bottling Investments and 4 percent for Corporate. Operating income was favorably impacted by fluctuations in foreign currency exchange rates by approximately 3 percent for Pacific.
- In 2009, shifts in our marketing and media spend strategies favorably impacted the operating margin in the majority of our operating segments. The shift was primarily due to spending more marketing dollars toward in-store activations, improving shelf impact, loyalty points programs and point-of-sale marketing. Many of these strategies are recorded as deductions from revenues instead of marketing expenses. Refer to the heading "Net Operating Revenues," above.
- In 2009, lower commodity prices favorably impacted North America's operating margin.
- In 2009, the operating margins for the Latin America and North America operating segments were unfavorably impacted by the growth of our finished goods businesses. Generally, bottling and finished product operations produce higher net revenues but lower operating margins compared to concentrate and syrup operations.

- In 2009, our consolidated operating margin was favorably impacted by the sale of certain bottling operations during 2008, including Remil and a portion of our ownership interest in Coca-Cola Pakistan, which resulted in its deconsolidation. Generally, bottling and finished product operations produce higher net revenues but lower operating margins compared to concentrate and syrup operations.
- In 2009, operating income was reduced by approximately $4 million for Eurasia and Africa, $7 million for Europe, $31 million for North America, $1 million for Pacific, $141 million for Bottling Investments and $129 million for Corporate, primarily as a result of restructuring costs, the Company's ongoing productivity initiatives and asset impairments. Refer to the heading "Other Operating Charges," above.
- In 2008, foreign currency exchange rates favorably impacted operating income by approximately 6 percent, primarily due to a weaker U.S. dollar compared to the euro, Japanese yen and Brazilian real, which had a favorable impact on the Europe, Pacific, Latin America and Bottling Investments operating segments. The favorable impact of a weaker U.S. dollar compared to the aforementioned currencies was partially offset by the impact of a stronger U.S. dollar compared to the South African rand and the British pound, which had an unfavorable impact on the Eurasia and Africa, Europe and Bottling Investments operating segments. Refer to the heading "Liquidity, Capital Resources and Financial Position — Foreign Exchange."
- In 2008, operating income was favorably impacted by fluctuations in foreign currency exchange rates by approximately 8 percent for Europe, 5 percent for Latin America, 1 percent for North America, 10 percent for Pacific and 4 percent for Bottling Investments. Operating income was unfavorably impacted by fluctuations in foreign currency exchange rates by approximately 3 percent for Eurasia and Africa. Fluctuations in foreign currency exchange rates had a net zero percent impact on operating income for Corporate.
- In 2008, price increases across the majority of operating segments had a favorable impact on both operating income and operating margins.
- In 2008, increased spending on marketing and innovation activities impacted the majority of the operating segments' operating income and operating margins. Refer to the heading "Selling, General and Administrative Expenses," above.
- In 2008, increases in the cost of raw materials and product mix, primarily as a result of finished goods businesses, adversely impacted North America's operating income and operating margin.
- In 2008, our operating margin was unfavorably impacted by the full year impact of acquisitions made during 2007, including, but not limited to, 18 German bottling and distribution operations, NORSA, glacéau, CCBPI and Leao Junior. Refer to the heading "Gross Profit," above. These acquisitions impacted the Latin America, North America and Bottling Investments operating segments.
- In 2008, operating income was reduced by approximately $1 million for Eurasia and Africa, $1 million for Latin America, $56 million for North America, $46 million for Bottling Investments and $246 million for Corporate, primarily due to restructuring costs, contract termination fees, productivity initiatives and asset impairments. Refer to the heading "Other Operating Charges," above.
- In 2007, operating income was reduced by approximately $37 million for Eurasia and Africa, $33 million for Europe, $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 restructuring costs and asset impairments, included in other operating charges and cost of goods sold. Refer to the heading "Other Operating Charges," above.

Beginning January 1, 2010, we deconsolidated certain entities as a result of the Company's adoption of new accounting guidance issued by the FASB. These entities are primarily bottling operations and have been accounted for under the equity method of accounting since they were deconsolidated. Refer to the heading "Critical Accounting Policies and Estimates — Principles of Consolidation," above. The entities that were deconsolidated as of January 1, 2010, accounted for approximately 2 percent of the Company's consolidated operating income in 2009.

Interest Income

Interest income decreased by $84 million in 2009 compared to 2008. This decrease was primarily attributable to lower interest rates, partially offset by the impact of higher short-term investment balances.

Interest income increased by $97 million in 2008 compared to 2007. This increase was primarily due to higher average short-term investment balances, partially offset by lower interest rates.

Interest Expense

Interest expense decreased by $83 million, or 19 percent, in 2009 compared to 2008. This decrease was primarily due to lower interest rates on short-term debt, partially offset by the issuance of long-term debt in the first quarter of 2009. In addition, interest expense in 2008 included the impact of the reclassification of approximately $17 million of previously unrecognized gains on interest rate locks from AOCI to interest expense, which was partially offset by approximately $9 million of losses related to the portion of cash flow hedges that were deemed to be ineffective. The reclassification was the result of a discontinued cash flow hedging relationship on interest rate locks, as it was no longer probable that we would issue the long-term debt for which these hedges were designated.

Interest expense decreased by $18 million, or 4 percent, in 2008 compared to 2007. This decrease was primarily attributable to lower interest rates on short-term debt and a net benefit of approximately $8 million related to the reclassification of gains and losses on interest rate locks from AOCI to interest expense, partially offset by the impact of higher average short-term and long-term debt balances. See discussion above for more information on the net benefit related to the reclassification of gains and losses on interest rate locks from AOCI to interest expense.

The Company reviews its optimal mix of short-term and long-term debt regularly. This monitoring includes a review of business and other financial risks. Refer to the heading "Liquidity, Capital Resources and Financial Position." During the first quarter of 2009, the Company elected to replace a certain amount of commercial paper and short-term debt with longer-term debt, which resulted in the Company issuing long-term notes in the principal amounts of $900 million at a rate of 3.625 percent and $1,350 million at a rate of 4.875 percent due March 15, 2014, and March 15, 2019, respectively. The interest rates on the long-term notes are higher than the interest rates on our short-term debt. Refer to Note 7 of Notes to Consolidated Financial Statements. The Company continues to review its optimal mix of short-term and long-term debt and may replace a certain amount of commercial paper and short-term debt with longer-term debt in the future. In addition, from time to time, we enter into interest rate swap agreements and other related instruments to manage our mix of fixed-rate and variable-rate debt. The Company will reclassify deferred losses on interest rate locks from AOCI to interest expense over approximately the next eight years. Refer to Note 4 of Notes to Consolidated Financial Statements.

Equity Income (Loss) — Net

Equity income (loss) — net represents our Company's proportionate share of net income or loss from each of our equity method investments. In 2009, equity income was $781 million, compared to an equity loss of $874 million in 2008, an increase of $1,655 million. In 2008, equity income (loss) — net was impacted by our proportionate share of approximately $7.6 billion pretax ($4.9 billion after-tax) of charges recorded by CCE due to impairments of its North American franchise rights. The Company's proportionate share of these charges was approximately $1.6 billion. Refer to the heading "Critical Accounting Policies and Estimates — Goodwill, Trademarks and Other Intangible Assets," and Note 14 of Notes to Consolidated Financial Statements. The increase in equity income in 2009 was also partially attributable to our proportionate share of increased net income from certain of our equity method investees, partially offset by the unfavorable impact of foreign exchange fluctuations and the Company's proportionate share of asset impairments and restructuring charges recorded by equity method investees.

In 2008, equity income (loss) — net was an equity loss of $874 million compared to equity income of $668 million in 2007, a decrease of $1,542 million. This decrease was primarily attributable to the aforementioned impairment charges recorded by CCE during 2008, of which our Company's proportionate share was approximately $1.6 billion. Refer to the heading "Critical Accounting Policies and Estimates — Goodwill, Trademarks and Other Intangible Assets" and Note 14 of Notes to Consolidated Financial Statements. In addition to our proportionate share of the charges discussed above, the Company recorded charges of approximately $60 million to equity income (loss) — net, primarily related to our proportionate share of restructuring charges and asset impairments recorded by certain equity method investees.

Refer to Note 14 of Notes to Consolidated Financial Statements. The impact of these charges was partially offset by our proportionate share of increased net income from certain of our equity method investees, which included the favorable impact of foreign exchange fluctuations.

Other Income (Loss) — Net

Other income (loss) — net includes, among other things, the impact of foreign exchange gains and losses, dividend income, rental income, gains and losses related to the disposal of property, plant and equipment, realized and unrealized gains and losses on trading securities, realized gains and losses on available-for-sale securities, other-than-temporary impairments of available-for-sale securities and the accretion of expense related to certain acquisitions. The foreign currency exchange gains and losses are primarily the result of the remeasurement of monetary assets and liabilities from certain currencies into functional currencies. The effects of the remeasurement of these assets and liabilities are partially offset by the impact of our economic hedging program for certain exposures on our consolidated balance sheets. Refer to Note 4 of Notes to Consolidated Financial Statements.

In 2009, other income (loss) — net was income of $40 million, primarily related to a realized gain of approximately $44 million on the sale of equity securities classified as available-for-sale, $40 million from the sale of other investments and $18 million of dividend income from cost method investments. Refer to Note 2 and Note 14 of Notes to Consolidated Financial Statements for additional information related to the gain on the sale of available-for-sale securities. These gains were partially offset by approximately $34 million in net foreign currency exchange losses and an other-than-temporary impairment charge of approximately $27 million on a cost method investment. Refer to the heading "Critical Accounting Policies and Estimates — Investments in Equity and Debt Securities," and Note 13 and Note 14 of Notes to Consolidated Financial Statements.

In 2008, other income (loss) — net was income of $39 million. The Company recognized gains on divestitures of approximately $119 million, primarily related to the sale of Remil to Coca-Cola FEMSA and the sale of a portion of the Company's investment in Coca-Cola Pakistan to Coca-Cola Icecek A.S. ("Coca-Cola Icecek"). Refer to Note 14 of Notes to Consolidated Financial Statements. Other income (loss) — net also included approximately $24 million in net foreign currency exchange gains in 2008. The gains on divestitures and net foreign currency exchange were partially offset by other-than-temporary impairment charges of approximately $81 million on available-for-sale securities. Refer to the heading "Critical Accounting Policies and Estimates — Investments in Equity and Debt Securities," and Note 2 and Note 14 of Notes to Consolidated Financial Statements. Other income (loss) — net also included approximately $46 million of realized and unrealized losses on trading securities.

In 2007, other income (loss) — net was income of $219 million. The Company recognized a gain of approximately $73 million due to the sale of a portion of the Company's ownership interest in Coca-Cola Amatil. As a result of this transaction, our ownership interest in Coca-Cola Amatil was reduced from approximately 32 percent to 30 percent. In addition, we recognized a gain of approximately $70 million as a result of the sale of our equity investment in Vonpar Refrescos S.A. ("Vonpar") and gains of approximately $84 million due to the sale of real estate in Spain and the United States. Refer to Note 14 of Notes to Consolidated Financial Statements. These gains were partially offset by approximately $10 million in net foreign currency exchange losses.

Income Taxes

Our effective tax rate reflects tax benefits derived from significant operations outside the United States, which are generally taxed at rates lower than the U.S. statutory rate of 35 percent. A change in the mix of pretax income from these various tax jurisdictions can have a significant impact on the Company's periodic effective tax rate.

Our effective tax rate of approximately 22.8 percent for the year ended December 31, 2009, included the following:

- an approximate 17 percent combined effective tax rate on restructuring charges, productivity initiatives and asset impairments (refer to Note 14 and Note 15 of Notes to Consolidated Financial Statements);
- an approximate 21 percent combined effective tax rate on our proportionate share of restructuring and asset impairment charges recorded by equity method investees (refer to Note 14 of Notes to Consolidated Financial Statements);

- a zero percent effective tax rate on an other-than-temporary impairment of a cost method investment (refer to Note 13 and Note 14 of Notes to Consolidated Financial Statements);
- a zero percent effective tax rate on realized gains on sales of available-for-sale securities (refer to Note 2 and Note 14 of Notes to Consolidated Financial Statements);
- a tax benefit of approximately $17 million due to the impact that a tax rate change had on certain deferred tax liabilities (refer to Note 11 of Notes to Consolidated Financial Statements);
- a tax charge of approximately $15 million related to the recognition of a valuation allowance on deferred tax assets (refer to Note 11 of Notes to Consolidated Financial Statements); and
- a net tax benefit of approximately $13 million related to amounts required to be recorded for changes to our uncertain tax positions, including interest and penalties (refer to Note 11 of Notes to Consolidated Financial Statements).

Our effective tax rate of approximately 21.7 percent for the year ended December 31, 2008, included the following:

- an approximate 20 percent combined effective tax rate on restructuring charges, other-than-temporary impairments of available-for-sale securities, contract termination fees, productivity initiatives and asset impairments recorded by the Company (refer to Note 14 and Note 15 of Notes to Consolidated Financial Statements);
- an approximate 23 percent combined effective tax rate on our proportionate share of asset impairment and restructuring charges recorded by equity method investees, primarily related to impairment charges recorded by CCE (refer to Note 14 of Notes to Consolidated Financial Statements);
- an approximate 24 percent combined effective tax rate on gains from divestitures (refer to Note 14 of Notes to Consolidated Financial Statements);
- a tax charge of approximately $10 million related to the recognition of a valuation allowance on deferred tax assets (refer to Note 11 of Notes to Consolidated Financial Statements); and
- a net tax benefit of approximately $5 million, primarily related to amounts required to be recorded for changes to our uncertain tax positions, including interest and penalties (refer to Note 11 of Notes to Consolidated Financial Statements).

Our effective tax rate of approximately 23.9 percent for the year ended December 31, 2007, included the following:

- an approximate 18 percent combined effective tax rate on restructuring charges and asset impairments recorded by the Company (refer to Note 14 and Note 15 of Notes to Consolidated Financial Statements);
- an approximate 14 percent combined effective tax rate on our proportionate share of restructuring charges and tax rate changes recorded by CCE, and asset impairments recorded by CCBPI and Coca-Cola Amatil (refer to Note 14 of Notes to Consolidated Financial Statements);
- an approximate 58 percent combined effective tax rate on the sale of a portion of our equity interest in Coca-Cola Amatil and Vonpar (refer to Note 14 of Notes to Consolidated Financial Statements);
- a tax benefit of approximately $19 million related to tax rate changes in Germany (refer to Note 11 of Notes to Consolidated Financial Statements); and
- a tax charge of approximately $96 million related to amounts required to be recorded for changes to our uncertain tax positions, including interest and penalties (refer to Note 11 of Notes to Consolidated Financial Statements).

As of December 31, 2009, the gross amount of unrecognized tax benefits was approximately $354 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 $134 million, exclusive of any benefits related to interest and penalties. The remaining approximately $220 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. Refer to Note 11 of Notes to Consolidated Financial Statements.

A reconciliation of the changes in the gross balance of unrecognized tax benefit amounts is as follows (in millions):

Year Ended December 31,	**2009**	2008	2007
Beginning balance of unrecognized tax benefits	**$ 369**	$ 643	$ 511
Increases related to prior period tax positions	**49**	52	22
Decreases related to prior period tax positions	**(28)**	(4)	—
Increases due to current period tax positions	**16**	47	51
Decreases related to settlements with taxing authorities	**(27)**	(254)	(4)
Reductions as a result of a lapse of the applicable statute of limitations	**(73)**	(36)	(1)
Increases (decreases) from effects of exchange rates	**48**	(79)	64
Ending balance of unrecognized tax benefits	**$ 354**	$ 369	$ 643

In 2008, agreements were reached between the U.S. government and a foreign government concerning the allocation of income between the two tax jurisdictions. Pursuant to these agreements, we made cash payments during the third quarter of 2008 that constituted payments of tax and interest. These payments were partially offset by tax credits taken in the third quarter and fourth quarter of 2008, and tax refunds and interest on refunds received in 2009. These benefits had been recorded as deferred tax assets in prior periods. The settlements did not have a material impact on the Company's consolidated income statement for the year ended December 31, 2008.

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. The Company had approximately $94 million, $110 million and $272 million in interest and penalties related to unrecognized tax benefits accrued as of December 31, 2009, 2008 and 2007, respectively. Of these amounts, approximately $16 million, $14 million and $82 million of benefits were recognized through tax expense for the years ended December 31, 2009, 2008 and 2007, respectively. 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.

Based on current tax laws, the Company's effective tax rate in 2010 is expected to be approximately 23.0 percent to 23.5 percent before considering the effect of any unusual or special items that may affect our tax rate in future years.

Liquidity, Capital Resources and Financial Position

We believe our ability to generate cash from operating activities is one of our fundamental financial strengths. The near-term outlook for our business remains strong, and we expect to generate substantial cash flows from operations in 2010. As a result of our expected strong cash flows from operations, we have significant flexibility to meet our financial commitments. We typically fund a significant portion of our dividends, capital expenditures, contractual obligations, share repurchases and acquisitions with cash generated from operating activities. We rely on external funding for additional cash requirements. The Company does not typically raise capital through the issuance of stock. Instead, we use debt financing to lower our overall cost of capital and increase our return on shareowners' equity. Refer to the heading "Cash Flows from Financing Activities," below. Our debt financing includes the use of an extensive commercial paper program as part of our overall cash management strategy. The Company reviews its optimal mix of short-term and long-term debt regularly. During the first quarter of 2009, the Company elected to replace a certain amount of commercial paper and short-term debt with longer-term debt, which resulted in the Company issuing long-term notes in the principal amounts of $900 million at a rate of 3.625 percent and $1,350 million at a rate of 4.875 percent due March 15, 2014, and March 15, 2019, respectively. Refer to Note 7 of Notes to Consolidated Financial Statements. The Company continues to review its optimal mix of short-term and long-term debt and may replace a certain amount of commercial paper and short-term debt with longer-term debt in the future.

On February 25, 2010, we entered into a definitive agreement with CCE that will result in the acquisition of the assets and liabilities of CCE's North American operations for consideration including the Company's current 34 percent ownership interest in CCE valued at approximately $3.4 billion, based upon a 30 day trailing average as of February 24, 2010, and the assumption of approximately $8.9 billion of CCE debt. At closing, CCE shareowners other than the Company will exchange their current CCE common stock for common stock in a new entity, which will retain the name CCE and hold CCE's current European operations. This new entity initially will be 100 percent owned by the CCE shareowners other than the Company. As a result of the transaction, the Company will not own any interest in the new CCE entity. The transaction is subject to CCE shareowners' approval and certain regulatory approvals. In a concurrent transaction, we reached an agreement in principle to sell our ownership interests in our Norway bottling operation, Coca-Cola Drikker AS, and our Sweden bottling operation, Coca-Cola Drycker Sverige AB, to the new CCE entity for approximately $822 million in cash. The transactions are subject to certain regulatory approvals. We expect the transactions will close in the fourth quarter of 2010.

In addition, we granted the new CCE entity the right to acquire our majority interest in our German bottling operation, Coca-Cola Erfrischungsgetraenke AG ("CCEAG"), 18 to 36 months after closing of the North America transaction, at the then current fair value.

On September 3, 2008, we announced our intention to make cash offers to purchase China Huiyuan Juice Group Limited, a Hong Kong listed company which owns the Huiyuan juice business throughout China ("Huiyuan"). The Company had accepted irrevocable undertakings from three shareholders for acceptance of the offers, in aggregate representing approximately 66 percent of the Huiyuan shares. The making of the offers was subject to preconditions relating to Chinese regulatory approvals. On March 18, 2009, the Chinese Ministry of Commerce declined approval for the Company's proposed purchase of Huiyuan. Consequently, the Company was unable to proceed with the proposed cash offers, and the irrevocable undertakings terminated.

The significant decline in the equity markets precipitated by the recent credit crisis and financial system instability has negatively affected the value of our pension plan assets. As a result of the decline in fair value of our pension plan assets, we contributed approximately $269 million to our pension plans during the year ended December 31, 2009, of which approximately $175 million was allocated to our primary U.S. plan. We anticipate making contributions in 2010 of approximately $73 million, primarily to our non-U.S. pension plans. Refer to Note 10 of Notes to Consolidated Financial Statements.

The government in Venezuela has enacted certain monetary policies that restrict the ability of companies to pay dividends from retained earnings. As of December 31, 2009, cash held by our Venezuelan subsidiary accounted for approximately 2 percent of our consolidated cash and cash equivalents balance. We translated the financial statements of our Venezuelan subsidiary at the official exchange rate that was in effect as of December 31, 2009; however, subsequent to December 31, 2009, the Venezuelan government announced a currency devaluation, and Venezuela was determined to be a hyperinflationary economy for financial reporting purposes. As a result, our local subsidiary is required to use the U.S. dollar as its functional currency, and we will remeasure the financial statements of our local subsidiary into U.S. dollars and recognize the related gains or losses from remeasurement in the line item other income (loss) — net in our consolidated statements of income. Based on the carrying value of our assets and liabilities denominated in Venezuelan bolivar as of December 31, 2009, we anticipate recognizing an initial remeasurement loss of approximately $100 million in the first quarter of 2010.

In addition to the Company's cash balances and commercial paper program, we also maintain approximately $2.3 billion of committed, currently unused lines of credit for general corporate purposes, including commercial paper backup. These backup lines of credit expire at various times from 2010 through 2012. We have evaluated the financial stability of each bank and believe we can access the funds, if needed.

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

Cash Flows from Operating Activities

Net cash provided by operating activities for the years ended December 31, 2009, 2008 and 2007 was approximately $8,186 million, $7,571 million and $7,150 million, respectively.

Cash flows from operating activities increased $615 million, or 8 percent, in 2009 compared to 2008. This increase was primarily attributable to lower tax payments, decreased payments to suppliers and vendors, and the receipt of a $183 million special dividend from Coca-Cola Hellenic. The special dividend received from Coca-Cola Hellenic was incremental to its normal quarterly dividend. We classified the receipt of this special dividend in cash flows from operating activities due to the fact that our cumulative equity in earnings from Coca-Cola Hellenic exceeded the cumulative distributions received; therefore, the special dividend was deemed to be a return on our investment and not a return of our investment. The impact of these items was partially offset by increased contributions to our pension plans. The increase in contributions to our pension plans was primarily due to the decline in fair value of our pension plan assets in 2008. The Company contributed approximately $269 million to our pension plans during the year ended December 31, 2009, compared to approximately $96 million during the year ended December 31, 2008.

Cash flows from operating activities increased $421 million, or 6 percent, in 2008 compared to 2007. This increase was primarily attributable to increased cash collections from customers, driven by the 11 percent increase in net operating revenues. Refer to the heading "Operations Review — Net Operating Revenues." The impact of increased cash collections from customers was partially offset by increased payments to suppliers and vendors, increased payments for selling, general and administrative expenses and an increase in tax payments. The increase in payments to suppliers and vendors was primarily attributable to higher sales volume and increased marketing and advertising costs to support our brands. The increase in tax payments included payments associated with the agreement between the U.S. government and a foreign government. Refer to the heading "Operations Review — Income Taxes" and Note 11 of Notes to Consolidated Financial Statements. Additionally, the Company made approximately $224 million in payments related to streamlining activities and the costs of productivity initiatives during 2008. Refer to Note 15 of Notes to Consolidated Financial Statements.

On May 26, 2008, the Company and the other defendants reached an agreement with the plaintiffs in a class action lawsuit (*Carpenters Health & Welfare Fund of Philadelphia & Vicinity v. The Coca-Cola Company, et al.*) to settle the lawsuit for approximately $138 million, without admitting any wrongdoing. The settlement amount was covered by insurance and, therefore, the settlement had no impact on our consolidated statement of income. The payments related to this settlement were made directly from the insurers to the plaintiffs during the third quarter and fourth quarter of 2008. As a result, the settlement had no impact on our consolidated statement of cash flows.

Cash Flows from Investing Activities

Our cash flows provided by (used in) investing activities are summarized as follows (in millions):

Year Ended December 31,	**2009**	2008	2007
Acquisitions and investments, principally beverage and bottling companies and trademarks	**$ (300)**	$ (759)	$ (5,653)
Purchases of other investments	**(2,152)**	(240)	(99)
Proceeds from disposals of bottling companies and other investments	**240**	479	448
Purchases of property, plant and equipment	**(1,993)**	(1,968)	(1,648)
Proceeds from disposals of property, plant and equipment	**104**	129	239
Other investing activities	**(48)**	(4)	(6)
Net cash provided by (used in) investing activities	**$ (4,149)**	$ (2,363)	$ (6,719)

During 2009, our Company's acquisition and investment activities totaled approximately $300 million. None of the acquisitions or investments was individually significant. Included in these investment activities was the acquisition of a minority interest in Fresh Trading Ltd. Additionally, the Company and the existing shareowners of Fresh Trading Ltd. entered into a series of put and call options for the Company to potentially acquire some or all of the remaining shares not already owned by the Company. The put and call options are exercisable in stages between 2010 and 2014. Refer to Note 17 of Notes to Consolidated Financial Statements.

In 2009, purchases of other investments included time deposits of $2,130 million, which were classified as short-term investments in our consolidated balance sheet. These time deposits have maturities of greater than three months, but less than one year. The Company's decision to invest in longer-term time deposits in 2009 was primarily to match the maturities of short-term debt issued as part of our commercial paper program. Refer to the heading "Cash Flows from Financing Activities."

During 2008, the Company's acquisition and investment activities included the acquisition of brands and licenses in Denmark and Finland from Carlsberg for approximately $225 million. None of the other acquisitions during 2008 was individually significant. Refer to Note 17 of Notes to Consolidated Financial Statements. Investing activities during 2008 also included proceeds of approximately $275 million, net of the cash balance as of the disposal date, related to the sale of Remil to Coca-Cola FEMSA. Refer to Note 14 of Notes to Consolidated Financial Statements.

In 2007, our Company acquired glacéau, 18 German bottling and distribution operations, Fuze and Leao Junior. Our Company also completed the acquisition of the remaining 65 percent of the shares of capital stock of CCBPI not previously owned by our Company. In addition, the Company acquired a 50 percent interest in Jugos del Valle, a 34 percent interest in Tokyo Coca-Cola Bottling Company ("Tokyo CCBC") and an 11 percent interest in NORSA. Refer to Note 17 of Notes to Consolidated Financial Statements. The remaining amount of cash used for acquisitions and investments was primarily related to the acquisition of various trademarks and brands, none of which was individually significant.

Investing activities in 2007 also included proceeds of approximately $238 million received from the sale of our 49 percent equity interest in Vonpar, approximately $143 million received from the sale of a portion of our interest in Coca-Cola Amatil, and approximately $106 million in proceeds from the sale of real estate in Spain and in the United States. Refer to Note 14 of Notes to Consolidated Financial Statements.

Purchases of property, plant and equipment net of disposals for the years ended December 31, 2009, 2008 and 2007 were approximately $1,889 million, $1,839 million and $1,409 million, respectively. The increase in 2009 and 2008 compared to 2007 was primarily attributable to the acquisitions of certain bottling operations in 2007 and 2006. Refer to Note 17 of Notes to Consolidated Financial Statements. Generally, bottling and finished product operations are more capital intensive compared to concentrate and syrup operations. Our Company currently estimates that net purchases of property, plant and equipment in 2010 will be in line with 2009 and 2008.

Total capital expenditures for property, plant and equipment (including our investments in information technology) and the percentage of such totals by operating segment for 2009, 2008 and 2007 were as follows (in millions):

Year Ended December 31,	**2009**	2008	2007
Capital expenditures	**$ 1,993**	$ 1,968	$ 1,648
Eurasia & Africa	**3.5%**	3.4%	4.5%
Europe	**3.4**	3.9	4.8
Latin America	**6.2**	2.9	2.8
North America	**23.0**	25.0	20.9
Pacific	**4.6**	9.0	11.6
Bottling Investments	**41.4**	41.6	39.1
Corporate	**17.9**	14.2	16.3

Cash Flows from Financing Activities

Our cash flows provided by (used in) financing activities were as follows (in millions):

Year Ended December 31,	**2009**	2008	2007
Issuances of debt	**$ 14,689**	$ 4,337	$ 9,979
Payments of debt	**(12,326)**	(4,308)	(5,638)
Issuances of stock	**662**	586	1,619
Purchases of stock for treasury	**(1,518)**	(1,079)	(1,838)
Dividends	**(3,800)**	(3,521)	(3,149)
Net cash provided by (used in) financing activities	**$ (2,293)**	$ (3,985)	$ 973

Debt Financing

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

As of December 31, 2009, our long-term debt was rated "A+" by Standard & Poor's, "Aa3" by Moody's and "A+" by Fitch. Our commercial paper program was rated "A-1" by Standard & Poor's, "P-1" by Moody's and "F-1" by Fitch. In assessing our credit strength, all three agencies consider our capital structure (including the amount and maturity dates of our debt) and financial policies as well as the aggregated balance sheet and other financial information for the Company and certain bottlers, including CCE and Coca-Cola Hellenic. While the Company has no legal obligation for the debt of these bottlers, the rating agencies believe the strategic importance of the bottlers to the Company's business model provides the Company with an incentive to keep these bottlers viable. It is our expectation that the credit rating agencies will continue using this methodology. If our credit ratings were to be downgraded as a result of changes in our capital structure, our major bottlers' financial performance, changes in the credit rating agencies' methodology in assessing our credit strength, or for any other reason, our cost of borrowing could increase. Additionally, if certain bottlers' credit ratings were to decline, the Company's share of equity income could be reduced as a result of the potential increase in interest expense for these bottlers.

In 2009, Standard & Poor's affirmed the Company's A+ long-term debt rating and revised its outlook from negative to stable. Moody's revised its Aa3 rating for the Company's long-term debt in 2009 from negative outlook to stable. The Company does not believe that a downgrade by either agency would have a significant adverse effect on the cost of borrowing.

We monitor our financial ratios and, as indicated above, the rating agencies consider these ratios in assessing our credit ratings. However, the rating agencies aggregate financial data for certain bottlers along with our Company when assessing our debt rating. Both Standard & Poor's and Moody's employ different aggregation methodologies and have different thresholds for the various financial ratios. These thresholds are not necessarily permanent, nor are they always fully disclosed to our Company.

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

Issuances and payments of debt included both short-term and long-term financing activities. On December 31, 2009, we had approximately $3,082 million in lines of credit and other short-term credit facilities available, of which approximately $427 million was outstanding. This outstanding amount was primarily related to our international operations.

In 2009, the Company had issuances of debt of approximately $14,689 million and payments of debt of $12,326 million. The issuances of debt included approximately $12,397 million of issuances of commercial paper and short-term debt with maturities greater than 90 days, as well as $900 million and $1,350 million of long-term debt due March 15, 2014, and March 15, 2019, respectively. The payments of debt included approximately $1,861 million of net payments of commercial paper and short-term debt with maturities of 90 days or less; $10,017 million related to commercial paper and short-term debt with maturities greater than 90 days; and $448 million related to long-term debt. The increase in issuances and payments of commercial paper with maturities of greater than 90 days was primarily due to a favorable interest rate environment on longer-term commercial paper. As a result, the Company also began investing in longer-term time deposits that have maturities of greater than three months. Refer to the heading "Cash Flows from Investing Activities." The Company continues to review its optimal mix of short-term and long-term debt.

The issuances of debt in 2008 included approximately $4,001 million of issuances of commercial paper and short-term debt with maturities of greater than 90 days, and approximately $194 million of net issuances of commercial paper and short-term debt with maturities of 90 days or less. The payments of debt in 2008 included approximately $4,032 million related to commercial paper and short-term debt with maturities of greater than 90 days.

The issuances of debt in 2007 included approximately $6,024 million of issuances of commercial paper and short-term debt with maturities of greater than 90 days, approximately $1,750 million in issuances of long-term notes due November 15, 2017, and approximately $2,024 million of net issuances of commercial paper and short-term debt with maturities of 90 days or less. The increase in debt was primarily due to 2007 acquisitions. Refer to Note 17 of Notes to

Consolidated Financial Statements. The payments of debt in 2007 included approximately $5,514 million related to commercial paper and short-term debt with maturities of greater than 90 days. Included in these payments was the payment of the outstanding liability to CCEAG shareowners in January 2007 of $1,068 million.

Issuances of Stock

The issuances of stock in 2009, 2008 and 2007 primarily related to the exercise of stock options by Company employees. In addition, during 2007, 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.

Share Repurchases

On July 20, 2006, the Board of Directors of the Company authorized a share repurchase program of up to 300 million shares of the Company's common stock. The program took effect on October 31, 2006. The table below presents annual shares repurchased and average price per share:

Year Ended December 31,	**2009**	2008	2007
Number of shares repurchased (in millions)	**26**	18	34
Average price per share	**$ 57.09**	$ 58.01	$ 51.66

Since the inception of our initial share repurchase program in 1984 through our current program as of December 31, 2009, we have purchased approximately 1.3 billion shares of our Company's common stock at an average price per share of $19.78. In addition to shares repurchased under the stock repurchase plans authorized by our Board of Directors, the Company's treasury stock activity also includes shares surrendered to the Company to pay the exercise price and/or to satisfy tax withholding obligations in connection with so-called stock swap exercises of employee stock options and/or the vesting of restricted stock issued to employees. In 2009, we repurchased approximately $1.5 billion of our stock. We currently expect to repurchase an additional $1.5 billion of our stock during 2010. However, we anticipate that these repurchases will be subsequent to the close of our acquisition of CCE's North American operations. Refer to Note 19 of Notes to Consolidated Financial Statements.

Dividends

At its February 2010 meeting, our Board of Directors increased our quarterly dividend by 7 percent, raising it to $0.44 per share, equivalent to a full year dividend of $1.76 per share in 2010. This is our 48th consecutive annual increase. Our annual common stock dividend was $1.64 per share, $1.52 per share and $1.36 per share in 2009, 2008 and 2007, respectively. The 2009 dividend represented an 8 percent increase from 2008, and the 2008 dividend represented a 12 percent increase from 2007.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Off-Balance Sheet Arrangements

In accordance with the definition under SEC rules, the following qualify as off-balance sheet arrangements:

- any obligation under certain guarantee contracts;
- a retained or contingent interest in assets transferred to an unconsolidated entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for such assets;
- any obligation under certain derivative instruments; and
- any obligation arising out of a material variable interest held by the registrant in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the registrant, or engages in leasing, hedging or research and development services with the registrant.

As of December 31, 2009, we were contingently liable for guarantees of indebtedness owed by third parties in the amount of approximately $245 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. Management concluded that the likelihood of any significant amounts being paid by our Company under these guarantees is not probable. As of December 31, 2009, we were not directly liable for the debt of any unconsolidated entity, and we did not have any retained or contingent interest in assets as defined above.

Our Company recognizes all derivatives as either assets or liabilities at fair value in our consolidated balance sheets. Refer to Note 4 of Notes to Consolidated Financial Statements.

Aggregate Contractual Obligations

As of December 31, 2009, the Company's contractual obligations, including payments due by period, were as follows (in millions):

	Payments Due by Period				
	Total	2010	2011-2012	2013-2014	2015 and Thereafter
Short-term loans and notes payable[1]:					
Commercial paper borrowings	$ 6,322	$ 6,322	$ —	$ —	$ —
Lines of credit and other short-term borrowings	427	427	—	—	—
Current maturities of long-term debt[2]	51	51	—	—	—
Long-term debt, net of current maturities[2]	5,059	—	726	1,090	3,243
Estimated interest payments[3]	2,348	246	448	396	1,258
Accrued income taxes[4]	264	264	—	—	—
Purchase obligations[5]	9,950	6,465	1,017	1,205	1,263
Marketing obligations[6]	4,216	2,300	777	425	714
Lease obligations	636	193	230	105	108
Total contractual obligations[4,7]	$ 29,273	$ 16,268	$ 3,198	$ 3,221	$ 6,586

[1] Refer to Note 7 of Notes to Consolidated Financial Statements for information regarding short-term loans and notes payable. Upon payment of outstanding commercial paper, we typically issue new commercial paper. Lines of credit and other short-term borrowings are expected to fluctuate depending upon current liquidity needs, especially at international subsidiaries.

[2] Refer to Note 7 of Notes to Consolidated Financial Statements for information regarding long-term debt. We will consider several alternatives to settle this long-term debt, including the use of cash flows from operating activities, issuance of commercial paper or issuance of other long-term debt.

[3] We calculated estimated interest payments for our long-term fixed-rate debt based on the applicable rates and payment dates. We typically expect to settle such interest payments with cash flows from operating activities and/or short-term borrowings.

[4] Refer to Note 11 of Notes to Consolidated Financial Statements for information regarding income taxes. As of December 31, 2009, the noncurrent portion of our income tax liability, including accrued interest and penalties related to unrecognized tax benefits, was approximately $420 million, which was not included in the total above. At this time, the settlement period for the noncurrent portion of our income tax liability cannot be determined. In addition, any payments related to unrecognized tax benefits would be partially offset by reductions in payments in other jurisdictions.

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

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

[7] Included within total contractual obligations are approximately $560 million of obligations of entities that were deconsolidated effective January 1, 2010. Refer to the heading "Critical Accounting Policies and Estimates-Principles of Consolidation."

The total accrued benefit liability for pension and other postretirement benefit plans recognized as of December 31, 2009, was approximately $1,339 million. Refer to Note 10 of Notes to Consolidated Financial Statements. This amount is impacted by, among other items, pension expense, funding levels, plan amendments, changes in plan demographics and assumptions, and the investment return on plan assets. Because the accrued liability does not represent expected liquidity needs, we did not include this amount in the contractual obligations table.

The Pension Protection Act of 2006 ("PPA") was enacted in August 2006 and established, among other things, new standards for funding of U.S. defined benefit pension plans. During 2008, the funded status of the Company's primary U.S. defined benefit pension plan declined as a result of the overall stock market decline. In early 2009, the Company contributed approximately $175 million to this plan. Subsequent to this contribution, the plan is sufficiently funded to maintain maximum flexibility as outlined in the PPA. We generally expect to fund all future contributions with cash flows from operating activities.

Our international pension plans are funded in accordance with local laws and income tax regulations. We do not expect contributions to these plans to be material in 2010 or thereafter. Therefore, no amounts have been included in the table above.

As of December 31, 2009, the projected benefit obligation of the U.S. qualified pension plans was $2,138 million, and the fair value of plan assets was approximately $1,975 million. The majority of this underfunding was due to the negative impact that the recent credit crisis and financial system instability had on the value of our pension plan assets. As of December 31, 2009, the projected benefit obligation of all pension plans other than the U.S. qualified pension plans was approximately $1,858 million, and the fair value of all other pension plan assets was approximately $1,057 million. The majority of this underfunding is attributable to an international pension plan for certain non-U.S. employees that is unfunded due to tax law restrictions, as well as our unfunded U.S. nonqualified pension plans. These U.S. nonqualified pension plans provide, for certain associates, benefits that are not permitted to be funded through a qualified plan because of limits imposed by the Internal Revenue Code of 1986. The expected benefit payments for these unfunded pension plans are not included in the table above. However, we anticipate annual benefit payments to these unfunded pension plans to be approximately $35 million in 2010 and remain near that level through 2030, decreasing annually thereafter. Refer to Note 10 of Notes to Consolidated Financial Statements.

Deferred income tax liabilities as of December 31, 2009, were approximately $1,614 million. Refer to Note 11 of Notes to Consolidated Financial Statements. This amount is not included in the total contractual obligations table because we believe this presentation would not be meaningful. Deferred income tax liabilities are calculated based on temporary differences between the tax bases of assets and liabilities and their respective book bases, which will result in taxable amounts in future years when the liabilities are settled at their reported financial statement amounts. The results of these calculations do not have a direct connection with the amount of cash taxes to be paid in any future periods. As a result, scheduling deferred income tax liabilities as payments due by period could be misleading, because this scheduling would not relate to liquidity needs.

Foreign Exchange

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

We use 72 functional currencies. Due to our global operations, weakness in some of these currencies might be offset by strength in others. In 2009, 2008 and 2007, the weighted-average exchange rates for foreign currencies in which the Company conducted operations (all operating currencies), and for certain individual currencies, strengthened (weakened) against the U.S. dollar as follows:

Year Ended December 31,	**2009**	2008	2007
All operating currencies	**(9)%**	5%	4%
Brazilian real	**(8)%**	6%	11%
Mexican peso	**(24)**	0	0
Australian dollar	**(8)**	1	10
South African rand	**(1)**	(18)	(3)
British pound	**(18)**	(9)	9
Euro	**(8)**	9	8
Japanese yen	**9**	12	(2)

These percentages do not include the effects of our hedging activities and, therefore, do not reflect the actual impact of fluctuations in exchange rates on our operating results. Our foreign currency management program is designed to mitigate, over time, a portion of the impact of exchange rate changes on our net income and earnings per share. The total currency impact on operating income, including the effect of our hedging activities, was a decrease of approximately 11 percent in 2009 and an increase of approximately 6 percent in 2008. Based on the anticipated benefits of hedging coverage in place, the Company expects currencies to have a slightly positive impact on operating income in 2010, with the benefit more heavily impacting our results in the first half of the year.

Foreign currency exchange gains and losses are primarily the result of the remeasurement of monetary assets and liabilities from certain currencies into functional currencies. The effects of the remeasurement of these assets and liabilities are partially offset by the impact of our economic hedging program for certain exposures on our consolidated balance sheets. Refer to Note 4 of Notes to Consolidated Financial Statements. Foreign currency exchange gains and losses are included as a component of other income (loss) — net in our consolidated financial statements. Refer to the heading “Operations Review — Other Income (Loss) — Net.” The Company recorded a foreign currency loss of $34 million in 2009, a foreign currency gain of $24 million in 2008 and a foreign currency loss of $10 million in 2007.

As of December 31, 2009, we translated the financial statements of our Venezuelan subsidiary at the official exchange rate that was in effect as of that date; however, subsequent to December 31, 2009, the Venezuelan government announced a currency devaluation, and Venezuela was determined to be a hyperinflationary economy. As a result, our local subsidiary is required to use the U.S. dollar as its functional currency, and we will remeasure the financial statements of our local subsidiary into U.S. dollars and recognize the related gains or losses from remeasurement in the line item other income (loss) — net going forward. Based on the carrying value of our assets and liabilities denominated in Venezuelan bolivar as of December 31, 2009, we anticipate recognizing an initial remeasurement loss of approximately $100 million in the first quarter of 2010.

The Company will continue to manage its foreign currency exposure to mitigate, over time, a portion of the impact of exchange rate changes on net income and earnings per share.

Overview of Financial Position

Our consolidated balance sheet as of December 31, 2009, compared to our consolidated balance sheet as of December 31, 2008, was impacted by the following:

- an increase in net assets of $1,873 million resulting from translation adjustments in various balance sheet accounts;
- an increase in cash, cash equivalents and short-term investments of $4,450 million. We monitor our liquidity on a net debt basis as part of our overall cash management strategy. In 2009, we issued commercial paper with maturities of greater than 90 days primarily due to a favorable interest rate environment on longer-term commercial paper. In order to match the maturities of these issuances, we also began investing in longer-term time deposits. In addition, we currently expect to repurchase an additional $1.5 billion of our stock during 2010. However, we anticipate that these repurchases will be subsequent to the close of our acquisition of CCE’s North American operations. Refer to Note 19 of Notes to Consolidated Financial Statements; and
- an increase in long-term debt of $2,278 million due to the issuance of long-term debt in the first quarter of 2009.

Impact of Inflation and Changing Prices

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