BRITISH SKY BROADCASTING GROUP PLC
Form F-3/A
August 19, 2003
Table of Contents

As filed with the Securities and Exchange Commission on August 19, 2003

Registration No. 333-106837

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1 TO FORM F-3/S-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

NEWS AMERICA INCORPORATED

(Exact name of Registrant as specified in its charter)

Delaware	**2711**	**13-3249610**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

1211 Avenue of the Americas

New York, NY 10036

(212) 852-7000

(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

NEWS CORPORATION FINANCE TRUST II

(Exact name of Registrant as specified in its charter)

Delaware **(State or other jurisdiction** **of incorporation or organization)**	**9995** **(Primary Standard Industrial** **Classification Code Number)**	**90-6018418** **(I.R.S. Employer** **Identification No.)**

1211 Avenue of the Americas

New York, NY 10036

(212) 852-7000

(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

THE NEWS CORPORATION LIMITED

(Exact name of Registrant as specified in its charter)

Australia **(State or other jurisdiction** **of incorporation or organization)**	**2711** **(Primary Standard Industrial** **Classification Code Number)**	**Not applicable** **(I.R.S. Employer** **Identification No.)**

2 Holt Street

Surry Hills, New South Wales 2010, Australia

(Country Code 61) 2-9-288-3000

(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

FEG HOLDINGS, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**7812**	**51-0385056**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

1300 North Market Street, Suite 404

Wilmington, DE 19801

(302) 888-1615

(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

Table of Contents

FOX ENTERTAINMENT GROUP, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**7812**	**95-4066193**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

1211 Avenue of the Americas

New York, NY 10036

(212) 852-7111

(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

NEWS AMERICA MARKETING FSI, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**2711**	**62-1396771**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

1211 Avenue of the Americas

New York, NY 10036

(212) 782-8000

(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

NEWS PUBLISHING AUSTRALIA LIMITED

(Exact name of Registrant as specified in its charter)

Delaware	**2711**	**13-3249611**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

1211 Avenue of the Americas

New York, NY 10036

(212) 852-7000

(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

BRITISH SKY BROADCASTING GROUP plc

(Exact name of Registrant as specified in its charter)

England and Wales	**4833**	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

Grant Way

Isleworth, Middlesex TW7 5QD

England

(Country Code 44) (207) 705-3000

(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

Arthur M. Siskind, Esq.

News America Incorporated

1211 Avenue of the Americas

New York, NY 10036

(212) 852-7000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Table of Contents

Copies of communications to:

Jeffrey W. Rubin, Esq.

Hogan & Hartson L.L.P.

875 Third Avenue

New York, NY 10022

(212) 918-3000

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. ¨

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. x

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. ¨

Table of Contents

The registrants hereby amend this Registration Statement on such date or dates as may be necessary to delay its effective date until the registrants shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

EXPLANATORY NOTE

This Registration Statement is being filed on Form F-3/S-3. All of the guarantors, other than Fox Entertainment Group, Inc., are wholly-owned subsidiaries of The News Corporation Limited and, therefore, are included as registrants on The News Corporation Limited s registration statement on Form F-3 pursuant to General Instruction I.A.5 of Form F-3. Fox Entertainment Group, Inc. is a subsidiary of The News Corporation Limited, but is not wholly-owned. As a result, this Registration Statement is filed pursuant to the requirements of Form S-3 with respect to Fox Entertainment Group, Inc.

Table of Contents

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any State where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED AUGUST 19, 2003

PROSPECTUS

US$1,655,000,000

News Corporation Finance Trust II

0.75% Senior Exchangeable BUCS[SM]

(original liquidation preference US$1,000 per BUCS)

exchangeable into the ordinary shares of British Sky Broadcasting Group plc or the cash value thereof and guaranteed on a senior basis by

The News Corporation Limited

News Corporation Finance Trust II, or the trust, issued and sold the 0.75% Senior Exchangeable BUCS, which we refer to as the BUCS, in transactions not requiring registration under the Securities Act of 1933, as amended, which we refer to as the Securities Act, in March and April 2003, at an issue price of US$1,000 per BUCS, plus any accrued distributions thereon from March 21, 2003. The News Corporation Limited, which we refer to as News Corporation, has guaranteed the payment of distributions and the amount payable upon redemption of the BUCS. Each of the BUCS represents an undivided beneficial ownership in the assets of the trust. News Corporation, directly or indirectly, owns all of the beneficial interests in the assets of the trust represented by the common securities of the trust. The trust invested the proceeds of this offering in 0.75% senior exchangeable debentures due March 15, 2023, which we refer to as the debentures, of News America Incorporated, which we refer to as News America. The debentures are guaranteed on a senior basis by News Corporation and certain of its subsidiaries.

Exchange at Your Option. Each BUCS is exchangeable on or after April 2, 2004 at your option for the value of the reference shares, calculated as described in this prospectus. The initial reference shares for each US$1,000 original liquidation preference of BUCS consist of

77.09 ordinary shares of British Sky Broadcasting Group plc, which we refer to as BSkyB, and any other publicly traded common equity securities that may be distributed on or in respect of these BSkyB ordinary shares (or into which any of those securities may be converted or exchanged). You will receive this amount, at our election, through delivery of reference shares, cash or a combination thereof.

Distributions. We will make distributions on the BUCS semi-annually on March 15 and September 15, beginning September 15, 2003, at the per annum rate of 0.75% of the original liquidation preference of US$1,000 per BUCS.

Distributions in Respect of Reference Shares. We will distribute to you 75% of any regular cash dividends and 100% of any extraordinary dividends and distributions (other than publicly traded common equity securities, which will become additional reference shares) paid in respect of the reference shares. The liquidation preference of each BUCS will be reduced for extraordinary dividends or distributions made on or in respect of the reference shares.

Redemption at Your Option. You may tender your BUCS for redemption on March 15, 2010, March 15, 2013, or March 15, 2018 for payment of the adjusted liquidation preference. We may pay the redemption price in, at our election, cash, BSkyB ordinary shares, or preferred American Depositary Shares, which we refer to as News Corporation preferred ADSs, representing News Corporation s preferred limited voting ordinary shares,which we refer to as News Corporation preferred ordinary shares, or a combination thereof. You may also tender your BUCS for redemption in cash upon a change of control triggering event.

SM Service mark of Salomon Smith Barney Inc.

Table of Contents

Redemption at Our Option. On or after March 20, 2010, we may, at our option, redeem the BUCS, in whole or in part, for cash or BSkyB ordinary shares, or a combination thereof at the adjusted liquidation preference plus accrued and unpaid distributions and any final period distribution.

Maturity. The BUCS do not have a stated maturity date, although they are subject to mandatory redemption upon the repayment of the debentures at their stated maturity. The debentures will mature on March 15, 2023. At the maturity of the underlying debentures, the amount of cash you will be entitled to receive with respect to your BUCS is the adjusted liquidation preference of your BUCS plus accrued and unpaid distributions and any final period distribution.

Selling security holders will use this prospectus to offer and sell their BUCS and, to the extent required by applicable securities laws, the BSkyB ordinary shares and News Corporation preferred ADSs issuable upon exchange or redemption of the BUCS and any debentures that may be distributed to the holders of the BUCS. See Distribution of Debentures. We will also use this prospectus to offer and sell to the holders of the BUCS the BSkyB ordinary shares and News Corporation preferred ADSs issuable upon exchange or redemption of the BUCS, and any debentures that may be distributed to the holders of the BUCS. If the debentures are distributed to the holders of the BUCS, this prospectus would be used for the offer and sale of the BSkyB ordinary shares and News Corporation preferred ADSs issuable upon exchange or redemption of the debentures. We sometimes refer to the BUCS, guarantees of the BUCS, debentures, guarantees of the debentures, the BSkyB ordinary shares issuable upon exchange or redemption of the BUCS (or debentures) and News Corporation preferred ordinary shares underlying the News Corporation preferred ADSs issuable upon redemption of the BUCS (or debentures), collectively as the offered securities.

Investments in these securities involve risks. See Risk Factors beginning on page 7.

The selling security holders directly, or through agents designated from time to time, or through dealers or underwriters to be designated, may sell the offered securities from time to time on terms to be determined at the time of sale. See Plan of Distribution . To the extent required, the specific offered securities to be sold, the names of the selling security holders, the respective purchase price and public offering price, the names of such agents, dealers or underwriters, and any applicable commission or discount with respect to a particular offer will be set forth in an accompanying prospectus supplement.

We will not receive any of the proceeds from the sale of any of the offered securities. The offered securities may be offered by the selling security holders in negotiated transactions or otherwise, at fixed prices, at market prices prevailing at the time of sale or at negotiated prices. See the information under Plan of Distribution. Each of the selling security holders reserves the sole right to accept and, together with their agents from time to time, to reject, in whole or in part, any proposed purchase of the offered securities to be made directly or through their agents.

The selling security holders and any broker-dealers, agents or underwriters that participate with the selling security holders in the sale of the offered securities may be deemed to be underwriters within the meaning of the Securities Act. Any profits realized by the selling security holders may be deemed to be underwriting commissions. Any commissions paid to broker-dealers and, if broker-dealers purchase the offered securities as principals, any profits received by such broker-dealers on the resale of the offered securities, may be deemed to be underwriting discounts or commissions under the Securities Act.

By agreement, we will pay substantially all of the expenses incident to the registration of the BUCS, estimated to be approximately $500,000. See the information below under Plan of Distribution relating to indemnification arrangements between News America, News Corporation, the trust and the subsidiary guarantors and the selling security holders.

Neither the Securities and Exchange Commission, nor any state securities commission nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is August , 2003.

Table of Contents

NO DEALER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS IN CONNECTION WITH THE OFFER CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY NEWS AMERICA INCORPORATED. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE NEWS CORPORATION LIMITED. BRITISH SKY BROADCASTING GROUP PLC OR FOX ENTERTAINMENT GROUP, INC. AND THEIR RESPECTIVE SUBSIDIARIES SINCE THE DATE HEREOF. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY SECURITIES OTHER THAN THOSE SPECIFICALLY OFFERED HEREBY OR OF ANY SECURITIES OFFERED HEREBY IN ANY JURISDICTION WHERE, OR TO ANY PERSON WHOM, IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. THE INFORMATION CONTAINED IN THIS PROSPECTUS SPEAKS ONLY AS OF THE DATE OF THIS PROSPECTUS UNLESS THE INFORMATION SPECIFICALLY INDICATES THAT ANOTHER DATE APPLIES.

TABLE OF CONTENTS

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

The News Corporation Limited is subject to the informational requirements of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act, and files reports and other information with the Securities and Exchange Commission, which we refer to as the SEC. Fox Entertainment Group, Inc., which we refer to as Fox Entertainment or FEG, and BSkyB are each also subject to the informational requirements of the Exchange Act and accordingly, file reports and other information with the SEC.

You may read and copy this information at the Public Reference Room of the SEC, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549. You may also obtain copies of all or any part of such material by mail from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. For more information about the operation of the Public Reference Room, call the SEC at 1-800-SEC-0330. The SEC also maintains a web site that contains reports and other information about issuers who file electronically with the SEC. The Internet address of the site is http://www.sec.gov.

Reports and other information concerning News Corporation, BSkyB and FEG may also be inspected at the offices of the New York Stock Exchange, Inc. at 20 Broad Street, New York, New York 10005. You may also obtain certain of these documents at News Corporation s website at www.newscorp.com, Fox Entertainment s website at www.fox.com and BSkyB s website at www.sky.com. We are not incorporating the contents of the websites of the SEC, News Corporation, BSkyB, Fox Entertainment or any other person into this document. We are only providing information about how you may obtain certain documents that are incorporated into this document by reference at these websites.

This prospectus forms part of the registration statement filed by News America Incorporated, News Corporation, Fox Entertainment and the other guarantors and BSkyB with the SEC under the Securities Act. This prospectus omits certain of the information contained in the registration statement in accordance with the rules and regulations of the SEC.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows us, BSkyB and Fox Entertainment to incorporate by reference information into this prospectus, which means important information may be disclosed to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus, except for any information superseded by information contained directly in this prospectus. This prospectus incorporates by reference the documents set forth below that News Corporation, BSkyB and Fox Entertainment have previously filed with the SEC. These documents contain important information about News Corporation, BSkyB and Fox Entertainment and their finances.

News Corporation has filed with the SEC, pursuant to the Exchange Act, an Annual Report on Form 20-F and an amendment on Form 20-F/A for the fiscal year ended June 30, 2002 and Reports on Form 6-K and Form 6-K/A, filed November 14, 2002, May 7, 2003, May 13, 2003, May 20, 2003, July 2, 2003 and August 18, 2003, which are hereby incorporated by reference in and made a part of this prospectus.

BSkyB has filed with the SEC, pursuant to the Exchange Act, an Annual Report on Form 20-F for the fiscal year ended June 30, 2002, and Reports on Form 6-K filed June 4, 2003, August 14, 2003, and August 18, 2003 which are hereby incorporated by reference in and made a part of this prospectus.

Fox Entertainment has filed with the SEC, pursuant to the Exchange Act, an Annual Report on Form 10-K for the fiscal year ended June 30, 2002, Quarterly Reports on Form 10-Q for the periods ended September 30, 2002, December 31, 2002 and March 31, 2003, and Current Reports on Forms 8-K and 8-K/A, filed November 14, 2002, November 15, 2002, February 14, 2003, April 10, 2003, April 14, 2003, May 7, 2003, May 13, 2003 and August 13, 2003 (Item 5 only), which are hereby incorporated by reference in and made a part of this prospectus.

Table of Contents

Statements contained in any such documents as to the contents of any contract or other document referred to therein are not necessarily complete and, in each instance, reference is made to the copy of such contract or other document filed with the SEC, each such statement being qualified in all respects by such reference.

Reports and other information filed by News Corporation, BSkyB and Fox Entertainment with the SEC following the date hereof, including, with respect to News Corporation and BSkyB, Annual Reports on Form 20-F and Reports on Form 6-K that indicate on the cover pages thereof that they are to be incorporated into one or more registration and, with respect to Fox Entertainment, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, shall be deemed to be incorporated by reference herein. Statements contained in this document as to the contents of any contract or other document referred to in such document are not necessarily complete and, in each instance, reference is made to the copy of such contract or other document filed with the SEC, each such statement being qualified in all respects by such reference. Any statement contained in a document incorporated, or deemed to be incorporated, by reference herein or contained in this Prospectus shall be deemed to be modified or superseded for purposes of this Prospectus to the extent any statement contained herein or in any subsequently filed document which also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed to constitute a part hereof except as so modified or superseded.

We will provide to you upon written or oral request, without charge, a copy of any and all of the information incorporated by reference in this prospectus (excluding exhibits to such information unless such exhibits are specifically incorporated by reference therein). Requests for copies of such information relating to News Corporation and BSkyB should be directed to: News America Incorporated, 1211 Avenue of the Americas, New York, NY 10036, Attention: Investor Relations (telephone number (212) 852-7059). Requests for copies of such information relating to Fox Entertainment should be directed to: Investor Relations, Fox Entertainment Group, Inc., 1211 Avenue of the Americas, New York, NY 10036 (telephone number (212) 852-7111).

S PECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains statements that constitute forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included in this prospectus that address activities, events or developments that we expect or anticipate will or may occur in the future, or that include the words may, will, would, could, should, believ estimates, projects, plans, intends, anticipates, continues, forecasts, designed, goal, or the negative of those words or other comp intended to identify forward-looking statements.

These statements appear in a number of places in this prospectus and documents incorporated by reference in this prospectus and are based on certain assumptions and analyses made in light of our experience and perception of historical trends, current conditions and expected future developments as well as other factors we believe are appropriate in the circumstances. These forward-looking statements are subject to risks, uncertainties and assumptions about News Corporation, and its subsidiaries and businesses, and Fox Entertainment, and its subsidiaries and businesses, including the risks and uncertainties discussed in this prospectus under the caption Risk Factors and elsewhere, and are not guarantees of performance. Other important factors that could affect the future results of News Corporation and Fox Entertainment and cause those results or other outcomes to differ materially from those expressed in the forward-looking statements include:

- deterioration in worldwide economic and business conditions;
- rapidly changing technology challenging our businesses ability to adapt successfully;

exposure to fluctuations in currency exchange rates;

significant changes in our assumptions about customer acceptance, overall market penetration and competition from providers of alternative products and services;

Table of Contents

unexpected challenges created by legislative and regulatory developments;

changes in our business strategy and development plans;

the September 11, 2001 terrorist attacks, the military activity in Iraq, the outbreak or escalation of hostilities between the United States and any foreign power or territory and changes in international political conditions as a result of these events may continue to affect the United States and the global economy and may increase other risks; and

other risks described from time to time in periodic reports that News Corporation and Fox Entertainment file with the SEC.

Because the above factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement made by News Corporation or Fox Entertainment, you should not place undue reliance on any forward-looking statement. Similarly, any forward-looking statements made by BSkyB are subject to the risks, uncertainties and assumptions referred to under Forward Looking Statements on page 3 of BSkyB s Annual Report on Form 20-F for the fiscal year ended June 30, 2002 filed with the Commission on November 7, 2002. Further, any forward-looking statement speaks only as of the date on which it is made. News Corporation, BSkyB and Fox Entertainment do not ordinarily make projections of their future operating results and undertake no obligation to publicly update or revise any forward-looking statement, except as required by law. Readers should carefully review the other documents filed by News Corporation, BSkyB and Fox Entertainment with the SEC.

ENFORCEABILITY OF CIVIL LIABILITIES

UNDER THE FEDERAL SECURITIES LAWS

News Corporation is a corporation organized under the laws of Australia. Since some of the directors of News Corporation and certain of the experts named herein reside outside of the United States, it may not be possible to effect service of process within the United States upon such persons, directors, officers and experts or to enforce, in U.S. courts, judgments against such persons obtained in U.S. courts and predicated on the civil liability provisions of the federal securities laws of the United States. Furthermore, since all directly owned assets of News Corporation are located outside the United States, any judgment obtained in the United States against News Corporation may not be collectible within the United States. News Corporation has been advised by its Australian counsel, Allens Arthur Robinson, that there is doubt as to the enforceability of civil liabilities under U.S. federal securities laws in actions originating in federal and state courts in Australia. Allens Arthur Robinson has further advised News Corporation, however, that subject to certain conditions, exceptions and time limitations, Australian courts will enforce foreign (including U.S.) judgments for liquidated amounts in civil matters, including (although there is no express authority relating thereto) judgments for such amounts rendered in civil actions under the U.S. federal securities laws. Such counsel is not aware of any reason under present Australian law for avoiding enforcement of a judgment of a U.S. court against News Corporation or the guarantee on the ground that the same would be contrary to Australian public policy. Such counsel has expressed no opinion, however, as to whether the enforcement by an Australian court of any judgment would be effected in any currency other than Australian dollars and if in Australian dollars the date of determination of the applicable exchange rate from U.S. dollars to Australian dollars. News Corporation has expressly submitted to the jurisdiction of New York State and U.S. federal courts sitting in The City of New York for the purpose of any suit, action or proceeding arising out of the offering of the BUCS, and has appointed News America at 1211 Avenue of the Americas, New York, New York 10036 to accept service of process in any such action. See Risk Factors Risk Factors Relating to News Corporation Risks Associated with the Enforceability of Judgments Against News Corporation.

BSkyB is a public limited company incorporated under the laws of England and Wales. Most of the directors and executive officers of BSkyB reside outside the United States. In addition, substantially all of the assets of BSkyB are located outside of the United States. Although BSkyB has agreed, in accordance with the

Table of Contents

terms of the indenture, to accept service of process in the United States by agents designated for such purpose, it may not be possible for holders of BUCS (a) to effect service of process upon certain of the directors or officers of BSkyB and its subsidiaries or (b) to enforce judgments of courts of the U.S. predicated upon the civil liability of BSkyB and its respective officers and directors under the United States securities laws against any of these persons in the courts of a foreign jurisdiction. BSkyB has been advised by its English legal advisors, Herbert Smith, that there is also doubt as to the direct enforceability in England of civil liabilities predicated upon federal securities laws of the United States.

Table of Contents

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information included elsewhere or incorporated by reference in this prospectus. Because this is a summary, it may not contain all the information that may be important to you. You should read the entire prospectus, as well as the information incorporated by reference, before making an investment decision. When used in this prospectus, the terms News America, the Company, we, our and us refer to News America Incorporated and its consolidated subsidiaries, News Corporation refers to The News Corporation Limited and its consolidated subsidiaries, BSkyB refers to British Sky Broadcasting Group plc and its consolidated subsidiaries and Fox Entertainment and FEG refer to Fox Entertainment Group, Inc. and its consolidated subsidiaries, in each case, unless otherwise specified.

News Corporation, News America and Fox Entertainment

News Corporation. News Corporation is a diversified international media and entertainment company with operations in a number of industry segments, including filmed entertainment, television, cable network programming, magazines and inserts, newspapers and book publishing. The activities of News Corporation are conducted principally in the United States, Europe, Asia, Australia and the Pacific Basin.

News Corporation s principal executive offices are located at 2 Holt Street, Surry Hills, New South Wales, 2010 Australia, and News Corporation s telephone number is 61-2-9-288-3000.

News America. News America, the principal subsidiary in the United States of News Corporation, is an operating company and holding company, which, together with its subsidiaries and affiliates, conducts substantially all of the U.S. activities of News Corporation. Through its subsidiaries, News America operates in a number of industry segments, including magazines and inserts, newspapers and book publishing.

News America s principal executive offices are located at 1211 Avenue of the Americas, New York, New York 10036, and News America s telephone number is (212) 852-7000.

Fox Entertainment. News Corporation owns approximately 80.6% of the equity of Fox Entertainment, and approximately 97.0% of its voting power. Fox Entertainment is principally engaged in the development, production and worldwide distribution of feature films and television programs, television broadcasting and cable network programming.

Fox Entertainment s principal executive offices are located at 1211 Avenue of the Americas, New York, New York 10036, and its telephone number at that address is (212) 852-7111.

BSkyB

BSkyB is the leading pay television broadcaster in the United Kingdom, or U.K., and Ireland, and is one of the leading suppliers of content, including movies, news, sports and general entertainment programming, to pay television operators in the U.K. As of June 30, 2003, there were approximately 10.7 million subscribers to BSkyB s services, including United Kingdom and Ireland cable subscribers, of which approximately 6.8 million were direct to home, or DTH, subscribers (the remainder being wholesale customers on other platforms).

As of June 30, 2003, News Corporation indirectly owns approximately 35% of the ordinary shares of BSkyB and five of BSkyB s 15 directors are senior executives of News Corporation or its affiliates.

Table of Contents

Terms of the BUCS

On March 21 and 25, 2003 and April 2, 2003, we consummated the offering of US$1,655,000,000 aggregate original liquidation preference of 0.75% Senior Exchangeable BUCS. The offering was made in reliance upon an exemption from the registration requirements of the Securities Act. As part of the offering, we entered into a registration rights agreement with the initial purchasers of the BUCS in which we agreed, among other things, to register certain of the offered securities. Below is a summary of the terms of the BUCS.

Issuer	News Corporation Finance Trust II. The only assets of the trust are the 0.75% senior exchangeable debentures due March 15, 2023 of News America. The trust will therefore have no source of payments on the BUCS other than from payments on the debentures.
Securities offered	US$1,655,000,000 aggregate original liquidation preference of 0.75% Senior Exchangeable BUCS, which have been registered under the Securities Act.
Guarantor	News Corporation has irrevocably and unconditionally guaranteed, to the extent set forth herein, the payment in full of (1) any accrued and unpaid distributions and the amount payable upon redemption of the BUCS to the extent News America or any guarantor has made a payment to the property trustee of interest or principal on the debentures and (2) generally, the liquidation preference of the BUCS to the extent News America has made a payment to the property trustee of interest or principal on the debentures. See Description of the BUCS Guarantee. In addition, News Corporation and certain of its subsidiaries will guarantee the debentures as set forth under Description of the Debentures.
Issue Price	US$1,000 per BUCS, plus any accrued distributions from March 21, 2003.
Maturity	The BUCS do not have a stated maturity date, although they are subject to mandatory redemption upon the repayment of the debentures at their stated maturity. The debentures will mature on March 15, 2023. At maturity of the underlying debentures, the amount of cash you will be entitled to receive with respect to your BUCS is the adjusted liquidation preference of your BUCS plus accrued and unpaid distributions and any final period distribution.
Distributions	Distributions on the BUCS have accrued from the date of issuance and are payable in cash at an annual rate of 0.75% of the original liquidation preference of US$1,000 per BUCS. Distributions are cumulative and are payable semi-annually in arrears on March 15 and September 15 of each year, commencing September 15, 2003. Because distributions on the BUCS are considered interest for U.S. federal income tax purposes, they do not entitle corporate holders to a dividends-received deduction.
Additional Distributions	We will distribute, as an additional distribution on each BUCS, 75% of any regular cash dividend and 100% of any extraordinary dividend

Table of Contents

	or distribution (other than publicly traded common equity securities) that correspond to dividends, distributions or other payments made in respect of the reference shares. If any publicly traded common equity securities are distributed in respect of the reference shares, those securities will themselves become reference shares.
	We will pay 75% of any regular cash dividend on the reference shares to you on the next semi-annual distribution payment date on the BUCS.
	All other additional distributions will be paid or made within 20 business days after the payment or delivery of the related dividends or distributions on the reference shares.
	As of the date of this prospectus, BSkyB is not paying a cash dividend on its ordinary shares.
Ranking	The debentures and the guarantees are unsecured senior obligations of News America and the guarantors and are intended to rank equal in right of payment to all existing and future senior unsecured indebtedness of News America and the guarantors. As of March 31, 2003, News Corporation had, on a consolidated basis, approximately A$13.02 billion (US$8.668 billion) of unsecured and unsubordinated indebtedness, all of which ranked equally with the debentures and the guarantees. The debentures will be effectively subordinated to all secured indebtedness to the extent of the value of the assets securing that indebtedness, and will be effectively subordinated to all liabilities of consolidated subsidiaries other than the guarantors. As of March 31, 2003, News Corporation, on a consolidated basis, had approximately A$195.3 million (US$130 million) of secured indebtedness.
Liquidation Preference	If the trust is liquidated, holders of BUCS will be entitled to receive the liquidation preference of US$1,000 per BUCS, as adjusted, plus an amount equal to any accrued and unpaid distributions thereon to the date of payment, unless the debentures are distributed to holders. Because the liquidation preference is subject to change, the liquidation preference, at any time of determination, is referred to herein as the adjusted liquidation preference.
Adjusted Liquidation Preference	The liquidation preference of the BUCS will not be reduced by any regular cash dividend amount that we distribute to holders of the BUCS.
	The liquidation preference of the BUCS will be reduced by the amount of all additional distributions that we make to holders of the BUCS that are attributable to extraordinary distributions on or in respect of the reference shares. The adjusted liquidation preference will be further reduced on subsequent distribution payment dates so that the semi-annual distribution payment by us on that date does not

	represent an annualized yield on the BUCS in excess of 0.75% of the adjusted liquidation preference during the semi-annual period immediately preceding such distribution payment date. In no event will the adjusted liquidation preference ever be less than zero. Reductions to the adjusted liquidation preference will not affect the amount of the semi-annual distribution payment received by a holder of BUCS, which is based on the original liquidation preference.
Exchangeability	On or after April 2, 2004 but before March 15, 2023, at your option, each BUCS can be exchanged for the exchange market value, calculated in the manner described in this prospectus, of the reference shares attributable to that BUCS. At the date of this prospectus, the reference shares consist of 77.09 ordinary shares of BSkyB per BUCS; however, the composition of the reference shares is subject to change as described in this prospectus.
	The trust may pay the exchange market value of each BUCS that you present for exchange as follows:
	in cash;
	by delivering the reference shares attributable to the BUCS; or
	a combination of cash and reference shares.
	In addition, News Corporation may designate a financial institution to which BUCS surrendered for exchange may be offered for exchange into BSkyB ordinary shares. In order to accept BUCS so surrendered, the designated institution must agree to exchange those BUCS for a number of BSkyB ordinary shares equal to the number of BSkyB ordinary shares constituting the reference shares for such BUCS, plus cash for any fractional shares. If the designated institution declines to accept for exchange any BUCS in whole or in part, or if the designated institution agrees to accept any BUCS for exchange but does not timely deliver the related BSkyB ordinary shares, we will exchange those BUCS or parts thereof. See Description of the BUCS Exchange Rights.
BSkyB and its Relationship to the BUCS	BSkyB is the leading pay television broadcaster in the U.K. and Ireland, and is one of the leading suppliers of content, including movies, news, sports and general entertainment programming, to pay television operators in the U.K.
	Neither BSkyB nor any other reference company will have any obligations whatsoever under the BUCS.
Redemption at Your Option	You may tender your BUCS for redemption on March 15, 2010, March 15, 2013, or March 15, 2018 for payment of the adjusted liquidation preference plus accrued and unpaid distributions and any final period distribution in, at our election, cash, BSkyB ordinary

Table of Contents

	shares, or News Corporation preferred ADSs, or any combination thereof.
Redemption at Our Option	We may redeem the BUCS for cash or BSkyB ordinary shares, or a combination thereof in whole or in part, at any time on or after March 20, 2010, at the adjusted liquidation preference of the BUCS plus any accrued and unpaid distributions and any final period distribution thereon. If we make a partial redemption, BUCS in an original aggregate liquidation preference of at least US$100 million must remain outstanding.
Tax Event Redemption	Upon the occurrence of a tax event (as defined in Description of the BUCS Tax Event Redemption), we may redeem the BUCS in whole, but not in part, at a redemption price equal to 100% of the adjusted liquidation preference of the BUCS to be redeemed plus an amount equal to any accrued and unpaid distributions and any final period distribution thereon, but only if dissolving the trust and causing the trust to distribute the debentures to the holders of BUCS, as described in Description of the BUCS Distribution of Debentures, would not prevent the occurrence of, or cure, such tax event.
Change in Control	Upon a change in control triggering event with respect to News Corporation, each holder may require us to purchase all or a portion of such holder s BUCS in cash at a price equal to the adjusted liquidation preference of the BUCS plus accrued but unpaid distributions to the date of the purchase and any final period distribution thereon. See Description of the BUCS Change in Control Permits Repurchase of BUCS at the Option of the Holder.
Debentures of News America	The debentures mature on March 15, 2023, and bear interest at the rate of 0.75% per annum, payable semi-annually in arrears. The payment of principal and interest on the debentures is intended to rank equal in right of payment to all existing and future senior unsecured indebtedness of News America.
Guarantee of the Debentures	The debentures are unconditionally guaranteed by News Corporation and certain of its subsidiaries. The guarantee of each guarantor is intended to rank equal in right of payment to all existing and future senior unsecured indebtedness of such guarantor.
Voting Rights; Enforcement of Rights	Generally, holders of BUCS do not have any voting rights. The property trustee has the power to exercise all rights, powers and privileges under the indenture with respect to the debentures, including its right to enforce News America s or any guarantors obligations under the debentures upon the occurrence of an event of default, and also has the right to enforce the BUCS guarantee on behalf of the BUCS. Notwithstanding the foregoing, if an event of default under the indenture occurs and is continuing and is caused by the failure of News America and the guarantors to pay interest or

Table of Contents

	principal or make any other payment on the debentures, a holder of BUCS may directly institute a proceeding against News America or any guarantor for enforcement of that payment.
Use of Proceeds	We will not receive any of the proceeds from the sale of the BUCS by the selling security holders. See Use of Proceeds and Plan of Distribution.
Risk Factors	An investment in the BUCS or securities deliverable with respect thereto involves risks. See Risk Factors described in: this document; Item 3 Key Information Risk Factors beginning on page 4 of News Corporation s Annual Report on Form 20-F for the fiscal year ended June 30, 2002 filed with the Commission on December 31, 2002 by News Corporation and the other information set forth in such Form 20-F or in any other documents subsequently filed with the Commission; Risk Factors beginning on page 6 of FEG s Registration Statement on Form S-3 filed with the Commission on April 10, 2002; and the other information set forth in such documents or in any other documents subsequently filed with the Commission for a discussion of factors you should carefully consider before deciding to purchase any BUCS.
U.S. Federal Income Tax Consequences	For U.S. federal income tax purposes, as an owner of BUCS, you will be considered a beneficial owner of a pro rata portion of the debentures held by the trust. As a beneficial owner of a debenture, the amount of interest income required to be included in income by a holder of BUCS for each year will exceed the semi-annual interest payments you actually receive. Any gain recognized by a holder on the sale or exchange of the BUCS will be ordinary interest income, and any loss will be an ordinary loss to the extent of the interest previously included in income, and thereafter, capital loss. See Certain United States Federal Tax Considerations.
Trading	BSkyB s ordinary shares currently trade on the London Stock Exchange and its American Depositary Shares representing BSkyB ordinary shares currently trade on the New York Stock Exchange. News Corporation preferred ADSs currently trade on the New York Stock Exchange. News Corporation and the trust have not applied and do not intend to apply for the listing of the BUCS or the debentures on any securities exchange. The BUCS are eligible for trading in the Portal Market.

Table of Contents

RISK FACTORS

In addition to the other information set forth in this prospectus and in the documents incorporated by reference herein, prospective investors should consider carefully the risk factors set forth below before making an investment in the securities offered pursuant to this prospectus.

Because the trust will rely on the payments it receives on the debentures to fund all payments on the BUCS, and because the trust may, in some circumstances, distribute the debentures, a decision to invest in the BUCS will also constitute an investment decision regarding the debentures. You should carefully review the information in this prospectus about the BUCS, the debentures, the guarantees and the securities deliverable upon the exchange or redemption of the BUCS.

Risk Factors Relating to News Corporation

Structural Risks.

The operations of News Corporation worldwide and the operations of News America in the United States are conducted through subsidiaries, and, therefore, News Corporation and News America are dependent upon the earnings and cash flows of their subsidiaries to meet debt service obligations, including obligations with respect to the BUCS. To the extent that subsidiaries of News Corporation, the subsidiary guarantors and News America are not themselves guarantors of the BUCS or the debentures, the claims of holders of the BUCS or the debentures will be subordinate to claims of creditors of these subsidiaries with respect to the assets of such subsidiaries in the event of bankruptcy or reorganization of such subsidiaries.

Risks Associated with the Enforceability of Judgments Against News Corporation.

News Corporation is a corporation organized under the laws of the Commonwealth of Australia. Service of process upon directors and officers of News Corporation and certain of the experts named herein who reside outside the United States, may be difficult to obtain within the United States. Furthermore, since all directly owned assets of News Corporation are located outside the United States, any judgment obtained in the United States against News Corporation may not be collectible within the United States. News Corporation has been advised by its Australian counsel, Allens Arthur Robinson, that there is doubt as to the enforceability of civil liabilities under U.S. federal securities laws in actions originating in federal and state courts in Australia. Service of process upon News Corporation in an action to enforce the guarantee may be obtained within the United States by service upon News America. News Corporation also has significant assets located in Australia. Allens Arthur Robinson has further advised News Corporation, however, that subject to certain conditions, exceptions and time limitations, Australian courts will enforce foreign (including United States) judgments for liquidated amounts in civil matters, including (although there is no express authority relating thereto) judgments for such amounts rendered in civil actions under the U.S. federal securities laws. Allens Arthur Robinson is not aware of any reason under present Australian law for avoiding enforcement of a judgment of U.S. courts on the News Corporation guarantee on the ground that the same would be contrary to Australian public policy. Such counsel has expressed no opinion, however, as to whether the enforcement by an Australian court of any judgment would be effected in any currency other than Australian dollars, and if in Australian dollars, the date of the determination of the applicable exchange rate from Australian dollars to U.S. dollars.

Risks Concerning the Guarantees.

News Corporation s guarantee with respect to the BUCS, and the guarantees of News Corporation and the subsidiary guarantors with respect to the debentures issued by News America constitute senior indebtedness of each such guarantor and are intended to rank equal in right of payment to all present and future senior unsecured indebtedness of such guarantors. Because the factual bases underlying the obligations created pursuant to News Corporation s various credit facilities, including the Revolving Credit Agreement (as defined in The Guarantors), and the other obligations constituting senior indebtedness of News America and the guarantors differ, it is not possible to predict how a court in bankruptcy would accord priorities as between indebtedness under facilities other than the Revolving Credit Agreement, the guarantees thereof, if any, the indebtedness under the BUCS, the debentures, the guarantees, indebtedness under the Revolving Credit Agreement and the guarantees of such indebtedness under the Revolving Credit Agreement. See Description of Certain Indebtedness. It is possible in certain circumstances that a court could hold obligations of a guarantor pursuant to its guarantee subordinate to direct obligations of such guarantor. In addition, if a guarantee is challenged by creditors of a guarantor, it is possible that the amount for which such guarantor is liable under its guarantee would be limited (or the rights under the guarantee could be subject to avoidance or subordination) by application of fraudulent conveyance and equitable subordination principles. Where a guarantor is not incorporated in the United States, the laws of such guarantor s place of incorporation may also affect the ability to enforce its guarantee. News Corporation has been advised by its Australian counsel, Allens Arthur Robinson, that to the extent that the guarantee given by News Corporation is valid and enforceable in accordance with the laws of the State of New York and the United States, the laws of the jurisdiction of incorporation of News Corporation does not prevent such guarantee from being valid, binding and enforceable against News Corporation in accordance with its terms, subject to the discretionary nature of equitable remedies, statutes of limitations, estoppel and similar principles and generally to laws concerning insolvency, bankruptcy, liquidation, enforcement of security interests or reorganization or similar laws generally affecting creditors rights or duties. See Enforceability of Civil Liabilities Under the Federal Securities Laws for a discussion of the enforceability of the obligations under the guarantee against News Corporation.

Risk Factors Relating to BSkyB

BSkyB relies on intellectual property and proprietary rights, including in respect of programming content, which may not be adequately protected under current laws.

BSkyB s services are largely comprised of content in which it owns, or has licensed the intellectual property rights, delivered through a variety of media, including broadcast programming, via interactive television services, and via the Internet. BSkyB relies on trademark, copyright and other intellectual property laws to establish and protect our rights in these products. There can be no assurance that BSkyB s rights will not be challenged, invalidated or circumvented or that BSkyB will successfully renew its rights. Third parties may be able to copy, infringe or otherwise profit from BSkyB s rights without its authorization. These unauthorized activities may be more easily facilitated by the Internet. In addition, the lack of Internet specific legislation relating to trademark and copyright protection creates an additional challenge for BSkyB in protecting its rights relating to its on-line business processes and other digital technology rights.

BSkyB generates wholesale revenues from a limited number of customers.

BSkyB s wholesale customers, to whom BSkyB offers the channels owned by BSkyB and from whom BSkyB derives its cable revenues, comprise principally ntl, Inc., which we refer to as ntl, and Telewest Communications plc, which we refer to as Telewest. Economic and market factors may adversely influence the wholesale revenue BSkyB receives from ntl or Telewest which would negatively affect its business.

BSkyB is subject to a number of long term obligations.

BSkyB is a party to a number of medium or long term agreements and/or other arrangements (including in respect of programming and transmission) which impose financial and other obligations upon them. Were BSkyB unable to perform any of its obligations under these agreements and/or arrangements, it could have a material adverse effect on its business.

BSkyB operates in a highly competitive environment that is subject to rapid change and BSkyB must continue to invest and adapt to remain competitive.

BSkyB faces competition from a broad range of companies engaged in communications and entertainment services, including cable television, digital and analog terrestrial television, telecommunications providers, and

Table of Contents

home video products companies, as well as companies developing new technologies and other suppliers of news, information, sports and entertainment, as well as other providers of interactive services. Although BSkyB has continued to develop its services through technological innovation and in licensing a broad range of content, it is not possible to predict with certainty the changes that may occur in the future and affect the competitiveness of BSkyB s businesses. In particular, the means of delivering various of BSkyB s (and/or competing) services may be subject to rapid technological change.

BSkyB s ability to compete successfully will depend on its ability to continue to acquire, commission and produce programming content, and attractively package and offer it to its customers at competitive prices. There can be no assurance that third party program services will be available to BSkyB on acceptable terms, or at all, and if so available, that such program services will be attractive to BSkyB customers. In addition, there can be no assurance that BSkyB s agreements to acquire program content will be obtained on favorable terms or at all.

BSkyB s business is heavily regulated and changes in regulations or failure to obtain required regulatory approvals could adversely affect its ability to operate.

BSkyB is subject to regulation primarily in the U.K. and the European Community, or the EC. The regimes which affect its business include broadcasting, telecommunications, and competition (anti-trust) laws and regulations. Relevant authorities may introduce additional or new regulations applicable to its business. BSkyB s business and business prospects could be adversely affected by the introduction of new laws, policies or regulations or changes in the interpretation or application of existing laws, policies and regulations. Changes in regulations relating to one or more of licensing requirements, access requirements, programming transmission and spectrum specifications, consumer protection, or other aspects of BSkyB s or any competitor s business, could have an adverse effect on BSkyB s business and results of operation.

On December 5, 2000, the UK Office of Fair Trading, or the OFT, announced that it was to conduct an inquiry into the affairs of British Sky Broadcasting Limited (BSkyB Limited), under the UK Competition Act 1998, or the Competition Act, in particular the wholesale supply by BSkyB Limited of certain of its channels to third party distributors in the U.K. Where an undertaking has intentionally or negligently infringed the Competition Act, it may be fined up to a maximum of 10% of its total U.K. turnover for each year it is found to be in breach, up to a maximum of three years. In addition, third parties, such as customers and competitors, may be entitled to recover damages where they have suffered loss as a result of conduct in breach of the Competition Act. BSkyB Limited maintained that it had not infringed the Competition Act and, on December 17, 2002, following submission by BSkyB Limited of written and oral representations, the OFT announced that BSkyB Limited had not been found in breach of competition law in respect of its investigation. Such finding by the OFT may be appealed by third parties who have a sufficient interest in accordance with the provisions of the Competition Act.

The EC Commission has commenced investigations into a number of agreements, decisions or practices leading to the acquisition of broadcasting rights to football events within the European Economic Area, including the sale of exclusive broadcast rights to Premier League football by the Football Association Premier League, or the FAPL.

On June 21, 2002, BSkyB Limited and the FAPL notified BSkyB Limited s current agreements for FAPL rights to the EC Commission seeking either a clearance or exemption from Article 81 of the EC Treaty. The FAPL has also notified the rules of the FAPL to the EC Commission. On December 20, 2002, the EC Commission issued a Statement of Objections to the FAPL outlining certain concerns in respect of the FAPL s joint selling of broadcast rights to Premier League football. On July 30, 2003, BSkyB received a request for information from the EC Commission concerning the current bidding process being undertaken by the FAPL. BSkyB is currently unable to assess whether this EC investigation will have a material effect on BSkyB.

The EC Commission is investigating the terms on which movies produced by major U.S. movie studios are supplied to distributors, including pay TV operators, throughout the European Union. BSkyB has cooperated with this investigation. At this stage, BSkyB is unable to determine whether the investigation will have a material effect on BSkyB.

Table of Contents

There can be no assurance that BSkyB will succeed in obtaining all requisite approvals in the future for its operations without the imposition of restrictions which may have an adverse consequence to BSkyB nor that compliance issues will not be raised in respect of operations conducted prior to the date of this prospectus.

BSkyB s business is reliant on technology which is subject to risk, change and development.

BSkyB is dependent upon satellites which are subject to significant risks that may prevent or impair proper commercial operations, including defects, destruction or damage, and incorrect orbital placement. Loss of the transmissions from satellites that are already operational, or from BSkyB s uplinking facilities, could have a material adverse effect on its business and operations. BSkyB employs encryption technologies which protect against unauthorized access to its services. While these encryption technologies have so far been resilient to piracy, and BSkyB continues to work with its technology supplier to maintain this status, there can be no assurance that they will not be compromised in the future. BSkyB has made and continues to make significant investment in its customer relationship management technology. The failure of any of these technologies could have a material adverse effect on BSkyB s business.

BSkyB licenses conditional access software and receives a number of related support services, including the provision of smart cards, from NDS Group plc, or NDS, a subsidiary of News Corporation, which is its sole supplier of such technology. NDS is subject to litigation in the United States regarding certain aspects of its business. Were NDS unable to continue to provide BSkyB with such services (whether by reason of such litigation or otherwise), BSkyB s business could be adversely affected.

There is a large existing population of digital set-top boxes (in which BSkyB has made a significant investment). If a significant number of these set-top boxes were to suffer failure, or if BSkyB s set-top boxes were to be rendered either redundant or obsolete by other technology, the effect on BSkyB s business could be materially adverse.

Risk Factors Relating to the Securities

BSkyB has no obligations with respect to the BUCS.

BSkyB is not involved in the offering of the BUCS, and neither BSkyB nor another reference company will have any obligations with respect to the BUCS, including any obligation to take our interests or your interests into consideration for any reason or under any circumstance. Holders of the BUCS will not be entitled to any rights with respect to the BSkyB ordinary shares or any other reference shares other than indirectly pursuant to the express terms of the BUCS or at such time, if any, that the BUCS are tendered for exchange and we elect to deliver reference shares in connection therewith.

The number of reference shares attributable to the BUCS will not adjust for some dilutive transactions involving the reference shares.

If specific dilutive or anti-dilutive events occur with respect to the reference shares, the number and type of reference shares that will be used to calculate the amount of cash or reference shares you will receive upon exchange, maturity or redemption of the BUCS will be adjusted to reflect such events. These adjustments will not take into account various other events, such as offerings of reference shares by a reference company for cash or business acquisitions by a reference company with the reference shares, that may adversely affect the price of the reference shares and may adversely affect the trading price and market value of the BUCS. We cannot assure you that a reference company will not make offerings of the reference shares or other equity securities or enter into such business acquisitions in the future.

The BUCS and the debentures may be affected by fluctuations in the market price of BSkyB ordinary shares and we cannot assure you that an active trading market will develop for these securities or that you will be able to resell these securities at or above their purchase price.

There is currently no public market for the BUCS. In addition, the liquidity of any trading market in the BUCS and, if distributed to the holders thereof, the debentures and the market price quoted for the BUCS and the

Table of Contents

debentures, may be adversely affected by changes in the overall market for these securities and by changes in BSkyB s financial performance or prospects or in the prospects of companies in BSkyB s industry generally. We cannot predict the extent to which investors interest will lead to a liquid trading market or whether the market price of the BUCS will be volatile. Because the BUCS and the debentures are exchangeable into BSkyB ordinary shares, their trading prices are likely to be affected by fluctuations in the market price of BSkyB ordinary shares.

The BUCS guarantee only guarantees payments on the BUCS if News America or the guarantors of the debentures make payments on the debentures.

If News America and the guarantors fail to make payments on the debentures, the trust will be unable to make the related distribution, redemption or liquidation payments on the BUCS to holders of the BUCS. In those circumstances, a holder of BUCS cannot rely on the BUCS guarantee for payments of those amounts. Instead, if News America and the guarantors are in default under the debentures, a holder of BUCS must either (1) rely on the property trustee of the trust to enforce the trust s rights under the debentures, (2) directly sue News America and the guarantors or (3) seek other remedies to collect its pro rata share of payments owed.

News America has the option to redeem the debentures, thus causing the redemption of BUCS, without holders consent if specified tax events occur that render interest payments on the debentures non-deductible or subject the trust to taxation.

If specified tax events occur that render interest payments on the debentures nondeductible or subject the trust to taxation, see Description of the BUCS Tax Event Redemption, News America may, subject to certain conditions, redeem the debentures, causing the redemption of the BUCS. The tax event redemption price holders of the BUCS would receive if News America redeems the debentures will be 100% of the adjusted liquidation preference of the BUCS to be redeemed, plus an amount equal to any accrued and unpaid distributions. If News America redeems the debentures, the trust will use the cash it receives from the redemption of the debentures to redeem the BUCS and common securities. If News Corporation elects not to dissolve the trust and distribute the debentures or redeem all or a portion of the debentures upon the occurrence of a tax event, we must pay any increased taxes or expenses of the trust caused by the tax event.

Adverse U.S. federal income tax consequences from acquiring BUCS.

For U.S. federal income tax purposes, as an owner of BUCS, you will be considered a beneficial owner of a pro rata portion of the debentures held by the trust. As a beneficial owner of a debenture, the amount of interest income required to be included in income by a holder of BUCS for each year will exceed the semi-annual distribution payments you actually receive. Any gain recognized by a holder on the sale or exchange of the BUCS will be ordinary interest income, and any loss will be an ordinary loss to the extent of the interest previously included in income, and thereafter, capital loss. See Certain United States Federal Tax Considerations.

A holder of BUCS has limited voting rights.

A holder of BUCS has limited voting rights relating only to certain modifications of the BUCS and, in specified circumstances, the exercise of the trust s rights as holder of the debentures and the BUCS guarantee. Except during an event of default with respect to the debentures, only News America can replace or remove any of the trustees or increase or decrease the number of trustees. See Description of the BUCS Voting Rights.

Ownership of BSkyB ordinary shares by News Corporation.

Although, as of June 30, 2003, News Corporation indirectly owned 686,021,700 BSkyB ordinary shares, such shares are not held on deposit for the holders of BUCS and there are no restrictions on the ability of News Corporation or its subsidiaries to dispose of their BSkyB ordinary shares at any time. Accordingly, if such shares were to be sold, it could make it more likely that a holder of BUCS would receive cash upon the exchange of BUCS.

Table of Contents

RATIO OF EARNINGS TO FIXED CHARGES OF NEWS CORPORATION

The tables below set forth the computation of the ratio of earnings to fixed charges of News Corporation and its subsidiaries in accordance with generally accepted accounting principles in Australia (A-GAAP) and generally accepted accounting principles in the United States (US-GAAP).

A-GAAP

	Fiscal Year Ended June 30,				
Nine months ended March 31, 2003	**2002**	**2001**	**2000**	**1999**	**1998**
3.8	2.4	2.0	2.0	2.1	2.2

US-GAAP

	Fiscal Year Ended June 30,				
Six months ended December 31, 2002	**2002**(1)	**2001**	**2000**	**1999**	**1998**
2.5	(2)	(2)	2.0	2.2	1.5

News Corporation computes the ratio of earnings to fixed charges by dividing earnings before income taxes and fixed charges, excluding capitalized interest, by the fixed charges. Under A-GAAP, items that are considered significant by reason of their size, nature or effect on News Corporation s financial performance for the year are classified as other revenues and expenses before tax and, consistent with prior years treatment of abnormal items, are excluded from earnings when computing the ratio of earnings to fixed charges. Under US-GAAP, other revenues and expenses before tax are included in earnings when computing the ratio of earnings to fixed charges. This ratio includes the earnings and fixed charges of News Corporation. Fixed charges consist of interest, including capitalized interest, and the portion of rentals for real and personal properties in an amount deemed to be representative of the interest factor. A reconciliation of News Corporation s results under A-GAAP to US-GAAP is presented in Note 20 of News Corporation s 2002 consolidated financial statements contained in News Corporation s 2002 Annual Report on Form 20-F, as amended.

(1) The June 30, 2002 US-GAAP ratio of earnings to fixed charges includes an A$11.7 billion charge to reduce the carrying value of News Corporation s investment in Gemstar-TV Guide International, Inc. to reflect an other-than-temporary decline in value. If such charge was excluded, the June 30, 2002 deficiency would be A$1,939 million.

(2) The ratio of earnings to fixed charges was less than 1.0; thus earnings available for fixed charges of News Corporation were inadequate to cover fixed charges. The amount of the deficiency was A$13,622 million and A$354 million for the years ended June 30, 2002 and 2001, respectively.

RATIO OF EARNINGS TO FIXED CHARGES OF FOX ENTERTAINMENT

The table below sets forth the computation of the ratio of earnings to fixed charges of Fox Entertainment and its subsidiaries in accordance with US-GAAP.

	Fiscal Year Ended June 30,				
Nine months ended March 31, 2003	**2002**	**2001**	**2000**	**1999**	**1998**
7.6	4.3	2.2	1.9	2.7	2.1

12

Table of Contents

USE OF PROCEEDS

Neither we nor the trust will receive any cash proceeds from the issuance of the offered securities, including the sale by the selling security holders of any securities for their own account.

All of the net proceeds from the issuance of the BUCS were invested by the trust in the debentures issued by News America. We used a portion of the net proceeds of that offering to repurchase our 5% exchangeable trust originated preferred securities or its component securities from holders pursuant to privately negotiated transactions and for general corporate purposes.

Table of Contents

NEWS AMERICA, NEWS CORPORATION AND FOX ENTERTAINMENT

News Corporation is a diversified international media and entertainment company with operations in a number of industry segments, including filmed entertainment, television, cable network programming, magazines and inserts, newspapers and book publishing. The activities of News Corporation are conducted principally in the United States, Europe, Asia, Australia and the Pacific Basin.

News America, the principal subsidiary in the United States of News Corporation, is an operating company and holding company, which, together with its subsidiaries and affiliates, conducts substantially all of the U.S. activities of News Corporation.

As of June 30, 2003, News Corporation owns approximately 80.6% of the equity of Fox Entertainment, a subsidiary of News America, and approximately 97.0% of its voting power. Fox Entertainment is principally engaged in the following business segments:

Filmed Entertainment. Fox Entertainment engages in feature film and television production and distribution principally through the following businesses: Fox Filmed Entertainment, a producer and distributor of feature films; Twentieth Century Fox Television, a producer of network television programming; Twentieth Television, a producer and distributor of television programming; and Fox Television Studios, a producer of broadcast and cable programming.

Television. Fox Television Stations currently owns and operates 35 full power stations, including stations located in nine of the top ten designated market areas. Fox Broadcasting Company operates a television network that has 188 affiliated stations across the United States, including 25 full power television stations in major cities that are owned and operated by Fox Entertainment.

Cable Network Programming. Fox Entertainment s interests in cable network programming businesses include: Fox News Channel, a 24-hour all news cable channel; Fox Sports Networks, a group of 24-hour regional cable sports programming services, and a 50% interest in a complementary national sports programming service, Fox Sports Net; and FX Networks, a general entertainment network.

News Corporation s subsidiaries also have operations in the following business segments:

Magazines and Inserts. Through its News America Marketing Group, News Corporation publishes free standing inserts, which are promotional booklets containing consumer offers distributed through insertion in local Sunday newspapers, and provides in-store marketing products and services, primarily to consumer packaged goods manufacturers.

Newspapers. The *New York Post* is a mass circulation, metropolitan morning newspaper published in New York City.

Book publishing. Through HarperCollins Publishers, News Corporation is engaged in English language book publishing on a worldwide basis.

In addition, News Corporation owns approximately 43% of Gemstar-TV Guide International, Inc., which is a leading media and technology company that develops, licenses, markets and distributes technologies, products and services targeted at the television guidance and home entertainment needs of consumers worldwide.

In the United Kingdom, News Corporation publishes four national newspapers (*The Times, The Sunday Times, The Sun* and the *News of the World*), which account for approximately one-third of all national newspapers sold in the United Kingdom, and owns approximately 78.25% of the equity (and 97.3% of the voting power) of NDS Group plc, which is a leading provider of open end-to-end digital pay-television solutions for the

Table of Contents

secure delivery of entertainment and information to television set-up boxes and personal computers. News Corporation also owns an approximate 35% interest in BSkyB, which is the leading pay television broadcaster in the United Kingdom.

In Italy, News Corporation owns approximately 80% of the direct-to-home television platform Sky Italia S.r.L.

In Australia, News Corporation s principal activity is newspaper publishing. News Corporation is the largest newspaper publisher in Australia, owning more than 100 newspapers. News Corporation also owns a 25% interest in the FOXTEL pay television service.

In Asia, STAR Group Limited, an indirect wholly-owned subsidiary of News Corporation, is engaged in the development, production and distribution of television programming to over 50 countries throughout Asia and the Middle East.

As of June 30, 2003, News Corporation had a 36% equity interest and an approximate 49.25% economic interest in the entity that operates Sky Brasil, the leading direct-to-home pay television service in Brazil. News Corporation also has a 30% interest in the entity that operates Sky Mexico, the leading direct-to-home pay television service in Mexico, and a 30% interest in Sky Multi-Country Partners, which has interests in direct-to-home television services in Chile and Colombia.

On April 9, 2003, News Corporation and Fox Entertainment announced a definitive agreement to acquire 34% of Hughes Electronics Corporation, or Hughes, for approximately US$6.6 billion in cash and stock. The closing of this transaction is subject to a number of conditions, including approval by General Motors Corporation s shareholders, a favorable ruling from the Internal Revenue Service and regulatory clearance. At closing, News Corporation s ownership interest in Hughes will be transferred to Fox Entertainment in exchange for US$4.5 billion in promissory notes and approximately 74.2 million shares in Fox Entertainment, increasing News Corporation s equity ownership interest in Fox Entertainment to approximately 82%. News Corporation will maintain approximately 97.0% of the voting power in Fox Entertainment.

Table of Contents

NEWS CORPORATION FINANCE TRUST II

The trust is a statutory trust formed on March 18, 2003 under the Delaware Statutory Trust Act, as amended, which we refer to as the Trust Act, pursuant to a trust declaration among News America, as depositor, the property trustee, the Delaware trustee and the administrative trustees. The trust declaration was amended and restated in its entirety as of the date the trust initially issued the BUCS and the common securities. As amended and restated, the trust declaration is referred to in this prospectus as the trust declaration.

The trust was established solely for the following purposes:

- to issue and sell the BUCS, which represent the undivided beneficial ownership interests in the trust s assets;
- to issue and sell common securities to News America in a total liquidation amount equal to at least 1% of the trust s total capital;
- to invest the proceeds of the issuance and sale of the BUCS and the common securities in the debentures issued by News America;
- to distribute the trust s income as provided in the trust declaration; and
- to engage in only those other activities necessary or incidental to the activities described above, such as registering the transfer of the BUCS.

Pursuant to the trust declaration, the initial number of trustees is five. There are three administrative trustees who are employees or officers of, or who are affiliated with, News America. The fourth trustee, the property trustee, is a financial institution that is unaffiliated with News America. The fifth trustee, the Delaware trustee, is an entity that maintains its principal place of business in the State of Delaware. Initially, The Bank of New York will act as property trustee and its affiliate, The Bank of New York (Delaware), will act as the Delaware trustee until, in each case, removed or replaced by the holder of the common securities of the trust. The Bank of New York will also act as the guarantee trustee under the BUCS and as the indenture trustee under the indenture governing the debentures.

The property trustee holds legal title to the debentures for the benefit of the holders of the BUCS and the common securities, and the property trustee has the power to exercise all rights, powers and privileges under the indenture as the holder of the debentures. In addition, the property trustee maintains exclusive control of a segregated non-interest bearing bank account to hold all payments made in respect of the debentures for the benefit of the holders of the BUCS and the common securities. The guarantee trustee holds the BUCS guarantee for the benefit of the holders of the BUCS. News America paid all fees and expenses related to the trust and the initial offering of the BUCS. See Description of the BUCS Expenses of the Trust.

Because the trust was established only for the purposes listed above, the debentures are the trust s sole assets. Payments on the debentures will be the trust s sole source of income. The trust will not issue any other series of BUCS.

Table of Contents

BSKYB

As of June 30, 2003, News Corporation holds an approximate 35% interest in BSkyB. BSkyB is the leading pay television broadcaster in the U.K. and Ireland, and is one of the leading suppliers of content, including movies, news, sports and general entertainment programming, to pay television operators in the U.K. As of June 30, 2003, there were approximately 10.7 million subscribers to BSkyB s services, including United Kingdom and Ireland cable subscribers, of which approximately 6.8 million were DTH subscribers (the remainder being wholesale customers on other platforms).

DTH subscribers contract directly with BSkyB for the package of basic and premium channels they wish to receive. Cable subscribers, in contrast, contract with their local cable operators, which in turn acquire the rights to distribute certain of the channels owned by BSkyB. BSkyB generates revenues directly from its DTH subscribers and from fees paid by cable operators. Programming offered by BSkyB comprises general entertainment, news, sports and movies. Prior to the closure of ITV Digital, a digital terrestrial television, or DTT, service, in April 2002, BSkyB supplied content to ITV Digital. The multiplex licenses previously held by ITV Digital have since been awarded to the British Broadcasting Corporation, or BBC, and Crown Castle UK Limited, or Crown Castle. As part of an agreement with the BBC and Crown Castle, BSkyB has initially agreed to supply three of its channels unencrypted free-to-air via DTT under the brand Freeview , which launched in October 2002.

Following the launch of Sky digital in October 1998, BSkyB launched an initiative in 1999 to accelerate the take up of digital satellite by providing purchasers with a free digital satellite system, with the purchaser agreeing to pay an installation charge and to keep the system connected to an operational telephone line for 12 months. BSkyB, following its purchase of all of the shares of British Interactive Broadcasting (which previously subsidized part of the cost of the equipment), currently subsidizes part of the cost of providing these free digital satellite systems.

BSkyB s digital DTH customers can also access interactive services provided by Sky Interactive Limited (a subsidiary of BSkyB) and others. Sky Interactive provides an interactive TV platform for the development and delivery of interactive services, such as games, home shopping, betting, banking, travel, holiday and e-mail services. Sky Active, the principal interactive services portal operated by Sky Interactive, is currently available free of charge to all digital satellite viewers. It derives revenues principally from premium rate telephone charges, revenue sharing in e-commerce transactions, tenancy and technology fees and interactive set top box subsidy recovery.

BSkyB is a public company incorporated in England and Wales. BSkyB s principal executive offices are located at Grant Way, Isleworth, Middlesex, TW7 5QD, England. Its telephone number at that address is 44(0)870 240 3000.

BSkyB s ordinary shares are listed on the London Stock Exchange and its American Depositary Shares, each representing four BSkyB ordinary shares, are listed on the New York Stock Exchange, in each case under the symbol BSY .

Table of Contents

THE SUBSIDIARY GUARANTORS

The obligations of News America under the debentures are unconditionally guaranteed by News Corporation and the subsidiary guarantors. Set forth below is the name, jurisdiction of incorporation and principal business of each subsidiary guarantor. Except for Fox Entertainment, all of the subsidiary guarantors are direct or indirect wholly-owned subsidiaries of News Corporation. As of June 30, 2003, News Corporation owns approximately 80.6% of the equity of Fox Entertainment and approximately 97.0% of its voting power. News Corporation s principal bank credit facility, a five year Revolving Credit Agreement, dated as of June 27, 2003 (the Revolving Credit Agreement), provides for guarantees by News Corporation and the subsidiary guarantors. The subsidiary guarantors may change from time to time.

Company	Jurisdiction of Incorporation	Principal Business
FEG Holdings, Inc.	Delaware, USA	Wholly-owned subsidiary of News America which holds all of News Corporation s equity and voting interest in FEG.
Fox Entertainment Group, Inc.	Delaware, USA	Principally engaged in the development, production and worldwide distribution of feature films and television programs, television broadcasting and cable network programming.
News America Marketing FSI, Inc.	Delaware, USA	Publishes free standing inserts.
News Publishing Australia Limited	Delaware, USA	U.S. holding company.

Supplemental guarantor information is contained in Note 27 to News Corporation s consolidated financial statements (included in its Annual Report on Form 20-F for the fiscal year ended June 30, 2002, as amended). On June 27, 2003, News Corporation terminated its existing credit agreement and entered into the Revolving Credit Agreement. Certain of News Corporation s subsidiaries that were guarantors under the prior credit agreement and the debentures prior to June 27, 2003 are not guarantors under the Revolving Credit Agreement, or the debentures after June 27, 2003. In response to these changes, News Corporation has filed updated supplemental guarantor information in a Report on Form 6-K, dated July 2, 2003, which is incorporated by reference into this document.

Table of Contents

CORPORATE ORGANIZATION OF NEWS CORPORATION

The following chart sets forth, in summary form, the corporate organization of the Company, News Corporation and the subsidiary guarantors. The chart is not complete and is presented solely for the reader s convenience. See The Guarantors.

Table of Contents

DESCRIPTION OF CERTAIN INDEBTEDNESS

News Corporation is party to the Revolving Credit Agreement, which provides for a A$2.7 billion (US$1.75 billion) facility, with a sub-limit of A$911 million (US$600 million) available for the issuance of letters of credit, and expires on June 30, 2008. On June 27, 2003, letters of credit representing A$205 million (US$135 million) were issued under the Revolving Credit Agreement.

The Revolving Credit Agreement provides that News America may borrow funds thereunder. Borrowings are denominated in U.S. dollars and the interest rate will fluctuate based on the credit ratings provided to News Corporation s senior unsecured public indebtedness by Standard & Poor s Corporation and Moody s Investors Service, Inc. In addition, the obligations under the Revolving Credit Agreement are guaranteed by News Corporation and the subsidiary guarantors.

Table of Contents

PRICE RANGE OF SECURITIES

BSkyB ordinary shares and BSkyB ADSs

BSkyB s ordinary shares are admitted to the Official List of the London Stock Exchange and its American Depositary Shares, which we refer to as BSkyB ADSs, are listed on the New York Stock Exchange. The principal trading market for BSkyB s ordinary shares is the London Stock Exchange. Each BSkyB ADS represents four ordinary shares. The Bank of New York is the depositary of the American Depositary Receipts, which we refer to as BSkyB ADRs, which evidence the BSkyB ADSs.

The following tables set forth for the periods indicated the highest and lowest middle market quotations for the ordinary shares as derived from the Daily Official List of the London Stock Exchange and the highest and lowest sales prices of the BSkyB ADSs as reported on the New York Stock Exchange composite tape.

	Shares (Pence)		ADSs (US$)	
	High	**Low**	**High**	**Low**
Fiscal year ended June 30,				
1999	621	413	58 3/4	41 1/16
2000	2,158	550 1/2	200	52 1/8
2001	1,320	642	121	55 3/5
2002	936	544	79 1/2	48 1/100
2003	706	458	47 3/25	28 53/100
Fiscal year ended June 30,				
2002				
First Quarter	820	544	71	48 1/100
Second Quarter	936	585	79 1/2	51 1/5
Third Quarter	832	642	72 1/2	55½
Fourth Quarter	832	618	72 91/100	56 4/25
2003				
First Quarter	650	488	60	45 11/50
Second Quarter	674 1/2	458	63	28 53/100
Third Quarter	671	550	44 13/100	36 3/10
Fourth Quarter	706	624	47 3/25	39 22/25
2004				
First Quarter (through August 11, 2003)	732 1/4	647 13/20	47 6/25	43 43/50
Month Ended				
February 28, 2003	632	550	40 11/20	36 49/100
March 31, 2003	650 1/2	550	41 11/50	36 3/10
April 30, 2003	675	624	43 29/100	39 22/25
May 31, 2003	683 1/2	641	45 12/25	41 3/4
June 30, 2003	706	655	47 3/25	43 1/5
July 31, 2003	716 1/2	647 13/20	47	43 43/50

On August 11, 2003, the closing sales price on the London Stock Exchange of the BSkyB ordinary shares was 721 $^{1}/_{4}$p and the closing sales price on the New York Stock Exchange of the BSkyB ADSs was US$47 $^{6}/_{25}$.

Table of Contents

News Corporation preferred ADSs

News Corporation preferred ADSs are listed on the New York Stock Exchange.

The following table sets forth in U.S. dollars the reported high and low closing sales prices on the New York Stock Exchange of the News Corporation preferred ADSs for the periods listed.

	US$ High	US$ Low
Fiscal Year Ended June 30,		
1999	33.69	18.25
2000	56.44	24.56
2001	48.63	24.60
2002	33.33	18.62
2003	26.64	15.32
Fiscal Year Ended June 30,		
2002		
First Quarter	33.33	20.51
Second Quarter	27.60	21.65
Third Quarter	27.15	20.99
Fourth Quarter	25.91	18.62
2003		
First Quarter	20.26	15.32
Second Quarter	23.95	16.00
Third Quarter	24.60	

[1] In 2006, our carrying value of CCE was reduced by our proportionate share of an impairment charge recorded by CCE. Refer to Note 3 of Notes to Consolidated Financial Statements.

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. Management evaluates the recoverability of the carrying value of these assets when facts and circumstances indicate that the carrying value of these assets may not be recoverable by preparing estimates of sales volume and the resulting gross profit and cash flows. If the carrying value of these assets is assessed to be recoverable, it is amortized over the periods benefited. If the carrying value of these assets is considered to be not recoverable, an impairment is recognized, resulting in a write-down of assets.

Property, Plant and Equipment

Certain events or changes in circumstances may indicate that the recoverability of the carrying amount of property, plant and equipment should be assessed. Such events or changes may include 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. If an event occurs or changes in circumstances are present, we estimate the future cash flows expected to result from the use of the asset and its eventual disposition. 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.

Goodwill, Trademarks and Other Intangible Assets

Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," classifies intangible assets into three categories: (1) intangible assets with definite lives subject to amortization; (2) intangible assets with indefinite lives not subject to amortization; and (3) goodwill. 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. Our equity method investees also perform such tests for impairment for intangible assets and/or goodwill. If an impairment charge was recorded by one of our equity method investees, the Company would record its proportionate share of such charge.

In 2006, our Company recorded a charge of approximately $602 million in the line item equity income net resulting from the impact of our proportionate share of an impairment charge recorded by CCE, which impacted Bottling Investments. Refer to the heading "Operations Review Equity Income Net" and Note 3 of Notes to Consolidated Financial Statements.

Our trademarks and other intangible assets determined to have definite lives are amortized over their useful lives. In accordance with SFAS No. 142, if conditions exist that indicate the carrying value may not be recoverable, we review such trademarks and other intangible assets with definite lives for impairment to ensure they are appropriately valued. Such conditions may include an economic downturn in a market or a change in the assessment of future operations. Trademarks and other intangible assets determined to have indefinite useful lives are not amortized. We test such trademarks and other intangible assets with indefinite useful lives for impairment annually, or more frequently if events or circumstances indicate that assets might be impaired. Goodwill is not amortized. We also perform tests for impairment of goodwill annually, or more frequently if events or circumstances indicate it might be impaired. All goodwill is assigned to reporting units, which are one level below our operating segments. Goodwill is assigned to the reporting unit that benefits from the synergies arising from each business combination. We perform our impairment tests of goodwill at our reporting unit level. Impairment tests for goodwill include comparing the fair value of the respective reporting unit with its carrying value, including goodwill. We use a variety of methodologies in conducting these impairment assessments, including cash flow analyses that, when appropriate, are consistent with the assumptions we believe hypothetical marketplace participants would use, estimates of sales proceeds and independent appraisals. Where applicable, we use an appropriate discount rate based on the Company's cost of capital rate or location-specific economic factors.

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

In December 2006, the Company entered into a purchase agreement with San Miguel Corporation and two of its subsidiaries (collectively, "SMC") to acquire all of the shares of capital stock of Coca-Cola Bottlers Philippines, Inc. ("CCBPI") held by SMC, representing 65 percent of all the issued and outstanding capital stock of CCBPI. CCBPI is the Company's authorized bottler in the Philippines. The transaction is subject to certain conditions. Upon the closing of this transaction, the Company will own 100 percent of the issued and outstanding capital stock of CCBPI. Management will continue to monitor the Philippines and conduct impairment reviews as required.

In 2005, our Company recorded impairment charges of approximately $84 million related to intangible assets. These intangible assets related to trademarks for beverages sold in the Philippines. The carrying value of our trademarks in the Philippines, prior to the recording of the impairment charges in 2005, was approximately $268 million. The impairments were the result of our revised outlook for the Philippines, which had been unfavorably impacted by declines in volume and income before income taxes resulting from the continued lack of an affordable package offering and the continued limited availability of these trademark beverages in the marketplace. We determined the amounts of the impairment charges by comparing the fair values of the intangible assets to their then carrying values. Fair values were derived using discounted cash flow analyses with a number of scenarios that were weighted based on the probability of different outcomes. Because the fair values were less than the carrying values of the assets, we recorded impairment charges to reduce the carrying values of the assets to fair values. In addition, in 2005, we recorded an impairment charge of approximately $4 million in the line item equity income net related to our proportionate share of a write-down of intangible assets recorded by our equity method investee bottler in the Philippines.

In 2004, our Company recorded impairment charges related to intangible assets of approximately $374 million, primarily related to franchise rights at CCEAG. CCEAG is a component of Bottling Investments. The CCEAG impairment charges were the result of our revised outlook for the German market, which was unfavorably impacted by volume declines resulting from market shifts related to the deposit law on nonrefillable beverage packages and the corresponding lack of availability of our products in the discount retail channel. The deposit law in Germany had led to discount chains creating proprietary nonrefillable packages that could only be returned to their own stores. We determined the amount of the impairment by comparing the fair value of the intangible assets to its then carrying value. Fair values were derived using discounted cash flow analyses with a number of scenarios that were weighted based on the probability of different outcomes. Because the fair value was less than the carrying value of the assets, we recorded an impairment charge to reduce the carrying value of the assets to fair value. These impairment charges were recorded in the line item other operating charges in our consolidated statement of income for 2004. At the end of 2004, the German government passed an amendment to the mandatory deposit legislation that requires retailers, including discount chains, to accept returns of each type of nonrefillable beverage package they sell, regardless of where the beverage package type was purchased. In addition, the mandatory deposit requirement was expanded to other beverage categories.

In August 2006, the Company announced that it had reached an agreement in principle with its independent bottlers in Germany regarding the creation of a single bottler. A non-binding letter of intent was signed containing the financial framework and the key conditions under which CCEAG and the seven independent bottlers will become one bottler. We currently expect that this consolidation will occur in 2007. The Company will be the majority owner of the consolidated bottling operation in Germany. The Company has considered and will continue to consider the effect of these future structural changes on the recoverability of noncurrent assets and investments in bottling operations in Germany.

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.

In addition, our customers can earn certain incentives, which are included in deductions from revenue, a component of net operating revenues in the consolidated statements of income. These incentives include, but are not limited to, cash discounts, funds for promotional and marketing activities, volume-based incentive programs and support for infrastructure programs. Refer to 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, was approximately $3.8 billion, $3.7 billion and $3.6 billion for the years ended December 31, 2006, 2005 and 2004, respectively.

Income Taxes

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("Interpretation No. 48"). Interpretation No. 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." Interpretation No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Interpretation No. 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. For our Company, Interpretation No. 48 was effective beginning January 1, 2007, and the cumulative effect adjustment will be recorded in the first quarter of 2007. We believe that the adoption of Interpretation No. 48 will not have a material impact on our consolidated financial statements.

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 at the time we determine it is probable we will be liable to pay additional taxes related to certain matters. 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. While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, we record a reserve when we determine the likelihood of loss is probable. Such liabilities are recorded in the line item accrued income taxes in the Company's consolidated balance sheets. Settlement of any particular issue would usually require the use of cash. Favorable resolutions of tax matters for which we have previously established reserves are recognized as a reduction to our income tax expense when the amounts involved become known.

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 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 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 American Jobs Creation Act of 2004 (the "Jobs Creation Act") was enacted in October 2004. Among other things, it provided a one-time benefit related to foreign tax credits generated by equity investments in prior years. In 2004, the Company recorded an income tax benefit of approximately $50 million as a result of this new law. The Jobs Creation Act also included a temporary incentive for U.S. multinationals to repatriate foreign earnings at an approximate 5.25 percent effective tax rate. During 2005, the Company repatriated approximately $6.1 billion in previously unremitted foreign earnings, with an associated tax liability of approximately $315 million. The reinvestment requirements of this repatriation are expected to be fulfilled by 2008 and are not expected to require any material change in the nature, amount or timing of future expenditures from what was otherwise expected. Refer to Note 1 and Note 17 of Notes to Consolidated Financial Statements.

The Company's effective tax rate is expected to be approximately 23 percent in 2007. This estimated tax rate does not reflect the impact of any unusual or special items that may affect our tax rate in 2007.

Contingencies

Our Company is subject to various claims and contingencies, mostly related to legal proceedings. Due to their nature, such legal proceedings 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 or other contingencies will not have a material adverse effect on the financial condition of the Company taken as a whole. Refer to Note 13 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 some finished beverages. Our organizational structure as of December 31, 2006 consisted of the following operating segments, the first seven of which are sometimes referred to as "operating groups" or "groups": Africa; East, South Asia and Pacific Rim; European Union; Latin America; North America; North Asia, Eurasia and Middle East; Bottling Investments; and Corporate. For further information regarding our operating segments, including a discussion of changes made to our operating segments during 2006, refer to Note 20 of Notes to Consolidated Financial Statements.

Volume

We measure our sales volume in two ways: (1) unit cases of finished products and (2) gallons. A "unit case" is a unit of measurement equal to 192 U.S. fluid ounces of finished beverage (24 eight-ounce servings). Unit case volume represents the number of unit cases of Company beverage products directly or indirectly sold by the Company and its bottling partners ("Coca-Cola system") to consumers. 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 it derives income. Such products licensed to, or distributed by, our Company or owned by Coca-Cola system bottlers account for a minimal portion of total unit case volume. In addition, unit case volume includes sales by joint ventures in which the Company is a partner. Unit case volume is derived based on estimates supplied by our bottling partners and distributors. A "gallon" is a unit of measurement for concentrates, syrups, beverage bases, finished beverages and powders (in all cases expressed in equivalent gallons of syrup) sold by the Company to its bottling partners or other customers. Most of our revenues are based on gallon sales, a primarily wholesale activity, as discussed under "Item 1. Business" in Part I of this report and the heading "Net Operating Revenues," below. Unit case volume and gallon sales growth rates are not necessarily equal during any given period. Items such as seasonality, bottlers' inventory practices, supply point changes, timing of price increases and new product introductions and changes in product mix can impact unit case volume and gallon sales and can create differences between unit case volume and gallon sales growth rates.

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

	Percentage Change			
	2006 vs. 2005		2005 vs. 2004	
Year Ended December 31,	Unit Cases[1,2]	Gallons	Unit Cases[1,2]	Gallons
Worldwide	4%	4%	4%	3%
International	6	5	5	4
Africa	4	3	6	7
East, South Asia and Pacific Rim	(5)	(4)	(4)	(6)
European Union	6	4		
Latin America	7	7	6	6
North America			2	1
North Asia, Eurasia and Middle East	11	7	15	10
Bottling Investments	16	N/A	6	N/A

[1] Bottling Investments 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 21.4 billion unit cases of our products in 2006, approximately 20.6 billion unit cases in 2005, and approximately 19.8 billion unit cases in 2004.

In Africa, unit case volume increased 4 percent in 2006 compared to 2005, reflecting growth across the majority of divisions, which was partially offset by a slight decline in Nigeria primarily related to affordability issues and competitive and economic pressure. The unit case volume increase in Africa was also partially offset by an industrywide temporary shortage in the supply of carbon dioxide in South Africa in the fourth quarter of 2006.

Unit case volume in East, South Asia and Pacific Rim decreased 5 percent in 2006 versus 2005, primarily due to a double-digit decline in the Philippines, which was mainly driven by the continued impact of affordability and availability issues. In December 2006, the Company and SMC entered into an agreement for the Company to acquire, subject to the fulfillment of certain conditions, the 65 percent ownership interest in CCBPI held by SMC. Upon the closing of the acquisition, the Company will own 100 percent of the issued and outstanding capital stock of CCBPI. The transaction is expected to close during the first quarter of 2007. The Company expects performance in the Philippines to remain weak during 2007. Performance in this operating segment was also impacted by a 5 percent decline in India primarily due to price increases in the second half of 2005 and steps taken to drive revenue growth and improve operating and working capital efficiency. The results in India reflected high single-digit declines in sparkling beverages which was partially offset by growth in still beverages. Continued investment in marketing initiatives around the quality and safety of our products and focus on execution in the consolidated bottling operations delivered positive results during the second half of 2006, despite the renewed unfounded allegations of unsafe pesticide levels in the Company's products.

Unit case volume in the European Union increased 6 percent in 2006 compared to 2005, primarily due to solid growth across all divisions driven by successful marketing campaigns, launches of Coca-Cola Zero in nine countries and favorable weather in the second half of 2006. In addition, the acquisition of Apollinaris GmbH, a German premium source water brand ("Apollinaris"), and the joint acquisition of Fonti del Vulture S.r.l., also known as Traficante, an Italian mineral water company, with Coca-Cola HBC during 2006 contributed approximately 2 percentage points of unit case volume growth in 2006. Unit case volume in Germany increased 5 percent in 2006 versus 2005, and reflected strong growth of Trademark Coca-Cola in 2006 compared to 2005. The results were driven by improved marketplace execution capabilities, the launch of Coca-Cola Zero in July 2006, increased availability in the discounter channel and generally favorable weather. As mentioned above, the acquisition of Apollinaris also contributed to unit case volume growth in Germany. The Company expects stabilizing trends in Germany to continue during 2007. Unit case volume in Northwest Europe increased 3 percent in 2006 versus 2005 as performance stabilized. The results reflected 3 percent unit case volume growth in sparkling beverages, led by growth of Trademark Coca-Cola, and solid growth in still beverages. In addition, the successful launch of Coca-Cola Zero in Great Britain at the end of June 2006 and generally favorable weather during the second half of the year contributed to the performance. Unit case volume in Iberia increased 6 percent in 2006 versus 2005, led by strong growth in Spain.

In Latin America, unit case volume increased 7 percent in 2006 versus 2005, primarily due to growth in sparkling beverages led by growth of Trademark Coca-Cola. This performance was seen in all key markets, especially Brazil, Mexico and Argentina. In Mexico, the increase in unit case volume was driven by strong growth in Trademark Coca-Cola. In Brazil, strong marketing and bottler execution led to unit case volume growth in sparkling beverages. In Argentina, consumer marketing activities and bottler execution drove unit case volume growth. Additionally, in December 2006, the Company and Coca-Cola FEMSA entered into an agreement to jointly acquire Jugos del Valle, S.A.B. de C.V., the second largest producer of packaged juices, nectars and fruit-flavored beverages in Mexico and the largest producer of such products in Brazil.

Unit case volume in North America was even in 2006 versus 2005. Foodservice and Hospitality unit case volume increased 1 percent in 2006, reflecting growth in all key beverage categories. Unit case volume in Retail decreased 1 percent primarily driven by weak sparkling beverage trends in the second half of 2006, declines in the warehouse-delivered water business resulting from the strategic decision to refocus resources behind the more profitable Dasani business and declines in the warehouse-delivered juice business as a result of price increases to cover higher ingredient costs. These declines in Retail were partially offset by the continued success of Dasani, Coca-Cola Zero and Powerade, as well as the introduction of Black Cherry Vanilla Coca-Cola and the national rollout of Vault. In February 2007, our Company entered into an agreement to purchase Fuze

Beverage, LLC, maker of Fuze enhanced juices, teas, waters and energy drinks. The Company expects performance in North America to be weak during 2007.

In North Asia, Eurasia and Middle East, unit case volume grew 11 percent in 2006 compared to 2005, led by double-digit growth in China, Russia and Turkey, partially offset by a 3 percent decline in Japan. The increase in unit case volume in China was led by significant growth in both sparkling and still beverages. The unit case volume growth in Russia and Turkey was the result of improving macroeconomic trends, strong bottler execution and successful marketing programs. Unit case volume in Russia also benefited from the full-year impact of the joint acquisition of Multon, compared to a partial year in 2005. The Company and Coca-Cola HBC jointly acquired Multon, a Russian juice company, in April 2005. The decrease in unit case volume in Japan was primarily due to weakness across core brands including Trademark Coca-Cola, Georgia Coffee and our green tea brands. However, results in Japan gradually improved during 2006 and position Japan for growth in 2007.

Unit case volume for Bottling Investments increased 16 percent in 2006 versus 2005, primarily due to the acquisition of Kerry Beverages Limited, which was subsequently renamed Coca-Cola China Industries Limited ("CCCIL"), and the acquisitions of TJC Holdings (Pty) Ltd., a South African bottling company ("TJC"), and Apollinaris. The Company intends to sell a portion of its investment in TJC to Black Economic Empowerment entities at a future date. Unit case volume for Bottling Investments also increased due to the consolidation of Brucephil, Inc. ("Brucephil"), the parent company of The Philadelphia Coca-Cola Bottling Company. In the third quarter of 2006, our Company signed agreements with J. Bruce Llewellyn and Brucephil for the potential purchase of the remaining shares of Brucephil not currently owned by the Company. The agreements provide for the Company's purchase of the shares upon the election of Mr. Llewellyn or the election of the Company. Based on the terms of these agreements, the Company concluded that it must consolidate Brucephil under Interpretation No. 46(R). Brucephil's financial statements were consolidated effective September 29, 2006. The acquisition of the German bottling company Bremer Erfrischungsgetraenke GmbH ("Bremer") during the third quarter of 2005 also contributed to unit case volume increases in 2006, reflecting the impact of full-year unit case volume in 2006 for Bremer compared to a partial year in 2005. The unit case volume increase was partially offset by a decline in India.

In Africa, unit case volume increased 6 percent in 2005 compared to 2004. This increase was driven by growth in core sparkling beverages as well as still beverages across all divisions in this operating segment.

In East, South Asia and Pacific Rim, unit case volume decreased 4 percent in 2005 compared to 2004, primarily due to declines in India and the Philippines. The decline in India was related to the impact of price increases to cover rising raw material and distribution costs and the lingering effects of the 2003 pesticide allegations. The decline in the Philippines was primarily related to affordability and availability issues.

Unit case volume in the European Union was even in 2005 versus 2004, primarily due to strong growth in Spain and Central Europe partially offset by declines primarily in Germany and Northwest Europe. Unit case volume in Germany declined 2 percent in 2005 due to the continued impact of the mandatory deposit legislation on the availability of nonrefillable packages and the corresponding limited availability of our products in the discount retail channel, along with overall industry weakness. In the second half of 2005, the Company achieved availability of a limited range of its products in most discounters. Results in Germany stabilized in the second half of 2005. Unit case volume in Northwest Europe declined 3 percent in 2005, primarily due to the soft economic environment and declines in sparkling beverages, which was associated with a decrease in competitors' prices at retailers, and the discount channel becoming a larger part of the retail market, together with a shift in consumer preferences away from regular sparkling beverages driven by health and wellness trends and the associated public opinion, media and government attention.

Unit case volume for Latin America increased 6 percent in 2005 versus 2004, reflecting strong growth in Brazil, Argentina and Mexico, primarily due to growth in sparkling beverages. The increase in Brazil and Mexico was primarily due to strong marketing, execution and package innovation.

In North America, unit case volume in Retail increased 2 percent in 2005 versus 2004, reflecting improved performance in the bottler-delivered business primarily related to Dasani, Coca-Cola Zero and still beverages, along with growth in the warehouse juice and warehouse water operations. Foodservice and Hospitality had a 1 percent increase in 2005 compared to 2004, reflecting improved trends in restaurant traffic and the impact of a new customer conversion partially offset by the impact of higher fuel costs and Hurricane Katrina on consumer restaurant spending.

In North Asia, Eurasia and Middle East, unit case volume grew 15 percent in 2005 versus 2004, led by 22 percent growth in China, 2 percent growth in Japan, 54 percent growth in Russia and 14 percent growth in Turkey. The increase in unit case volume in China was led by significant growth in both sparkling and still beverages. Japan's growth was primarily due to new product introductions. The unit case volume growth in Turkey was largely due to improving macroeconomic trends, strong bottler execution and successful marketing programs. The unit case volume growth in Russia was the result of the joint acquisition of Multon as well as improving macroeconomic trends, strong bottler execution and successful marketing programs.

Unit case volume for Bottling Investments increased 6 percent in 2005 versus 2004, primarily related to the acquisitions and full-year impact of consolidation of certain bottling operations under Interpretation No. 46(R). The unit case volume increase in 2005 was partially offset by a decline in India bottling operations and dispositions of certain bottling operations.

Gallon Sales

Company-wide gallon sales and unit case volume both grew 4 percent in 2006 when compared to 2005. In Africa, the gallon sales increase was lower than the unit case volume increase mostly due to planned inventory reductions in Nigeria. In East, South Asia and Pacific Rim, the gallon sales decline was lower than the unit case volume decline due to demand for Coca-Cola Zero in Australia and timing of gallon sales in India. In the European Union, unit case volume increased ahead of gallon sales volume due to timing of gallon sales. Both in Latin America and North America, gallon sales and unit case volume were approximately equal. In North Asia, Eurasia and Middle East, unit case volume increased ahead of gallon sales primarily due to inventory reductions in Russia. Unit case volume growth also reflected the impact of a full-year of unit case volume compared to a partial year in 2005 due to the joint acquisition of Multon with Coca-Cola HBC in the second quarter of 2005. The Company only reports unit case volume related to Multon, as the Company does not sell concentrates or syrups to Multon.

Company-wide gallon sales grew 3 percent while unit case volume grew 4 percent in 2005 compared to 2004. In Africa, gallon sales growth of 7 percent exceeded unit case volume growth of 6 percent in 2005 compared to 2004, primarily due to timing of gallon shipments. In East, South Asia and Pacific Rim, the gallon sales decline was higher than the unit case volume decline primarily due to timing of gallon sales in India and the impact of 2005 planned inventory reductions in Australia. Both in the European Union and in Latin America, gallon sales growth and unit case volume growth were even in 2005 versus 2004. In North America, gallon sales increased 1 percent while unit case volume increased 2 percent, primarily due to the impact of higher gallon sales in 2004 related to the launch of Coca-Cola C2 and a change in shipping routes in 2004. In North Asia, Eurasia and Middle East, unit case volume increased ahead of gallon sales volume due to the joint acquisition of Multon, which contributed to unit case volume in 2005, along with timing of 2004 gallon sales, which impacted most of the remaining divisions in the operating segment. Multon had full-year unit case volume of approximately 80 million unit cases in 2004.

Analysis of Consolidated Statements of Income

Year Ended December 31,	**2006**	2005	2004	Percent Change 2006 vs. 2005	Percent Change 2005 vs. 2004
(In millions except per share data and percentages)					
NET OPERATING REVENUES	**$ 24,088**	$ 23,104	$ 21,742	4%	6%
Cost of goods sold	**8,164**	8,195	7,674	0	7
GROSS PROFIT	**15,924**	14,909	14,068	7	6
GROSS PROFIT MARGIN	**66.1%**	64.5%	64.7%		
Selling, general and administrative expenses	**9,431**	8,739	7,890	8	11
Other operating charges	**185**	85	480	*	*
OPERATING INCOME	**6,308**	6,085	5,698	4	7
OPERATING MARGIN	**26.2%**	26.3%	26.2%		
Interest income	**193**	235	157	(18)	50
Interest expense	**220**	240	196	(8)	22
Equity income net	**102**	680	621	(85)	10
Other income (loss) net	**195**	(93)	(82)	*	*
Gains on issuances of stock by equity investees		23	24	*	*
INCOME BEFORE INCOME TAXES	**6,578**	6,690	6,222	(2)	8
Income taxes	**1,498**	1,818	1,375	(18)	32
Effective tax rate	**22.8%**	27.2%	22.1%		
NET INCOME	**$ 5,080**	$ 4,872	$ 4,847	4%	1%
PERCENTAGE OF NET OPERATING REVENUES	**21.1%**	21.1%	22.3%		
NET INCOME PER SHARE:					
Basic	**$ 2.16**	$ 2.04	$ 2.00	6%	2%
Diluted	**$ 2.16**	$ 2.04	$ 2.00	6%	2%

* Calculation is not meaningful.

Net Operating Revenues

Net operating revenues increased by $984 million or 4 percent in 2006 versus 2005. Net operating revenues increased by $1,362 million or 6 percent in 2005 versus 2004.

The following table indicates, on a percentage basis, the estimated impact of key factors resulting in significant increases (decreases) in net operating revenues:

	Percent Change	
Year Ended December 31,	2006 vs. 2005	2005 vs. 2004
Increase in gallon sales	4%	3%
Structural changes	(2)	0
Price and product/geographic mix	2	1
Impact of currency fluctuations versus the U.S. dollar	0	2
Total percentage increase	4%	6%

Refer to the heading "Volume" for a detailed discussion on gallon sales.

"Structural changes" refers to acquisitions or dispositions of bottling or canning operations and consolidation or deconsolidation of bottling entities for accounting purposes. In 2006, structural changes decreased net operating revenues by 2 percent compared to 2005, primarily due to the change of the business model in Spain, partially offset by the acquisitions of Bremer in the third quarter of 2005, TJC in the first quarter of 2006, CCCIL in the third quarter of 2006 and the consolidation of Brucephil under Interpretation No. 46(R) effective September 29, 2006. Refer to Note 19 of Notes to Consolidated Financial Statements. Effective January 1, 2006, the Company granted our bottling partners in Spain the rights to manufacture and distribute Company trademarked products in can packages. Prior to granting these rights to our bottling partners, the Company held the manufacturing and distribution rights for these can packages in Spain. In connection with granting these rights, the Company reduced our planned future annual marketing support payments to our bottling partners in Spain. These changes resulted in a reduction of net operating revenues and cost of goods sold. This change did not materially impact gross profit for 2006. If the change had occurred as of January 1, 2005, net operating revenues for 2005 would have been reduced by approximately $779 million.

Price and product/geographic mix increased net operating revenues by 2 percent in 2006 compared to 2005, primarily due to price increases across the majority of the operating segments and improved pricing and product/package mix in Bottling Investments partially offset by unfavorable product mix primarily in Japan.

In 2005, structural changes reflect the impact of a full year of revenue in 2005 for variable interest entities compared to a partial year in 2004. Under Interpretation No. 46(R), the results of operations of variable interest entities in which the Company was determined to be the primary beneficiary were included in our consolidated results beginning April 2, 2004. Refer to Note 1 of Notes to Consolidated Financial Statements. The acquisition of Bremer during the third quarter of 2005 also favorably impacted net operating revenues. Refer to Note 19 of Notes to Consolidated Financial Statements. These increases in net operating revenues were offset by the dispositions of certain bottling and canning operations which were not material individually or in aggregate.

The favorable impact of foreign currency fluctuations in 2005 versus 2004 resulted from the strength of most key foreign currencies versus the U.S. dollar, especially a stronger euro, which favorably impacted the European Union and Bottling Investments, and a stronger Brazilian real and Mexican peso, that favorably impacted Latin America and Bottling Investments. The favorable impact of fluctuation in these currencies was partially offset by a weaker Japanese yen, which unfavorably impacted North Asia, Eurasia and Middle East. Refer to the heading "Liquidity, Capital Resources and Financial Position Foreign Exchange."

Price and product/geographic mix increased net operating revenues by 1 percent in 2005 compared to 2004, primarily due to price increases across the majority of the operating segments and improved product/package mix in Bottling Investments, partially offset by unfavorable country mix.

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

Year Ended December 31,	**2006**	2005	2004
Africa	**4.6%**	4.8%	4.4%
East, South Asia and Pacific Rim	**3.3**	3.1	3.2
European Union	**14.6**	17.8	18.0
Latin America	**10.3**	8.9	8.2
North America	**29.1**	28.9	29.5
North Asia, Eurasia and Middle East	**16.5**	17.7	17.9
Bottling Investments	**21.2**	18.4	18.3
Corporate	**0.4**	0.4	0.5
	100.0%	100.0%	100.0%

The percentage contribution of each operating segment has changed due to net operating revenues in certain segments growing at a faster rate compared to the other operating segments, the impact of foreign currency fluctuations; and the acquisitions of CCCIL and TJC, and the consolidation of Brucephil under Interpretation No. 46(R), which impacted Bottling Investments. The acquisition of Bremer during the third quarter of 2005 also increased net operating revenues in 2006, reflecting the impact of full-year net operating revenues in 2006 for Bremer compared to a partial year in 2005.

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

Our gross profit margin increased to 66.1 percent in 2006 from 64.5 percent in 2005. Our gross margin was favorably impacted by the change in the business model in Spain, as discussed above. Other structural changes, which included the consolidation of Brucephil under Interpretation No. 46(R) in 2006, the acquisitions of CCCIL and TJC in 2006, and the acquisition of Bremer in 2005, unfavorably impacted our gross profit margin. Generally, bottling and finished product operations produce higher net operating revenues but lower gross profit margins compared to concentrate and syrup operations. Our gross margin in 2006 was also impacted favorably by price increases, partially offset by increases in the cost of raw materials and freight, primarily in North America, and by an unfavorable product mix, primarily in Japan. Gross profit margin in 2005 was favorably impacted by the receipt of approximately $109 million in proceeds related to a class action lawsuit settlement concerning price-fixing in the sale of high fructose corn syrup ("HFCS") purchased by the Company during the years 1991 to 1995. Subsequent to the receipt of this settlement, the Company distributed approximately $62 million to certain bottlers in North America. From 1991 to 1995, the Company purchased HFCS on behalf of those bottlers. Therefore, those bottlers ultimately were entitled to a portion of the proceeds. The Company's portion of the settlement was approximately $47 million, which was recorded as a reduction of cost of goods sold and impacted Corporate. Refer to Note 18 of Notes to Consolidated Financial Statements.

In 2007, the Company expects the cost of raw materials to increase, primarily in North America. We will attempt to mitigate the overall impact on our business through appropriate pricing and other strategies.

Our gross profit margin decreased to 64.5 percent in 2005 from 64.7 percent in 2004, primarily due to higher raw material and freight costs driven by rising oil prices. This decrease was partially offset by the receipt of net settlement proceeds of approximately $47 million, as discussed above. Our gross margin was also impacted by the consolidation of certain bottling operations under Interpretation No. 46(R) as of April 2, 2004. Refer to Note 1 of Notes to Consolidated Financial Statements.

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,	**2006**	2005	2004
Selling expenses	**$ 3,924**	$ 3,453	$ 3,031
Advertising expenses	**2,553**	2,475	2,165
General and administrative expenses	**2,630**	2,487	2,349
Stock-based compensation expense	**324**	324	345
Selling, general and administrative expenses	**$ 9,431**	$ 8,739	$ 7,890

Total selling, general and administrative expenses were approximately 8 percent higher in 2006 versus 2005. The increases in selling and advertising expenses were primarily related to increased investments in marketing activities, including World Cup and Winter Olympics promotions in the European Union, combined with new product innovation activities and increased costs in our consolidated bottling investments as a result of acquisitions and consolidation of certain bottling operations. General and administrative expenses increased due to higher costs in Bottling Investments related to the acquisitions of CCCIL and TJC and the consolidation of Brucephil under Interpretation No. 46(R). The acquisition of Bremer during the third quarter of 2005 also increased general and administrative expenses in 2006, reflecting a full-year impact in 2006 for Bremer compared to a partial year in 2005. General and administrative expenses in 2006 also reflected the impact of a $100 million donation made to The Coca-Cola Foundation, which impacted Corporate. Stock-based compensation expense was flat in 2006 compared to 2005. Stock-based compensation expense in 2005 included approximately $50 million of expense due to a change in our estimated service period for retirement-eligible participants in our plans. This amount was offset primarily by the impact of the timing of stock-based compensation grants in prior years.

As of December 31, 2006, we had approximately $376 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under our plans. This cost is expected to be recognized as stock-based compensation expense over a weighted-average period of 1.7 years. This expected cost does not include the impact of any future stock-based compensation awards. Refer to Note 15 of Notes to Consolidated Financial Statements.

Total selling, general and administrative expenses were approximately 11 percent higher in 2005 versus 2004. Approximately 1 percentage point of this increase was due to an overall weaker U.S. dollar (especially compared to the Brazilian real, the Mexican peso and the euro). The increase in selling, advertising and general and administrative expenses was primarily related to increased marketing and innovation expenses and the full-year impact of the consolidation of certain bottling operations under Interpretation No. 46(R). The decrease in stock-based compensation expense was primarily related to the lower average fair value per share of stock options expensed in 2005 compared to the average fair value per share expensed in 2004. This decrease was partially offset by approximately $50 million of accelerated amortization of compensation expense related to a change in our estimated service period for retirement-eligible participants when the terms of their stock-based compensation awards provided for accelerated vesting upon early retirement. Refer to Note 15 of Notes to Consolidated Financial Statements.

Other Operating Charges

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

Year Ended December 31,	**2006**	2005	2004
Africa	**$ 3**	$	$
East, South Asia and Pacific Rim	**44**	85	
European Union	**36**		
Latin America			
North America			18
North Asia, Eurasia and Middle East	**17**		
Bottling Investments	**84**		398
Corporate	**1**		64
Total	**$ 185**	$ 85	$ 480

During 2006, our Company recorded other operating charges of $185 million. Of these charges, approximately $108 million were primarily related to the impairment of assets and investments in our bottling operations, approximately $53 million were for contract termination costs related to production capacity efficiencies and approximately $24 million were related to other restructuring costs. None of these charges was individually significant. The impairment charges were primarily the result of a revised outlook for certain assets and bottling operations in Asia, which have been impacted by unfavorable market conditions and declines in volume. Refer to the discussion under "Critical Accounting Policies and Estimates Goodwill, Trademarks and Other Intangible Assets," above.

Other operating charges in 2005 reflected the impact of approximately $84 million of expenses related to impairment charges for intangible assets and approximately $1 million related to impairments of other assets. These intangible assets primarily relate to trademark beverages sold in the Philippines, which is part of East, South Asia and Pacific Rim. Refer to the heading "Critical Accounting Policies and Estimates Goodwill, Trademarks and Other Intangible Assets."

Other operating charges in 2004 reflected the impact of approximately $480 million of expenses primarily related to impairment charges for franchise rights and certain manufacturing assets. Bottling Investments accounted for approximately $398 million of the impairment charges, which were primarily related to the impairment of franchise rights at CCEAG. For a discussion of the operating environment in Germany, refer to the heading "Critical Accounting Policies and Estimates Goodwill, Trademarks and Other Intangible Assets." Corporate accounted for approximately $64 million of impairment charges, which were primarily related to the impairment of certain manufacturing assets.

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,	**2006**	2005	2004
Africa	**6.7%**	6.5%	5.9%
East, South Asia and Pacific Rim	**5.7**	4.6	7.7
European Union	**35.7**	36.5	37.3
Latin America	**23.0**	19.3	18.5
North America	**26.7**	25.5	28.2
North Asia, Eurasia and Middle East	**24.7**	29.0	29.3
Bottling Investments		(1.0)	(8.0)
Corporate	**(22.5)**	(20.4)	(18.9)
	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,	**2006**	2005	2004
Consolidated	**26.2%**	26.3%	26.2%
Africa	**38.4%**	35.8%	35.0%
East, South Asia and Pacific Rim	**45.0**	39.5	62.2
European Union	**64.3**	54.1	54.3
Latin America	**57.9**	57.0	59.2
North America	**24.0**	23.3	25.0
North Asia, Eurasia and Middle East	**39.1**	42.4	43.0
Bottling Investments		(1.0)	(11.4)
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 2006, foreign currency exchange rates unfavorably impacted operating income by approximately 1 percent, primarily related to a weaker Japanese yen, which impacted North Asia, Eurasia and Middle East. The unfavorable impact from the weaker Japanese yen was partially offset by favorable foreign currency exchange rate changes primarily related to the euro, which impacted the European Union and Bottling Investments, and the Brazilian real, which impacted Latin America and Bottling Investments.

In 2006, price increases across the majority of operating segments favorably impacted both operating income and operating margins.

In 2006, 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."

In 2006, operating income was reduced by approximately $3 million for Africa, $44 million for East, South Asia and Pacific Rim, $36 million for the European Union, $17 million for North Asia, Eurasia and Middle East, $88 million for Bottling Investments and $1 million for Corporate primarily due to contract termination costs related to production capacity efficiencies, asset impairments and other restructuring costs. Refer to Note 20 of Notes to Consolidated Financial Statements.

In 2006, the increase in operating margin for the European Union was primarily due to a change in the business model in Spain. Refer to the headings "Net Operating Revenues" and "Gross Profit," above.

In 2006, the decrease in operating income and operating margin for North Asia, Eurasia and Middle East was primarily due to unfavorable product mix in Japan, which was partially offset by increased operating income in Russia and Turkey. Operating margins in Japan are higher than the operating margins in Russia and Turkey.

In 2006, the increase in operating income and operating margin for Bottling Investments was primarily due to price increases, favorable package mix and actions to improve efficiency.

In 2006, operating income was reduced by $100 million for Corporate as a result of a donation made to The Coca-Cola Foundation.

In 2005, operating income increased approximately 7 percent. Of this amount, 4 percent was due to favorable foreign currency exchange primarily related to the Brazilian real and the Mexican peso, which impacted Latin America and Bottling Investments, and the euro, which impacted the European Union and Bottling Investments.

In 2005, operating income was impacted by an increase in net operating revenues and gross profit, partially offset by increased spending on marketing and innovation activities in each operating segment. Refer to the headings "Net Operating Revenues" and "Selling, General and Administrative Expenses."

In 2005, as a result of impairment charges totaling approximately $85 million related to the Philippines, operating margins in the East, South Asia and Pacific Rim operating segment decreased. Refer to the heading "Other Operating Charges."

In 2005, operating income in Corporate decreased $146 million, primarily due to increased marketing and innovation expenses, which were partially offset by our receipt of a net settlement of approximately $47 million related to a class action lawsuit concerning the purchase of HFCS. Refer to the headings "Gross Profit" and "Selling, General and Administrative Expenses."

In 2004, operating income was reduced by approximately $18 million for North America, $398 million for Bottling Investments and $64 million for Corporate as a result of impairment charges. Refer to the heading "Other Operating Charges."

In 2004, operating income increased approximately 9 percent. Of this amount, 8 percent was due to favorable foreign currency exchange primarily related to the euro, which impacted the European Union, and the Japanese yen, which impacted North Asia, Eurasia and Middle East.

In 2004, as a result of the creation of a nationally integrated supply chain management company in Japan, operating margins in North Asia, Eurasia and Middle East increased. Effective October 1, 2003, the Company and all of our bottling partners in Japan created a nationally integrated supply chain management company to centralize procurement, production and logistics operations for the entire Coca-Cola system in Japan. As a result, a portion of our Company's business was essentially converted from a finished product business model to a concentrate business model. This shift of certain products to a concentrate business model resulted in reductions in our revenues and cost of goods sold, each in the same amount. This change in the business model did not impact gross profit. Generally, concentrate and syrup operations produce lower net revenues but higher operating margins compared to finished product operations.

In 2004, as a result of the consolidation of certain bottling operations that are considered variable interest entities under Interpretation No. 46(R), operating margin for Bottling Investments was reduced. Generally, bottling operations produce higher net revenues but lower operating margins compared to concentrate and syrup operations.

In 2004, operating income in Corporate increased $75 million due to the receipt of an insurance settlement related to the class action lawsuit which was settled in 2000.

In 2004, operating income in Corporate decreased $75 million due to a donation to The Coca-Cola Foundation.

Interest Income and Interest Expense

We monitor our mix of fixed-rate and variable-rate debt as well as our mix of short-term debt versus long-term debt. From time to time we enter into interest rate swap agreements to manage our mix of fixed-rate and variable-rate debt.

In 2006, interest income decreased by $42 million compared to 2005, primarily due to lower average short-term investment balances, partially offset by higher average interest rates. Interest expense in 2006 decreased by $20 million compared to 2005. This decrease is primarily the result of lower average balances on commercial paper borrowings, partially offset by higher average interest rates. We expect 2007 net interest expense to increase due to forecasted lower cash balances and higher debt balances.

In 2005, interest income increased by $78 million compared to 2004, primarily due to higher average short-term investment balances and higher average interest rates on U.S. dollar denominated deposits. Interest expense in 2005 increased by $44 million compared to 2004, primarily due to higher average interest rates on commercial paper borrowings in the United States, partially offset by lower interest expense at CCEAG due to the repayment of current maturities of long-term debt in 2005.

Equity Income Net

Our Company's share of income from equity method investments for 2006 totaled $102 million, compared to $680 million in 2005, a decrease of $578 million. Equity income in 2006 was reduced by approximately $602 million resulting from the impact of our proportionate share of an impairment charge recorded by CCE. CCE recorded a $2.9 billion pretax ($1.8 billion after tax) impairment of its North American franchise rights. The decline in the estimated fair value of CCE's North American franchise rights was the result of several factors, including but not limited to (1) CCE's revised outlook on 2007 raw material costs driven by significant increases in aluminum and HFCS; (2) a challenging marketplace environment with increased pricing pressures in several high-growth beverage categories; and (3) increased interest rates contributing to a higher discount rate and corresponding capital charge. Our 2006 equity income net also reflected a net decrease of approximately $37 million primarily related to other impairment and restructuring charges recorded by CCE and certain other equity method investees, partially offset by approximately $33 million related to our proportionate share of favorable changes in certain of CCE's state and Canadian federal and provincial tax rates. In addition, our 2006 equity income was slightly impacted by the Company's sale of shares representing 8 percent of the capital stock of Coca-Cola FEMSA. The Company sold these shares to Fomento Economico Mexicano, S.A.B. de C.V. ("FEMSA"), the major shareowner of Coca-Cola FEMSA, in November 2006. As a result of this sale, our ownership interest in Coca-Cola FEMSA was reduced from approximately 40 percent to approximately 32 percent. The decrease in 2006 equity income was also the result of the sale of a portion of our investment in Coca-Cola Icecek A.S. ("Coca-Cola Icecek") in an initial public offering during the second quarter of 2006. As a result of this public offering, our Company's interest in Coca-Cola Icecek decreased from approximately 36 percent to approximately 20 percent. These reductions in ownership of Coca-Cola FEMSA and Coca-Cola Icecek will reduce our future equity income related to these equity method investees. Refer to Note 3 of Notes to Consolidated Financial Statements. The decrease in equity income for 2006 was partially offset by our Company's proportionate share of increased net income from certain of the equity method investees and our proportionate share of the net income of the Multon juice joint venture in Russia.

In February 2007, CCE announced that it would restructure segments of its Corporate, North America and European operations. As a part of the restructuring, CCE expects a net job reduction of approximately 3,500 positions, or 5 percent of its total workforce. CCE expects this restructuring will result in a charge of approximately $300 million, with the majority to be recognized in 2007 and 2008. The Company's equity income in 2007 and 2008 will reflect our proportionate share of the restructuring charges recorded by CCE.

Our Company's share of income from equity method investments for 2005 totaled $680 million compared to $621 million in 2004, an increase of $59 million or 10 percent, primarily due to the overall improving health of the Coca-Cola bottling system in most of the world and the joint acquisition of Multon in April 2005. The increase was offset by approximately $33 million related to our proportionate share of certain charges recorded by CCE. These charges included approximately $51 million, primarily related to the tax liability resulting from the repatriation of previously unremitted foreign earnings under the Jobs Creation Act, and approximately $18 million due to restructuring charges recorded by CCE. These charges were offset by approximately $37 million from CCE's HFCS lawsuit settlement and changes in certain of CCE's state and provincial tax rates.

Other Income (Loss) Net

Other income (loss) net was a net income of $195 million for 2006 compared to a net loss of $93 million for 2005, a difference of $288 million. In 2006, other income (loss) net included a gain of approximately $175 million resulting from the sale of a portion of our Coca-Cola FEMSA shares to FEMSA and a gain of approximately $123 million resulting from the sale of a portion of our investment in Coca-Cola Icecek shares in an initial public offering. Refer to Note 18 of Notes to Consolidated Financial Statements. This line item in 2006 also included $15 million in foreign currency exchange losses, the accretion of $58 million for the discounted value of our liability to purchase CCEAG shares (refer to Note 8 of Notes to Consolidated Financial Statements) and the minority shareowners' proportional share of net income of certain consolidated subsidiaries.

Other income (loss) net amounted to a net loss of $93 million for 2005 compared to a net loss of $82 million for 2004, a difference of $11 million. The difference was primarily related to a reduction in foreign exchange losses. This line item in 2005 primarily consisted of $23 million in foreign currency exchange losses, the accretion of $60 million for the discounted value of our liability to purchase CCEAG shares (refer to Note 8 of Notes to Consolidated Financial Statements) and the minority shareowners' proportional share of net income of certain consolidated subsidiaries.

Gains on Issuances of Stock by Equity Method Investees

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

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

In 2005, our Company recorded approximately $23 million of noncash pretax gains on the issuances of stock by equity method investees. The issuances primarily related to Coca-Cola Amatil's issuance of common stock in connection with the acquisition of SPC Ardmona Pty. Ltd., an Australian packaged fruit company. These issuances of common stock reduced our ownership interest in the total outstanding shares of Coca-Cola Amatil from approximately 34 percent to approximately 32 percent.

In 2004, our Company recorded approximately $24 million of noncash pretax gains on issuances of stock by CCE. The issuances primarily related to the exercise of CCE stock options by CCE employees at amounts greater than the book value per share of our investment in CCE. These issuances of stock reduced our ownership interest in the total outstanding shares of CCE common stock from approximately 37 percent to approximately 36 percent.

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.

Our effective tax rate of approximately 22.8 percent for the year ended December 31, 2006, included the following:

a tax benefit of approximately 1.8 percent primarily related to the sale of a portion of our investments in Coca-Cola Icecek and Coca-Cola FEMSA. The tax benefit was a result of the reversal of a valuation allowance that covered certain deferred tax assets recorded on capital loss carryforwards. The reversal of the valuation allowance was offset by a reduction of deferred tax assets due to the utilization of these capital loss carryforwards. These capital loss carryforwards offset the taxable gain on the sale of a portion of our investments in Coca-Cola Icecek and Coca-Cola FEMSA. Also included in this tax benefit is the reversal of the deferred tax liability recorded for the differences between the financial reporting and tax bases in the stock sold;

an income tax benefit primarily related to the impairment of assets and investments in our bottling operations, contract termination costs related to production capacity efficiencies and other restructuring charges at a rate of approximately 16 percent;

a tax charge of approximately $24 million related to the resolution of certain tax matters; and

an income tax benefit related to our proportionate share of CCE's charges recorded at a rate of approximately 8.8 percent. Refer to Note 3 and Note 18 of Notes to Consolidated Financial Statements.

Our effective tax rate of approximately 27.2 percent for the year ended December 31, 2005, included the following:

an income tax benefit primarily related to the Philippines impairment charges at a rate of approximately 4 percent;

an income tax benefit of approximately $101 million related to the reversal of previously accrued taxes resulting from the favorable resolution of various tax matters; and

a tax provision of approximately $315 million related to repatriation of previously unremitted foreign earnings under the Jobs Creation Act.

Our effective tax rate of approximately 22.1 percent for the year ended December 31, 2004, included the following:

an income tax benefit of approximately $128 million related to the reversal of previously accrued taxes resulting from the favorable resolution of various tax matters;

an income tax benefit on "Other Operating Charges," discussed above, at a rate of approximately 36 percent;

an income tax provision of approximately $75 million related to the recording of a valuation allowance on deferred tax assets of CCEAG; and an income tax benefit of approximately $50 million as a result of the realization of certain tax credits related to the Jobs Creation Act.

Based on current tax laws, the Company's effective tax rate in 2007 is expected to be approximately 23 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. We expect cash flows from operating activities to be strong in 2007 and in future years. Accordingly, our Company expects to meet all of our financial commitments and operating needs for the foreseeable future. We expect to use cash generated from operating activities primarily for dividends, share repurchases, acquisitions and aggregate contractual obligations.

Cash Flows from Operating Activities

Net cash provided by operating activities for the years ended December 31, 2006, 2005 and 2004 was approximately $6.0 billion, $6.4 billion and $6.0 billion, respectively.

Cash flows from operating activities decreased 7 percent in 2006 compared to 2005. This decrease was primarily the result of payments in 2006 of marketing accruals recorded in 2005 related to increased marketing and innovation activities and increased tax payments made in the first quarter of 2006 related to the 2005 repatriation of foreign earnings under the Jobs Creation Act. This decrease was partially offset by an increase in cash receipts in 2006 from customers, which was driven by a 4 percent growth in net operating revenues. Our cash flows from operating activities in 2006 also decreased versus 2005 as a result of a contribution of approximately $216 million to a U.S. Voluntary Employee Beneficiary Association ("VEBA"), a tax-qualified trust to fund retiree medical benefits (refer to Note 16 of Notes to Consolidated Financial Statements) and a $100 million donation made to The Coca-Cola Foundation.

Cash flows from operating activities increased 8 percent in 2005 compared to 2004. The increase was primarily related to an increase in cash receipts from customers, which was driven by a 6 percent growth in net operating revenues. These higher cash collections were offset by increased payments to suppliers and vendors, including payments related to our increased marketing spending. Our cash flows from operating activities in 2005 also improved versus 2004 as a result of a $137 million reduction in payments related to our 2003 streamlining initiatives. Cash flows from operating activities in 2005 were unfavorably impacted by a $176 million increase in income tax payments primarily related to payment of a portion of the tax provision associated with the repatriation of previously unremitted foreign earnings under the Jobs Creation Act.

Cash Flows from Investing Activities

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

Year Ended December 31,	**2006**	2005	2004
Cash flows (used in) provided by investing activities:			
Acquisitions and investments, principally trademarks and bottling companies	**$ (901)**	$ (637)	$ (267)
Purchases of other investments	**(82)**	(53)	(46)
Proceeds from disposals of other investments	**640**	33	161
Purchases of property, plant and equipment	**(1,407)**	(899)	(755)
Proceeds from disposals of property, plant and equipment	**112**	88	341
Other investing activities	**(62)**	(28)	63
Net cash used in investing activities	**$ (1,700)**	$ (1,496)	$ (503)

Purchases of property, plant and equipment accounted for the most significant cash outlays for investing activities in each of the three years ended December 31, 2006. Our Company currently estimates that purchases of property, plant and equipment in 2007 will be approximately $1.5 billion.

Total capital expenditures for property, plant and equipment (including our investments in information technology) and the percentage of such totals by operating segment for 2006, 2005 and 2004 were as follows:

Year Ended December 31,	**2006**	2005	2004
Capital expenditures (in millions)	**$ 1,407**	$ 899	$ 755
Africa	**2.7%**	2.5%	2.3%
East, South Asia and Pacific Rim	**0.7**	0.8	0.9
European Union	**6.6**	8.6	5.1
Latin America	**3.1**	2.7	3.4
North America	**29.9**	29.5	32.7
North Asia, Eurasia and Middle East	**9.2**	9.9	6.0
Bottling Investments	**29.7**	29.4	34.1
Corporate	**18.1**	16.6	15.5

Acquisitions and investments represented the next most significant investing activity, accounting for $901 million in 2006, $637 million in 2005 and $267 million in 2004.

In 2006, our Company acquired a controlling interest in CCCIL and acquired Apollinaris and TJC. Refer to Note 19 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 were individually significant.

Investing activities in 2006 also included proceeds of approximately $198 million received from the sale of shares in connection with the initial public offering of Coca-Cola Icecek and proceeds of approximately $427 million received from the sale of a portion of Coca-Cola FEMSA shares to FEMSA. Refer to Note 3 of Notes to Consolidated Financial Statements.

In April 2005, our Company and Coca-Cola HBC jointly acquired Multon for a total purchase price of approximately $501 million, split equally between the Company and Coca-Cola HBC. During the third quarter of 2005, our Company acquired the German bottling company Bremer for approximately $160 million from InBev SA. Also in 2005, the Company acquired Sucos Mais, a Brazilian juice company, and completed the acquisition of the remaining 49 percent interest in the business of CCDA Waters L.L.C. not previously owned by our Company. Refer to Note 19 of Notes to Consolidated Financial Statements.

In 2004, proceeds from disposals of property, plant and equipment of approximately $341 million related primarily to the sale of production assets in Japan. Refer to Note 3 of Notes to Consolidated Financial Statements. In 2004, cash payments for acquisitions and investments were primarily related to the purchase of trademarks in Latin America.

Cash Flows from Financing Activities

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

Year Ended December 31,	**2006**	2005	2004
Cash flows provided by (used in) financing activities:			
Issuances of debt	**$ 617**	$ 178	$ 3,030
Payments of debt	**(2,021)**	(2,460)	(1,316)
Issuances of stock	**148**	230	193
Purchases of stock for treasury	**(2,416)**	(2,055)	(1,739)
Dividends	**(2,911)**	(2,678)	(2,429)
Net cash used in financing activities	**$ (6,583)**	$ (6,785)	$ (2,261)

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.

As of December 31, 2006, our long-term debt was rated "A+" by Standard & Poor's and "Aa3" by Moody's, and our commercial paper program was rated "A-1" and "P-1" by Standard & Poor's and Moody's, respectively. In assessing our credit strength, both Standard & Poor's and Moody's consider our capital structure 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 HBC. 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. If our credit ratings were reduced by the rating agencies, our interest expense 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.

We monitor our interest coverage ratio and, as indicated above, the rating agencies consider our ratio in assessing our credit ratings. However, the rating agencies aggregate financial data for certain bottlers along with our Company when assessing our debt rating. As such, the key measure to rating agencies is the aggregate interest coverage ratio of the Company and certain bottlers. Both Standard & Poor's and Moody's employ different aggregation methodologies and have different thresholds for the aggregate interest coverage ratio. These thresholds are not necessarily permanent, nor are they 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, 2006, we had $1,952 million in lines of credit and other short-term credit facilities available, of which approximately $225 million was outstanding. The outstanding amount of $225 million was primarily related to our international operations.

The issuances of debt in 2006 primarily included approximately $484 million of issuances of commercial paper and short-term debt with maturities of greater than 90 days. The payments of debt in 2006 primarily included approximately $580 million related to commercial paper and short-term debt with maturities of greater than 90 days and approximately $1,383 million of net repayments of commercial paper and short-term debt with maturities of 90 days or less.

The issuances of debt in 2005 primarily included approximately $144 million of issuances of commercial paper with maturities of 90 days or more. The payments of debt primarily included approximately $1,037 million related to net repayments of commercial paper with maturities of less than 90 days, repayments of commercial paper with maturities greater than 90 days of approximately $32 million and repayment of approximately $1,363 million of long-term debt.

The issuances of debt in 2004 primarily included approximately $2,109 million of net issuances of commercial paper with maturities of 90 days or less, and approximately $818 million of issuances of commercial paper with maturities of more than 90 days. The payments of debt in 2004 primarily included approximately $927 million related to commercial paper with maturities of more than 90 days and $367 million of long-term debt.

Share Repurchases

In October 1996, our Board of Directors authorized a plan ("1996 Plan") to repurchase up to 206 million shares of our Company's common stock through 2006. On July 20, 2006, the Board of Directors of the Company authorized a new share repurchase program of up to 300 million shares of the Company's common stock. The new program took effect upon the expiration of the 1996 Plan on October 31, 2006. The table below presents annual shares repurchased and average price per share:

Year Ended December 31,	**2006**	2005	2004
Number of shares repurchased (in millions)	**55**	46	38
Average price per share	**$ 45.19**	$ 43.26	$ 46.33

Since the inception of our initial share repurchase program in 1984 through our current program as of December 31, 2006, we have purchased more than 1.2 billion shares of our Company's common stock at an average price per share of $17.53.

As strong cash flows are expected to continue in the future, the Company currently expects 2007 share repurchases to be in the range of $2.5 billion to $3.0 billion.

Dividends

At its February 2007 meeting, our Board of Directors increased our quarterly dividend by 10 percent, raising it to $0.34 per share, equivalent to a full-year dividend of $1.36 per share in 2007. This is our 45th consecutive annual increase. Our annual common stock dividend was $1.24 per share, $1.12 per share and $1.00 per share in 2006, 2005 and 2004, respectively. The 2006 dividend represented a 10 percent increase from 2005, and the 2005 dividend represented a 12 percent increase from 2004.

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, 2006, our Company was contingently liable for guarantees of indebtedness owed by third parties in the amount of approximately $270 million. Management concluded that the likelihood of any material amounts being paid by our Company under these guarantees is not probable. As of December 31, 2006, 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 12 of Notes to Consolidated Financial Statements.

In December 2003, we granted a $250 million standby line of credit to Coca-Cola FEMSA with normal market terms. This standby line of credit expired in December 2006.

Aggregate Contractual Obligations

As of December 31, 2006, the Company's contractual obligations, including payments due by period, were as follows (in millions):

	Payments Due by Period				
	Total	2007	2008-2009	2010-2011	2012 and Thereafter
Short-term loans and notes payable[1]:					
Commercial paper borrowings	$ 1,942	$ 1,942	$	$	$
Lines of credit and other short-term borrowings	225	225			
Liability to CCEAG shareowners[2]	1,068	1,068			
Current maturities of long-term debt[3]	33	33			
Long-term debt, net of current maturities[3]	1,314		611	576	127
Estimated interest payments[4]	993	80	135	73	705
Purchase obligations[5]	8,401	4,815	1,237	636	1,713
Marketing obligations[6]	3,925	1,579	832	583	931
Lease obligations	545	141	193	127	84
Total contractual obligations	$ 18,446	$ 9,883	$ 3,008	$ 1,995	$ 3,560

1 Refer to Note 8 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 8 of Notes to Consolidated Financial Statements for a discussion of our liability to CCEAG shareowners as of December 31, 2006. We paid the amount due to CCEAG shareowners in January 2007 to discharge our liability.

3 Refer to Note 9 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.

4 We calculated estimated interest payments for long-term debt as follows: for fixed-rate debt and term debt, we calculated interest based on the applicable rates and payment dates; for variable-rate debt and/or non-term debt, we estimated interest rates and payment dates based on our determination of the most likely scenarios for each relevant debt instrument. We typically expect to settle such interest payments with cash flows from operating activities and/or short-term borrowings.

5 The 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.

In accordance with SFAS No. 87, "Employers' Accounting for Pensions," and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," as amended by SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R)," the total accrued benefit liability for pension and other postretirement benefit plans recognized as of December 31, 2006, was $1,273 million. Refer to Note 16 of Notes to Consolidated Financial Statements. This accrued liability is included in the consolidated balance sheet line item other liabilities. This amount is impacted by, among other items, pension expense funding levels, changes in plan demographics and assumptions, investment return on plan assets, and the application of SFAS No. 158. 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. One of the primary objectives of the PPA is to improve the financial integrity of underfunded plans through the requirement of additional contributions. The requirements of the PPA will not have a significant impact on our financial condition because, under the provisions of the PPA, the minimum required contribution for the primary funded U.S. plan is projected to be zero through 2017 as a result of contributions we have made to the plan since 2001. Therefore, we did not include any amounts as a contractual obligation in the above table. We may, however, decide to make additional discretionary contributions to our pension and other benefit plans in future years. In addition, as a result of contributions totaling approximately $224 million in 2006 to fund a portion of our U.S. postretirement healthcare obligation, including a contribution of $216 million to a VEBA trust, we do not expect to contribute to our U.S. postretirement healthcare plan in 2007. 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 2007 or thereafter. Therefore, no amounts have been included in the table above.

As of December 31, 2006, the projected benefit obligation of the U.S. qualified pension plans was $1,660 million, and the fair value of plan assets was $2,120 million. As of December 31, 2006, the projected benefit obligation of all pension plans other than the U.S. qualified pension plans was $1,385 million, and the fair value of all other pension plan assets was $723 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. Disclosure of amounts are not included in the above table regarding expected benefit payments for our unfunded pension plans. However, we anticipate annual benefit payments to be in the range of approximately $25 million to $30 million in 2007 and to remain at or near this annual level for the next several years. We can not reasonably estimate these payments for 2012 and thereafter due to the ongoing nature of the obligations under these plans.

Deferred income tax liabilities as of December 31, 2006, were $641 million. Refer to Note 17 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.

Minority interests of $358 million as of December 31, 2006, for consolidated entities in which we do not have a 100 percent ownership interest were recorded in the consolidated balance sheet line item other liabilities. Such minority interests are not liabilities requiring the use of cash or other resources; therefore, this amount is excluded from the contractual obligations table.

Foreign Exchange

Our international operations are subject to opportunities and risks relating to foreign currency fluctuations and governmental actions. We closely monitor our operations in each country and seek to adopt appropriate strategies that are responsive to fluctuations in foreign currency exchange rates.

We use 64 functional currencies. Due to our global operations, weaknesses in some of these currencies might be offset by strength in others. In 2006, 2005 and 2004, 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,	**2006**	2005	2004
All operating currencies	**(1)%**	2 %	6 %
Brazilian real	**10 %**	21 %	5 %
Mexican peso	**0 %**	4 %	(5)%
Australian dollar	**(1)%**	3 %	13 %
South African rand	**(7)%**	1 %	18 %
British pound	**1 %**	0 %	12 %
Euro	**1 %**	1 %	9 %
Japanese yen	**(6)%**	(1)%	7 %

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 1 percent in 2006. The impact of a weaker U.S. dollar increased our operating income by approximately 4 percent and 8 percent in 2005 and 2004, respectively. The Company currently expects currencies to have little impact on operating income in 2007.

Exchange losses net amounted to approximately $15 million in 2006, $23 million in 2005 and $39 million in 2004 and were recorded in other income (loss) net in our consolidated statements of income. Exchange losses net include the remeasurement of monetary assets and liabilities from certain currencies into functional currencies and the costs of hedging certain exposures of our consolidated balance sheets. Refer to Note 12 of Notes to Consolidated Financial Statements.

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, 2006, compared to our consolidated balance sheet as of December 31, 2005, was impacted by the following:

increases in trademarks with indefinite lives, goodwill and other intangible assets of $99 million, $356 million and $859 million, respectively, primarily due to our acquisitions of CCCIL, Apollinaris and TJC as well as the consolidation of Brucephil in 2006;

an increase in property, plant and equipment of $1,727 million, primarily due to 2006 purchases and acquisitions and consolidation under Interpretation No. 46(R), as discussed above; and

a decrease in loans and notes payable of $1,283 million, primarily due to the net repayment of commercial paper and short-term debt during 2006.

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.

Additional Information

Effective January 1, 2007, we combined the Eurasia and Middle East Division, and the Russia, Ukraine and Belarus Division, both of which were previously included in the North Asia, Eurasia and Middle East operating segment, with the India Division, previously included in the East, South Asia and Pacific Rim operating segment, to form the Eurasia operating segment; and we combined the China Division and the Japan Division, previously included in the North Asia, Eurasia and Middle East operating segment, with the remaining East, South Asia and Pacific Rim operating segment to form the Pacific operating segment. As a result, beginning with the first quarter of 2007, our organizational structure will consist of the following operating segments: Africa; Eurasia; European Union; Latin America; North America; Pacific; Bottling Investments; and Corporate.

For information concerning our operating segments as of December 31, 2006, refer to Note 20 of Notes to Consolidated Financial Statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our Company uses derivative financial instruments primarily to reduce our exposure to adverse fluctuations in foreign currency exchange rates and, to a lesser extent, adverse fluctuations in interest rates and commodity prices and other market risks. We do not enter into derivative financial instruments for trading purposes. As a matter of policy, all our derivative positions are used to reduce risk by hedging an underlying economic exposure. Because of the high correlation between the hedging instrument and the underlying exposure, fluctuations in the value of the instruments are generally offset by reciprocal changes in the value of the underlying exposure. Virtually all of our derivatives are straightforward, over-the-counter instruments with liquid markets.

Foreign Exchange

We manage most of our foreign currency exposures on a consolidated basis, which allows us to net certain exposures and take advantage of any natural offsets. In 2006, we generated approximately 72 percent of our net operating revenues from operations outside of the United States; therefore, weakness in one particular currency might be offset by strengths in other currencies over time. We use derivative financial instruments to further reduce our net exposure to currency fluctuations.

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

Interest Rates

We monitor our mix of fixed-rate and variable-rate debt, as well as our mix of term debt versus non-term debt. From time to time we enter into interest rate swap agreements to manage our mix of fixed-rate and variable-rate debt.

Value-at-Risk

We monitor our exposure to financial market risks using several objective measurement systems, including value-at-risk models. Our value-at-risk calculations use a historical simulation model to estimate potential future losses in the fair value of our derivatives and other financial instruments that could occur as a result of adverse movements in foreign currency and interest rates. We have not considered the potential impact of favorable movements in foreign currency and interest rates on our calculations. We examined historical weekly returns over the previous 10 years to calculate our value-at-risk. The average value-at-risk represents the simple average of quarterly amounts over the past year. As a result of our foreign currency value-at-risk calculations, we estimate with 95 percent confidence that the fair values of our foreign currency derivatives and other financial instruments, over a one-week period, would decline by approximately $14 million, $9 million and $17 million, respectively, using 2006, 2005 or 2004 average fair values, and by approximately $14 million and $9 million, respectively, using December 31, 2006 and 2005 fair values. According to our interest rate value-at-risk calculations, we estimate with 95 percent confidence that any increase in our net interest expense due to an adverse move in our 2006 average or in our December 31, 2006, interest rates over a one-week period would not have a material impact on our consolidated financial statements. Our December 31, 2005 and 2004 estimates also were not material to our consolidated financial statements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

TABLE OF CONTENTS

THE COCA-COLA COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

Year Ended December 31,	**2006**	2005	2004
(In millions except per share data)			
NET OPERATING REVENUES	**$ 24,088**	$ 23,104	$ 21,742
Cost of goods sold	**8,164**	8,195	7,674
GROSS PROFIT	**15,924**	14,909	14,068
Selling, general and administrative expenses	**9,431**	8,739	7,890
Other operating charges	**185**	85	480
OPERATING INCOME	**6,308**	6,085	5,698
Interest income	**193**	235	157
Interest expense	**220**	240	196
Equity income net	**102**	680	621
Other income (loss) net	**195**	(93)	(82)
Gains on issuances of stock by equity method investees		23	24
INCOME BEFORE INCOME TAXES	**6,578**	6,690	6,222
Income taxes	**1,498**	1,818	1,375
NET INCOME	**$ 5,080**	$ 4,872	$ 4,847
BASIC NET INCOME PER SHARE	**$ 2.16**	$ 2.04	$ 2.00
DILUTED NET INCOME PER SHARE	**$ 2.16**	$ 2.04	$ 2.00
AVERAGE SHARES OUTSTANDING	**2,348**	2,392	2,426
Effect of dilutive securities	**2**	1	3
AVERAGE SHARES OUTSTANDING ASSUMING DILUTION	**2,350**	2,393	2,429

Refer to Notes to Consolidated Financial Statements.

THE COCA-COLA COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

December 31,	**2006**	2005
(In millions except par value)		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 2,440**	$ 4,701
Marketable securities	**150**	66
Trade accounts receivable, less allowances of $63 and $72, respectively	**2,587**	2,281
Inventories	**1,641**	1,379
Prepaid expenses and other assets	**1,623**	1,778
TOTAL CURRENT ASSETS	**8,441**	10,205
INVESTMENTS		
Equity method investments:		
Coca-Cola Enterprises Inc.	**1,312**	1,731
Coca-Cola Hellenic Bottling Company S.A.	**1,251**	1,039
Coca-Cola FEMSA, S.A.B. de C.V.	**835**	982
Coca-Cola Amatil Limited	**817**	748
Other, principally bottling companies	**2,095**	2,062
Cost method investments, principally bottling companies	**473**	360
TOTAL INVESTMENTS	**6,783**	6,922
OTHER ASSETS	**2,701**	2,648
PROPERTY, PLANT AND EQUIPMENT net	**6,903**	5,831
TRADEMARKS WITH INDEFINITE LIVES	**2,045**	1,946
GOODWILL	**1,403**	1,047
OTHER INTANGIBLE ASSETS	**1,687**	828
TOTAL ASSETS	**$ 29,963**	$ 29,427
LIABILITIES AND SHAREOWNERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	**$ 5,055**	$ 4,493
Loans and notes payable	**3,235**	4,518
Current maturities of long-term debt	**33**	28
Accrued income taxes	**567**	797
TOTAL CURRENT LIABILITIES	**8,890**	9,836
LONG-TERM DEBT	**1,314**	1,154
OTHER LIABILITIES	**2,231**	1,730
DEFERRED INCOME TAXES	**608**	352
SHAREOWNERS' EQUITY		
Common stock, $0.25 par value; Authorized 5,600 shares; Issued 3,511 and 3,507 shares, respectively	**878**	877
Capital surplus	**5,983**	5,492
Reinvested earnings	**33,468**	31,299
Accumulated other comprehensive income (loss)	**(1,291)**	(1,669)
Treasury stock, at cost 1,193 and 1,138 shares, respectively	**(22,118)**	(19,644)

TOTAL SHAREOWNERS' EQUITY	**16,920**	16,355
TOTAL LIABILITIES AND SHAREOWNERS' EQUITY	**$ 29,963**	$ 29,427

Refer to Notes to Consolidated Financial Statements.

THE COCA-COLA COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended December 31,	**2006**	2005	2004
(In millions)			
OPERATING ACTIVITIES			
Net income	**$ 5,080**	$ 4,872	$ 4,847
Depreciation and amortization	**938**	932	893
Stock-based compensation expense	**324**	324	345
Deferred income taxes	**(35)**	(88)	162
Equity income or loss, net of dividends	**124**	(446)	(476)
Foreign currency adjustments	**52**	47	(59)
Gains on issuances of stock by equity investees		(23)	(24)
Gains on sales of assets, including bottling interests	**(303)**	(9)	(20)
Other operating charges	**159**	85	480
Other items	**233**	299	437
Net change in operating assets and liabilities	**(615)**	430	(617)
Net cash provided by operating activities	**5,957**	6,423	5,968
INVESTING ACTIVITIES			
Acquisitions and investments, principally trademarks and bottling companies	**(901)**	(637)	(267)
Purchases of other investments	**(82)**	(53)	(46)
Proceeds from disposals of other investments	**640**	33	161
Purchases of property, plant and equipment	**(1,407)**	(899)	(755)
Proceeds from disposals of property, plant and equipment	**112**	88	341
Other investing activities	**(62)**	(28)	63
Net cash used in investing activities	**(1,700)**	(1,496)	(503)
FINANCING ACTIVITIES			
Issuances of debt	**617**	178	3,030
Payments of debt	**(2,021)**	(2,460)	(1,316)
Issuances of stock	**148**	230	193
Purchases of stock for treasury	**(2,416)**	(2,055)	(1,739)
Dividends	**(2,911)**	(2,678)	(2,429)
Net cash used in financing activities	**(6,583)**	(6,785)	(2,261)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**65**	(148)	141
CASH AND CASH EQUIVALENTS			
Net (decrease) increase during the year	**(2,261)**	(2,006)	3,345
Balance at beginning of year	**4,701**	6,707	3,362
Balance at end of year	**$ 2,440**	$ 4,701	$ 6,707

Refer to Notes to Consolidated Financial Statements.

THE COCA-COLA COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREOWNERS' EQUITY

Year Ended December 31,	**2006**	2005	2004
(In millions except per share data)			
NUMBER OF COMMON SHARES OUTSTANDING			
Balance at beginning of year	**2,369**	2,409	2,442
Stock issued to employees exercising stock options	**4**	7	5
Purchases of stock for treasury[1]	**(55)**	(47)	(38)
Balance at end of year	**2,318**	2,369	2,409
COMMON STOCK			
Balance at beginning of year	**$ 877**	$ 875	$ 874
Stock issued to employees exercising stock options	**1**	2	1
Balance at end of year	**878**	877	875
CAPITAL SURPLUS			
Balance at beginning of year	**5,492**	4,928	4,395
Stock issued to employees exercising stock options	**164**	229	175
Tax benefit from employees' stock option and restricted stock plans	**3**	11	13
Stock-based compensation	**324**	324	345
Balance at end of year	**5,983**	5,492	4,928
REINVESTED EARNINGS			
Balance at beginning of year	**31,299**	29,105	26,687
Net income	**5,080**	4,872	4,847
Dividends (per share $1.24, $1.12 and $1.00 in 2006, 2005 and 2004, respectively)	**(2,911)**	(2,678)	(2,429)
Balance at end of year	**33,468**	31,299	29,105
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)			
Balance at beginning of year	**(1,669)**	(1,348)	(1,995)
Net foreign currency translation adjustment	**603**	(396)	665
Net gain (loss) on derivatives	**(26)**	57	(3)
Net change in unrealized gain on available-for-sale securities	**43**	13	39
Net change in pension liability, prior to adoption of SFAS No. 158	**46**	5	(54)
Net other comprehensive income adjustments	**666**	(321)	647
Adjustment to initially apply SFAS No. 158	**(288)**		
Balance at end of year	**(1,291)**	(1,669)	(1,348)
TREASURY STOCK			
Balance at beginning of year	**(19,644)**	(17,625)	(15,871)
Purchases of treasury stock	**(2,474)**	(2,019)	(1,754)
Balance at end of year	**(22,118)**	(19,644)	(17,625)
TOTAL SHAREOWNERS' EQUITY	**$ 16,920**	$ 16,355	$ 15,935

COMPREHENSIVE INCOME			
Net income	**$ 5,080**	$ 4,872	$ 4,847
Net other comprehensive income adjustments	**666**	(321)	647
TOTAL COMPREHENSIVE INCOME	**$ 5,746**	$ 4,551	$ 5,494

[1] Common stock purchased from employees exercising stock options numbered approximately zero shares, 0.5 shares and 0.4 shares for the years ended December 31, 2006, 2005 and 2004, respectively.

Refer to Notes to Consolidated Financial Statements.

THE COCA-COLA COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

The Coca-Cola Company is predominantly a manufacturer, distributor and marketer of nonalcoholic beverage concentrates and syrups. We also manufacture, distribute and market some finished beverages. In these notes, the terms "Company," "we," "us" or "our" mean The Coca-Cola Company and all subsidiaries included in the consolidated financial statements. We primarily sell concentrates and syrups, as well as some finished beverages, to bottling and canning operations, distributors, fountain wholesalers and fountain retailers. Our Company owns or licenses more than 400 brands, including Coca-Cola, Diet Coke, Fanta and Sprite, and a variety of diet and light beverages, waters, juice and juice drinks, teas, coffees, and energy and sports drinks. Additionally, we have ownership interests in numerous bottling and canning operations. Significant markets for our products exist in all the world's geographic regions.

Basis of Presentation and Consolidation

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

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

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

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

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

Variable Interest Entities

Financial Accounting Standards Board ("FASB") Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" ("Interpretation No. 46(R)") addresses the consolidation of business enterprises to which the usual condition (ownership of a majority voting interest) of consolidation does not apply. Interpretation No. 46(R) focuses on controlling financial interests that may be achieved through arrangements that do not involve voting interests. It concludes that in the absence of clear control through voting interests, a company's exposure (variable interest) to the economic risks and potential rewards from the variable interest entity's assets and activities is the best evidence of control. If an enterprise holds a majority of the variable interests of an entity, it would be considered the primary beneficiary. Upon consolidation, the primary beneficiary is generally required to include assets, liabilities and noncontrolling interests at fair value and subsequently account for the variable interest as if it were consolidated based on majority voting interest.

In our consolidated financial statements as of December 31, 2003, and prior to December 31, 2003, we consolidated all entities that we controlled by ownership of a majority of voting interests. As a result of Interpretation No. 46(R), effective as of April 2, 2004, our consolidated balance sheets include the assets and liabilities of the following:

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

Our Company holds interests in certain entities, primarily bottlers accounted for under the equity method of accounting prior to April 2, 2004 that are considered variable interest entities. These variable interests relate to profit guarantees or subordinated financial support for these entities. Upon adoption of Interpretation No. 46(R) as of April 2, 2004, we consolidated assets of approximately $383 million and liabilities of approximately $383 million that were previously not recorded on our consolidated balance sheets. We did not record a cumulative effect of an accounting change, and prior periods were not restated. The results of operations of these variable interest entities were included in our consolidated results beginning April 3, 2004, and did not have a material impact for the year ended December 31, 2004. Our Company's investment, plus any loans and guarantees, related to these variable interest entities totaled approximately $429 million and $263 million at December 31, 2006 and 2005, respectively, representing our maximum exposures to loss. Any creditors of the variable interest entities do not have recourse against the general credit of the Company as a result of including these variable interest entities in our consolidated financial statements.

Use of Estimates and Assumptions

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

Risks and Uncertainties

Factors that could adversely impact the Company's operations or financial results include, but are not limited to, the following: obesity concerns; water scarcity and quality; changes in the nonalcoholic beverages business environment; increased competition; inability to expand operations in developing and emerging markets; fluctuations in foreign currency exchange and interest rates; inability to maintain good relationships with our bottling partners; a deterioration in our bottling partners' financial condition; strikes or work stoppages (including at key manufacturing locations); increased cost of energy; increased cost, disruption of supply or shortage of raw materials; changes in laws and regulations relating to our business, including those regarding beverage containers and packaging; additional labeling or warning requirements; unfavorable economic and political conditions in international markets; changes in commercial and market practices within the European Economic Area; litigation or legal proceedings; adverse weather conditions; an inability to maintain brand image and product issues such as product recalls; changes in the legal and regulatory environment in various countries in which we operate; changes in accounting and taxation standards including an increase in tax rates; an inability to achieve our overall long-term goals; an inability to protect our information systems; future impairment charges; an inability to successfully manage our Company-owned bottling operations; and global or regional catastrophic events.

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

Revenue Recognition

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

In addition, our customers can earn certain incentives, which are included in deductions from revenue, a component of net operating revenues in the consolidated statements of income. These incentives include, but are not limited to, cash discounts, funds for promotional and marketing activities, volume-based incentive programs and support for infrastructure programs (refer to the heading "Other Assets"). The aggregate deductions from revenue recorded by the Company in relation to these programs, including amortization expense on infrastructure initiatives, was approximately $3.8 billion, $3.7 billion and $3.6 billion for the years ended December 31, 2006, 2005 and 2004, respectively.

Advertising Costs

Our Company expenses production costs of print, radio, television and other advertisements as of the first date the advertisements take place. Advertising costs included in selling, general and administrative expenses were approximately $2.6 billion, $2.5 billion and $2.2 billion for the years ended December 31, 2006, 2005 and 2004, respectively. As of December 31, 2006 and 2005, advertising and production costs of approximately $214 million and $170 million, respectively, were recorded in prepaid expenses and other assets and in noncurrent other assets in our consolidated balance sheets.

Stock-Based Compensation

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

Our equity method investees also adopted SFAS No. 123(R) effective January 1, 2006. Our proportionate share of the stock-based compensation expense resulting from the adoption of SFAS No. 123(R) by our equity method investees is recognized as a reduction of equity income. The adoption of SFAS No. 123(R) by our equity method investees did not have a material impact on our consolidated financial statements.

Issuances of Stock by Equity Method Investees

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

If gains or losses have been previously recognized on issuances of an equity method investee's stock and shares of the equity method investee are subsequently repurchased by the equity method investee, gain or loss recognition does not occur on issuances subsequent to the date of a repurchase until shares have been issued in an amount equivalent to the number of repurchased shares. This type of transaction is reflected as an equity transaction, and the net effect is reflected in our consolidated balance sheets. Refer to Note 4.

Income Taxes

Income tax expense includes United States, state, local and international income taxes, plus a provision for U.S. taxes on undistributed earnings of foreign subsidiaries not deemed to be indefinitely reinvested. Deferred tax assets and liabilities are recognized for the tax consequences of temporary differences between the financial reporting and the tax basis of existing assets and liabilities. The tax rate used to determine the deferred tax assets and liabilities is the enacted tax rate for the year in which the differences are expected to reverse. Valuation allowances are recorded to reduce deferred tax assets to the amount that will more likely than not be realized. Refer to Note 17.

Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted average number of common shares outstanding during the reporting period. Diluted net income per share is computed similarly to basic net income per share except that it includes the potential dilution that could occur if dilutive securities were exercised. Approximately 175 million, 180 million and 151 million stock option awards were excluded from the computations of diluted net income per share in 2006, 2005 and 2004, respectively, because the awards would have been antidilutive for the periods presented.

Cash Equivalents

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

Trade Accounts Receivable

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

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

Year Ended December 31,	**2006**	2005	2004
Balance, beginning of year	**$ 72**	$ 69	$ 61
Net charges to costs and expenses	**2**	17	28
Write-offs	**(12)**	(12)	(19)
Other[1]	**1**	(2)	(1)
Balance, end of year	**$ 63**	$ 72	$ 69

[1] Other includes acquisitions, divestitures and currency translation.

A significant portion of our net operating revenues is derived from sales of our products in international markets. Refer to Note 20. We also generate a significant portion of our net operating revenues by selling concentrates and syrups to bottlers in which we have a noncontrolling interest, including Coca-Cola Enterprises Inc. ("CCE"), Coca-Cola Hellenic Bottling Company S.A. ("Coca-Cola HBC"), Coca-Cola FEMSA, S.A.B. de C.V. ("Coca-Cola FEMSA") and Coca-Cola Amatil Limited ("Coca-Cola Amatil"). Refer to Note 3.

Inventories

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

Recoverability of Equity Method and Cost Method Investments

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

Other Assets

Our Company advances payments to certain customers for marketing to fund future activities intended to generate profitable volume, and we expense such payments over the applicable period. Advance payments are also made to certain customers for distribution rights. Additionally, our Company invests in infrastructure programs with our bottlers that are directed at strengthening our bottling system and increasing unit case volume. When facts and circumstances indicate that the carrying value of the assets may not be recoverable, management evaluates the recoverability of these assets by preparing estimates of sales volume, the resulting gross profit and cash flows. Costs of these programs are recorded in prepaid expenses and other assets and noncurrent other assets and are being amortized over the remaining periods to be directly benefited, which range from 1 to 12 years. Amortization expense for infrastructure programs was approximately $136 million, $134 million and $136 million for the years ended December 31, 2006, 2005 and 2004, respectively. Refer to heading "Revenue Recognition," above, and Note 3.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Repair and maintenance costs that do not improve service potential or extend economic life are expensed as incurred. Depreciation is recorded principally by the straight-line method over the estimated useful lives of our assets, which generally have the following ranges: buildings and improvements: 40 years or less; machinery and equipment: 15 years or less; containers: 10 years or less. Land is not depreciated, and construction in progress is not depreciated until ready for service and capitalized. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term, including renewals that are deemed to be reasonably assured, or the estimated useful life of the improvement. Depreciation expense totaled approximately $763 million, $752 million and $715 million for the years ended December 31, 2006, 2005 and 2004, respectively. Amortization expense for leasehold improvements totaled approximately $21 million, $17 million and $7 million for the years ended December 31, 2006, 2005 and 2004, respectively. Refer to Note 5.

Management assesses the recoverability of the carrying amount of property, plant and equipment if certain events or changes in circumstances indicate that the carrying value of such assets may not be recoverable, such as a significant decrease in market value of the assets or a significant change in the business conditions in a particular market. If we determine that the carrying value of an asset is not recoverable based on expected undiscounted future cash flows, excluding interest charges, we record an impairment loss equal to the excess of the carrying amount of the asset over its fair value.

Goodwill, Trademarks and Other Intangible Assets

In accordance with SFAS No. 142, "Goodwill and Other Intangible Assets," we classify intangible assets into three categories: (1) intangible assets with definite lives subject to amortization, (2) intangible assets with indefinite lives not subject to amortization, and (3) goodwill. We test intangible assets with definite lives for impairment if conditions exist that indicate the carrying value may not be recoverable. Such conditions may include an economic downturn in a geographic market or a change in the assessment of future operations. We record an impairment charge when the carrying value of the definite lived intangible asset is not recoverable by the cash flows generated from the use of the asset.

Intangible assets with indefinite lives and goodwill are not amortized. We test these intangible assets and goodwill for impairment at least annually or more frequently if events or circumstances indicate that such intangible assets or goodwill might be impaired. Such tests for impairment are also required for intangible assets with indefinite lives and/or goodwill recorded by our equity method investees. All goodwill is assigned to reporting units, which are one level below our operating segments. Goodwill is assigned to the reporting unit that benefits from the synergies arising from each business combination. We perform our impairment tests of goodwill at our reporting unit level. Such impairment tests for goodwill include comparing the fair value of the respective reporting unit with its carrying value, including goodwill. We use a variety of methodologies in conducting these impairment tests, including discounted cash flow analyses with a number of scenarios, where applicable, that are weighted based on the probability of different outcomes. When appropriate, we consider the assumptions that we believe hypothetical marketplace participants would use in estimating future cash flows. In addition, where applicable, an appropriate discount rate is used, based on the Company's cost of capital rate or location-specific economic factors. When the fair value is less than the carrying value of the intangible assets or the reporting unit, we record an impairment charge to reduce the carrying value of the assets to fair value. These impairment charges are generally recorded in the line item other operating charges or, to the extent they relate to equity method investees, as a reduction of equity income net, in the consolidated statements of income.

Our Company determines the useful lives of our identifiable intangible assets after considering the specific facts and circumstances related to each intangible asset. Factors we consider when determining useful lives include the contractual term of any agreement, the history of the asset, the Company's long-term strategy for the use of the asset, any laws or other local regulations which could impact the useful life of the asset, and other economic factors, including competition and specific market conditions. Intangible assets that are deemed to have definite lives are amortized, generally on a straight-line basis, over their useful lives, ranging from 1 to 45 years. Intangible assets with definite lives have estimated remaining useful lives ranging from 1 to 35 years. Refer to Note 6.

Derivative Financial Instruments

Our Company accounts for derivative financial instruments in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities Deferral of the Effective Date of FASB Statement No. 133 an amendment of FASB Statement No. 133," SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities an amendment of FASB Statement No. 133," and SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." We recognize all derivative instruments as either assets or liabilities at fair value in our consolidated balance sheets, with fair values of foreign currency derivatives estimated based on quoted market prices or pricing models using current market rates. Refer to Note 12.

Retirement-Related Benefits

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

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

Contingencies

Our Company is involved in various legal proceedings and tax matters. Due to their nature, such legal proceedings and tax matters involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties and governmental actions. Management assesses the probability of loss for such contingencies and accrues a liability and/or discloses the relevant circumstances, as appropriate. Refer to Note 13.

Business Combinations

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

Recent Accounting Standards and Pronouncements

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities Including an amendment of FASB Statement No. 115." SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings at each subsequent reporting date. SFAS No. 159 is effective for our Company January 1, 2008. The Company is evaluating the impact that the adoption of SFAS No. 159 will have on our consolidated financial statements.

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

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

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosure requirements about fair value measurements. SFAS No. 157 is effective for our Company January 1, 2008. We believe that the adoption of SFAS No. 157 will not have a material impact on our consolidated financial statements.

In July 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("Interpretation No. 48"). Interpretation No. 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." Interpretation No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Interpretation No. 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. For our Company, Interpretation No. 48 was effective beginning January 1, 2007, and the cumulative effect adjustment will be recorded in the first quarter of 2007. We believe that the adoption of Interpretation No. 48 will not have a material impact on our consolidated financial statements.

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

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

As previously discussed, our Company adopted SFAS No. 123(R) related to share based payments. Refer to Note 15.

During 2004, the FASB issued FASB Staff Position 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" ("FSP 106-2"). FSP 106-2 relates to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act"). The Act introduced a prescription drug benefit under Medicare known as Medicare Part D. The Act also established a federal subsidy to sponsors of retiree health care plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. During the second quarter of 2004, our Company adopted the provisions of FSP 106-2 retroactive to January 1, 2004. The adoption of FSP 106-2 did not have a material impact on our consolidated financial statements. Refer to Note 16.

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

In October 2004, the American Jobs Creation Act of 2004 (the "Jobs Creation Act") was signed into law. The Jobs Creation Act includes a temporary incentive for U.S. multinationals to repatriate foreign earnings at an approximate 5.25 percent effective tax rate. Issued in December 2004, FASB Staff Position 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004" ("FSP 109-2"), indicated that the lack of clarification of certain provisions within the Jobs Creation Act and the timing of the enactment necessitated a practical exception to the SFAS No. 109, "Accounting for Income Taxes," requirement to reflect in the period of enactment the effect of a new tax law. Accordingly, enterprises were allowed time beyond 2004 to evaluate the effect of the Jobs Creation Act on their plans for reinvestment or repatriation of foreign earnings for purposes of applying SFAS No. 109. Accordingly, in 2005, the Company repatriated $6.1 billion of its previously unremitted earnings and recorded an associated tax expense of approximately $315 million. Refer to Note 17.

In 2004, our Company recorded an income tax benefit of approximately $50 million as a result of the realization of certain tax credits related to certain provisions of the Jobs Creation Act not related to repatriation provisions. Refer to Note 17.

NOTE 2: INVENTORIES

Inventories consisted of the following (in millions):

December 31,	**2006**	2005
Raw materials and packaging	**$ 923**	$ 704
Finished goods	**548**	512
Other	**170**	163
Inventories	**$ 1,641**	$ 1,379

NOTE 3: BOTTLING INVESTMENTS

Coca-Cola Enterprises Inc.

CCE is a marketer, producer and distributor of bottle and can nonalcoholic beverages, operating in eight countries. As of December 31, 2006, our Company owned approximately 35 percent of the outstanding common stock of CCE. We account for our investment by the equity method of accounting and, therefore, our net income includes our proportionate share of income resulting from our investment in CCE. As of December 31, 2006, our proportionate share of the net assets of CCE exceeded our investment by approximately $282 million. This difference is not amortized.

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

December 31,	**2006**	2005
Current assets	**$ 3,691**	$ 3,395
Noncurrent assets	**19,534**	21,962
Total assets	**$ 23,225**	$ 25,357
Current liabilities	**$ 3,818**	$ 3,846
Noncurrent liabilities	**14,881**	15,868
Total liabilities	**$ 18,699**	$ 19,714
Shareowners' equity	**$ 4,526**	$ 5,643
Company equity investment	**$ 1,312**	$ 1,731

Year Ended December 31,	**2006**	2005	2004
Net operating revenues	**$ 19,804**	$ 18,743	$ 18,190
Cost of goods sold	**11,986**	11,185	10,771
Gross profit	**$ 7,818**	$ 7,558	$ 7,419
Operating (loss) income	**$ (1,495)**	$ 1,431	$ 1,436
Net (loss) income	**$ (1,143)**	$ 514	$ 596

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

Year Ended December 31,	**2006**	2005	2004
Concentrate, syrup and finished product sales to CCE	**$ 5,378**	$ 5,125	$ 5,203
Syrup and finished product purchases from CCE	**415**	428	428
CCE purchases of sweeteners through our Company	**274**	275	309
Marketing payments made by us directly to CCE	**514**	482	609
Marketing payments made to third parties on behalf of CCE	**113**	136	104
Local media and marketing program reimbursements from CCE	**279**	245	246
Payments made to CCE for dispensing equipment repair services	**74**	70	63
Other payments net	**99**	81	19

Syrup and finished product purchases from CCE represent purchases of fountain syrup in certain territories that have been resold by our Company to major customers and purchases of bottle and can products. Marketing payments made by us directly to CCE represent support of certain marketing activities and our participation with CCE in cooperative advertising and other marketing activities to promote the sale of Company trademark products within CCE territories. These programs are agreed to on an annual basis. Marketing payments made to third parties on behalf of CCE represent support of certain marketing activities and programs to promote the sale of Company trademark products within CCE's territories in conjunction with certain of CCE's customers. Pursuant to cooperative advertising and trade agreements with CCE, we received funds from CCE for local media and marketing program reimbursements. Payments made to CCE for dispensing equipment repair services represent reimbursement to CCE for its costs of parts and labor for repairs on cooler, dispensing, or post-mix equipment owned by us or our customers. The Other payments net line in the table above represents payments made to and received from CCE that are individually not significant.

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

In 2005, our equity income related to CCE was reduced by approximately $33 million related to our proportionate share of certain charges and gains recorded by CCE. Our proportionate share of CCE's charges included an approximate $51 million decrease to equity income, primarily related to the tax liability recorded by CCE in the fourth quarter of 2005 resulting from the repatriation of previously unremitted foreign earnings under the Jobs Creation Act and approximately $18 million due to restructuring charges recorded by CCE. These restructuring charges were primarily related to workforce reductions associated with the reorganization of CCE's North American operations, changes in executive management and elimination of certain positions in

CCE's corporate headquarters. These charges were partially offset by an approximate $37 million increase to equity income in the second quarter of 2005 resulting from CCE's HFCS lawsuit settlement proceeds and changes in certain of CCE's state and provincial tax rates. Refer to Note 18.

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

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

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

(1) purchase and place specified numbers of Company-approved cold-drink equipment each year through 2010;

(2) maintain the equipment in service, with certain exceptions, for a period of at least 12 years after placement;

(3) maintain and stock the equipment in accordance with specified standards; and

(4) annual reporting to our Company of minimum average annual unit case volume throughout the economic life of the equipment and other specified information.

CCE must achieve minimum average unit case volume for a 12-year period following the placement of equipment. These minimum average unit case volume levels ensure adequate gross profit from sales of concentrate to fully recover the capitalized costs plus a return on the Company's investment. Should CCE fail to purchase the specified numbers of cold-drink equipment for any calendar year through 2010, the parties agreed to mutually develop a reasonable solution. Should no mutually agreeable solution be developed, or in the event that CCE otherwise breaches any material obligation under the contracts and such breach is not remedied within a stated period, then CCE would be required to repay a portion of the support funding as determined by our Company. In the third quarter of 2004, our Company and CCE agreed to amend the contract to defer the placement of some equipment from 2004 and 2005, as previously agreed under the original contract, to 2009 and

2010. In connection with this amendment, CCE agreed to pay the Company approximately $2 million in 2004, $3 million annually in 2005 through 2008, and $1 million in 2009. In 2005, our Company and CCE agreed to amend the contract for North America to move to a system of purchase and placement credits, whereby CCE earns credit toward its annual purchase and placement requirements based upon the type of equipment it purchases and places. The amended contract also provides that no breach by CCE will occur even if they do not achieve the required number of purchase and placement credits in any given year, so long as (1) the shortfall does not exceed 20 percent of the required purchase and placement credits for that year; (2) a compensating payment is made to our Company by CCE; (3) the shortfall is corrected in the following year; and (4) CCE meets all specified purchase and placement credit requirements by the end of 2010. The payments we made to CCE under these programs are recorded in prepaid expenses and other assets and in noncurrent other assets and amortized as deductions from revenues over the 10-year period following the placement of the equipment. Our carrying values for these infrastructure programs with CCE were approximately $576 million and $662 million as of December 31, 2006 and 2005, respectively. The Company has no further commitments under these programs.

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

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

If valued at the December 31, 2006 quoted closing price of CCE shares, the fair value of our investment in CCE would have exceeded our carrying value by approximately $2.1 billion.

Other Equity Method Investments

Our other equity method investments include our ownership interests in Coca-Cola HBC, Coca-Cola FEMSA and Coca-Cola Amatil. As of December 31, 2006, we owned approximately 23 percent, 32 percent and 32 percent, respectively, of these companies' common shares.

Operating results include our proportionate share of income (loss) from our equity method investments. As of December 31, 2006, our investment in our equity method investees in the aggregate, other than CCE, exceeded our proportionate share of the net assets of these equity method investees by approximately $1,375 million. This difference is not amortized.

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

December 31,	**2006**	2005
Current assets	**$ 8,778**	$ 7,803
Noncurrent assets	**21,304**	20,698
Total assets	**$ 30,082**	$ 28,501
Current liabilities	**$ 8,030**	$ 7,705
Noncurrent liabilities	**9,469**	8,395
Total liabilities	**$ 17,499**	$ 16,100
Shareowners' equity	**$ 12,583**	$ 12,401
Company equity investment	**$ 4,998**	$ 4,831

Year Ended December 31,	**2006**	2005	2004
Net operating revenues	**$ 24,990**	$ 24,389	$ 21,202
Cost of goods sold	**14,717**	14,141	12,132
Gross profit	**$ 10,273**	$ 10,248	$ 9,070
Operating income	**$ 2,697**	$ 2,669	$ 2,406
Net income (loss)	**$ 1,475**	$ 1,501	$ 1,389
Net income (loss) available to common shareowners	**$ 1,455**	$ 1,477	$ 1,364

Net sales to equity method investees other than CCE, the majority of which are located outside the United States, were approximately $7.6 billion in 2006, $7.4 billion in 2005 and $5.2 billion in 2004. Total support payments, primarily marketing, made to equity method investees other than CCE were approximately $512 million, $475 million and $442 million in 2006, 2005 and 2004, respectively.

In 2003, one of our Company's equity method investees, Coca-Cola FEMSA, consummated a merger with another of the Company's equity method investees, Panamerican Beverages, Inc. At the time of the merger, the Company and Fomento Economico Mexicano, S.A.B. de C.V. ("FEMSA"), the major shareowner of Coca-Cola FEMSA, reached an understanding under which this shareowner could purchase from our Company an amount of Coca-Cola FEMSA shares sufficient for this shareowner to regain majority ownership interest in Coca-Cola FEMSA. That understanding expired in May 2006; however, in the third quarter of 2006, the Company and the shareowner reached an agreement under which the Company would sell a number of shares representing 8 percent of the capital stock of Coca-Cola FEMSA to FEMSA. As a result of this sale, which occurred in the fourth quarter of 2006, the Company received cash proceeds of approximately $427 million and realized a gain of approximately $175 million, which was recorded in the consolidated statement of income line item other income (loss) net and impacted the Corporate operating segment. Also as a result of this sale, our ownership interest in Coca-Cola FEMSA was reduced from approximately 40 percent to approximately 32 percent. Refer to Note 18.

In 2006, our Company sold a portion of our investment in Coca-Cola Icecek A.S. ("Coca-Cola Icecek"), an equity method investee bottler incorporated in Turkey, in an initial public offering. Our Company received cash proceeds of approximately $198 million and realized a gain of approximately $123 million, which was recorded in the consolidated statement of income line item other income (loss) net and impacted the Corporate operating segment. As a result of this public offering, our Company's interest in Coca-Cola Icecek decreased from approximately 36 percent to approximately 20 percent. Refer to Note 18.

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

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

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

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

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

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

If valued at the December 31, 2006, quoted closing prices of shares actively traded on stock markets, the value of our equity method investments in publicly traded bottlers other than CCE would have exceeded our carrying value by approximately $3.6 billion.

Net Receivables and Dividends from Equity Method Investees

The total amount of net receivables due from equity method investees, including CCE, was approximately $857 million and $644 million as of December 31, 2006 and 2005, respectively. The total amount of dividends received from equity method investees, including CCE, was approximately $226 million, $234 million and $145 million for the years ended December 31, 2006, 2005 and 2004, respectively.

NOTE 4: ISSUANCES OF STOCK BY EQUITY METHOD INVESTEES

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

In 2005, our Company recorded approximately $23 million of noncash pretax gains on issuances of stock by equity method investees. We recorded deferred taxes of approximately $8 million on these gains. These gains primarily related to an issuance of common stock by Coca-Cola Amatil, which was valued at an amount greater than the book value per share of our investment in Coca-Cola Amatil. Coca-Cola Amatil issued approximately 34 million shares of common stock with a fair value of $5.78 each in connection with the acquisition of SPC Ardmona Pty. Ltd., an Australian packaged fruit company. This issuance of common stock reduced our ownership interest in the total outstanding shares of Coca-Cola Amatil from approximately 34 percent to approximately 32 percent.

In 2004, our Company recorded approximately $24 million of noncash pretax gains on issuances of stock by CCE. The issuances primarily related to the exercise of CCE stock options by CCE employees at amounts greater than the book value per share of our investment in CCE. We recorded deferred taxes of approximately $9 million on these gains. These issuances of stock reduced our ownership interest in the total outstanding shares of CCE from approximately 37 percent to approximately 36 percent.

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

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

December 31,	**2006**	2005
Land	**$ 495**	$ 447
Buildings and improvements	**3,020**	2,692
Machinery and equipment	**7,333**	6,271
Containers	**556**	468
Construction in progress	**507**	306
	$ 11,911	$ 10,184
Less accumulated depreciation	**5,008**	4,353
Property, plant and equipment net	**$ 6,903**	$ 5,831

86

NOTE 6: GOODWILL, TRADEMARKS AND OTHER INTANGIBLE ASSETS

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

December 31,	**2006**	2005
Amortized intangible assets (various, principally trademarks):		
Gross carrying amount[1]	**$ 372**	$ 314
Less accumulated amortization	**174**	168
Amortized intangible assets net	**$ 198**	$ 146
Unamortized intangible assets:		
Trademarks[2]	**$ 2,045**	$ 1,946
Goodwill[3]	**1,403**	1,047
Bottlers' franchise rights[3]	**1,359**	521
Other	**130**	161
Unamortized intangible assets	**$ 4,937**	$ 3,675

1 The increase in 2006 is primarily related to business combinations and acquisitions of trademarks with definite lives totaling approximately $75 million and the effect of translation adjustments, which were partially offset by impairment charges of approximately $9 million and disposals. Refer to Note 19.

2 The increase in 2006 is primarily related to business combinations and acquisitions of trademarks and brands totaling approximately $118 million and the effect of translation adjustments, which were partially offset by impairment charges of approximately $32 million. Refer to Note 19.

3 The increase in 2006 is primarily related to the acquisition of Kerry Beverages Limited, TJC Holdings (Pty) Ltd. and Apollinaris GmbH, the consolidation of Brucephil, Inc., and the effect of translation adjustments. Refer to Note 19.

Total amortization expense for intangible assets subject to amortization was approximately $18 million, $29 million and $35 million for the years ended December 31, 2006, 2005 and 2004, respectively.

Information about estimated amortization expense for intangible assets subject to amortization for the five years succeeding December 31, 2006, is as follows (in millions):

	Amortization Expense
2007	$ 26
2008	24
2009	23
2010	22
2011	22

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

December 31,	**2006**	2005
Africa	**$**	$
East, South Asia and Pacific Rim	**22**	22
European Union	**696**	593
Latin America	**119**	82
North America	**141**	141
North Asia, Eurasia and Middle East	**21**	21
Bottling Investments	**404**	188
	$ 1,403	$ 1,047

In 2006, our Company recorded impairment charges of approximately $41 million primarily related to trademarks for beverages sold in the Philippines and Indonesia. The Philippines and Indonesia are components of our East, South Asia and Pacific Rim operating segment. The amount of these impairment charges was determined by comparing the fair values of the intangible assets to their respective carrying values. The fair values were determined using discounted cash flow analyses. Because the fair values were less than the carrying values of the assets, we recorded impairment charges to reduce the carrying values of the assets to their respective fair values. These impairment charges were recorded in the line item other operating charges in the consolidated statement of income. Refer to Note 18.

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

NOTE 7: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

December 31,	**2006**	2005
Other accrued expenses	**$ 1,653**	$ 1,413
Accrued marketing	**1,348**	1,268
Trade accounts payable	**929**	902
Accrued compensation	**550**	468
Sales, payroll and other taxes	**264**	215
Container deposits	**264**	209
Accrued streamlining costs	**47**	18
Accounts payable and accrued expenses	**$ 5,055**	$ 4,493

NOTE 8: SHORT-TERM BORROWINGS AND CREDIT ARRANGEMENTS

Loans and notes payable consist primarily of commercial paper issued in the United States and a liability to acquire the remaining approximate 59 percent of the outstanding stock of Coca-Cola Erfrischungsgetraenke AG ("CCEAG"). As of December 31, 2006, the Company owned approximately 41 percent of CCEAG's outstanding stock. In February 2002, the Company acquired control of CCEAG and agreed to put/call agreements with the other shareowners of CCEAG, which resulted in the recording of a liability to acquire the remaining shares in CCEAG. The present value of the total amount to be paid by our Company to all other CCEAG shareowners was approximately $1,068 million at December 31, 2006, and approximately $941 million at December 31, 2005. This amount increased from the initial liability of approximately $600 million due to the accretion of the discounted value to the ultimate maturity of the liability and the translation adjustment related to this liability, partially offset by payments made to the other CCEAG shareowners during the term of the agreements. The accretion of the discounted value to its ultimate maturity value is recorded in the line item other income (loss) net, and this amount was approximately $58 million, $60 million and $58 million, respectively, for the years ended December 31, 2006, 2005 and 2004.

As of December 31, 2006 and 2005, we had approximately $1,942 million and $3,311 million, respectively, outstanding in commercial paper borrowings. Our weighted-average interest rates for commercial paper outstanding were approximately 5.2 percent and 4.2 percent per year at December 31, 2006 and 2005, respectively. In addition, we had $1,952 million in lines of credit and other short-term credit facilities available as of December 31, 2006, of which approximately $225 million was outstanding. The outstanding amount of approximately $225 million was primarily related to our international operations. Included in the available credit facilities discussed above, the Company had $1,150 million in lines of credit for general corporate purposes, including commercial paper backup. There were no borrowings under these lines of credit during 2006.

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

NOTE 9: LONG-TERM DEBT

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

December 31,	**2006**	2005
$5^3/_4$% U.S. dollar notes due 2009	**$ 399**	$ 399
$5^3/_4$% U.S. dollar notes due 2011	**499**	499
$7^3/_8$% U.S. dollar notes due 2093	**116**	116
Other, due through 2014[1]	**333**	168
	$ 1,347	$ 1,182
Less current portion	**33**	28
Long-term debt	**$ 1,314**	$ 1,154

[1] The weighted-average interest rate on outstanding balances was 6% for both the years ended December 31, 2006 and 2005.

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

The principal amount of our long-term debt that had fixed and variable interest rates, respectively, was $1,346 million and $1 million on December 31, 2006. The principal amount of our long-term debt that had fixed and variable interest rates, respectively, was $1,181 million and $1 million on December 31, 2005. The weighted-average interest rate on the outstanding balances of our Company's long-term debt was 6.0 percent for both the years ended December 31, 2006 and 2005.

Total interest paid was approximately $212 million, $233 million and $188 million in 2006, 2005 and 2004, respectively. For a more detailed discussion of interest rate management, refer to Note 12.

Maturities of long-term debt for the five years succeeding December 31, 2006, are as follows (in millions):

	Maturities of Long-Term Debt
2007	$ 33
2008	175
2009	436
2010	54
2011	522

NOTE 10: COMPREHENSIVE INCOME

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

December 31,	**2006**	2005
Foreign currency translation adjustment	**$ (984)**	$ (1,587)
Accumulated derivative net losses	**(49)**	(23)
Unrealized gain on available-for-sale securities	**147**	104
Adjustment to pension and other benefit liabilities	**(405)**[1]	(163)
Accumulated other comprehensive income (loss)	**$ (1,291)**	$ (1,669)

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

A summary of the components of other comprehensive income (loss), including our proportionate share of equity method investees' other comprehensive income (loss), for the years ended December 31, 2006, 2005 and 2004, is as follows (in millions):

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

	Before-Tax Amount	Income Tax	After-Tax Amount
2005			
Net foreign currency translation adjustment	$ (440)	$ 44	$ (396)
Net gain on derivatives	94	(37)	57
Net change in unrealized gain on available-for-sale securities	20	(7)	13
Net change in pension liability, prior to adoption of SFAS No. 158	5		5
Other comprehensive income (loss)	$ (321)	$	$ (321)

	Before-Tax Amount	Income Tax	After-Tax Amount
2004			
Net foreign currency translation adjustment	$ 766	$ (101)	$ 665
Net loss on derivatives	(4)	1	(3)
Net change in unrealized gain on available-for-sale securities	48	(9)	39
Net change in pension liability, prior to adoption of SFAS No. 158	(81)	27	(54)
Other comprehensive income (loss)	$ 729	$ (82)	$ 647

NOTE 11: FINANCIAL INSTRUMENTS

Certain Debt and Marketable Equity Securities

Investments in debt and marketable equity securities, other than investments accounted for by the equity method, are categorized as trading, available-for-sale or held-to-maturity. Our marketable equity investments are categorized as trading or available-for-sale with their cost basis determined by the specific identification method. Trading securities are carried at fair value with realized and unrealized gains and losses included in net income. We record available-for-sale instruments at fair value, with unrealized gains and losses, net of deferred income taxes, reported as a component of AOCI. Debt securities categorized as held-to-maturity are stated at amortized cost.

As of December 31, 2006 and 2005, trading, available-for-sale and held-to-maturity securities consisted of the following (in millions):

		Gross Unrealized		
	Cost	Gains	Losses	Estimated Fair Value
2006				
Trading Securities:				
Equity securities	**$ 60**	**$ 6**	**$**	**$ 66**
Available-for-sale securities:				
Equity securities	**$ 240**	**$ 219**	**$ (1)**	**$ 458**
Other securities	**13**			**13**
	$ 253	**$ 219**	**$ (1)**	**$ 471**
Held-to-maturity securities:				
Bank and corporate debt	**$ 83**	**$**	**$**	**$ 83**

		Gross Unrealized		
	Cost	Gains	Losses	Estimated Fair Value
2005				
Trading Securities:				
Equity securities	$	$	$	$
Available-for-sale securities:				
Equity securities	$ 138	$ 167	$ (2)	$ 303
Other securities	13			13
	$ 151	$ 167	$ (2)	$ 316
Held-to-maturity securities:				
Bank and corporate debt	$ 348	$	$	$ 348

As of December 31, 2006 and 2005, these investments were included in the following captions (in millions):

	Trading Securities	Available-for-Sale Securities	Held-to-Maturity Securities
2006			
Cash and cash equivalents	**$**	**$**	**$ 82**
Current marketable securities	**66**	**83**	**1**
Cost method investments, principally bottling companies		**372**	
Other assets		**16**	
	$ 66	**$ 471**	**$ 83**

	Trading Securities	Available-for-Sale Securities	Held-to-Maturity Securities
2005			
Cash and cash equivalents	$	$	$ 346
Current marketable securities		64	2
Cost method investments, principally bottling companies		239	
Other assets		13	
	$	$ 316	$ 348

The contractual maturities of these investments as of December 31, 2006, were as follows (in millions):

	Trading Securities		Available-for-Sale Securities		Held-to-Maturity Securities	
	Cost	Fair Value	Cost	Fair Value	Amortized Cost	Fair Value
2007	$	$	$	$	$ 83	$ 83
2008-2011						
2012-2016						
After 2016			13	13		
Equity securities	60	66	240	458		
	$ 60	$ 66	$ 253	$ 471	$ 83	$ 83

For the years ended December 31, 2006, 2005 and 2004, gross realized gains and losses on sales of trading and available-for-sale securities were not material. The cost of securities sold is based on the specific identification method.

Fair Value of Other Financial Instruments

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

We estimate that the fair values of non-marketable cost method investments approximate their carrying amounts.

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

We recognize all derivative instruments as either assets or liabilities at fair value in our consolidated balance sheets, with fair values estimated based on quoted market prices or pricing models using current market rates. Virtually all of our derivatives are straightforward, over-the-counter instruments with liquid markets. For further discussion of our derivatives, including a disclosure of derivative values, refer to Note 12.

The fair value of our long-term debt is estimated based on quoted prices for those or similar instruments. As of December 31, 2006, the carrying amounts and fair values of our long-term debt, including the current portion, were approximately $1,347 million and approximately $1,386 million, respectively. As of December 31, 2005, these carrying amounts and fair values were approximately $1,182 million and approximately $1,240 million, respectively.

NOTE 12: HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS

When deemed appropriate our Company uses derivative financial instruments primarily to reduce our exposure to adverse fluctuations in interest rates and foreign currency exchange rates, commodity prices and other market risks. Derivative instruments used to manage fluctuations in commodity prices were not material to the consolidated financial statements for the three years ended December 31, 2006. The Company formally designates and documents the financial instrument as a hedge of a specific underlying exposure, as well as the risk management objectives and strategies for undertaking the hedge transactions. The Company formally assesses, both at the inception and at least quarterly thereafter, whether the financial instruments that are used in hedging transactions are effective at offsetting changes in either the fair value or cash flows of the related underlying exposure. Because of the high degree of effectiveness between the hedging instrument and the underlying exposure being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the fair values or cash flows of the underlying exposures being hedged. Any ineffective portion of a financial instrument's change in fair value is immediately recognized in earnings. Virtually all of our derivatives are straightforward over-the-counter instruments with liquid markets. Our Company does not enter into derivative financial instruments for trading purposes.

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

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

We have established strict counterparty credit guidelines and enter into transactions only with financial institutions of investment grade or better. We monitor counterparty exposures daily and review any downgrade in credit rating immediately. If a downgrade in the credit rating of a counterparty were to occur, we have provisions requiring collateral in the form of U.S. government securities for substantially all of our transactions. To mitigate presettlement risk, minimum credit standards become more stringent as the duration of the derivative financial instrument increases. To minimize the concentration of credit risk, we enter into derivative transactions with a portfolio of financial institutions. The Company has master netting agreements with most of the financial institutions that are counterparties to the derivative instruments. These agreements allow for the net settlement of assets and liabilities arising from different transactions with the same counterparty. Based on these factors, we consider the risk of counterparty default to be minimal.

Interest Rate Management

Our Company monitors our mix of fixed-rate and variable-rate debt as well as our mix of term debt versus non-term debt. This monitoring includes a review of business and other financial risks. We also enter into interest rate swap agreements to manage our mix of fixed-rate and variable-rate debt. Interest rate swap agreements that meet certain conditions required under SFAS No. 133 for fair value hedges are accounted for as such, with the offset recorded to adjust the fair value of the underlying exposure being hedged. The Company had no outstanding interest rate swaps as of December 31, 2006 and 2005. The Company estimates the fair value of its interest rate derivatives based on quoted market prices. Any ineffective portion, which was not significant in 2006, 2005 or 2004, of the changes in the fair value of these instruments was immediately recognized in net income.

Foreign Currency Management

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

We enter into forward exchange contracts and purchase foreign currency options (principally euro and Japanese yen) and collars to hedge certain portions of forecasted cash flows denominated in foreign currencies. The effective portion of the changes in fair value for these contracts, which have been designated as cash flow hedges, was reported in AOCI and reclassified into earnings in the same financial statement line item and in the same period or periods during which the hedged transaction affects earnings. Any ineffective portion, which was not significant in 2006, 2005 or 2004, of the change in the fair value of these instruments was immediately recognized in net income.

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

The Company also enters into forward exchange contracts to hedge its net investment position in certain major currencies. Under SFAS No. 133, changes in the fair value of these instruments are recognized in foreign currency translation adjustment, a component of AOCI, to offset the change in the value of the net investment being hedged. For the years ended December 31, 2006, 2005 and 2004, we recorded net gain (loss) in foreign currency translation adjustment of approximately $3 million, $(40) million and $(8) million, respectively.

The following table presents the carrying values, fair values and maturities of the Company's foreign currency derivative instruments outstanding as of December 31, 2006 and 2005 (in millions):

	Carrying Values Assets/(Liabilities)	Fair Values Assets/(Liabilities)	Maturity
2006			
Forward contracts	**$ (21)**	**$ (21)**	**2007-2008**
Options and collars	**18**	**18**	**2007**
	$ (3)	**$ (3)**	

	Carrying Values Assets	Fair Values Assets	Maturity
2005			
Forward contracts	$ 28	$ 28	2006
Options and collars	11	11	2006
	$ 39	$ 39	

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

Summary of AOCI

For the years ended December 31, 2006, 2005 and 2004, we recorded a net gain (loss) to AOCI of approximately $(31) million, $55 million and $6 million, respectively, net of both income taxes and reclassifications to earnings, primarily related to gains and losses on foreign currency cash flow hedges. These items will generally offset cash flow gains and losses relating to the underlying exposures being hedged in future periods. The Company estimates that it will reclassify into earnings during the next 12 months losses of approximately $11 million from the after-tax amount recorded in AOCI as of December 31, 2006, as the anticipated cash flows occur.

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

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

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

	Before-Tax Amount	Income Tax	After-Tax Amount
2004			
Accumulated derivative net losses as of January 1, 2004	$ (66)	$ 26	$ (40)
Net changes in fair value of derivatives	(76)	30	(46)
Net losses reclassified from AOCI into earnings	86	(34)	52
Accumulated derivative net losses as of December 31, 2004	$ (56)	$ 22	$ (34)

The Company did not discontinue any cash flow hedge relationships during the years ended December 31, 2006, 2005 and 2004.

NOTE 13: COMMITMENTS AND CONTINGENCIES

As of December 31, 2006, we were contingently liable for guarantees of indebtedness owed by third parties in the amount of approximately $270 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.

In December 2003, we granted a $250 million standby line of credit to Coca-Cola FEMSA with normal market terms. This standby line of credit expired in December 2006.

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

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

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

The Company is discussing with the Competition Directorate of the European Commission (the "European Commission") issues relating to parallel trade within the European Union arising out of comments received by the European Commission from third parties. The Company is cooperating fully with the European Commission and is providing information on these issues and the measures taken and to be taken to address any issues raised. The Company is unable to predict at this time with any reasonable degree of certainty what action, if any, the European Commission will take with respect to these issues.

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

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

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

NOTE 14: NET CHANGE IN OPERATING ASSETS AND LIABILITIES

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

Year Ended December 31,	**2006**	2005	2004
(Increase) in trade accounts receivable	**$ (214)**	$ (79)	$ (5)
(Increase) in inventories	**(150)**	(79)	(57)
(Increase) decrease in prepaid expenses and other assets	**(152)**	244	(397)
Increase in accounts payable and accrued expenses	**173**	280	45
(Decrease) increase in accrued taxes	**(68)**	145	(194)
(Decrease) in other liabilities	**(204)**	(81)	(9)
	$ (615)	$ 430	$ (617)

NOTE 15: STOCK COMPENSATION PLANS

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

Our total stock-based compensation expense was approximately $324 million, $324 million and $345 million in 2006, 2005 and 2004, respectively. These amounts were recorded in selling, general and administrative expenses in 2006, 2005 and 2004, respectively. The total income tax benefit recognized in the income statement for share-based compensation arrangements was approximately $93 million, $90 million and $92 million for 2006, 2005 and 2004, respectively. As of December 31, 2006, we had approximately $376 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under our plans. This cost is expected to be recognized as stock-based compensation expense over a weighted-average period of 1.7 years. This expected cost does not include the impact of any future stock-based compensation awards. Additionally, our equity method investees also adopted SFAS No. 123(R) effective January 1, 2006. Our proportionate share of the stock-based compensation expense resulting from the adoption of SFAS No. 123(R) by our equity method investees is recognized as a reduction to equity income. The adoption of SFAS No. 123(R) by our equity method investees did not have a material impact on our consolidated financial statements.

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

Stock Option Plans

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

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

The 2002 Stock Option Plan (the "2002 Option Plan") was approved by shareowners in April 2002. An amendment to the 2002 Option Plan which permitted the issuance of stock appreciation rights was approved by shareowners in April 2003. Under the 2002 Option Plan, a maximum of 120 million shares of our common stock was approved to be issued or transferred to certain officers and employees pursuant to stock options and stock appreciation rights granted under the 2002 Option Plan. The stock appreciation rights permit the holder, upon surrendering all or part of the related stock option, to receive common stock in an amount up to 100 percent of the difference between the market price and the option price. No stock appreciation rights have been issued under the 2002 Option Plan as of December 31, 2006. Options to purchase common stock under the 2002 Option Plan have been granted to Company employees at fair market value at the date of grant.

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

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

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

	2006	2005	2004
Fair value of options at grant date	**$ 8.16**	$ 8.23	$ 8.84
Dividend yields	**2.7%**	2.6%	2.5%
Expected volatility	**19.3%**	19.9%	23.0%
Risk-free interest rates	**4.5%**	4.3%	3.8%
Expected term of the option	**6 years**	6 years	6 years

A summary of stock option activity under all plans for the years ended December 31, 2006, 2005 and 2004, is as follows:

	Shares (In millions)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value (In millions)
2006				
Outstanding on January 1, 2006	**203**	**$ 48.50**		
Granted[1]	**2**	**41.65**		
Exercised	**(4)**	**44.53**		
Forfeited/expired[2]	**(15)**	**48.30**		
Outstanding on December 31, 2006	**186**	**$ 48.52**	**8.1 years**	**$ 502**
Expected to vest at December 31, 2006	**182**	**$ 48.65**	**8.1 years**	**$ 478**
Exercisable on December 31, 2006	**141**	**$ 50.50**	**8.0 years**	**$ 227**
Shares available on December 31, 2006 for options that may be granted	**64**			

	Shares (In millions)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (In millions)
2005				
Outstanding on January 1, 2005	183	$ 49.41		
Granted[1]	34	41.26		
Exercised	(7)	35.63		
Forfeited/expired[2]	(7)	49.11		
Outstanding on December 31, 2005	203	$ 48.50	8.8 years	$ 0
Exercisable on December 31, 2005	131	$ 51.61	8.4 years	$ 0
Shares available on December 31, 2005 for options that may be granted	58			

	Shares (In millions)	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value (In millions)
2004				
Outstanding on January 1, 2004	167	$ 50.56		
Granted[1]	31	41.63		
Exercised	(5)	35.54		
Forfeited/expired[2]	(10)	51.64		
Outstanding on December 31, 2004	183	$ 49.41	9.3 years	$ 51
Exercisable on December 31, 2004	116	$ 52.02	8.7 years	$ 39

Shares available on December 31, 2004 for options that may be granted	85

[1] No grants were made from the 1991 Option Plan during 2006, 2005 or 2004.

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

The total intrinsic value of the options exercised during the years ended December 31, 2006, 2005 and 2004, was $11 million, $49 million and $67 million, respectively.

Restricted Stock Award Plans

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

On December 31, 2006, approximately 31 million shares remain available for grant under the Restricted Stock Award Plans. Participants are entitled to vote and receive dividends on the shares and, under the 1983 Restricted Stock Award Plan, participants are reimbursed by our Company for income taxes imposed on the award, but not for taxes generated by the reimbursement payment. The shares are subject to certain transfer restrictions and may be forfeited if a participant leaves our Company for reasons other than retirement, disability or death, absent a change in control of our Company.

The following awards were outstanding and nonvested as of December 31, 2006:

- 382,700 shares of time-based restricted stock in which the restrictions lapse upon the achievement of continued employment over a specified period of time. An additional 31,000 shares were promised for employees based outside of the United States;

- 416,852 shares of performance-based restricted stock in which restrictions lapse upon the achievement of specific performance goals over a specified performance period; and

- 2,271,240 performance share unit ("PSU") awards which could result in a future grant of restricted stock after the achievement of specific performance goals over a specified performance period. Such awards are subject to adjustment based on the final performance relative to the goals, resulting in a minimum grant of no shares and a maximum grant of 3,370,860 shares.

Time-Based Restricted Stock Awards

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

	2006		2005		2004	
	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value
Nonvested on January 1	**422,700**	**$ 36.31**	513,700	$ 39.97	1,224,900	$ 45.20
Granted[1]			9,000	41.80	140,000	48.97
Vested and released[2]	**(30,000)**	**58.48**	(100,000)	55.62	(296,800)	36.68
Cancelled/Forfeited	**(10,000)**	**21.91**			(554,400)	55.57
Nonvested on December 31	**382,700[1]**	**$ 34.95**	422,700[1]	$ 36.31	513,700	$ 39.97

[1] In 2006, the Company promised to grant an additional 21,000 shares with a grant-date fair value of $48.84 per share to an employee upon retirement. In 2005, the Company promised to grant an additional 10,000 shares to an employee with a grant-date fair value of $42.84 per share upon completion of three years of service. These awards are similar to time-based restricted stock, including the payment of dividend equivalents, but were granted in this manner because the employees were based outside of the United States.

[2] The total fair value of time-based restricted shares vested and released during the years ended December 31, 2006, 2005 and 2004, was approximately $1.3 million, $4.3 million, and $13.2 million, respectively. The grant date fair value is the quoted market value of the Company stock on the respective grant date.

In the third quarter of 2004, in connection with Douglas N. Daft's retirement, the Compensation Committee of the Board of Directors released to Mr. Daft 200,000 shares of restricted stock previously granted to him during the period from April 1992 to October 1998. The weighted average grant-date fair value was $32.26 per share and the total fair value of shares released was approximately $8.3 million. The terms of these grants provided that the restricted shares be released upon retirement after age 62 but not earlier than five years from the date of grant. The Compensation Committee determined to release the shares in recognition of Mr. Daft's 27 years of service to the Company and the fact that he would turn 62 in March 2005. Mr. Daft forfeited 500,000 shares of restricted stock granted to him in November 2000, since as of the date of his retirement, he had not held these shares for five years from the date of grant. In addition, Mr. Daft forfeited 1,000,000 shares of performance-based restricted stock, since Mr. Daft retired prior to the completion of the performance period.

Performance-Based Restricted Stock Awards

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

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

	2006		2005		2004	
	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value	Shares	Weighted-Average Grant-Date Fair Value
Nonvested on January 1	**713,000**	**$ 47.37**	713,000	$ 47.75	2,507,720	$ 47.93
Granted	**224,000**	**43.66**	50,000	42.40		
PSU conversion[1]	**123,852**	**42.07**				
Vested and released[2]	**(50,000)**	**56.25**			(110,000)	50.54
Cancelled/Forfeited	**(594,000)**	**47.18**	(50,000)	47.88	(1,684,720)	47.84
Nonvested on December 31	**416,852**	**$ 43.00**	713,000	$ 47.37	713,000	$ 47.75

1 Represents issuance of restricted stock to executives from conversion of previously granted performance share units due to their retirement during the year. The weighted-average grant-date fair value is based on the fair values of the performance share unit awards' grant-date fair values.

2 The total fair value of performance-based restricted shares vested and released during the years ended December 31, 2006 and 2004, was approximately $2.1 million and $5.0 million, respectively. The grant-date fair value is the quoted market value of the Company stock on the respective grant date.

Performance Share Unit Awards

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

Performance share unit Target Awards for the 2004-2006, 2005-2007 and 2006-2008 performance periods require adjusted EPS growth in line with our Company's internal projections over the performance periods. In the event adjusted EPS exceeds the target projection, additional shares up to the Maximum Award may be granted. In the event adjusted EPS falls below the target projection, a reduced number of shares as few as the Threshold Award may be granted. If adjusted EPS falls below the Threshold Award performance level, no shares will be granted. Performance share unit awards provide for cash equivalent payments to former executives who become ineligible for restricted stock grants due to certain events such as death, disability or termination.

Of the outstanding granted performance share unit awards as of December 31, 2006, 590,964; 787,576; and 820,700 awards are for the 2004-2006, 2005-2007 and 2006-2008 performance periods, respectively. In addition, 72,000 performance share unit awards, with predefined qualitative performance criteria and release criteria that differ from the program described above, were granted in 2004 and were outstanding as of December 31, 2006.

The following table summarizes information about performance share unit awards:

	2006		2005		2004	
	Share Units	Weighted-Average Grant-Date Fair Value	Share Units	Weighted-Average Grant-Date Fair Value	Share Units	Weighted-Average Grant-Date Fair Value
Outstanding on January 1	**2,356,728**	**$ 40.42**	1,583,447	$ 41.83	798,931	$ 46.78
Granted	**160,000**	**37.84**	835,440	37.71	953,196	38.71
Converted to restricted stock[1]	**(123,852)**	**42.07**				
Paid in cash equivalent[2]	**(7,178)**	**41.87**				
Cancelled/Forfeited	**(114,458)**	**43.45**	(62,159)	40.06	(168,680)	47.62
Outstanding on December 31	**2,271,240**	**$ 39.99**	2,356,728	$ 40.42	1,583,447	$ 41.83

1 Represents performance share units converted to restricted stock for certain executives prior to retirement. The vesting of this restricted stock is subject to certification of the applicable performance periods.

2 Represents share units that converted to cash equivalent payments to former executives who were ineligible for restricted stock grants due to certain events such as death, disability or termination.

	Number of Performance Share Units Outstanding		
December 31,	**2006**	2005	2004
Threshold Award	**1,297,632**	1,352,388	950,837
Target Award	**2,271,240**	2,356,728	1,583,447
Maximum Award	**3,370,860**	3,499,092	2,339,171

The Company recognizes compensation expense when it becomes probable that the performance criteria specified in the plan will be achieved. The compensation expense is recognized over the remaining performance period and is recorded in selling, general and administrative expenses.

NOTE 16: PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

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

Effective December 31, 2006, the Company adopted SFAS No. 158, which required the recognition in pension obligations and AOCI of actuarial gains or losses, prior service costs or credits and transition assets or obligations that had previously been deferred under the reporting requirements of SFAS No. 87, SFAS No. 106 and SFAS No. 132(R). The following table reflects the effects of the adoption of SFAS No. 158 on our consolidated balance sheet as of December 31, 2006. SFAS No. 158 also impacted the reporting of equity method investees as described in Note 3.

December 31, 2006 (in millions)	Before Application of SFAS No. 158	Adjustments	After Application of SFAS No. 158
Equity method investments	**$ 6,460**	**$ (150)**	**$ 6,310**
Other assets	**2,776**	**(75)**	**2,701**
Other intangible assets	**1,699**	**(12)**	**1,687**
Total assets	**30,200**	**(237)**	**29,963**
Other liabilities	**2,039**	**192**	**2,231**
Deferred income taxes	**749**	**(141)**	**608**
Total liabilities	**12,992**	**51**	**13,043**
Accumulated other comprehensive income	**(1,003)**	**(288)**	**(1,291)**
Total shareowners' equity	**17,208**	**(288)**	**16,920**
Total liabilities and shareowners' equity	**30,200**	**(237)**	**29,963**

Amounts recognized in AOCI consist of the following (in millions, pretax):

	Pension Benefits	Other Benefits
December 31,	**2006**	**2006**
Net actuarial loss (gain)	**$ 267**	**$ 97**
Prior service cost (credit)	**37**	**(5)**
	$ 304	**$ 92**

Amounts in AOCI expected to be recognized as components of net periodic pension cost in 2007 are as follows (in millions, pretax):

	Pension Benefits	Other Benefits
	2007	2007
Net actuarial loss (gain)	$ 20	$ 1
Prior service cost (credit)	6	
	$ 26	$ 1

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

107

Obligations and Funded Status

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

	Pension Benefits		Other Benefits	
December 31,	**2006**	2005	**2006**	2005
Benefit obligation at beginning of year[1]	**$ 2,806**	$ 2,592	**$ 787**	$ 801
Service cost	**104**	88	**31**	28
Interest cost	**158**	146	**46**	43
Foreign currency exchange rate changes	**53**	(56)	**(1)**	
Amendments	**4**	2		
Actuarial (gain) loss	**(41)**	186	**(25)**	(63)
Benefits paid[2]	**(127)**	(123)	**(23)**	(25)
Business combinations	**95**		**10**	
Settlements	**(10)**	(28)		
Curtailments		(7)		
Other	**3**	6	**3**	3
Benefit obligation at end of year[1]	**$ 3,045**	$ 2,806	**$ 828**	$ 787

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

[2] Benefits paid from pension benefit plans during 2006 and 2005 included $31 million and $28 million, respectively, in payments related to unfunded pension plans that were paid from Company assets. All of the benefits paid from other benefit plans during 2006 and 2005 were paid from Company assets.

The accumulated benefit obligation for our pension plans was $2,648 million and $2,428 million at December 31, 2006 and 2005, respectively.

For pension plans with projected benefit obligations in excess of plan assets, the total projected benefit obligation and fair value of plan assets were $1,339 million and $642 million, respectively, as of December 31, 2006, and $1,156 million and $470 million, respectively, as of December 31, 2005. For pension plans with accumulated benefit obligations in excess of plan assets, the total accumulated benefit obligation and fair value of plan assets were $852 million and $278 million, respectively, as of December 31, 2006, and $875 million and $331 million, respectively, as of December 31, 2005.

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

	Pension Benefits		Other Benefits	
December 31,	**2006**	2005	**2006**	2005
Fair value of plan assets at beginning of year[1]	**$ 2,406**	$ 2,166	**$ 19**	$ 10
Actual return on plan assets	**339**	213	**5**	1
Employer contributions	**94**	161	**224**	8
Foreign currency exchange rate changes	**36**	(35)		
Benefits paid	**(96)**	(95)		
Business combinations	**68**			
Other	**(4)**	(4)		
Fair value of plan assets at end of year[1]	**$ 2,843**	$ 2,406	**$ 248**	$ 19

[1] Plan assets include 1.6 million shares of common stock of our Company with a fair value of $77 million and $65 million as of December 31, 2006 and 2005, respectively. Dividends received on common stock of our Company during 2006 and 2005 were $2.0 million and $1.8 million, respectively.

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

	Pension Benefits		Other Benefits	
December 31,	**2006**[1]	2005	**2006**[1]	2005
Funded status plan assets less than benefit obligations	**$ (202)**	$ (400)	**$ (580)**	$ (768)
Unrecognized net actuarial loss		512		123
Unrecognized prior service cost (credit)		39		(6)
Fourth quarter contribution	**3**			
Net prepaid asset (liability) recognized	**$ (199)**	$ 151	**$ (580)**	$ (651)
Prepaid benefit cost	**$ 494**	$ 581	**$**	$
Accrued benefit liability	**(693)**	(570)	**(580)**	(651)
Intangible asset		12		
Accumulated other comprehensive income		128		
Net prepaid asset (liability) recognized	**$ (199)**	$ 151	**$ (580)**	$ (651)

[1] Effective December 31, 2006, the Company adopted SFAS No. 158.

Components of Net Periodic Benefit Cost

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

	Pension Benefits			Other Benefits		
December 31,	**2006**	2005	2004	**2006**	2005	2004
Service cost	**$ 104**	$ 88	$ 82	**$ 31**	$ 28	$ 27
Interest cost	**158**	146	136	**46**	43	44
Expected return on plan assets	**(179)**	(154)	(141)	**(5)**	(1)	
Amortization of prior service cost (credit)	**7**	7	8			(1)
Recognized net actuarial loss	**46**	42	35	**3**	1	3
Net periodic benefit cost[1]	**$ 136**	$ 129	$ 120	**$ 75**	$ 71	$ 73

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

Assumptions

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

	Pension Benefits		Other Benefits	
December 31,	**2006**	2005	**2006**	2005
Discount rate	**5 3/4%**	5 1/2%	**6%**	5 3/4%
Rate of increase in compensation levels	**4 1/4%**	4 1/4%	**4 1/2%**	4 1/2%

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

	Pension Benefits			Other Benefits		
Year Ended December 31,	**2006**	2005	2004	**2006**	2005	2004
Discount rate	**5 1/2%**	5 1/2%	6%	**5 3/4%**	6%	6 1/4%
Rate of increase in compensation levels	**4 1/4%**	4%	4 1/4%	**4 1/2%**	4 1/2%	4 1/2%
Expected long-term rate of return on plan assets	**8%**	8%	8%	**8 1/2%**	8 1/2%	8 1/2%

The assumed health care cost trend rates are as follows:

December 31,	**2006**	2005
Health care cost trend rate assumed for next year	**9%**	9%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	**5%**	5 1/4%
Year that the rate reaches the ultimate trend rate	**2011**	2010

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

	One Percentage Point Increase	One Percentage Point Decrease
Effect on accumulated postretirement benefit obligation as of December 31, 2006	$ 117	$ (95)
Effect on total of service cost and interest cost in 2006	$ 15	$ (12)

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

Plan Assets

Pension Benefit Plans

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

December 31,	**2006**	2005	Target Asset Allocation
Equity securities[1]	**62%**	63%	61%
Debt securities	**27**	24	29
Real estate and other[2]	**11**	13	10
Total	**100%**	100%	100%

[1] As of December 31, 2006 and 2005, 3 percent of total pension plan assets were invested in common stock of our Company.

[2] As of December 31, 2006 and 2005, 6 percent of total pension plan assets were invested in real estate.

Investment objectives for the Company's U.S. pension plan assets, which comprise 75 percent of total pension plan assets as of December 31, 2006, are to:

(1) optimize the long-term return on plan assets at an acceptable level of risk;

(2) maintain a broad diversification across asset classes and among investment managers;

(3) maintain careful control of the risk level within each asset class; and

(4) focus on a long-term return objective.

111

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

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

As of December 31, 2006, no investment manager was responsible for more than 10 percent of total U.S. plan assets. In addition, diversification requirements for each investment manager prevent a single security or other investment from exceeding 10 percent, at historical cost, of the individual manager's portfolio.

The expected long-term rate of return assumption for U.S. plan assets is based upon the target asset allocation and is determined using forward-looking assumptions in the context of historical returns and volatilities for each asset class, as well as correlations among asset classes. We evaluate the rate of return assumption on an annual basis. The expected long-term rate of return assumption used in computing 2006 net periodic pension cost for the U.S. plans was 8.5 percent. As of December 31, 2006, the 10-year annualized return on U.S. plan assets was 9.0 percent, the 15-year annualized return was 11.0 percent, and the annualized return since inception was 12.8 percent.

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

Other Benefit Plans

Plan assets associated with other benefits represent funding of the primary U.S. postretirement benefit plans. In late 2006, we established and contributed $216 million to a U.S. Voluntary Employee Beneficiary Association, a tax-qualified trust. As of December 31, 2006, the majority of these funds were held in short-term investments pending the implementation of long-term asset allocation strategies. While these assets will remain segregated from the primary U.S. pension master trust, the investment objectives, asset allocation targets and investment guidelines will be determined in a methodology similar to that applied to the U.S. pension plans described above.

Cash Flows

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

	Pension Benefits	Other Benefits
Expected employer contributions:		
2007	$ 49	$
Expected benefit payments[1]:		
2007	$ 135	$ 30
2008	133	33
2009	134	36
2010	145	39
2011	142	42
2012-2016	834	253

[1] The expected benefit payments for our other postretirement benefit plans are net of estimated federal subsidies expected to be received under the Medicare Prescription Drug, Improvement and Modernization Act of 2003. Federal subsidies are estimated to range from $2 million to $3 million in 2007 to 2011 and are estimated to be $23 million for the period 2012-2016.

Defined Contribution Plans

Our Company sponsors a qualified defined contribution plan covering substantially all U.S. employees. Under this plan, we match 100 percent of participants' contributions up to a maximum of 3 percent of compensation. Company contributions to the U.S. plan were approximately $25 million, $21 million and $18 million in 2006, 2005 and 2004, respectively. We also sponsor defined contribution plans in certain locations outside the United States. Company contributions to those plans were approximately $18 million, $16 million and $13 million in 2006, 2005 and 2004, respectively.

NOTE 17: INCOME TAXES

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

Year Ended December 31,	**2006**	2005	2004
United States	**$ 2,126**	$ 2,268	$ 2,535
International	**4,452**	4,422	3,687
	$ 6,578	$ 6,690	$ 6,222

Income tax expense (benefit) consisted of the following for the years ended December 31, 2006, 2005 and 2004 (in millions):

	United States	State and Local	International	Total
2006				
Current	**$ 608**	**$ 47**	**$ 878**	**$ 1,533**
Deferred	**(20)**	**(22)**	**7**	**(35)**
2005				
Current	$ 873	$ 188	$ 845	$ 1,906
Deferred	(72)	(25)	9	(88)
2004				
Current	$ 350	$ 64	$ 799	$ 1,213
Deferred	209	29	(76)	162

We made income tax payments of approximately $1,601 million, $1,676 million and $1,500 million in 2006, 2005 and 2004, respectively.

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

Year Ended December 31,	**2006**	2005	2004
Statutory U.S. federal rate	**35.0 %**	35.0 %	35.0 %
State and local income taxes net of federal benefit	**0.7**	1.2	1.0
Earnings in jurisdictions taxed at rates different from the statutory U.S. federal rate	**(11.4)**[1]	(12.1)[5]	(9.4)[9,10]
Equity income or loss	**(0.6)**[2]	(2.3)	(3.1)[11]
Other operating charges	**0.6**[3]	0.4[6]	(0.9)[12]
Other net	**(1.5)**[4]	0.3[7]	(0.5)[13]
Repatriation under the Jobs Creation Act		4.7[8]	
Effective rates	**22.8 %**	27.2 %	22.1 %

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

2 Includes approximately 2.4 percent impact to our effective tax rate related to charges recorded by our equity method investees. Refer to Note 3 and Note 18.

3 Includes the tax rate impact related to the impairment of assets and investments in our bottling operations, contract termination costs related to production capacity efficiencies and other restructuring charges. Refer to Note 18.

4 Includes approximately 1.8 percent tax rate benefit related to the sale of a portion of our investment in Coca-Cola FEMSA and Coca-Cola Icecek. Refer to Note 3 and Note 18.

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

6 Includes approximately $4 million tax benefit related to the Philippines impairment charges. Refer to Note 6 and Note 18.

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

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

[9] Includes approximately $92 million (or 1.4 percent) tax benefit related to the favorable resolution of certain tax matters in various international jurisdictions.
[10] Includes a tax charge of approximately $75 million (or 1.2 percent) related to the recording of a valuation allowance on various deferred tax assets recorded in Germany.
[11] Includes an approximate $50 million (or 0.8 percent) tax benefit related to the realization of certain foreign tax credits per provisions of the Jobs Creation Act.
[12] Includes a tax benefit of approximately $171 million primarily related to impairment of franchise rights at CCEAG and certain manufacturing investments. Refer to Note 18.
[13] Includes an approximate $36 million (or 0.6 percent) tax benefit related to the favorable resolution of various domestic tax matters.

Our effective tax rate reflects the tax benefits from having significant operations outside the United States that are taxed at rates lower than the statutory U.S. rate of 35 percent. During 2006, the Company had several subsidiaries that benefited from various tax incentive grants. The terms of these grants range from 2010 to 2018. The Company expects each of the grants to be renewed indefinitely. The grants did not have a material effect on the results of operations for the years ended December 31, 2006, 2005 or 2004.

Undistributed earnings of the Company's foreign subsidiaries amounted to approximately $7.7 billion at December 31, 2006. Those earnings are considered to be indefinitely reinvested and, accordingly, no U.S. federal and state income taxes have been provided thereon. Upon distribution of those earnings in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practical because of the complexities associated with its hypothetical calculation; however, unrecognized foreign tax credits would be available to reduce a portion of the U.S. tax liability.

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

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

December 31,	**2006**	2005
Deferred tax assets:		
Property, plant and equipment	**$ 58**	$ 60
Trademarks and other intangible assets	**75**	64
Equity method investments (including translation adjustment)	**354**	445
Other liabilities	**190**	200
Benefit plans	**866**	649
Net operating/capital loss carryforwards	**593**	750
Other	**224**	295
Gross deferred tax assets	**2,360**	2,463
Valuation allowances	**(678)**	(786)
Total deferred tax assets[1,2]	**$ 1,682**	$ 1,677
Deferred tax liabilities:		
Property, plant and equipment	**$ (630)**	$ (641)
Trademarks and other intangible assets	**(504)**	(278)
Equity method investments (including translation adjustment)	**(622)**	(674)
Other liabilities	**(82)**	(80)
Other	**(200)**	(170)
Total deferred tax liabilities[3]	**$ (2,038)**	$ (1,843)
Net deferred tax liabilities	**$ (356)**	$ (166)

[1] Noncurrent deferred tax assets of $168 million and $192 million were included in the consolidated balance sheets line item other assets at December 31, 2006 and 2005, respectively.

[2] Current deferred tax assets of $117 million and $153 million were included in the consolidated balance sheets line item prepaid expenses and other assets at December 31, 2006 and 2005, respectively.

[3] Current deferred tax liabilities of $33 million and $159 million were included in the consolidated balance sheets line item accounts payable and accrued expenses at December 31, 2006 and 2005, respectively.

As of December 31, 2006 and 2005, we had approximately $93 million of net deferred tax liabilities and $116 million of net deferred tax assets, respectively, located in countries outside the United States.

As of December 31, 2006, we had approximately $2,324 million of loss carryforwards available to reduce future taxable income. Loss carryforwards of approximately $373 million must be utilized within the next five years; $91 million must be utilized within the next 10 years; and the remainder can be utilized over a period greater than 10 years.

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

Year Ended December 31,	**2006**	2005	2004
Balance, beginning of year	**$ 786**	$ 854	$ 630
Additions	**50**	43	291
Deductions	**(158)**	(111)	(67)
Balance, end of year	**$ 678**	$ 786	$ 854

The Company's deferred tax asset valuation allowances are primarily the result of uncertainties regarding the future realization of recorded tax benefits on tax loss carryforwards from operations in various jurisdictions. In 2006, the Company recognized a net decrease in its valuation allowances of $108 million. This decrease was primarily related to the reversal of valuation allowances that covered certain deferred tax assets recorded on capital loss carryforwards. A portion of the capital loss carryforwards was utilized to offset taxable gains on the sale of a portion of the investments in Coca-Cola Icecek and Coca-Cola FEMSA. In 2005, the Company recognized a decrease in its valuation allowances of $68 million. This decrease was primarily related to a change in tax rates which resulted in a reduction of certain deferred tax assets and corresponding valuation allowances. In 2004, the Company recognized an increase in its valuation allowances of $224 million. This increase was primarily related to the recording of a valuation allowance on Germany's net operating losses, the recording of a valuation allowance on a deferred tax asset recorded on the basis difference in an equity investment and a change in the valuation allowance in India.

NOTE 18: SIGNIFICANT OPERATING AND NONOPERATING ITEMS

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

During 2006, our Company also recorded charges of approximately $112 million, primarily related to the impairment of assets and investments in our bottling operations, approximately $53 million for contract termination costs related to production capacity efficiencies and approximately $24 million related to other restructuring costs. These charges impacted the Africa, the East, South Asia and Pacific Rim, the European Union, the North Asia, Eurasia and Middle East, the Bottling Investments and the Corporate operating segments. None of these charges was individually significant. Approximately $4 million of these charges were recorded in the line item cost of goods sold and approximately $185 million of these charges were recorded in the line item other operating charges in the consolidated statement of income. Refer to Note 20.

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

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

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

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

During 2005, we recorded approximately $23 million of noncash pretax gains on the issuances of stock by equity method investees. Refer to Note 4.

The Company recorded approximately $50 million of expense in 2005 as a result of a change in our estimated service period for the acceleration of certain stock-based compensation awards. Refer to Note 15.

Equity income in 2005 was reduced by approximately $33 million for the Bottling Investments operating segment, primarily related to our proportionate share of the tax liability recorded by CCE resulting from its repatriation of previously unremitted foreign earnings under the Jobs Creation Act, as well as our proportionate share of restructuring charges. Those amounts were partially offset by our proportionate share of CCE's HFCS lawsuit settlement proceeds and changes in certain of CCE's state and provincial tax rates. Refer to Note 3.

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

During 2004, our Company's equity income benefited by approximately $37 million for our proportionate share of a favorable tax settlement related to Coca-Cola FEMSA. Refer to Note 3.

In 2004, we recorded approximately $24 million of noncash pretax gains on the issuances of stock by CCE. Refer to Note 4.

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

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

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

NOTE 19: ACQUISITIONS AND INVESTMENTS

In December 2006, the Company entered into a purchase agreement with San Miguel Corporation and two of its subsidiaries (collectively, "SMC") to acquire all of the shares of capital stock of Coca-Cola Bottlers Philippines, Inc. ("CCBPI") held by SMC, representing 65 percent of all the issued and outstanding capital stock of CCBPI. CCBPI is the Company's authorized bottler in the Philippines. The transaction is subject to certain conditions. Upon the closing of this transaction, the Company will own 100 percent of the issued and outstanding capital stock of CCBPI. The total purchase price is expected to be approximately $590 million, subject to adjustment based on the terms and conditions of the purchase agreement. The results of operations of CCBPI will be included in our consolidated financial statements from the date of the closing.

In December 2006, the Company and Coca-Cola FEMSA entered into an agreement to jointly acquire Jugos del Valle, S.A.B. de C.V., the second largest producer of packaged juices, nectars and fruit-flavored beverages in Mexico and the largest producer of such beverages in Brazil. The total purchase price is expected to be approximately $380 million in cash plus the assumption of approximately $90 million in debt. The transaction is subject to certain conditions, including required regulatory approvals.

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

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

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

The combined amount paid or to be paid to complete these third-quarter 2006 transactions totals approximately $707 million. As a result of these transactions, the Company recorded approximately $707 million of franchise rights, approximately $74 million of trademarks and $182 million of goodwill. These amounts reflect a preliminary allocation of the purchase price of the applicable transactions and are subject to refinement. The franchise rights and trademarks have been assigned an indefinite life.

In January 2006, our Company acquired a 100 percent interest in TJC Holdings (Pty) Ltd. ("TJC"), a bottling company in South Africa, from Chef Limited and Tom Cook Trust for cash consideration of approximately $200 million. This transaction was accounted for as a business combination, with the results of TJC included in the Company's consolidated financial statements since the date of acquisition. TJC is included in our Bottling Investments operating segment. The Company allocated the purchase price, based on estimated fair values, to all of the assets and liabilities that we acquired. The amount of the purchase price allocated to property, plant and equipment was approximately $21 million, franchise rights was approximately $169 million and goodwill was approximately $59 million. The franchise rights have been assigned an indefinite life.

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

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

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

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

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

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

NOTE 20: OPERATING SEGMENTS

During 2006, the Company made certain changes to its operating structure, primarily to establish a separate internal organization for its consolidated bottling operations and its unconsolidated bottling investments. This structure resulted in the reporting of a Bottling Investments operating segment, along with the six existing geographic operating segments and Corporate, beginning with the first quarter of 2006. Prior to this change in the operating structure, the financial results of the consolidated bottling operations and our proportionate share of the earnings of unconsolidated bottling operations had been generally included in the geographic operating segments in which they conducted business. As of December 31, 2006, our Company's operating structure consisted of the following operating segments: Africa; East, South Asia and Pacific Rim; European Union; Latin America; North America; North Asia, Eurasia and Middle East; Bottling Investments; and Corporate. Prior-year amounts have been reclassified to conform to the new operating structure described above.

Segment Products and Services

The business of our Company is nonalcoholic beverages. Our operating segments derive a majority of their revenues from the manufacture and sale of beverage concentrates and syrups and, in some cases, the sale of finished beverages.

Method of Determining Segment Income or Loss

Management evaluates the performance of our operating segments separately to individually monitor the different factors affecting financial performance. Our Company manages income taxes and financial costs, such as interest income and expense, on a global basis within the Corporate operating segment. We evaluate segment performance based on income or loss before income taxes.

Information about our Company's operations by operating segment for the years ended December 31, 2006, 2005 and 2004, is as follows (in millions):

	Africa	East, South Asia and Pacific Rim	European Union	Latin America	North America	North Asia, Eurasia and Middle East	Bottling Investments	Corporate	Eliminations	Consolidated
2006										
Net operating revenues:										
Third party	**$ 1,103**	**$ 795**	**$ 3,505**	**$ 2,484**	**$ 7,013**	**$ 3,986**[1]	**$ 5,109**	**$ 93**	**$**	**$ 24,088**
Intersegment	**37**	**77**	**859**	**132**	**16**	**137**	**89**		**(1,347)**	
Total net revenues	**1,140**	**872**	**4,364**	**2,616**	**7,029**	**4,123**	**5,198**	**93**	**(1,347)**	**24,088**
Operating income (loss)	**424**[2]	**358**[2]	**2,254**[2]	**1,438**	**1,683**	**1,557**[2]	**18**[2]	**(1,424)**[2,3]		**6,308**
Interest income								**193**		**193**
Interest expense								**220**		**220**
Depreciation and amortization	**16**	**13**	**100**	**25**	**361**	**55**	**278**	**90**		**938**
Equity income net			**(4)**			**27**	**56**[6]	**23**		**102**
Income (loss) before income taxes	**413**[2]	**358**[2]	**2,258**[2]	**1,434**	**1,681**	**1,579**[2]	**67**[2,6]	**(1,212)**[2,3,4]		**6,578**
Identifiable operating assets[5,7]	**573**	**390**	**2,557**	**1,516**	**4,778**	**1,043**	**5,953**	**6,370**		**23,180**
Investments[8]			**24**		**2**	**428**	**6,276**	**53**		**6,783**
Capital expenditures	**37**	**10**	**93**	**44**	**421**	**129**	**418**	**255**		**1,407**
2005										
Net operating revenues:										
Third party	$ 1,107	$ 719	$ 4,104	$ 2,064	$ 6,676	$ 4,089[1]	$ 4,262	$ 83	$	$ 23,104
Intersegment	13	60	807	94		130			(1,104)	
Total net revenues	1,120	779	4,911	2,158	6,676	4,219	4,262	83	(1,104)	23,104
Operating income (loss)	396[9]	284[9,10]	2,219[9]	1,176[9]	1,553[9]	1,735[9]	(37)	(1,241)[9,11]		6,085
Interest income								235		235
Interest expense								240		240
Depreciation and amortization	18	16	86	27	348	43	265	129		932
Equity income net						20	624[12]	36		680
Income (loss) before income taxes	382[9]	283[9,10]	2,225[9]	1,175[9]	1,549[9]	1,748[9]	590[12]	(1,262)[9,11,13]		6,690
Identifiable operating assets[5,7]	561	339	2,183	1,324	4,645	987	3,842	8,624		22,505
Investments[8]		1	16	6		281	6,538	80		6,922
Capital expenditures	23	7	78	24	265	89	264	149		899
2004										
Net operating revenues:										
Third party	$ 961	$ 706	$ 3,913	$ 1,778	$ 6,423	$ 3,885[1]	$ 3,975	$ 101	$	$ 21,742
Intersegment	10	109	773	69		96			(1,057)	
Total net revenues	971	815	4,686	1,847	6,423	3,981	3,975	101	(1,057)	21,742
Operating income (loss)	336	439	2,126	1,053	1,606[14]	1,671	(454)[14]	(1,079)[14,15]		5,698
Interest income								157		157
Interest expense								196		196
Depreciation and amortization	18	14	75	33	347	69	245	92		893
Equity income net							580[16]	41		621
Income (loss) before income taxes	322	440	2,125	1,059	1,615[14]	1,667	131[14,16]	(1,137)[14,15,17]		6,222
Identifiable operating assets[5,7]	575	360	2,300	1,202	4,728	939	4,144	10,941		25,189

Investments[8]		1	16	5		8	6,138	84	6,252
Capital expenditures	17	7	39	25	247	45	258	117	755

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

[1] Net operating revenues in Japan represented approximately 11 percent of total net operating revenues in 2006, 13 percent in 2005 and 14 percent in 2004.

[2] Operating income (loss) and income (loss) before income taxes were reduced by approximately $3 million for Africa, $44 million for East, South Asia and Pacific Rim, $36 million for the European Union, $17 million for North Asia, Eurasia and Middle East, $88 million for Bottling Investments and $1 million for Corporate primarily due to asset impairments, contract termination costs related to production capacity efficiencies and other restructuring costs during 2006. Refer to Note 18.

[3] Operating income (loss) and income (loss) before income taxes were reduced by $100 million for Corporate as a result of a donation made to The Coca-Cola Foundation. Refer to Note 18.

[4] Income (loss) before income taxes was increased by approximately $298 million for Corporate as a result of net gains on the sale of Coca-Cola FEMSA shares and the sale of a portion of our investment in Coca-Cola Icecek in an initial public offering. Refer to Note 18.

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

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

[7] Property, plant and equipment net in Germany represented approximately 19 percent of total property, plant and equipment net in 2006, 19 percent in 2005 and 20 percent in 2004.

[8] Principally equity and cost method investments in bottling companies.

[9] Operating income (loss) and income (loss) before income taxes were reduced by approximately $3 million for Africa, $3 million for East, South Asia and Pacific Rim, $3 million for the European Union, $4 million for Latin America, $12 million for North America, $3 million for North Asia, Eurasia and Middle East, and $22 million for Corporate as a result of accelerated amortization of stock-based compensation expense due to a change in our estimated service period for retirement-eligible participants. Refer to Note 15.

[10] Operating income (loss) and income (loss) before income taxes were reduced by approximately $85 million for East, South Asia and Pacific Rim related to the Philippines impairment charges. Refer to Note 18.

[11] Operating income (loss) and income (loss) before income taxes benefited by approximately $47 million for Corporate related to the settlement of a class action lawsuit related to HFCS purchases. Refer to Note 18.

[12] Equity income net and income (loss) before income taxes were reduced by approximately $33 million for Bottling Investments primarily related to our proportionate share of the tax liability recorded as a result of CCE's repatriation of unremitted foreign earnings under the Jobs Creation Act and restructuring charges, offset by CCE's HFCS lawsuit settlement proceeds and changes in certain of CCE's state and provincial tax rates and by $4 million due to our proportionate share of impairments of certain intangible assets and investments recorded by an equity method investee in the Philippines. Refer to Note 18.

[13] Income (loss) before income taxes benefited by approximately $23 million for Corporate due to noncash pretax gains on issuances of stock by Coca-Cola Amatil in connection with the acquisition of SPC Ardmona Pty. Ltd., an Australian fruit company. Refer to Note 4.

[14] Operating income (loss) and income (loss) before income taxes were reduced by approximately $18 million for North America, $398 million for Bottling Investments and $64 million for Corporate as a result of other operating charges recorded for asset impairments. Refer to Note 18.

[15] Operating income (loss) and income (loss) before income taxes for Corporate were impacted as a result of the Company's receipt of a $75 million insurance settlement related to the class action lawsuit settled in 2000. The Company subsequently donated $75 million to The Coca-Cola Foundation.

[16] Equity income net and income (loss) before income taxes were increased by approximately $37 million for Bottling Investments as a result of a favorable tax settlement related to Coca-Cola FEMSA. Refer to Note 3.

[17] Income (loss) before income taxes was increased by approximately $24 million for Corporate due to noncash pretax gains that were recognized on the issuances of stock by CCE. Refer to Note 4.

Geographic Data (in millions)

Year Ended December 31,	**2006**	2005	2004
Net operating revenues:			
United States	**$ 6,662**	$ 6,299	$ 6,084
International	**17,426**	16,805	15,658
Net operating revenues	**$ 24,088**	$ 23,104	$ 21,742

December 31,	**2006**	2005	2004
Property, plant and equipment net:			
United States	**$ 2,607**	$ 2,309	$ 2,371
International	**4,296**	3,522	3,720
Property, plant and equipment net	**$ 6,903**	$ 5,831	$ 6,091

Five-Year Compound Growth Rates

Five Years Ended December 31, 2006	Net Operating Revenues	Operating Income
Consolidated	**6.8%**	**3.3%**
Africa	**11.7%**	**9.0%**
East, South Asia and Pacific Rim	**8.0%**	**2.8%**
European Union	**2.7%**	**9.5%**
Latin America	**5.4%**	**5.0%**
North America	**4.8%**	**3.2%**
North Asia, Eurasia and Middle East	**(0.6)%**	**1.2%**
Bottling Investments	**28.6%**	*
Corporate	*	*

* Calculation is not meaningful.

NOTE 21: SUBSEQUENT EVENTS

On January 8, 2007, our Company sold substantially all of our interest in Vonpar Refrescos S.A. ("Vonpar"), a bottler headquartered in Brazil. Total proceeds from the sale were approximately $238 million, and we recognized a gain on this sale of approximately $71 million. Prior to this sale, our Company owned approximately 49 percent of Vonpar's outstanding common stock and accounted for the investment using the equity method.

On February 1, 2007, our Company entered into an agreement to purchase Fuze Beverage, LLC, maker of Fuze enhanced juices and teas in the U.S. The acquisition, which is subject to regulatory clearance and certain other terms and conditions, includes all Fuze Beverage, LLC brands, including the Vitalize, Refresh, Tea and Slenderize lines under the Fuze trademark, WaterPlus enhanced water products, and license rights to the NOS Energy Drink brands. If regulatory clearance is obtained, the transfer of ownership is expected to occur within the first quarter of 2007.

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Coca-Cola Company and Subsidiaries

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

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

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

The Audit Committee of our Company's Board of Directors, composed solely of Directors who are independent in accordance with the requirements of the New York Stock Exchange listing standards, the Exchange Act and the Company's Corporate Governance Guidelines, meets with the independent auditors, management and internal auditors periodically to discuss internal control over financial reporting and auditing and financial reporting matters. The Audit Committee reviews with the independent auditors the scope and results of the audit effort. The Audit Committee also meets periodically with the independent auditors and the chief internal auditor without management present to ensure that the independent auditors and the chief internal auditor have free access to the Audit Committee. Our Audit Committee's Report can be found in the Company's 2007 Proxy statement.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2006. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control Integrated Framework*. During 2006, the Company acquired Kerry Beverages Limited (subsequently renamed Coca-Cola China Industries Limited), Apollinaris GmbH and TJC Holdings (Pty) Ltd. and began consolidating the operations of Brucephil, Inc. Refer to Note 19 of Notes to Consolidated Financial Statements for additional information regarding these events. Management has excluded these businesses from its evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006. The net operating revenues attributable to these businesses represented approximately 1.6 percent of the Company's consolidated net operating revenues for the year ended December 31, 2006, and their aggregate total assets represented approximately 6.1 percent of the Company's consolidated total assets as of December 31, 2006. Based on our assessment, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2006.

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

E. Neville Isdell
Chairman, Board of Directors,
and Chief Executive Officer
February 20, 2007

Connie D. McDaniel
Vice President
and Controller
February 20, 2007

Gary P. Fayard
Executive Vice President
and Chief Financial Officer
February 20, 2007

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareowners
The Coca-Cola Company

We have audited the accompanying consolidated balance sheets of The Coca-Cola Company and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, shareowners' equity, and cash flows for each of the three years in the period ended December 31, 2006. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Coca-Cola Company and subsidiaries at December 31, 2006 and 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, in 2006 the Company adopted SFAS No. 158 related to defined benefit pension and other postretirement plans.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of The Coca-Cola Company and subsidiaries' internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 20, 2007, expressed an unqualified opinion thereon.

Atlanta, Georgia
February 20, 2007

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

Board of Directors and Shareowners
The Coca-Cola Company

We have audited management's assessment, included in the accompanying Report of Management on Internal Control Over Financial Reporting, that The Coca-Cola Company and subsidiaries maintained effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Coca-Cola Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

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

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

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

As indicated in the accompanying Report of Management on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Kerry Beverages Limited (subsequently renamed Coca-Cola China Industries Limited), Brucephil, Inc., Apollinaris GmbH and TJC Holdings (Pty) Ltd. which are included in the 2006 consolidated financial statements of The Coca-Cola Company and subsidiaries and constituted approximately 6.1 percent of the Company's consolidated total assets as of December 31, 2006 and approximately 1.6 percent of the Company's consolidated net operating revenues for the year then ended. Our audit of internal control over financial reporting of The Coca-Cola Company also did not include an evaluation of the internal control over financial reporting of Kerry Beverages Limited (subsequently renamed Coca-Cola China Industries Limited), Brucephil, Inc., Apollinaris GmbH and TJC Holdings (Pty) Ltd.

In our opinion, management's assessment that The Coca-Cola Company and subsidiaries maintained effective internal control over financial reporting as of December 31, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, The Coca-Cola Company and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of The Coca-Cola Company and subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, shareowners' equity, and cash flows for each of the three years in the period ended December 31, 2006, and our report dated February 20, 2007, expressed an unqualified opinion thereon.

Atlanta, Georgia
February 20, 2007

127

Quarterly Data (Unaudited)

Year Ended December 31,	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
(In millions, except per share data)					
2006					
Net operating revenues	**$ 5,226**	**$ 6,476**	**$ 6,454**	**$ 5,932**	**$ 24,088**
Gross profit	**3,500**	**4,366**	**4,189**	**3,869**	**15,924**
Net income	**1,106**	**1,836**	**1,460**	**678**	**5,080**
Basic net income per share	**$ 0.47**	**$ 0.78**	**$ 0.62**	**$ 0.29**	**$ 2.16**
Diluted net income per share	**$ 0.47**	**$ 0.78**	**$ 0.62**	**$ 0.29**	**$ 2.16**
2005					
Net operating revenues	$ 5,206	$ 6,310	$ 6,037	$ 5,551	$ 23,104
Gross profit	3,388	4,164	3,802	3,555	14,909
Net income	1,002	1,723	1,283	864	4,872
Basic net income per share	$ 0.42	$ 0.72	$ 0.54	$ 0.36	$ 2.04
Diluted net income per share	$ 0.42	$ 0.72	$ 0.54	$ 0.36	$ 2.04

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

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

- Impairment charges totaling approximately $42 million primarily related to the impairment of certain assets and investments in certain bottling operations in Asia. Refer to Note 18.

- Approximately $3 million of charges primarily related to restructuring in East, South Asia and Pacific Rim. Refer to Note 18.

- An approximate $9 million charge to equity income for our proportionate share of CCE's restructuring costs. Refer to Note 3.

- An income tax benefit of approximately $7 million primarily related to asset impairment and restructuring charges in Asia. Refer to Note 17.

- Approximately $10 million of income tax expense primarily related to increases in tax reserves. Refer to Note 17.

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

- An approximate $123 million net gain related to the sale of a portion of our investment in Coca-Cola Icecek in an initial public offering. This gain was recorded in the line item other income (loss) net. Refer to Note 18.

Charges totaling approximately $31 million primarily related to costs associated with production capacity efficiencies and other restructuring costs in Asia and the European Union. Refer to Note 18.

An approximate $21 million benefit to equity income for our proportionate share of favorable changes in certain of CCE's state and Canadian federal and provincial tax rates. Refer to Note 3.

Approximately $22 million of income tax expense related to the anticipated future resolution of certain tax matters. Refer to Note 17.

An income tax benefit of approximately $14 million related to the sale of a portion of our investment in Coca-Cola Icecek. Refer to Note 17.

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

Approximately $39 million of charges primarily related to the impairment of certain intangible assets and investments in certain bottling operations, costs to rationalize production and other restructuring costs in Africa, the European Union and Asia. Refer to Note 18.

An approximate $3 million charge to equity income net for our proportionate share of items impacting investees. Refer to Note 3.

An income tax benefit of approximately $41 million related to the reversal of a tax valuation allowance due to the sale of a portion of our equity method investment in Coca-Cola FEMSA, partially offset by a charge for the anticipated future resolution of certain tax matters and a change in the tax rate applicable to a portion of the temporary difference between the book and tax basis of our investment in Coca-Cola FEMSA. Refer to Note 3.

An income tax benefit of approximately $12 million associated with impairment charges, costs to rationalize production and other restructuring costs. Refer to Note 17.

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

An approximate $615 million charge to equity income related to the Company's proportionate share of CCE's impairment charges and restructuring charges recorded by other equity method investees, partially offset by changes in certain of CCE's state and Canadian federal and provincial tax rates. Refer to Note 3.

Approximately $74 million of charges primarily related to restructuring and asset impairments in East, South Asia and Pacific Rim and certain bottling operations and asset impairments in North Asia, Eurasia and Middle East. Refer to Note 18.

A $100 million donation made to The Coca-Cola Foundation.

An approximate $175 million net gain related to the sale of Coca-Cola FEMSA shares. This gain was recorded in the line item other income (loss) net. Refer to Note 18.

An income tax benefit of approximately $10 million associated with restructuring costs and impairment charges. Refer to Note 17.

An income tax benefit of approximately $38 million associated with a donation made to The Coca-Cola Foundation.

An income tax benefit of approximately $37 million related to the reversal of previously accrued taxes resulting from the anticipated future resolution of certain tax matters. Refer to Note 17.

An income tax benefit of approximately $57 million associated with items impacting investees. Refer to Note 17.

Approximately $76 million of income tax expense associated with the gain on the sale of Coca-Cola FEMSA shares. Refer to Note 17.

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

A provision for taxes on unremitted foreign earnings of approximately $152 million. Refer to Note 17.

Approximately $23 million of noncash pretax gains on issuances of stock by Coca-Cola Amatil in connection with the acquisition of SPC Ardmona Pty. Ltd., an Australian fruit company. Refer to Note 4.

An income tax benefit of approximately $56 million related to the reversal of previously accrued taxes resulting from favorable resolution of tax matters. Refer to Note 17.

Approximately $50 million of accelerated amortization of stock-based compensation expense related to a change in our estimated service period for retirement-eligible participants. Refer to Note 15.

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

The receipt of approximately $42 million related to the settlement of a class action lawsuit concerning the purchase of HFCS. Refer to Note 18.

An approximate $21 million benefit to equity income for our proportionate share of CCE's HFCS lawsuit settlement. Refer to Note 3.

An income tax benefit of approximately $17 million related to the reversal of previously accrued taxes resulting from favorable resolution of tax matters. Refer to Note 17.

An income tax benefit of approximately $25 million as a result of additional guidance issued by the United States Internal Revenue Service and the United States Department of the Treasury related to the Jobs Creation Act. Refer to Note 17.

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

Approximately $89 million of impairment charges primarily related to intangible assets (mainly trademark beverages sold in the Philippines market). Approximately $85 million and $4 million of these impairment charges are recorded in the line items other operating charges and equity income net, respectively. Refer to Note 18.

Approximately $5 million of a noncash pretax charge to equity income net due to our proportionate share of CCE's restructuring charges. Refer to Note 3.

An income tax benefit of approximately $18 million related to the reversal of previously accrued taxes resulting from favorable resolution of tax matters. Refer to Note 17.

An income tax benefit of approximately $4 million primarily related to the Philippines impairment charges. Refer to Note 17.

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

The receipt of approximately $5 million related to the settlement of a class action lawsuit concerning the purchase of HFCS. Refer to Note 18.

An approximate $49 million reduction to equity income due to our proportionate share of CCE's tax expense related to repatriation of previously unremitted foreign earnings under the Jobs Creation Act and restructuring charges recorded by CCE, partially offset by changes in certain of CCE's state and provincial tax rates and additional proceeds from CCE's HFCS lawsuit settlement. Refer to Note 3.

An income tax benefit of approximately $10 million related to the reversal of previously accrued taxes resulting from favorable resolution of tax matters. Refer to Note 17.

A provision for taxes on unremitted foreign earnings of approximately $188 million. Refer to Note 17.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

The Company, under the supervision and with the participation of its management, including the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective in timely making known to them material information relating to the Company and the Company's consolidated subsidiaries required to be disclosed in the Company's reports filed or submitted under the Exchange Act.

The report called for by Item 308(a) of Regulation S-K is incorporated herein by reference to Report of Management on Internal Control Over Financial Reporting, included in Part II, "Item 8. Financial Statements and Supplementary Data" of this report. During 2006, the Company acquired Kerry Beverages Limited (subsequently renamed Coca-Cola China Industries Limited), Apollinaris GmbH and TJC Holdings (Pty) Ltd. and began consolidating the operations of Brucephil, Inc. Refer to Note 19 of Notes to Consolidated Financial Statements for additional information regarding these events. Management has excluded these businesses from its evaluation of the effectiveness of the Company's internal control over financial reporting as of December 31, 2006. The net operating revenues attributable to these businesses represented approximately 1.6 percent of the Company's consolidated net operating revenues for the year ended December 31, 2006, and their aggregate total assets represented approximately 6.1 percent of the Company's consolidated total assets as of December 31, 2006.

The attestation report called for by Item 308(b) of Regulation S-K is incorporated herein by reference to Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting, included in Part II, "Item 8. Financial Statements and Supplementary Data" of this report.

There has been no change in the Company's internal control over financial reporting during the quarter ended December 31, 2006 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information under the headings "Board of Directors," "Section 16(a) Beneficial Ownership Reporting Compliance," "Information About the Board of Directors and Corporate Governance The Audit Committee" and "Information About the Board of Directors and Corporate Governance The Board and Board Committees" in the Company's 2007 Proxy Statement is incorporated herein by reference. See Item X in Part I of this report for information regarding executive officers of the Company.

The Company has adopted a code of business conduct and ethics applicable to the Company's Directors, officers (including the Company's principal executive officer, principal financial officer and controller) and employees, known as the Code of Business Conduct. The Code of Business Conduct is available on the Company's website. In the event that we amend or waive any of the provisions of the Code of Business Conduct applicable to our principal executive officer, principal financial officer or controller that relates to any element of the code of ethics definition enumerated in Item 406(b) of Regulation S-K, we intend to disclose the same on the Company's website at www.thecoca-colacompany.com.

On May 17, 2006, we filed with the New York Stock Exchange ("NYSE") the Annual CEO Certification regarding the Company's compliance with the NYSE's Corporate Governance listing standards as required by Section 303A-12(a) of the NYSE Listed Company Manual. In addition, the Company has filed as exhibits to this annual report and to the annual report on Form 10-K for the year ended December 31, 2005, the applicable certifications of its Chief Executive Officer and its Chief Financial Officer required under Section 302 of the Sarbanes-Oxley Act of 2002, regarding the quality of the Company's public disclosures.

ITEM 11. EXECUTIVE COMPENSATION

The information under the headings "Information About the Board of Directors and Corporate Governance Director Compensation" and the information under the principal headings "EXECUTIVE COMPENSATION," "REPORT OF THE COMPENSATION COMMITTEE," and "COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION" in the Company's 2007 Proxy Statement is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information under the principal heading "EQUITY COMPENSATION PLAN INFORMATION," and the information under the headings "Ownership of Equity Securities in the Company," "Principal Shareowners" and "Ownership of Securities in Investee Companies" in the Company's 2007 Proxy Statement is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information under the headings "Information About the Board of Directors and Corporate Governance" and "Certain Related Person Transactions" and the information under the principal headings "COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION," and "CERTAIN INVESTEE COMPANIES" in the Company's 2007 Proxy Statement is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information under the heading "Audit Fees and All Other Fees" in the Company's 2007 Proxy Statement is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

1. Financial Statements:

Consolidated Statements of Income Years ended December 31, 2006, 2005 and 2004.

Consolidated Balance Sheets December 31, 2006 and 2005.

Consolidated Statements of Cash Flows Years ended December 31, 2006, 2005 and 2004.

Consolidated Statements of Shareowners' Equity Years ended December 31, 2006, 2005 and 2004.

Notes to Consolidated Financial Statements.

Report of Independent Registered Public Accounting Firm.

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

2. Financial Statement Schedules:

The schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions or are inapplicable and, therefore, have been omitted.

3. Exhibits

Exhibit No.	
2.1	Control and Profit and Loss Transfer Agreement, dated November 21, 2001, between Coca-Cola GmbH and Coca-Cola Erfrischungsgetraenke AG incorporated herein by reference to Exhibit 2 of the Company's Form 10-Q Quarterly Report for the quarter ended March 31, 2002. (With regard to applicable cross-references in this report, the Company's Current, Quarterly and Annual Reports are filed with the SEC under File No. 1-2217.)
3.1	Certificate of Incorporation of the Company, including Amendment of Certificate of Incorporation, effective May 1, 1996 incorporated herein by reference to Exhibit 3 of the Company's Form 10-Q Quarterly Report for the quarter ended March 31, 1996.
3.2	By-Laws of the Company, as amended and restated through October 19, 2006 incorporated herein by reference to Exhibit 99.1 of the Company's Form 8-K Current Report, filed October 20, 2006.
4.1	The Company agrees to furnish to the Securities and Exchange Commission, upon request, a copy of any instrument defining the rights of holders of long-term debt of the Company and all of its consolidated subsidiaries and unconsolidated subsidiaries for which financial statements are required to be filed with the SEC.
10.1.1	The Key Executive Retirement Plan of the Company, as amended incorporated herein by reference to Exhibit 10.2 of the Company's Form 10-K Annual Report for the year ended December 31, 1995.*
10.1.2	Third Amendment to the Key Executive Retirement Plan of the Company, dated as of July 9, 1998 incorporated herein by reference to Exhibit 10.1.2 of the Company's Form 10-K Annual Report for the year ended December 31, 1999.*
10.1.3	Fourth Amendment to the Key Executive Retirement Plan of the Company, dated as of February 16, 1999 incorporated herein by reference to Exhibit 10.1.3 of the Company's Form 10-K Annual Report for the year ended December 31, 1999.*
10.1.4	

Exhibit No.

Fifth Amendment to the Key Executive Retirement Plan of the Company, dated as of January 25, 2000 incorporated herein by reference to Exhibit 10.1.4 of the Company's Form 10-K Annual Report for the year ended December 31, 1999.*

10.1.5	Amendment Number Six to the Key Executive Retirement Plan of the Company, dated as of February 27, 2003 incorporated herein by reference to Exhibit 10.3 of the Company's Form 10-Q Quarterly Report for the quarter ended March 31, 2003.*
10.1.6	Amendment Number Seven to the Key Executive Retirement Plan of the Company, dated July 28, 2004, effective as of June 1, 2004 incorporated herein by reference to Exhibit 10.4 of the Company's Form 10-Q Quarterly Report for the quarter ended September 30, 2004.*
10.2	Supplemental Disability Plan of the Company, as amended and restated effective January 1, 2003 incorporated herein by reference to Exhibit 10.2 of the Company's Form 10-K Annual Report for the year ended December 31, 2002.*
10.3	Performance Incentive Plan of the Company, as amended and restated December 13, 2006.*
10.4	1991 Stock Option Plan of the Company, as amended and restated through December 13, 2006.*
10.5	1999 Stock Option Plan of the Company, as amended and restated through December 13, 2006.*
10.6.1	2002 Stock Option Plan of the Company, as amended and restated through December 13, 2006.*
10.6.2	Form of Stock Option Agreement in connection with the 2002 Stock Option Plan, as amended incorporated by reference to Exhibit 99.1 of the Company's Form 8-K Current Report filed on December 8, 2004.*
10.6.3	Form of Stock Option Agreement for E. Neville Isdell in connection with the 2002 Stock Option Plan, as amended incorporated by reference to Exhibit 99.1 of the Company's Form 8-K Current Report filed February 23, 2005.*
10.7	1983 Restricted Stock Award Plan of the Company, as amended through December 13, 2006.*
10.8.1	1989 Restricted Stock Award Plan of the Company, as amended through December 13, 2006.*
10.8.2	Form of Restricted Stock Agreement (Performance Share Unit Agreement) in connection with the 1989 Restricted Stock Award Plan of the Company incorporated herein by reference to Exhibit 10.1 of the Company's Form 8-K Current Report filed April 19, 2005.*
10.8.3	Form of Restricted Stock Agreement (Performance Share Unit Agreement) in connection with the 1989 Restricted Stock Award Plan of the Company, effective as of December 2005 incorporated herein by reference to Exhibit 99.1 of the Company's Form 8-K Current Report filed December 14, 2005.*
10.8.4	Form of Restricted Stock Agreement (Performance Share Unit Agreement) for E. Neville Isdell in connection with the 1989 Restricted Stock Award Plan of the Company, as amended incorporated herein by reference to Exhibit 99.2 of the Company's Form 8-K Current Report filed on February 23, 2005.*
10.8.5	Form of Restricted Stock Award Agreement for Mary E. Minnick in connection with the 1989 Restricted Stock Award Plan of the Company, as amended incorporated herein by reference to Exhibit 10.7 of the Company's Form 10-Q Quarterly Report for the quarter ended July 1, 2005.*
10.8.6	Form of Restricted Stock Agreement (Performance Share Unit Agreement) in connection with the 1989 Restricted Stock Award Plan of the Company incorporated herein by reference to Exhibit 99.2 of the Company's Form 8-K Current Report filed on February 15, 2006.*
10.8.7	Form of Restricted Stock Agreement (Performance Share Unit Agreement) for E. Neville Isdell in connection with the 1989 Restricted Stock Award Plan of the Company incorporated herein by reference to Exhibit 99.1 of the Company's Form 8-K Current Report filed on February 17, 2006.*
10.9.1	Compensation Deferral & Investment Program of the Company, as amended, including Amendment Number Four dated November 28, 1995 incorporated herein by reference to Exhibit 10.13 of the Company's Form 10-K Annual Report for the year ended December 31, 1995.*
10.9.2	Amendment Number Five to the Compensation Deferral & Investment Program of the Company, effective as of January 1, 1998 incorporated herein by reference to Exhibit 10.8.2 of the Company's Form 10-K Annual Report for the year ended December 31, 1997.*

10.9.3	Amendment Number Six to the Compensation Deferral & Investment Program of the Company, dated as of January 12, 2004, effective January 1, 2004 incorporated herein by reference to Exhibit 10.9.3 of the Company's Form 10-K Annual Report for the year ended December 31, 2003.*
10.10.1	Executive Medical Plan of the Company, as amended and restated effective January 1, 2001 incorporated herein by reference to Exhibit 10.10 of the Company's Form 10-K Annual Report for the year ended December 31, 2002.*
10.10.2	Amendment Number One to the Executive Medical Plan of the Company, dated April 15, 2003 incorporated herein by reference to Exhibit 10.1 of the Company's Form 10-Q Quarterly Report for the quarter ended June 30, 2003.*
10.10.3	Amendment Number Two to the Executive Medical Plan of the Company, dated August 27, 2003 incorporated herein by reference to Exhibit 10 of the Company's Form 10-Q Quarterly Report for the quarter ended September 30, 2003.*
10.10.4	Amendment Number Three to the Executive Medical Plan of the Company, dated December 29, 2004, effective January 1, 2005 incorporated herein by reference to Exhibit 10.10.4 of the Company's Form 10-K Annual Report for the year ended December 31, 2004.*
10.10.5	Amendment Number Four to the Executive Medical Plan of the Company incorporated herein by reference to Exhibit 10.6 of the Company's Form 10-Q Quarterly Report for the quarter ended July 1, 2005.*
10.10.6	Amendment Number Five to the Executive Medical Plan of the Company, dated December 20, 2005 incorporated herein by reference to Exhibit 10.10.6 of the Company's Form 10-K Annual Report for the year ended December 31, 2005.*
10.11.1	Supplement Benefit Plan of the Company, as amended and restated effective January 1, 2002 incorporated herein by reference to Exhibit 10.11 of the Company's Form 10-K Annual Report for the year ended December 31, 2002.*
10.11.2	Amendment One to the Supplemental Benefit Plan of the Company, dated as of February 27, 2003 incorporated herein by reference to Exhibit 10.5 of the Company's Form 10-Q Quarterly Report for the quarter ended March 31, 2003.*
10.11.3	Amendment Two to the Supplemental Benefit Plan of the Company, dated as of November 14, 2003, effective October 21, 2003 incorporated herein by reference to Exhibit 10.11.3 of the Company's Form 10-K Annual Report for the year ended December 31, 2003.*
10.11.4	Amendment Three to the Supplemental Benefit Plan of the Company, dated April 14, 2004, effective as of January 1, 2004 incorporated herein by reference to Exhibit 10.3 of the Company's Form 10-Q Quarterly Report for the quarter ended March 31, 2004.*
10.11.5	Amendment Four to the Supplemental Benefit Plan of the Company, dated December 15, 2004, effective January 1, 2005 incorporated herein by reference to Exhibit 10.11.5 of the Company's Form 10-K Annual Report for the year ended December 31, 2004.*
10.11.6	Amendment Five to the Supplemental Benefit Plan of the Company, dated December 21, 2005 incorporated herein by reference to Exhibit 10.11.6 of the Company's Form 10-K Annual Report for the year ended December 31, 2005.*
10.11.7	Amendment Six to the Supplemental Benefit Plan of the Company, dated July 18, 2006 incorporated herein by reference to Exhibit 10.3 of the Company's Form 10-Q Quarterly Report for the quarter ended June 30, 2006.*
10.13	Deferred Compensation Plan for Non-Employee Directors of the Company, as amended and restated effective April 1, 2006 incorporated herein by reference to Exhibit 99.2 of the Company's Form 8-K Current Report filed April 5, 2006.*
10.14	Compensation Plan for Non-Employee Directors of The Coca-Cola Company incorporated herein by reference to Exhibit 99.1 of the Company's Form 8-K Current Report filed on April 5, 2006.*

10.15	Letter Agreement, dated March 4, 2003, between the Company and Stephen C. Jones incorporated herein by reference to Exhibit 10.6 of the Company's Form 10-Q Quarterly Report for the quarter ended March 31, 2003.*
10.16.1	Letter Agreement, dated December 6, 1999, between the Company and M. Douglas Ivester incorporated herein by reference to Exhibit 10.17.1 of the Company's Form 10-K Annual Report for the year ended December 31, 1999.*
10.16.2	Letter Agreement, dated December 15, 1999, between the Company and M. Douglas Ivester incorporated herein by reference to Exhibit 10.17.2 of the Company's Form 10-K Annual Report for the year ended December 31, 1999.*
10.16.3	Letter Agreement, dated February 17, 2000, between the Company and M. Douglas Ivester incorporated herein by reference to Exhibit 10.17.3 of the Company's Form 10-K Annual Report for the year ended December 31, 1999.*
10.17	Long-Term Performance Incentive Plan of the Company, as amended and restated effective December 13, 2006.*
10.18	Executive Incentive Plan of the Company, adopted as of February 14, 2001 incorporated herein by reference to Exhibit 10.19 of the Company's Form 10-K Annual Report for the year ended December 31, 2000.*
10.19	Form of United States Master Bottler Contract, as amended, between the Company and Coca-Cola Enterprises Inc. ("Coca-Cola Enterprises") or its subsidiaries incorporated herein by reference to Exhibit 10.24 of Coca-Cola Enterprises' Annual Report on Form 10-K for the fiscal year ended December 30, 1988 (File No. 01-09300).
10.24.1	Deferred Compensation Plan of the Company, as amended and restated December 17, 2003 incorporated herein by reference to Exhibit 10.26.1 of the Company's Form 10-K Annual Report for the year ended December 31, 2003.*
10.24.2	Deferred Compensation Plan Delegation of Authority from the Compensation Committee to the Management Committee, adopted as of December 17, 2003 incorporated herein by reference to Exhibit 10.26.2 of the Company's Form 10-K Annual Report for the year ended December 31, 2003.*
10.24.3	Amendment One to the Deferred Compensation Plan of the Company, as amended and restated effective December 17, 2003 incorporated herein by reference to Exhibit 10.24.3 of the Company's Form 10-K Annual Report for the year ended December 31, 2005.*
10.25	Letter Agreement, dated October 24, 2002, between the Company and Carl Ware incorporated herein by reference to Exhibit 10.30 of the Company's Form 10-K Annual Report for the year ended December 31, 2002.*
10.26	The Coca-Cola Export Corporation Employee Share Plan, effective as of March 13, 2002 incorporated herein by reference to Exhibit 10.31 of the Company's Form 10-K Annual Report for the year ended December 31, 2002.*
10.27	Employees' Savings and Share Ownership Plan of Coca-Cola Ltd., effective as of January 1, 1990 incorporated herein by reference to Exhibit 10.32 of the Company's Form 10-K Annual Report for the year ended December 31, 2002.*
10.28	Share Purchase Plan Denmark, effective as of 1991 incorporated herein by reference to Exhibit 10.33 of the Company's Form 10-K Annual Report for the year ended December 31, 2002.*
10.29	Letter Agreement, dated June 19, 2003, between the Company and Daniel Palumbo incorporated herein by reference to Exhibit 10.2 of the Company's Form 10-Q Quarterly Report for the quarter ended June 30, 2003.*
10.30	Consulting Agreement, dated January 22, 2004, effective as of August 1, 2003, between the Company and Chatham International Corporation, regarding consulting services to be provided by Brian G. Dyson incorporated herein by reference to Exhibit 10.32 of the Company's Form 10-K Annual Report for the year ended December 31, 2003.*

10.31.1	The Coca-Cola Company Benefits Plan for Members of the Board of Directors, as amended and restated through April 14, 2004 incorporated herein by reference to Exhibit 10.1 of the Company's Form 10-Q Quarterly Report for the quarter ended March 31, 2004.*
10.31.2	Amendment Number One to the Company's Benefits Plan for Members of the Board of Directors, dated December 16, 2005 incorporated herein by reference to Exhibit 10.31.2 of the Company's Form 10-K Annual Report for the year ended December 31, 2005.*
10.32	Letter Agreement, dated March 2, 2004, between the Company and Jeffrey T. Dunn incorporated herein by reference to Exhibit 10.2 of the Company's Form 10-Q Quarterly Report for the quarter ended March 31, 2004.*
10.33	Full and Complete Release, dated June 8, 2004, between the Company and Steven J. Heyer incorporated herein by reference to Exhibit 10.1 of the Company's Form 10-Q Quarterly Report for the quarter ended June 30, 2004.*
10.34	Employment Agreement, dated as of March 11, 2002, between the Company and Alexander R.C. Allan incorporated herein by reference to Exhibit 10.3 of the Company's Form 10-Q Quarterly Report for the quarter ended June 30, 2004.*
10.35	Employment Agreement, dated as of March 11, 2002, between The Coca-Cola Export Corporation and Alexander R.C. Allan incorporated herein by reference to Exhibit 10.4 of the Company's Form 10-Q Quarterly Report for the quarter ended June 30, 2004.*
10.36	Letter, dated September 16, 2004, from the Company to E. Neville Isdell incorporated herein by reference to Exhibit 99.1 of the Company's Form 8-K Current Report filed on September 17, 2004.*
10.37	Stock Award Agreement for E. Neville Isdell, dated September 14, 2004, under the 1989 Restricted Stock Award Plan of the Company incorporated herein by reference to Exhibit 99.2 of the Company's Form 8-K Current Report filed on September 17, 2004.*
10.38	Stock Option Agreement for E. Neville Isdell, dated July 22, 2004, under the 2002 Stock Option Plan of the Company, as amended incorporated herein by reference to Exhibit 10.3 of the Company's Form 10-Q Quarterly Report for the quarter ended September 30, 2004.*
10.39	Letter, dated August 6, 2004, from the Chairman of the Compensation Committee of the Board of Directors of the Company to Douglas N. Daft incorporated herein by reference to Exhibit 10.5 of the Company's Form 10-Q Quarterly Report for the quarter ended September 30, 2004.*
10.40	Letter, dated January 4, 2006, from the Company to Tom Mattia incorporated herein by reference to Exhibit 10.40 of the Company's Form 10-K Annual Report for the year ended December 31, 2005.*
10.41	Letter Agreement, dated October 7, 2004, between the Company and Daniel Palumbo incorporated herein by reference to Exhibit 10.41 of the Company's Form 10-K Annual Report for the year ended December 31, 2004.*
10.42	Letter, dated February 12, 2005, from the Company to Mary E. Minnick incorporated herein by reference to Exhibit 99.3 to the Company's Form 8-K Current Report filed on February 23, 2005.*
10.43	Employment Agreement, dated as of February 20, 2003, between the Company and José Octavio Reyes incorporated herein by reference to Exhibit 10.43 of the Company's Form 10-K Annual Report for the year ended December 31, 2004.*
10.44	Severance Pay Plan of the Company, including Amendments One through Three.*
10.45	Employment Agreement, dated as of July 18, 2002, between the Company and Alexander B. Cummings incorporated herein by reference to Exhibit 10.45 of the Company's Form 10-K Annual Report for the year ended December 31, 2004.*
10.46	Employment Agreement, dated as of July 18, 2002, between The Coca-Cola Export Corporation and Alexander B. Cummings incorporated herein by reference to Exhibit 10.46 of the Company's Form 10-K Annual Report for the year ended December 31, 2004.*

10.47	Letter, dated as of April 1, 2005, from Cynthia P. McCague, Senior Vice President of the Company, to Deval L. Patrick incorporated herein by reference to Exhibit 99.1 of the Company's Form 8-K Current Report filed on April 7, 2005.*
10.48	Full and Complete Release and Agreement on Competition, Trade Secrets and Confidentiality between the Company and Deval L. Patrick incorporated herein by reference to Exhibit 99.2 of the Company's Form 8-K Current Report filed on April 7, 2005.*
10.49	Order Instituting Cease and Desist Proceedings, Making Findings and Imposing a Cease-and-Desist Order Pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934 incorporated herein by reference to Exhibit 99.2 of the Company's Form 8-K Current Report filed on April 18, 2005.
10.50	Offer of Settlement of The Coca-Cola Company incorporated herein by reference to Exhibit 99.2 of the Company's Form 8-K Current Report filed on April 18, 2005.
10.51	Final Undertaking from The Coca-Cola Company and certain of its bottlers, adopted by the European Commission on June 22, 2005, relating to various commercial practices in the European Economic Area incorporated herein by reference to Exhibit 99.1 of the Company's Form 8-K Current Report filed June 22, 2005.
10.52	Employment Agreement, effective as of May 1, 2005, between Refreshment Services, S.A.S. and Dominique Reiniche, dated September 7, 2006 incorporated herein by reference to Exhibit 99.1 of the Company's Form 8-K Current Report filed on September 12, 2006.*
10.53	Refreshment Services S.A.S. Defined Benefit Plan, dated September 25, 2006 incorporated herein by reference to Exhibit 10.3 of the Company's Form 10-Q Quarterly Report for the quarter ended September 29, 2006.*
10.54	Share Purchase Agreement among Coca-Cola South Asia Holdings, Inc. and San Miguel Corporation, San Miguel Beverages (L) Pte Limited and San Miguel Holdings Limited in connection with the Company's purchase of Coca-Cola Bottlers Philippines, Inc., dated December 23, 2006 incorporated herein by reference to Exhibit 99.1 of the Company's Form 8-K Current Report filed on December 29, 2006.*
10.55	Cooperation Agreement between Coca-Cola South Asia Holdings, Inc. and San Miguel Corporation in connection with the Company's purchase of Coca-Cola Bottlers Philippines, Inc., dated December 23, 2006 incorporated herein by reference to Exhibit 99.2 of the Company's Form 8-K Current Report filed on December 29, 2006.*
12.1	Computation of Ratios of Earnings to Fixed Charges for the years ended December 31, 2006, 2005, 2004, 2003 and 2002
21.1	List of subsidiaries of the Company as of December 31, 2006.
23.1	Consent of Independent Registered Public Accounting Firm.
24.1	Powers of Attorney of Officers and Directors signing this report.
31.1	Rule 13a-14(a)/15d-14(a) Certification, executed by E. Neville Isdell, Chairman, Board of Directors, and Chief Executive Officer of The Coca-Cola Company.
31.2	Rule 13a-14(a)/15d-14(a) Certification, executed by Gary P. Fayard, Executive Vice President and Chief Financial Officer of The Coca-Cola Company.
32.1	Certifications required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350), executed by E. Neville Isdell, Chairman, Board of Directors, and Chief Executive Officer of The Coca-Cola Company and by Gary P. Fayard, Executive Vice President and Chief Financial Officer of The Coca-Cola Company.

* Management contracts and compensatory plans and arrangements required to be filed as exhibits pursuant to Item 15(c) of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE COCA-COLA COMPANY
(Registrant)

By: /s/ E. NEVILLE ISDELL

E. NEVILLE ISDELL
Chairman, Board of Directors, Chief Executive Officer

Date: February 21, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ E. NEVILLE ISDELL	*
E. NEVILLE ISDELL Chairman, Board of Directors, Chief Executive Officer and a Director (Principal Executive Officer)	CATHLEEN P. BLACK Director
February 21, 2007	February 21, 2007
/s/ GARY P. FAYARD	*
GARY P. FAYARD Executive Vice President and Chief Financial Officer (Principal Financial Officer)	BARRY DILLER Director
February 21, 2007	February 21, 2007
/s/ CONNIE D. MCDANIEL	*
CONNIE D. MCDANIEL Vice President and Controller (Principal Accounting Officer)	DONALD R. KEOUGH Director
February 21, 2007	February 21, 2007
*	*
HERBERT A. ALLEN Director	DONALD F. MCHENRY Director
February 21, 2007	February 21, 2007

*

RONALD ALLEN
Director

February 21, 2007

*

SAM NUNN
Director

February 21, 2007

*

JAMES D. ROBINSON III
Director
February 21, 2007

*

JAMES B. WILLIAMS
Director
February 21, 2007

*

PETER V. UEBERROTH
Director

February 21, 2007

By: /s/ CAROL CROFOOT HAYES

CAROL CROFOOT HAYES
Attorney-in-fact
February 21, 2007

EXHIBIT INDEX

Exhibit No.	
2.1	Control and Profit and Loss Transfer Agreement, dated November 21, 2001, between Coca-Cola GmbH and Coca-Cola Erfrischungsgetraenke AG incorporated herein by reference to Exhibit 2 of the Company's Form 10-Q Quarterly Report for the quarter ended March 31, 2002. (With regard to applicable cross-references in this report, the Company's Current, Quarterly and Annual Reports are filed with the SEC under File No. 1-2217.)
3.1	Certificate of Incorporation of the Company, including Amendment of Certificate of Incorporation, effective May 1, 1996 incorporated herein by reference to Exhibit 3 of the Company's Form 10-Q Quarterly Report for the quarter ended March 31, 1996.
3.2	By-Laws of the Company, as amended and restated through October 19, 2006 incorporated herein by reference to Exhibit 99.1 of the Company's Form 8-K Current Report, filed October 20, 2006.
4.1	The Company agrees to furnish to the Securities and Exchange Commission, upon request, a copy of any instrument defining the rights of holders of long-term debt of the Company and all of its consolidated subsidiaries and unconsolidated subsidiaries for which financial statements are required to be filed with the SEC.
10.1.1	The Key Executive Retirement Plan of the Company, as amended incorporated herein by reference to Exhibit 10.2 of the Company's Form 10-K Annual Report for the year ended December 31, 1995.*
10.1.2	Third Amendment to the Key Executive Retirement Plan of the Company, dated as of July 9, 1998 incorporated herein by reference to Exhibit 10.1.2 of the Company's Form 10-K Annual Report for the year ended December 31, 1999.*
10.1.3	Fourth Amendment to the Key Executive Retirement Plan of the Company, dated as of February 16, 1999 incorporated herein by reference to Exhibit 10.1.3 of the Company's Form 10-K Annual Report for the year ended December 31, 1999.*
10.1.4	Fifth Amendment to the Key Executive Retirement Plan of the Company, dated as of January 25, 2000 incorporated herein by reference to Exhibit 10.1.4 of the Company's Form 10-K Annual Report for the year ended December 31, 1999.*
10.1.5	Amendment Number Six to the Key Executive Retirement Plan of the Company, dated as of February 27, 2003 incorporated herein by reference to Exhibit 10.3 of the Company's Form 10-Q Quarterly Report for the quarter ended March 31, 2003.*
10.1.6	Amendment Number Seven to the Key Executive Retirement Plan of the Company, dated July 28, 2004, effective as of June 1, 2004 incorporated herein by reference to Exhibit 10.4 of the Company's Form 10-Q Quarterly Report for the quarter ended September 30, 2004.*
10.2	Supplemental Disability Plan of the Company, as amended and restated effective January 1, 2003 incorporated herein by reference to Exhibit 10.2 of the Company's Form 10-K Annual Report for the year ended December 31, 2002.*
10.3	Performance Incentive Plan of the Company, as amended and restated December 13, 2006.*
10.4	1991 Stock Option Plan of the Company, as amended and restated through December 13, 2006.*
10.5	1999 Stock Option Plan of the Company, as amended and restated through December 13, 2006.*
10.6.1	2002 Stock Option Plan of the Company, as amended and restated through December 13, 2006.*
10.6.2	Form of Stock Option Agreement in connection with the 2002 Stock Option Plan, as amended incorporated by reference to Exhibit 99.1 of the Company's Form 8-K Current Report filed on December 8, 2004.*
10.6.3	Form of Stock Option Agreement for E. Neville Isdell in connection with the 2002 Stock Option Plan, as amended incorporated by reference to Exhibit 99.1 of the Company's Form 8-K Current Report filed February 23, 2005.*
10.7	1983 Restricted Stock Award Plan of the Company, as amended through December 13, 2006.*

10.8.1	1989 Restricted Stock Award Plan of the Company, as amended through December 13, 2006.*
10.8.2	Form of Restricted Stock Agreement (Performance Share Unit Agreement) in connection with the 1989 Restricted Stock Award Plan of the Company incorporated herein by reference to Exhibit 10.1 of the Company's Form 8-K Current Report filed April 19, 2005.*
10.8.3	Form of Restricted Stock Agreement (Performance Share Unit Agreement) in connection with the 1989 Restricted Stock Award Plan of the Company, effective as of December 2005 incorporated herein by reference to Exhibit 99.1 of the Company's Form 8-K Current Report filed December 14, 2005.*
10.8.4	Form of Restricted Stock Agreement (Performance Share Unit Agreement) for E. Neville Isdell in connection with the 1989 Restricted Stock Award Plan of the Company, as amended incorporated herein by reference to Exhibit 99.2 of the Company's Form 8-K Current Report filed on February 23, 2005.*
10.8.5	Form of Restricted Stock Award Agreement for Mary E. Minnick in connection with the 1989 Restricted Stock Award Plan of the Company, as amended incorporated herein by reference to Exhibit 10.7 of the Company's Form 10-Q Quarterly Report for the quarter ended July 1, 2005.*
10.8.6	Form of Restricted Stock Agreement (Performance Share Unit Agreement) in connection with the 1989 Restricted Stock Award Plan of the Company incorporated herein by reference to Exhibit 99.2 of the Company's Form 8-K Current Report filed on February 15, 2006.*
10.8.7	Form of Restricted Stock Agreement (Performance Share Unit Agreement) for E. Neville Isdell in connection with the 1989 Restricted Stock Award Plan of the Company incorporated herein by reference to Exhibit 99.1 of the Company's Form 8-K Current Report filed on February 17, 2006.*
10.9.1	Compensation Deferral & Investment Program of the Company, as amended, including Amendment Number Four dated November 28, 1995 incorporated herein by reference to Exhibit 10.13 of the Company's Form 10-K Annual Report for the year ended December 31, 1995.*
10.9.2	Amendment Number Five to the Compensation Deferral & Investment Program of the Company, effective as of January 1, 1998 incorporated herein by reference to Exhibit 10.8.2 of the Company's Form 10-K Annual Report for the year ended December 31, 1997.*
10.9.3	Amendment Number Six to the Compensation Deferral & Investment Program of the Company, dated as of January 12, 2004, effective January 1, 2004 incorporated herein by reference to Exhibit 10.9.3 of the Company's Form 10-K Annual Report for the year ended December 31, 2003.*
10.10.1	Executive Medical Plan of the Company, as amended and restated effective January 1, 2001 incorporated herein by reference to Exhibit 10.10 of the Company's Form 10-K Annual Report for the year ended December 31, 2002.*
10.10.2	Amendment Number One to the Executive Medical Plan of the Company, dated April 15, 2003 incorporated herein by reference to Exhibit 10.1 of the Company's Form 10-Q Quarterly Report for the quarter ended June 30, 2003.*
10.10.3	Amendment Number Two to the Executive Medical Plan of the Company, dated August 27, 2003 incorporated herein by reference to Exhibit 10 of the Company's Form 10-Q Quarterly Report for the quarter ended September 30, 2003.*
10.10.4	Amendment Number Three to the Executive Medical Plan of the Company, dated December 29, 2004, effective January 1, 2005 incorporated herein by reference to Exhibit 10.10.4 of the Company's Form 10-K Annual Report for the year ended December 31, 2004.*
10.10.5	Amendment Number Four to the Executive Medical Plan of the Company incorporated herein by reference to Exhibit 10.6 of the Company's Form 10-Q Quarterly Report for the quarter ended July 1, 2005.*
10.10.6	Amendment Number Five to the Executive Medical Plan of the Company, dated December 20, 2005 incorporated herein by reference to Exhibit 10.10.6 of the Company's Form 10-K Annual Report for the year ended December 31, 2005.*

10.11.1	Supplemental Benefit Plan of the Company, as amended and restated effective January 1, 2002 incorporated herein by reference to Exhibit 10.11 of the Company's Form 10-K Annual Report for the year ended December 31, 2002.*
10.11.2	Amendment One to the Supplemental Benefit Plan of the Company, dated as of February 27, 2003 incorporated herein by reference to Exhibit 10.5 of the Company's Form 10-Q Quarterly Report for the quarter ended March 31, 2003.*
10.11.3	Amendment Two to the Supplemental Benefit Plan of the Company, dated as of November 14, 2003, effective October 21, 2003 incorporated herein by reference to Exhibit 10.11.3 of the Company's Form 10-K Annual Report for the year ended December 31, 2003.*
10.11.4	Amendment Three to the Supplemental Benefit Plan of the Company, dated April 14, 2004, effective as of January 1, 2004 incorporated herein by reference to Exhibit 10.3 of the Company's Form 10-Q Quarterly Report for the quarter ended March 31, 2004.*
10.11.5	Amendment Four to the Supplemental Benefit Plan of the Company, dated December 15, 2004, effective January 1, 2005 incorporated herein by reference to Exhibit 10.11.5 of the Company's Form 10-K Annual Report for the year ended December 31, 2004.*
10.11.6	Amendment Five to the Supplemental Benefit Plan of the Company, dated December 21, 2005 incorporated herein by reference to Exhibit 10.11.6 of the Company's Form 10-K Annual Report for the year ended December 31, 2005.*
10.11.7	Amendment Six to the Supplemental Benefit Plan of the Company, dated July 18, 2006 incorporated herein by reference to Exhibit 10.3 of the Company's Form 10-Q Quarterly Report for the quarter ended June 30, 2006.*
10.13	Deferred Compensation Plan for Non-Employee Directors of the Company, as amended and restated effective April 1, 2006 incorporated herein by reference to Exhibit 99.2 of the Company's Form 8-K Current Report filed April 5, 2006.*
10.14	Compensation Plan for Non-Employee Directors of The Coca-Cola Company incorporated herein by reference to Exhibit 99.1 of the Company's Form 8-K Current Report filed on April 5, 2006.*
10.15	Letter Agreement, dated March 4, 2003, between the Company and Stephen C. Jones incorporated herein by reference to Exhibit 10.6 of the Company's Form 10-Q Quarterly Report for the quarter ended March 31, 2003.*
10.16.1	Letter Agreement, dated December 6, 1999, between the Company and M. Douglas Ivester incorporated herein by reference to Exhibit 10.17.1 of the Company's Form 10-K Annual Report for the year ended December 31, 1999.*
10.16.2	Letter Agreement, dated December 15, 1999, between the Company and M. Douglas Ivester incorporated herein by reference to Exhibit 10.17.2 of the Company's Form 10-K Annual Report for the year ended December 31, 1999.*
10.16.3	Letter Agreement, dated February 17, 2000, between the Company and M. Douglas Ivester incorporated herein by reference to Exhibit 10.17.3 of the Company's Form 10-K Annual Report for the year ended December 31, 1999.*
10.17	Long-Term Performance Incentive Plan of the Company, as amended and restated effective December 13, 2006.*
10.18	Executive Incentive Plan of the Company, adopted as of February 14, 2001 incorporated herein by reference to Exhibit 10.19 of the Company's Form 10-K Annual Report for the year ended December 31, 2000.*
10.19	Form of United States Master Bottler Contract, as amended, between the Company and Coca-Cola Enterprises Inc. ("Coca-Cola Enterprises") or its subsidiaries incorporated herein by reference to Exhibit 10.24 of Coca-Cola Enterprises' Annual Report on Form 10-K for the fiscal year ended December 30, 1988 (File No. 01-09300).

10.24.1	Deferred Compensation Plan of the Company, as amended and restated December 17, 2003 incorporated herein by reference to Exhibit 10.26.1 of the Company's Form 10-K Annual Report for the year ended December 31, 2003.*
10.24.2	Deferred Compensation Plan Delegation of Authority from the Compensation Committee to the Management Committee, adopted as of December 17, 2003 incorporated herein by reference to Exhibit 10.26.2 of the Company's Form 10-K Annual Report for the year ended December 31, 2003.*
10.24.3	Amendment One to the Deferred Compensation Plan of the Company, as amended and restated effective December 17, 2003 incorporated herein by reference to Exhibit 10.24.3 of the Company's Form 10-K Annual Report for the year ended December 31, 2005.*
10.25	Letter Agreement, dated October 24, 2002, between the Company and Carl Ware incorporated herein by reference to Exhibit 10.30 of the Company's Form 10-K Annual Report for the year ended December 31, 2002.*
10.26	The Coca-Cola Export Corporation Employee Share Plan, effective as of March 13, 2002 incorporated herein by reference to Exhibit 10.31 of the Company's Form 10-K Annual Report for the year ended December 31, 2002.*
10.27	Employees' Savings and Share Ownership Plan of Coca-Cola Ltd., effective as of January 1, 1990 incorporated herein by reference to Exhibit 10.32 of the Company's Form 10-K Annual Report for the year ended December 31, 2002.*
10.28	Share Purchase Plan Denmark, effective as of 1991 incorporated herein by reference to Exhibit 10.33 of the Company's Form 10-K Annual Report for the year ended December 31, 2002.*
10.29	Letter Agreement, dated June 19, 2003, between the Company and Daniel Palumbo incorporated herein by reference to Exhibit 10.2 of the Company's Form 10-Q Quarterly Report for the quarter ended June 30, 2003.*
10.30	Consulting Agreement, dated January 22, 2004, effective as of August 1, 2003, between the Company and Chatham International Corporation, regarding consulting services to be provided by Brian G. Dyson incorporated herein by reference to Exhibit 10.32 of the Company's Form 10-K Annual Report for the year ended December 31, 2003.*
10.31.1	The Coca-Cola Company Benefits Plan for Members of the Board of Directors, as amended and restated through April 14, 2004 incorporated herein by reference to Exhibit 10.1 of the Company's Form 10-Q Quarterly Report for the quarter ended March 31, 2004.*
10.31.2	Amendment Number One to the Company's Benefits Plan for Members of the Board of Directors, dated December 16, 2005 incorporated herein by reference to Exhibit 10.31.2 of the Company's Form 10-K Annual Report for the year ended December 31, 2005.*
10.32	Letter Agreement, dated March 2, 2004, between the Company and Jeffrey T. Dunn incorporated herein by reference to Exhibit 10.2 of the Company's Form 10-Q Quarterly Report for the quarter ended March 31, 2004.*
10.33	Full and Complete Release, dated June 8, 2004, between the Company and Steven J. Heyer incorporated herein by reference to Exhibit 10.1 of the Company's Form 10-Q Quarterly Report for the quarter ended June 30, 2004.*
10.34	Employment Agreement, dated as of March 11, 2002, between the Company and Alexander R.C. Allan incorporated herein by reference to Exhibit 10.3 of the Company's Form 10-Q Quarterly Report for the quarter ended June 30, 2004.*
10.35	Employment Agreement, dated as of March 11, 2002, between The Coca-Cola Export Corporation and Alexander R.C. Allan incorporated herein by reference to Exhibit 10.4 of the Company's Form 10-Q Quarterly Report for the quarter ended June 30, 2004.*
10.36	Letter, dated September 16, 2004, from the Company to E. Neville Isdell incorporated herein by reference to Exhibit 99.1 of the Company's Form 8-K Current Report filed on September 17, 2004.*

10.37 Stock Award Agreement for E. Neville Isdell, dated September 14, 2004, under the 1989 Restricted Stock Award Plan of the Company incorporated herein by reference to Exhibit 99.2 of the Company's Form 8-K Current Report filed on September 17, 2004.*

10.38 Stock Option Agreement for E. Neville Isdell, dated July 22, 2004, under the 2002 Stock Option Plan of the Company, as amended incorporated herein by reference to Exhibit 10.3 of the Company's Form 10-Q Quarterly Report for the quarter ended September 30, 2004.*

10.39 Letter, dated August 6, 2004, from the Chairman of the Compensation Committee of the Board of Directors of the Company to Douglas N. Daft incorporated herein by reference to Exhibit 10.5 of the Company's Form 10-Q Quarterly Report for the quarter ended September 30, 2004.*

10.40 Letter, dated January 4, 2006, from the Company to Tom Mattia incorporated herein by reference to Exhibit 10.40 of the Company's Form 10-K Annual Report for the year ended December 31, 2005.*

10.41 Letter Agreement, dated October 7, 2004, between the Company and Daniel Palumbo incorporated herein by reference to Exhibit 10.41 of the Company's Form 10-K Annual Report for the year ended December 31, 2004.*

10.42 Letter, dated February 12, 2005, from the Company to Mary E. Minnick incorporated herein by reference to Exhibit 99.3 to the Company's Form 8-K Current Report filed on February 23, 2005.*

10.43 Employment Agreement, dated as of February 20, 2003, between the Company and José Octavio Reyes incorporated herein by reference to Exhibit 10.43 of the Company's Form 10-K Annual Report for the year ended December 31, 2004.*

10.44 Severance Pay Plan of the Company, including Amendments One through Three.*

10.45 Employment Agreement, dated as of July 18, 2002, between the Company and Alexander B. Cummings incorporated herein by reference to Exhibit 10.45 of the Company's Form 10-K Annual Report for the year ended December 31, 2004.*

10.46 Employment Agreement, dated as of July 18, 2002, between The Coca-Cola Export Corporation and Alexander B. Cummings incorporated herein by reference to Exhibit 10.46 of the Company's Form 10-K Annual Report for the year ended December 31, 2004.*

10.47 Letter, dated as of April 1, 2005, from Cynthia P. McCague, Senior Vice President of the Company, to Deval L. Patrick incorporated herein by reference to Exhibit 99.1 of the Company's Form 8-K Current Report filed on April 7, 2005.*

10.48 Full and Complete Release and Agreement on Competition, Trade Secrets and Confidentiality between the Company and Deval L. Patrick incorporated herein by reference to Exhibit 99.2 of the Company's Form 8-K Current Report filed on April 7, 2005.*

10.49 Order Instituting Cease and Desist Proceedings, Making Findings and Imposing a Cease-and-Desist Order Pursuant to Section 8A of the Securities Act of 1933 and Section 21C of the Securities Exchange Act of 1934 incorporated herein by reference to Exhibit 99.2 of the Company's Form 8-K Current Report filed on April 18, 2005.

10.50 Offer of Settlement of The Coca-Cola Company incorporated herein by reference to Exhibit 99.2 of the Company's Form 8-K Current Report filed on April 18, 2005.

10.51 Final Undertaking from The Coca-Cola Company and certain of its bottlers, adopted by the European Commission on June 22, 2005, relating to various commercial practices in the European Economic Area incorporated herein by reference to Exhibit 99.1 of the Company's Form 8-K Current Report filed June 22, 2005.

10.52 Employment Agreement, effective as of May 1, 2005, between Refreshment Services, S.A.S. and Dominique Reiniche, dated September 7, 2006 incorporated herein by reference to Exhibit 99.1 of the Company's Form 8-K Current Report filed on September 12, 2006.*

10.53	Refreshment Services S.A.S. Defined Benefit Plan, dated September 25, 2006 incorporated herein by reference to Exhibit 10.3 of the Company's Form 10-Q Quarterly Report for the quarter ended September 29, 2006.*
10.54	Share Purchase Agreement among Coca-Cola South Asia Holdings, Inc. and San Miguel Corporation, San Miguel Beverages (L) Pte Limited and San Miguel Holdings Limited in connection with the Company's purchase of Coca-Cola Bottlers Philippines, Inc., dated December 23, 2006 incorporated herein by reference to Exhibit 99.1 of the Company's Form 8-K Current Report filed on December 29, 2006.*
10.55	Cooperation Agreement between Coca-Cola South Asia Holdings, Inc. and San Miguel Corporation in connection with the Company's purchase of Coca-Cola Bottlers Philippines, Inc., dated December 23, 2006 incorporated herein by reference to Exhibit 99.2 of the Company's Form 8-K Current Report filed on December 29, 2006.*
12.1	Computation of Ratios of Earnings to Fixed Charges for the years ended December 31, 2006, 2005, 2004, 2003 and 2002
21.1	List of subsidiaries of the Company as of December 31, 2006.
23.1	Consent of Independent Registered Public Accounting Firm.
24.1	Powers of Attorney of Officers and Directors signing this report.
31.1	Rule 13a-14(a)/15d-14(a) Certification, executed by E. Neville Isdell, Chairman, Board of Directors, and Chief Executive Officer of The Coca-Cola Company.
31.2	Rule 13a-14(a)/15d-14(a) Certification, executed by Gary P. Fayard, Executive Vice President and Chief Financial Officer of The Coca-Cola Company.
32.1	Certifications required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350), executed by E. Neville Isdell, Chairman, Board of Directors, and Chief Executive Officer of The Coca-Cola Company and by Gary P. Fayard, Executive Vice President and Chief Financial Officer of The Coca-Cola Company.

* Management contracts and compensatory plans and arrangements required to be filed as exhibits pursuant to Item 15(c) of this report.

QuickLinks