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

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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

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

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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.

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.

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.