COCA COLA CO
Form 10-K
February 28, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2007

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File No. 1-2217

(Exact name of Registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	**58-0628465** (IRS Employer Identification No.)
One Coca-Cola Plaza **Atlanta, Georgia** (Address of principal executive offices)	**30313** (Zip Code)

Registrant s telephone number, including area code: (404) 676-2121

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
COMMON STOCK, $0.25 PAR VALUE	NEW YORK STOCK EXCHANGE

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ¨ No x

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨
(Do not check if a smaller reporting company)

Indicate by check mark if the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The aggregate market value of the common equity held by non-affiliates of the Registrant (assuming for these purposes, but without conceding, that all executive officers and Directors are affiliates of the Registrant) as of June 29, 2007, the last business day of the Registrant s most recently completed second fiscal quarter, was $114,819,922,506 (based on the closing sale price of the Registrant s Common Stock on that date as reported on the New York Stock Exchange).

The number of shares outstanding of the Registrant s Common Stock as of February 22, 2008 was 2,324,012,042.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company s Proxy Statement for the Annual Meeting of Shareowners to be held on April 16, 2008, are incorporated by reference in Part III.

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FORWARD-LOOKING STATEMENTS

This report contains information that may constitute forward-looking statements. Generally, the words believe, expect, intend, estimate, anticipate, project, will and similar expressions identify forward-looking statements, which generally are not historical in nature. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future including statements relating to volume growth, share of sales and earnings per share growth, and statements expressing general views about future operating results are forward-looking statements. Management believes that these forward-looking statements are reasonable as and when made. However, caution should be taken not to place undue reliance on any such forward-looking statements because such statements speak only as of the date when made. Our Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our Company s historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described in Part I, Item 1A. Risk Factors and elsewhere in this report and those described from time to time in our future reports filed with the Securities and Exchange Commission.

PART I

ITEM 1. BUSINESS

General

The Coca-Cola Company is the largest manufacturer, distributor and marketer of nonalcoholic beverage concentrates and syrups in the world. Finished beverage products bearing our trademarks, sold in the United States since 1886, are now sold in more than 200 countries. Along with Coca-Cola, which is recognized as the world s most valuable brand, we market four of the world s top five nonalcoholic sparkling brands, including Diet Coke, Fanta and Sprite. In this report, the terms Company, we, us or our mean The Coca-Cola Company and all entities included in our consolidated financial statements.

Our business is nonalcoholic beverages principally sparkling beverages, but also a variety of still beverages. We manufacture beverage concentrates and syrups, which we sell to bottling and canning operations, fountain wholesalers and some fountain retailers, as well as finished beverages, which we sell primarily to distributors. Our Company owns or licenses more than 450 brands, including diet and light beverages, waters, enhanced waters, juices and juice drinks, teas, coffees, and energy and sports drinks. In addition, we have ownership interests in numerous beverage joint ventures, bottling and canning operations, although most of these operations are independently owned and managed.

We were incorporated in September 1919 under the laws of the State of Delaware and succeeded to the business of a Georgia corporation with the same name that had been organized in 1892.

Our Company is one of numerous competitors in the commercial beverages market. Of the approximately 53 billion beverage servings of all types consumed worldwide every day, beverages bearing trademarks owned by or licensed to us account for approximately 1.5 billion.

We believe that our success depends on our ability to connect with consumers by providing them with a wide variety of choices to meet their desires, needs and lifestyle choices. Our success further depends on the ability of our people to execute effectively, every day.

Our goal is to use our Company s assets our brands, financial strength, unrivaled distribution system, global reach and the talent and strong commitment of our management and associates to become more competitive and to accelerate growth in a manner that creates value for our shareowners.

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Operating Segments

The Company s operating structure is the basis for our internal financial reporting. As of December 31, 2007, our operating structure included the following operating segments, the first seven of which are sometimes referred to as operating groups or groups :

- Africa
- Eurasia
- European Union
- Latin America
- North America
- Pacific
- Bottling Investments
- Corporate

Our operating structure as of December 31, 2007 reflected changes we made effective January 1, 2007, when we combined the Eurasia and Middle East Division, and the Russia, Ukraine and Belarus Division, both of which previously had been included in the former North Asia, Eurasia and Middle East operating segment, with the India Division, which previously had been included in the former East, South Asia and Pacific Rim operating segment, to form the Eurasia operating segment; and combined the China Division and the Japan Division, both of which previously had been included in the former North Asia, Eurasia and Middle East operating segment, with the remaining former East, South Asia and Pacific Rim operating segment to form the Pacific operating segment. We revised previously reported operating segment information to conform to our current operating structure.

Except to the extent that differences among operating segments are material to an understanding of our business taken as a whole, the description of our business in this report is presented on a consolidated basis.

For financial information about our operating segments and geographic areas, refer to Note 6 and Note 21 of Notes to Consolidated Financial Statements set forth in Part II, Item 8. Financial Statements and Supplementary Data of this report, incorporated herein by reference. For certain risks attendant to our non-U.S. operations, refer to Item 1A. Risk Factors, below.

Products and Distribution

Our Company manufactures and sells beverage concentrates, sometimes referred to as beverage bases, and syrups, including fountain syrups, and finished beverages.

As used in this report:

concentrates means flavoring ingredients and, depending on the product, sweeteners used to prepare syrups or finished beverages;

syrups means the beverage ingredients produced by combining concentrates and, depending on the product, sweeteners and added water;

fountain syrups means syrups that are sold to fountain retailers, such as restaurants, that use dispensing equipment to mix the syrups with sparkling or still water at the time of purchase to produce finished beverages that are served in cups or glasses for immediate consumption;

sparkling beverages means nonalcoholic ready-to-drink beverages with carbonation, including energy drinks and carbonated waters and flavored waters;

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- still beverages means nonalcoholic beverages without carbonation, including non-carbonated waters, flavored waters and enhanced waters, juices and juice drinks, teas, coffees and sports drinks; and

- Company Trademark Beverages means beverages bearing our trademarks and certain other beverage products licensed to us for which we provide marketing support and from the sale of which we derive economic benefit.

We sell the concentrates and syrups for bottled and canned beverages to authorized bottling and canning operations. In addition to concentrates and syrups for sparkling beverages and flavored still beverages, we also sell concentrates (in powder form) for purified water products such as Dasani to authorized bottling operations.

Authorized bottlers and canners either combine our syrups with sparkling water or combine our concentrates with sweeteners (depending on the product), still water and/or sparkling water to produce finished sparkling beverages. The finished sparkling beverages are packaged in authorized containers bearing our trademarks such as cans and refillable and nonrefillable glass and plastic bottles (bottle/can products) and are then sold to retailers (bottle/can retailers) or, in some cases, wholesalers.

For our fountain products in the United States, we manufacture fountain syrups and sell them to authorized fountain wholesalers and some fountain retailers. The wholesalers are authorized to sell the Company s fountain syrups by a nonexclusive appointment from us that neither restricts us in setting the prices at which we sell fountain syrups to the wholesalers, nor restricts the territory in which the wholesalers may resell in the United States. Outside the United States, fountain syrups typically are manufactured by authorized bottlers from concentrates sold to them by the Company. The bottlers then typically sell the fountain syrups to wholesalers or directly to fountain retailers.

Finished beverages manufactured by us include a variety of sparkling and still beverages. We sell these beverages to authorized bottlers or distributors, wholesalers or directly to retailers. We manufacture and sell juice and juice-drink products and certain water products to retailers and wholesalers in the United States and numerous other countries, both directly and through a network of business partners, including certain Coca-Cola bottlers.

Our beverage products include Coca-Cola, Coca-Cola Classic, caffeine free Coca-Cola, caffeine free Coca-Cola Classic, Cherry Coke, Diet Coke (sold under the trademark Coca-Cola Light in many countries other than the United States), caffeine free Diet Coke, Diet Coke Sweetened with Splenda, Diet Coke with Lime, Diet Cherry Coke, Diet Coke Plus, Coca-Cola Zero (sold under the trademark Coke Zero in some countries), Fanta brand sparkling beverages, Sprite, Diet Sprite/Sprite Zero (sold under the trademark Sprite Light in many countries other than the United States), Pibb Xtra, Mello Yello, Tab, Fresca brand sparkling beverages, Barq s, Powerade, Aquarius, Sokenbicha, Ciel, Bonaqa/Bonaqua, Dasani, Dasani brand flavored waters, Georgia brand ready-to-drink coffees (sold in Japan), Lift, Thums Up, Kinley, Eight O Clock, Qoo, Vault, Full Throttle and other products developed for specific countries. In many countries (excluding the United States, among others), our Company s beverage products also include Schweppes, Canada Dry, Dr Pepper and Crush. Our Company produces, distributes and markets juice and juice-drink products, including Minute Maid juices and juice drinks, Simply juices and juice drinks, Odwalla nourishing health beverages, Five Alive refreshment beverages, Bacardi mixers concentrate (manufactured and marketed under license agreements from Bacardi & Company Limited) and Hi-C ready-to-serve juice drinks. We have a license to manufacture and sell concentrates for Seagram s mixers, a line of sparkling drinks, in the United States and certain other countries. Our Company has an exclusive master distribution agreement for Evian bottled water in the United States and Canada, and for Rockstar, an energy drink, in most of the United States and in Canada. In addition, in the United States we market Nestea and Enviga products under a sublicense agreement with Nestlé USA, Inc. Multon, a Russian juice business (Multon) operated as a joint venture with Coca-Cola Hellenic Bottling Company S.A., markets juice products under various trademarks, including Dobriy, Rich and Nico, in Russia, Ukraine and Belarus. Beverage Partners Worldwide (BPW), the Company s joint venture with Nestlé S.A. (Nestlé), markets ready-to-drink tea products under various trademarks, including Yang Guang, Nagomi, Frestea, Ten Ren and Shi-Zen, in various markets worldwide, other than the United States and Japan.

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Consumer demand determines the optimal menu of Company product offerings. Consumer demand can vary from one locale to another and can change over time within a single locale. Employing our business strategy, and with special focus on core brands, our Company seeks to build its existing brands and, at the same time, to broaden its historical family of brands, products and services in order to create and satisfy consumer demand locale by locale.

During 2007, we expanded our still beverage offerings by acquiring Energy Brands Inc., also known as glacéau, the maker of enhanced water brands such as vitaminwater, fruitwater and smartwater, and vitaminenergy; Fuze Beverage, LLC (Fuze), the maker of the Fuze fortified beverages, enhanced water, tea-flavored beverages, and sports and fruit drinks; and Leao Junior, S.A. (Leao Junior), a Brazilian herbal beverage company. Also during 2007, we and Coca-Cola FEMSA, S.A.B. de C.V. jointly acquired Jugos del Valle, S.A.B. de C.V. (Jugos del Valle), the second largest producer of packaged juices, nectars and fruit-flavored beverages in Mexico and the largest producer of such beverages in Brazil. In addition, during 2007, our Company introduced a variety of new brands, brand extensions and new beverage products. Among numerous examples, in the United States, the Company launched Dasani Plus enhanced water beverages, Vanilla Coke Zero and the Minute Maid Enhanced Juice line; and in Canada, we launched the Fanta brand of sparkling beverages. In Latin America, the products launched included Coca-Cola Zero, Fanta Zero, Lift Zero, Fresca Zero, Lift + Manzana, Fresca Lado B, Dasani and Flanm. In Europe, new launches included Diet Coke Plus in Great Britain, Coke Zero in Austria and Switzerland, Coca-Cola Blak in the Czech Republic and Slovakia, and Fruitopia by Minute Maid in Germany. We also launched Damla, a spring water, in Turkey; Coke Zero in Croatia and Romania; and Next Joy in Serbia. In the Middle East, we launched Burn, Cappy juice, and Jericho and Sahtain waters. In Pakistan, we launched Sprite 3G and in Kazakhstan, Cappy juice. Also, in Japan we launched Ayataka, a premium ready-to-drink green tea.

Our Company measures the volume of products sold in two ways: (1) unit cases of finished products and (2) concentrate sales. As used in this report, unit case means a unit of measurement equal to 192 U.S. fluid ounces of finished beverage (24 eight-ounce servings); and unit case volume means the number of unit cases (or unit case equivalents) of Company beverage products directly or indirectly sold by the Company and its bottling partners (Coca-Cola system) to customers. Unit case volume primarily consists of beverage products bearing Company trademarks. Also included in unit case volume are certain products licensed to, or distributed by, our Company, and brands owned by Coca-Cola system bottlers for which our Company provides marketing support and from the sale of which we derive economic benefit. Such products licensed to, or distributed by, our Company or owned by Coca-Cola system bottlers account for a minimal portion of total unit case volume. In addition, unit case volume includes sales by joint ventures in which the Company has an equity interest. Although most of our Company s revenues are not based directly on unit case volume, we believe unit case volume is one of the measures of the underlying strength of the Coca-Cola system because it measures trends at the consumer level. The unit case volume numbers used in this report are based on estimates received by the Company from its bottling partners and distributors. Concentrate sales volume represents the amount of concentrates, syrups, beverage bases and powders (in all cases expressed in equivalent unit cases) sold by, or used in finished beverages sold by, the Company to its bottling partners or other customers. Concentrate sales replaced the gallon sales concept beginning with the first quarter of 2007. We made this change primarily to replace equivalent gallons with equivalent unit cases as a unit of measurement for concentrates, syrups, beverage bases and powders, which better reflects how our Company conducts its operations. Most of our revenues are based on concentrate sales, a primarily wholesale activity. Unit case volume and concentrate sales growth rates are not necessarily equal during any given period. Items such as seasonality, bottlers inventory practices, supply point changes, timing of price increases, new product introductions and changes in product mix can impact unit case volume and concentrate sales and can create differences between unit case volume and concentrate sales growth rates.

In 2007, concentrates and syrups for beverages bearing the trademark Coca-Cola or any trademark that includes Coca-Cola or Coke (Coca-Cola Trademark Beverages) accounted for approximately 53 percent of the Company s total concentrate sales.

In 2007, concentrate sales in the United States (U.S. concentrate sales) represented approximately 24 percent of the Company s worldwide concentrate sales. Approximately 56 percent of U.S. concentrate sales for 2007 was

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attributable to sales of beverage concentrates and syrups to 76 authorized bottler ownership groups in 393 licensed territories. Those bottlers prepare and sell finished beverages bearing our trademarks for the food store and vending machine distribution channels and for other distribution channels supplying products for home and immediate consumption. Approximately 33 percent of 2007 U.S. concentrate sales was attributable to fountain syrups sold to fountain retailers and to 491 authorized fountain wholesalers, some of which are authorized bottlers. The remaining approximately 11 percent of 2007 U.S. concentrate sales was attributable to sales by the Company of finished beverages, including juice and juice-drink products and certain water products. Coca-Cola Enterprises Inc., including its bottling subsidiaries and divisions (CCE), accounted for approximately 48 percent of the Company s U.S. concentrate sales in 2007. At December 31, 2007, our Company held an ownership interest of approximately 35 percent in CCE, which is the world s largest bottler of Company Trademark Beverages.

In 2007, concentrate sales outside the United States represented approximately 76 percent of the Company s worldwide concentrate sales. The countries outside the United States in which our concentrate sales were the largest in 2007 were Mexico, Brazil, China and Japan, which together accounted for approximately 28 percent of our worldwide concentrate sales. Approximately 90 percent of non-U.S. unit case volume for 2007 was attributable to sales of beverage concentrates and syrups to authorized bottlers together with sales by the Company of finished beverages, other than juice and juice-drink products, in 490 licensed territories. Approximately 5 percent of 2007 non-U.S. unit case volume was attributable to fountain syrups. The remaining approximately 5 percent of 2007 non-U.S. unit case volume was attributable to juice and juice-drink products.

In addition to conducting our own independent advertising and marketing activities, we may provide promotional and marketing services or funds to our bottlers. In most cases, we do this on a discretionary basis under the terms of commitment letters or agreements, even though we are not obligated to do so under the terms of the bottling or distribution agreements between our Company and the bottlers. Also, on a discretionary basis in most cases, our Company may develop and introduce new products, packages and equipment to assist its bottlers. Likewise, in many instances, we provide promotional and marketing services and/or funds and/or dispensing equipment and repair services to fountain and bottle/can retailers, typically pursuant to marketing agreements. The aggregate amount of funds provided by our Company to bottlers, resellers or other customers of our Company s products, principally for participation in promotional and marketing programs, was approximately $4.1 billion in 2007.

Bottler s Agreements and Distribution Agreements

Most of our products are manufactured and sold by our bottling partners. We typically sell concentrates and syrups to our bottling partners, who convert them into finished packaged products which they sell to distributors and other customers. Separate contracts (Bottler s Agreements) exist between our Company and each of our bottling partners regarding the manufacture and sale of Company products. Subject to specified terms and conditions and certain variations, the Bottler s Agreements generally authorize the bottlers to prepare specified Company Trademark Beverages, to package the same in authorized containers, and to distribute and sell the same in (but, subject to applicable local law, generally only in) an identified territory. The bottler is obligated to purchase its entire requirement of concentrates or syrups for the designated Company Trademark Beverages from the Company or Company-authorized suppliers. We typically agree to refrain from selling or distributing, or from authorizing third parties to sell or distribute, the designated Company Trademark Beverages throughout the identified territory in the particular authorized containers; however, we typically reserve for ourselves or our designee the right (1) to prepare and package such beverages in such containers in the territory for sale outside the territory, and (2) to prepare, package, distribute and sell such beverages in the territory, in any other manner or form. Territorial restrictions on bottlers vary in some cases in accordance with local law.

Being a bottler does not create a legal partnership or joint venture between us and our bottlers. Our bottlers are independent contractors and are not our agents.

The Bottler s Agreements between us and our authorized bottlers in the United States differ in certain respects from those in the other countries in which Company Trademark Beverages are sold. As further discussed below, the

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principal differences involve the duration of the agreements; the inclusion or exclusion of canned beverage production rights; the inclusion or exclusion of authorizations to manufacture and distribute fountain syrups; in some cases, the degree of flexibility on the part of the Company to determine the pricing of syrups and concentrates; and the extent, if any, of the Company s obligation to provide marketing support.

Outside the United States

The Bottler s Agreements between us and our authorized bottlers outside the United States generally are of stated duration, subject in some cases to possible extensions or renewals of the term of the contract. Generally, these contracts are subject to termination by the Company following the occurrence of certain designated events. These events include defined events of default and certain changes in ownership or control of the bottler.

In certain parts of the world outside the United States, we have not granted comprehensive beverage production rights to the bottlers. In such instances, we or our authorized suppliers sell Company Trademark Beverages to the bottlers for sale and distribution throughout the designated territory, often on a nonexclusive basis. A majority of the Bottler s Agreements in force between us and bottlers outside the United States authorize the bottlers to manufacture and distribute fountain syrups, usually on a nonexclusive basis.

Our Company generally has complete flexibility to determine the price and other terms of sale of the concentrates and syrups we sell to bottlers outside the United States. In some instances, however, we have agreed or may in the future agree with the bottler with respect to concentrate pricing on a prospective basis for specified time periods. Outside the United States, in most cases, we have no obligation to provide marketing support to the bottlers. Nevertheless, we may, at our discretion, contribute toward bottler expenditures for advertising and marketing. We may also elect to undertake independent or cooperative advertising and marketing activities.

Within the United States

In the United States, with certain very limited exceptions, the Bottler s Agreements for Coca-Cola Trademark Beverages and other cola-flavored beverages have no stated expiration date. Our standard contracts for other sparkling beverage flavors and for still beverages are of stated duration, subject to bottler renewal rights. The Bottler s Agreements in the United States are subject to termination by the Company for nonperformance or upon the occurrence of certain defined events of default that may vary from contract to contract. The 1987 Contract, described below, is terminable by the Company upon the occurrence of certain events, including:

- the bottler s insolvency, dissolution, receivership or the like;
- any disposition by the bottler or any of its subsidiaries of any voting securities of any bottler subsidiary without the consent of the Company;
- any material breach of any obligation of the bottler under the 1987 Contract; or
- except in the case of certain bottlers, if a person or affiliated group acquires or obtains any right to acquire beneficial ownership of more than 10 percent of any class or series of voting securities of the bottler without authorization by the Company.

Under the terms of the Bottler s Agreements, bottlers in the United States are authorized to manufacture and distribute Company Trademark Beverages in bottles and cans. However, these bottlers generally are not authorized to manufacture fountain syrups. Rather, as described above, our Company manufactures and sells fountain syrups to authorized fountain wholesalers (including certain authorized bottlers) and some fountain retailers. These wholesalers in turn sell the syrups or deliver them on our behalf to restaurants and other retailers.

In the United States, the form of Bottler s Agreement for cola-flavored sparkling beverages that covers the largest amount of U.S. concentrate sales (the 1987 Contract) gives us complete flexibility to determine the price and other terms of sale of concentrates and syrups for Company Trademark Beverages. In some instances, we have agreed or may in the future agree with the bottler with respect to concentrate pricing on a prospective basis for specified time periods. Bottlers operating under the 1987 Contract accounted for approximately 91.8 percent of our Company s total U.S. concentrate sales for bottled and canned beverages in 2007, excluding direct sales by the Company of juice and juice-drink products and other finished beverages (U.S. bottle/can concentrate sales). Certain other forms of U.S. Bottler s Agreements, entered into prior to 1987, provide for concentrates or syrups for certain Coca-Cola Trademark Beverages and other cola-flavored Company Trademark Beverages to be priced pursuant to a stated formula. Bottlers accounting for approximately 7.8 percent of U.S. bottle/can concentrate sales in 2007 have contracts for certain Coca-Cola Trademark Beverages and other cola-flavored Company Trademark Beverages with pricing formulas that generally provide for a baseline price. This baseline price may be adjusted periodically by the Company, up to a maximum indexed ceiling price, and is adjusted quarterly based upon changes in certain sugar or sweetener prices, as applicable. Bottlers accounting for the remaining approximately 0.4 percent of U.S. bottle/can concentrate sales in 2007 operate under our oldest form of contract, which provides for a fixed price for Coca-Cola syrup used in bottles and cans. This price is subject to quarterly adjustments to reflect changes in the quoted price of sugar.

We have standard contracts with bottlers in the United States for the sale of concentrates and syrups for non-cola-flavored sparkling beverages and certain still beverages in bottles and cans, and, in certain cases, for the sale of finished still beverages in bottles and cans. All of these standard contracts give the Company complete flexibility to determine the price and other terms of sale.

Under the 1987 Contract and most of our other standard beverage contracts with bottlers in the United States, our Company has no obligation to participate with bottlers in expenditures for advertising and marketing. Nevertheless, at our discretion, we may contribute toward such expenditures and undertake independent or cooperative advertising and marketing activities. Some U.S. Bottler s Agreements that predate the 1987 Contract impose certain marketing obligations on us with respect to certain Company Trademark Beverages.

As a practical matter, our Company s ability to exercise its contractual flexibility to determine the price and other terms of sale of its syrups, concentrates and finished beverages under various agreements described above is subject, both outside and within the United States, to competitive market conditions.

Significant Equity Method Investments and Company Bottling Operations

Our Company maintains business relationships with three types of bottlers:

- bottlers in which the Company has no ownership interest;
- bottlers in which the Company has invested and has a noncontrolling ownership interest; and
- bottlers in which the Company has invested and has a controlling ownership interest.

In 2007, bottling operations in which we had no ownership interest produced and distributed approximately 25 percent of our worldwide unit case volume. We have equity positions in 46 unconsolidated bottling, canning and distribution operations for our products worldwide. These cost or equity method investees produced and distributed approximately 54 percent of our worldwide unit case volume in 2007. Controlled and consolidated bottling operations produced and distributed approximately 10 percent of our worldwide unit case volume in 2007. The remaining approximately 11 percent of our worldwide unit case volume in 2007 was produced by our fountain operations and our juice and juice drink, sports drink and other finished beverage operations.

We make equity investments in selected bottling operations with the intention of maximizing the strength and efficiency of the Coca-Cola system s production, distribution and marketing capabilities around the world. These investments are intended to result in increases in unit case volume, net revenues and profits at the bottler level, which in turn generate increased concentrate sales for our Company s concentrate and syrup business. When this occurs, both we and our bottling partners benefit from long-term growth in volume, improved cash flows and increased shareowner value.

The level of our investment generally depends on the bottler s capital structure and its available resources at the time of the investment. Historically, in certain situations, we have viewed it as advantageous to acquire a controlling interest in a bottling operation, often on a temporary basis. Owning such a controlling interest has allowed us to compensate for limited local resources and has enabled us to help focus the bottler s sales and marketing programs and assist in the development of the bottler s business and information systems and the establishment of appropriate capital structures.

In line with our long-term bottling strategy, we may periodically consider options for reducing our ownership interest in a bottler. One such option is to combine our bottling interests with the bottling interests of others to form strategic business alliances. Another option is to sell our interest in a bottling operation to one of our equity method investee bottlers. In both of these situations, our Company continues to participate in the bottler s results of operations through our share of the strategic business alliances or equity method investees earnings or losses.

In cases where our investments in bottlers represent noncontrolling interests, our intention is to provide expertise and resources to strengthen those businesses.

Significant investees in which we have noncontrolling ownership interests include the following:

Coca-Cola Enterprises Inc. (CCE). Our ownership interest in CCE was approximately 35 percent at December 31, 2007. CCE is the world s largest bottler of the Company s beverage products. In 2007, sales of concentrates, syrups, mineral waters, juices, sweeteners and finished products by the Company to CCE were approximately $6.3 billion. CCE estimates that the territories in which it markets beverage products to retailers (which include portions of 46 states and the District of Columbia in the United States, the U.S. Virgin Islands and certain other Caribbean islands, Canada, Great Britain, continental France, the Netherlands, Luxembourg, Belgium and Monaco) contain approximately 79 percent of the United States population, 98 percent of the population of Canada, and 100 percent of the populations of Great Britain, continental France, the Netherlands, Luxembourg, Belgium and Monaco. In 2007, CCE s net operating revenues were approximately $20.9 billion. Excluding fountain products, in 2007, approximately 60 percent of the unit case volume of CCE consisted of Coca-Cola Trademark Beverages, approximately 33 percent of its unit case volume consisted of other Company Trademark Beverages and approximately 7 percent of its unit case volume consisted of beverage products of other companies.

Coca-Cola Hellenic Bottling Company S.A. (Coca-Cola Hellenic). At December 31, 2007, our ownership interest in Coca-Cola Hellenic was approximately 23 percent. Coca-Cola Hellenic has bottling and distribution rights, through direct ownership or joint ventures, in Armenia, Austria, Belarus, Bosnia-Herzegovina, Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Former Yugoslavian Republic of Macedonia, Greece, Hungary, Italy, Latvia, Lithuania, Moldova, Nigeria, Northern Ireland, Poland, Republic of Ireland, Romania, Russia, Serbia, Montenegro, Slovakia, Slovenia, Switzerland and Ukraine. Coca-Cola Hellenic estimates that the territories in which it markets beverage products contain approximately 67 percent of the population of Italy and 100 percent of the populations of the other countries named above in which Coca-Cola Hellenic has bottling and distribution rights. In 2007, Coca-Cola Hellenic s net sales of beverage products were approximately $8 billion. In 2007, approximately 43 percent of the unit case volume of Coca-Cola Hellenic consisted of Coca-Cola Trademark Beverages, approximately 51 percent of its unit case volume consisted of other Company Trademark Beverages and approximately 6 percent of its unit case volume consisted of beverage products of Coca-Cola Hellenic or other companies.

Coca-Cola FEMSA, S.A.B. de C.V. (Coca-Cola FEMSA). Our ownership interest in Coca-Cola FEMSA was approximately 32 percent at December 31, 2007. Coca-Cola FEMSA is a Mexican holding company with bottling subsidiaries in a substantial part of central Mexico, including Mexico City and southeastern Mexico; greater São Paulo, Campinas, Santos, the state of Matto Grosso do Sul and part of the state of Goias in Brazil; central Guatemala; most of

Colombia; all of Costa Rica, Nicaragua, Panama and Venezuela; and greater Buenos Aires, Argentina. Coca-Cola FEMSA estimates that the territories in which it markets beverage products contain approximately 48 percent of the population of Mexico, 16 percent of the population of Brazil, 98 percent of the population of Colombia, 47 percent of the population of Guatemala, 100 percent of the populations of Costa Rica, Nicaragua, Panama and Venezuela, and 31 percent of the population of Argentina. In 2007, Coca-Cola FEMSA s net sales of beverage products were approximately $6 billion. In 2007, approximately 63 percent of the unit case volume of Coca-Cola FEMSA consisted of Coca-Cola Trademark Beverages, approximately 33 percent of its unit case volume consisted of other Company Trademark Beverages and approximately 4 percent of its unit case volume consisted of beverage products of Coca-Cola FEMSA or other companies.

Coca-Cola Amatil Limited (Coca-Cola Amatil). At December 31, 2007, our Company s ownership interest in Coca-Cola Amatil was approximately 30 percent. Coca-Cola Amatil has bottling and distribution rights, through direct ownership or joint ventures, in Australia, New Zealand, Fiji, Papua New Guinea and Indonesia. Coca-Cola Amatil estimates that the territories in which it markets beverage products contain 100 percent of the populations of Australia, New Zealand, Fiji and Papua New Guinea, and 98 percent of the population of Indonesia. In 2007, Coca-Cola Amatil s net sales of beverage products from continuing operations were approximately $2.9 billion. In 2007, approximately 49 percent of the unit case volume of Coca-Cola Amatil consisted of Coca-Cola Trademark Beverages, approximately 38 percent of its unit case volume consisted of other Company Trademark Beverages and approximately 13 percent of its unit case volume consisted of beverage products of Coca-Cola Amatil.

Other Interests. BPW, our joint venture with Nestlé, is focused on the total ready-to-drink tea category worldwide, except in the United States and Japan. Multon, a Russian juice business operated as a joint venture with Coca-Cola Hellenic, markets and sells juice products in Russia, Ukraine and Belarus. Jugos del Valle, a beverage business we acquired jointly with Coca-Cola FEMSA in the fourth quarter of 2007, markets and sells packaged juices, nectars and fruit-flavored beverages in Mexico and Brazil.

Seasonality

Sales of our ready-to-drink nonalcoholic beverages are somewhat seasonal, with the second and third calendar quarters accounting for the highest sales volumes. The volume of sales in the beverages business may be affected by weather conditions.

Competition

Our Company competes in the nonalcoholic beverages segment of the commercial beverages industry. Based on internally available data and a variety of industry sources, we believe that in 2007, worldwide sales of Company products accounted for approximately 10 percent of total worldwide sales of nonalcoholic beverage products. The nonalcoholic beverages segment of the commercial beverages industry is highly competitive, consisting of numerous firms. These include firms that, like our Company, compete in multiple geographic areas as well as firms that are primarily regional or local in operation. Competitive products include numerous nonalcoholic sparkling beverages; various water products, including packaged, flavored and enhanced waters; juices and nectars; fruit drinks and dilutables (including syrups and powdered drinks); coffees and teas; energy and sports and other performance-enhancing drinks; dairy-based drinks, and various other nonalcoholic beverages. These competitive beverages are sold to consumers in both ready-to-drink and other than ready-to-drink form. In many of the countries in which we do business, including the United States, PepsiCo, Inc. is one of our primary competitors. Other significant competitors include, but are not limited to, Nestlé, Cadbury Schweppes plc, Groupe Danone, Kraft Foods Inc. and Unilever. We also compete against numerous regional and local firms in various geographic areas in which we operate.

Competitive factors impacting our business include, but are not limited to, pricing, advertising, sales promotion programs, product innovation, increased efficiency in production techniques, the introduction of new packaging, new vending and dispensing equipment, and brand and trademark development and protection.

Our competitive strengths include leading brands with a high level of consumer acceptance; a worldwide network of bottlers and distributors of Company products; sophisticated marketing capabilities; and a talented group of dedicated associates. Our competitive challenges include strong competition in all geographic regions and, in many countries, a concentrated retail sector with powerful buyers able to freely choose among Company products, products of competitive beverage suppliers and individual retailers own store-brand beverages.

Raw Materials

The principal raw materials used by our business are nutritive and non-nutritive sweeteners. In the United States, the principal nutritive sweetener is high fructose corn syrup, a form of sugar, which is available from numerous domestic sources and is historically subject to fluctuations in its market price. The principal nutritive sweetener used by our business outside the United States is sucrose, another form of sugar, which is also available from numerous sources and is historically subject to fluctuations in its market price. Our Company generally has not experienced any difficulties in obtaining its requirements for nutritive sweeteners. In the United States, we purchase high fructose corn syrup to meet our and our bottlers requirements with the assistance of Coca-Cola Bottlers Sales & Services Company LLC (CCBSS). CCBSS is a limited liability company that is owned by authorized Coca-Cola bottlers doing business in the United States. Among other things, CCBSS provides procurement services to our Company for the purchase of various goods and services in the United States, including high fructose corn syrup.

The principal non-nutritive sweeteners we use in our business are aspartame, acesulfame potassium, saccharin, cyclamate and sucralose. Generally, these raw materials are readily available from numerous sources. However, our Company purchases aspartame, an important non-nutritive sweetener that is used alone or in combination with other important non-nutritive sweeteners such as saccharin or acesulfame potassium in our low-calorie sparkling beverage products, primarily from The NutraSweet Company and Ajinomoto Co., Inc., which we consider to be our primary sources for the supply of this product. We currently purchase acesulfame potassium from Nutrinova Nutrition Specialties & Food Ingredients GmbH, which we consider to be our primary source for the supply of this product. Our Company generally has not experienced any difficulties in obtaining its requirements for non-nutritive sweeteners.

Our Company sells a number of products sweetened with sucralose, a non-nutritive sweetener. We work closely with Tate & Lyle, our sucralose supplier, to maintain continuity of supply. Although Tate & Lyle is our single source for sucralose, we do not anticipate difficulties in obtaining our requirements for sucralose.

With regard to juice and juice-drink products, citrus fruit, particularly orange juice concentrate, is our principal raw material. The citrus industry is subject to the variability of weather conditions. In particular, freezing weather or hurricanes in central Florida may result in shortages and higher prices for orange juice concentrate throughout the industry. Due to our ability to also source orange juice concentrate from the Southern Hemisphere (particularly from Brazil), we normally have an adequate supply of orange juice concentrate that meets our Company s standards.

Patents, Copyrights, Trade Secrets and Trademarks

Our Company owns numerous patents, copyrights and trade secrets, as well as substantial know-how and technology, which we collectively refer to in this report as technology. This technology generally relates to our Company s products and the processes for their production; the packages used for our products; the design and operation of various processes and equipment used in our business; and certain quality assurance software. Some of the technology is licensed to suppliers and other parties. Our sparkling beverage and other beverage formulae are among the important trade secrets of our Company.

We own numerous trademarks that are very important to our business. Depending upon the jurisdiction, trademarks are valid as long as they are in use and/or their registrations are properly maintained. Pursuant to our Bottler s Agreements, we authorize our bottlers to use applicable Company trademarks in connection with their manufacture, sale and distribution of Company products. In addition, we grant licenses to third parties from time to time to use certain of our trademarks in conjunction with certain merchandise and food products.

Governmental Regulation

Our Company is required to comply, and it is our policy to comply, with applicable laws in the numerous countries throughout the world in which we do business. In many jurisdictions, compliance with competition laws is of special importance to us, and our operations may come under special scrutiny by competition law authorities due to our competitive position in those jurisdictions.

The production, distribution and sale in the United States of many of our Company s products are subject to the Federal Food, Drug, and Cosmetic Act, the Federal Trade Commission Act, the Lanham Act, state consumer protection laws, federal, state and local workplace health and safety laws, various federal, state and local environmental protection laws and various other federal, state and local statutes and regulations applicable to the production, transportation, sale, safety, advertising, labeling and ingredients of such products. Outside the United States, the production, distribution and sale of our many products and related operations are also subject to numerous similar and other statutes and regulations.

A California law requires that a specific warning appear on any product that contains a component listed by the state as having been found to cause cancer or birth defects. The law exposes all food and beverage producers to the possibility of having to provide warnings on their products. This is because the law recognizes no generally applicable quantitative thresholds below which a warning is not required. Consequently, even trace amounts of listed components can expose affected products to the prospect of warning labels. Products containing listed substances that occur naturally or that are contributed to such products solely by a municipal water supply are generally exempt from the warning requirement. No Company beverages produced for sale in California are currently required to display warnings under this law. We are unable to predict whether a component found in a Company product might be added to the California list in the future, although the state has initiated a regulatory process in which caffeine will be evaluated for listing. Furthermore, we are also unable to predict when or whether the increasing sensitivity of detection methodology that may become applicable under this law and related regulations as they currently exist, or as they may be amended, might result in the detection of an infinitesimal quantity of a listed substance in a Company beverage produced for sale in California.

Bottlers of our beverage products presently offer and use nonrefillable, recyclable containers in the United States and various other markets around the world. Some of these bottlers also offer and use refillable containers, which are also recyclable. Legal requirements apply in various jurisdictions in the United States and overseas requiring that deposits or certain ecotaxes or fees be charged for the sale, marketing and use of certain nonrefillable beverage containers. The precise requirements imposed by these measures vary. Other types of beverage container-related deposit, recycling, ecotax and/or product stewardship statutes and regulations also apply in various jurisdictions in the United States and overseas. We anticipate that additional, similar legal requirements may be proposed or enacted in the future at local, state and federal levels, both in the United States and elsewhere.

All of our Company s facilities and other operations in the United States and elsewhere around the world are subject to various environmental protection statutes and regulations, including those relating to the use of water resources and the discharge of wastewater. Our policy is to comply with all such legal requirements. Compliance with these provisions has not had, and we do not expect such compliance to have, any material adverse effect on our Company s capital expenditures, net income or competitive position.

Employees

We refer to our employees as associates. As of December 31, 2007 and 2006, our Company had approximately 90,500 and 71,000 associates, respectively, of which approximately 16,000 and 13,600, respectively, were employed by entities that we have consolidated under the Financial Accounting Standards Board (FASB) Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities (Interpretation No. 46(R)). At the end of 2007 and 2006, our Company had approximately 13,200 and 12,200 associates, respectively, located in the United States, of which approximately 1,300 and 1,200, respectively, were employed by entities that we have consolidated under Interpretation No. 46(R). The increase in the total number of associates in 2007 was primarily due to acquisitions and the consolidation of certain bottling operations, mainly in the Philippines, Brazil and Germany.

Our Company, through its divisions and subsidiaries, has entered into numerous collective bargaining agreements. We currently expect that we will be able to renegotiate such agreements on satisfactory terms when they expire. The Company believes that its relations with its associates are generally satisfactory.

Securities Exchange Act Reports

The Company maintains a website at the following address: www.thecoca-colacompany.com. The information on the Company s website is not incorporated by reference in this annual report on Form 10-K.

We make available on or through our website certain reports and amendments to those reports that we file with or furnish to the Securities and Exchange Commission (the SEC) in accordance with the Securities Exchange Act of 1934, as amended (the Exchange Act). These include our annual reports on Form 10-K, our quarterly reports on Form 10-Q and our current reports on Form 8-K. We make this information available on our website free of charge as soon as reasonably practicable after we electronically file the information with, or furnish it to, the SEC.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the following factors, which could materially affect our business, financial condition or future results. The risks described below are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or results of operations.

Obesity and other health concerns may reduce demand for some of our products.

Consumers, public health officials and government officials are becoming increasingly aware of and concerned about the public health consequences associated with obesity, particularly among young people. In addition, some researchers, health advocates and dietary guidelines are encouraging consumers to reduce consumption of certain types of beverages, especially sugar-sweetened beverages. Increasing public awareness about these issues, possible new governmental regulations concerning the marketing, labeling or availability of our beverages, and negative publicity resulting from actual or threatened legal actions against us or other companies in our industry relating to the marketing, labeling or sale of sparkling beverages may reduce demand for our beverages, which could affect our profitability.

Water scarcity and poor quality could negatively impact the Coca-Cola system s production costs and capacity.

Water is the main ingredient in substantially all of our products. It is also a limited resource in many parts of the world, facing unprecedented challenges from overexploitation, increasing pollution and poor management. As demand for water continues to increase around the world, and as the quality of available water deteriorates, our system may incur increasing production costs or face capacity constraints which could adversely affect our profitability or net operating revenues in the long run.

Changes in the nonalcoholic beverages business environment could impact our financial results.

The nonalcoholic beverages business environment is rapidly evolving as a result of, among other things, changes in consumer preferences, including changes based on health and nutrition considerations and obesity concerns, shifting consumer tastes and needs, changes in consumer lifestyles and competitive product and pricing pressures. In addition, the industry is being affected by the trend toward consolidation in the retail channel, particularly in Europe and the United States. If we are unable to successfully adapt to this rapidly changing environment, our net income, share of sales and volume growth could be negatively affected.

Increased competition could hurt our business.

The nonalcoholic beverages segment of the commercial beverages industry is highly competitive. We compete with major international beverage companies that, like our Company, operate in multiple geographic areas, as well as numerous firms that are primarily local in operation. In many countries in which we do business, including the United States, PepsiCo, Inc. is a primary competitor. Other significant competitors include, but are not limited to, Nestlé, Cadbury Schweppes plc, Groupe Danone, Kraft Foods Inc. and Unilever. Our ability to gain or maintain share of sales or gross margins in the global market or in various local markets may be limited as a result of actions by competitors.

If we are unable to expand our operations in developing and emerging markets, our growth rate could be negatively affected.

Our success depends in part on our ability to grow our business in developing and emerging markets, which in turn depends on economic and political conditions in those markets and on our ability to acquire or form strategic business alliances with local bottlers and to make necessary infrastructure enhancements to production facilities, distribution networks, sales equipment and technology. Moreover, the supply of our products in developing and emerging markets must match consumers demand for those products. Due to product price, limited purchasing power and cultural differences, there can be no assurance that our products will be accepted in any particular developing or emerging market.

Fluctuations in foreign currency exchange could affect our financial results.

We earn revenues, pay expenses, own assets and incur liabilities in countries using currencies other than the U.S. dollar, including the euro, the Japanese yen, the Brazilian real and the Mexican peso. In 2007, we used 67 functional currencies in addition to the U.S. dollar and derived approximately 74 percent of our net operating revenues from operations outside of the United States. Because our consolidated financial statements are presented in U.S. dollars, we must translate revenues, income and expenses, as well as assets and liabilities, into U.S. dollars at exchange rates in effect during or at the end of each reporting period. Therefore, increases or decreases in the value of the U.S. dollar against other major currencies will affect our net operating revenues, operating income and the value of balance sheet items denominated in foreign currencies. Because of the geographic diversity of our operations, weaknesses in some currencies might be offset by strengths in others over time. We also use derivative financial instruments to further reduce our net exposure to currency exchange rate fluctuations. However, we cannot assure you that fluctuations in foreign currency exchange rates, particularly the strengthening of the U.S. dollar against major currencies, would not materially affect our financial results.

If interest rates increase, our net income could be negatively affected.

We maintain levels of debt that we consider prudent based on our cash flows, interest coverage ratio and percentage of debt to capital. We use debt financing to lower our cost of capital, which increases our return on shareowners equity. This exposes us to adverse changes in interest rates. When appropriate, we use derivative financial instruments to reduce our exposure to interest rate risks. We cannot assure you, however, that our financial risk management program will be successful in reducing the risks inherent in exposures to interest rate fluctuations. Our interest expense is also affected by our credit ratings. In assessing our credit strength, credit rating agencies consider our capital structure and financial policies as well as the aggregate balance sheet and other financial information for the Company and certain major bottlers. It is our expectation that the credit rating agencies will continue using this methodology. If our credit ratings were to be downgraded as a result of changes in our capital structure, our major bottlers financial performance, changes in the credit rating agencies methodology in assessing our credit strength or for any other reason, our cost of borrowing could increase. Additionally, if the credit ratings of certain bottlers in which we have equity investments were to be downgraded, such bottlers interest expense could increase, which would reduce our equity income.

We rely on our bottling partners for a significant portion of our business. If we are unable to maintain good relationships with our bottling partners, our business could suffer.

We generate a significant portion of our net operating revenues by selling concentrates and syrups to bottling partners in which we do not have any ownership interest or in which we have a noncontrolling ownership interest. In 2007, approximately 79 percent of our worldwide unit case volume was produced and distributed by bottling partners in which the Company did not have controlling interests. As independent companies, our bottling partners, some of which are publicly traded companies, make their own business decisions that may not always align with our interests. In addition, many of our bottling partners have the right to manufacture or distribute their own products or certain products of other beverage companies. If we are unable to provide an appropriate mix of incentives to our bottling partners through a combination of pricing and marketing and advertising support, they may take actions that, while maximizing their own short-term profits, may be detrimental to our Company or our brands, or they may devote more of their energy and resources to business opportunities or products other than those of the Company. Such actions could, in the long run, have an adverse effect on our profitability. In addition, the loss of one or more major customers by one of our major bottling partners, or disruptions of bottling operations that may be caused by strikes, work stoppages or labor unrest affecting such bottling partners, could indirectly affect our results.

If our bottling partners financial condition deteriorates, our business and financial results could be affected.

The success of our business depends on the financial strength and viability of our bottling partners. Our bottling partners financial condition is affected in large part by conditions and events that are beyond our control, including competitive and general market conditions in the territories in which they operate and the availability of capital and other financing resources on reasonable terms. While under our bottling partners agreements we generally have the right to unilaterally change the prices we charge for our concentrates and syrups, our ability to do so may be materially limited by the financial condition of the applicable bottling partners and their ability to pass price increases along to their customers. In addition, because we have investments in certain of our bottling partners, which we account for under the equity method, our operating results include our proportionate share of such bottling partners income or loss. Also, a deterioration of the financial condition of bottling partners in which we have investments could affect the carrying values of such investments and result in write-offs. Therefore, a significant deterioration of our bottling partners financial condition could adversely affect our financial results.

If we are unable to renew collective bargaining agreements on satisfactory terms, or we or our bottling partners experience strikes, work stoppages or labor unrest, our business could suffer.

Many of our associates at our key manufacturing locations and bottling plants are covered by collective bargaining agreements. If we are unable to renew such agreements on satisfactory terms, our labor costs could increase, which would affect our profit margins. In addition, many of our bottling partners employees are represented by labor unions. Strikes, work stoppages or other forms of labor unrest at any of our major manufacturing facilities or at our major bottlers plants could impair our ability to supply concentrates and syrups to our bottling partners or our bottlers ability to supply finished beverages to customers, which would reduce our revenues and could expose us to customer claims.

Increase in the cost of energy could affect our profitability.

Our Company-owned bottling operations and our bottling partners operate a large fleet of trucks and other motor vehicles. In addition, we and our bottlers use a significant amount of electricity, natural gas and other energy sources to operate our concentrate and bottling plants. An increase in the price of fuel and other energy sources would increase our and the Coca-Cola system s operating costs and, therefore, could negatively impact our profitability.

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Increase in cost, disruption of supply or shortage of raw and packaging materials could harm our business.

We and our bottling partners use various raw materials in our business, including high fructose corn syrup, sucrose, aspartame, saccharin, acesulfame potassium, sucralose and orange juice concentrate, as well as packaging materials such as polyethylene terephthalate (PET or plastic) for bottles and aluminum for cans. The prices for these raw and packaging materials fluctuate depending on market conditions. Substantial increases in the prices for our or our bottling partners raw and packaging materials, to the extent they cannot be recouped through increases in the prices of finished beverage products, would increase our and the Coca-Cola system s operating costs and could reduce our profitability. Increases in the prices of our finished products resulting from higher raw and packaging material costs could affect affordability in some markets and reduce Coca-Cola system sales. In addition, some of these raw materials, such as aspartame, acesulfame potassium and sucralose, as well as some of the packaging containers, such as aluminum cans, are available from a limited number of suppliers. We cannot assure you that we and our bottling partners will be able to maintain favorable arrangements and relationships with these suppliers. An increase in the cost, a sustained interruption in the supply, or a shortage of some of these raw materials, packaging materials or cans and other containers that may be caused by a deterioration of our or our bottling partners relationships with suppliers, or by events such as natural disasters, power outages, labor strikes or the like, could negatively impact our net revenues and profits.

Changes in laws and regulations relating to beverage containers and packaging could increase our costs and reduce demand for our products.

We and our bottlers currently offer nonrefillable, recyclable containers in the United States and in various other markets around the world. Legal requirements have been enacted in various jurisdictions in the United States and overseas requiring that deposits or certain ecotaxes or fees be charged for the sale, marketing and use of certain nonrefillable beverage containers. Other beverage container-related deposit, recycling, ecotax and/or product stewardship proposals have been introduced in various jurisdictions in the United States and overseas, and we anticipate that similar legislation or regulations may be proposed in the future at local, state and federal levels, both in the United States and elsewhere. Consumers increased concerns and changing attitudes about solid waste streams and environmental responsibility and related publicity could result in the adoption of such legislation or regulations. If these types of requirements are adopted and implemented on a large scale in any of the major markets in which we operate, they could affect our costs or require changes in our distribution model, which could reduce our net operating revenues or profitability. In addition, container-deposit laws, or regulations that impose additional burdens on retailers, could cause a shift away from our products to retailer-proprietary brands, which could impact the demand for our products in the affected markets.

Significant additional labeling or warning requirements may inhibit sales of affected products.

Various jurisdictions may seek to adopt significant additional product labeling or warning requirements relating to the chemical content or perceived adverse health consequences of certain of our products. These types of requirements, if they become applicable to one or more of our major products under current or future environmental or health laws or regulations, may inhibit sales of such products. In California, a law requires that a specific warning appear on any product that contains a component listed by the state as having been found to cause cancer or birth defects. The state has initiated a regulatory process in which caffeine will be evaluated for listing under this law. This law recognizes no generally applicable quantitative thresholds below which a warning is not required. If a component found in one of our products, such as caffeine, is added to the list, or if the increasing sensitivity of detection methodology that may become available under this law and related regulations as they currently exist, or as they may be amended, results in the detection of an infinitesimal quantity of a listed substance in one of our beverages produced for sale in California, the resulting warning requirements or adverse publicity could affect our sales.

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Unfavorable general economic conditions in the United States or in other major markets could negatively impact our financial performance.

Unfavorable general economic conditions, such as a recession or economic slowdown in the United States or in one or more of our other major markets, could negatively affect the affordability of and consumer demand for some of our beverages. Under difficult economic conditions, consumers may seek to reduce discretionary spending by forgoing purchases of our products or by shifting away from our beverages to lower-priced products offered by other companies. Softer consumer demand for our beverages in the United States or in other major markets could reduce the Coca-Cola system s profitability and could negatively affect our financial performance.

Unfavorable economic and political conditions in international markets could hurt our business.

We derive a significant portion of our net operating revenues from sales of our products in international markets. In 2007, our operations outside of the United States accounted for approximately 74 percent of our net operating revenues. Unfavorable economic and political conditions in certain of our international markets, including civil unrest and governmental changes, could undermine consumer confidence and reduce the consumers purchasing power, thereby reducing demand for our products. In addition, product boycotts resulting from political activism could reduce demand for our products, while restrictions on our ability to transfer earnings or capital across borders that may be imposed or expanded as a result of political and economic instability could impact our profitability. Without limiting the generality of the preceding sentence, the current unstable economic and political conditions and civil unrest and political activism in the Middle East, India or the Philippines, the unstable situation in Iraq, or the continuation or escalation of terrorist activities could adversely impact our international business.

Changes in commercial and market practices within the European Economic Area may affect the sales of our products.

We and our bottlers are subject to an Undertaking, rendered legally binding in June 2005 by a decision of the European Commission, pursuant to which we committed to make certain changes in our commercial and market practices in the European Economic Area Member States. The Undertaking potentially applies in 27 countries and in all channels of distribution where certain of our sparkling beverages account for over 40 percent of national sales and twice the nearest competitor s share. The commitments we and our bottlers made in the Undertaking relate broadly to exclusivity, percentage-based purchasing commitments, transparency, target rebates, tying, assortment or range commitments, and agreements concerning products of other suppliers. The Undertaking also applies to shelf space commitments in agreements with take-home customers and to financing and availability agreements in the on-premise channel. In addition, the Undertaking includes commitments that are applicable to commercial arrangements concerning the installation and use of technical equipment (such as coolers, fountain equipment and vending machines). Adjustments to our business model in the European Economic Area Member States as a result of these commitments or of future interpretations of European Union competition laws and regulations could adversely affect our sales in the European Economic Area markets.

Litigation or legal proceedings could expose us to significant liabilities and damage our reputation.

We are party to various litigation claims and legal proceedings. We evaluate these litigation claims and legal proceedings to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, we establish reserves and/or disclose the relevant litigation claims or legal proceedings, as appropriate. These assessments and estimates are based on the information available to management at the time and involve a significant amount of management judgment. We caution you that actual outcomes or losses may differ materially from those envisioned by our current assessments and estimates. In addition, we have bottling and other business operations in emerging or developing markets with high-risk legal compliance environments. Our policies and procedures require strict compliance by our associates and agents with all United States and local laws and regulations applicable to our business operations, including those prohibiting improper payments to government officials. Nonetheless, we cannot assure you that our policies, procedures and related training programs

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will always ensure full compliance by our associates and agents with all applicable legal requirements. Improper conduct by our associates or agents could damage our reputation in the United States and internationally or lead to litigation or legal proceedings that could result in civil or criminal penalties, including substantial monetary fines, as well as disgorgement of profits.

Adverse weather conditions could reduce the demand for our products.

The sales of our products are influenced to some extent by weather conditions in the markets in which we operate. Unusually cold or rainy weather during the summer months may have a temporary effect on the demand for our products and contribute to lower sales, which could have an adverse effect on our results of operations for such periods.

If we are unable to maintain brand image and product quality, or if we encounter other product issues such as product recalls, our business may suffer.

Our success depends on our ability to maintain brand image for our existing products and effectively build up brand image for new products and brand extensions. We cannot assure you, however, that additional expenditures and our continuing commitment to advertising and marketing will have the desired impact on our products brand image and on consumer preferences. Product quality issues, real or imagined, or allegations of product contamination, even when false or unfounded, could tarnish the image of the affected brands and may cause consumers to choose other products. In addition, because of allegations of product contamination, we may be required from time to time to recall products entirely or from specific markets. Product recalls could affect our profitability and could negatively affect brand image. Also, adverse publicity surrounding obesity concerns, water usage, labor relations and the like could negatively affect our Company s overall reputation and our products acceptance by consumers.

Changes in the legal and regulatory environment in the countries in which we operate could increase our costs or reduce our net operating revenues.

Our Company s business is subject to various laws and regulations in the numerous countries throughout the world in which we do business, including laws and regulations relating to competition, product safety, advertising and labeling, container deposits, recycling or stewardship, the protection of the environment, and employment and labor practices. In the United States, the production, distribution and sale of many of our products are subject to, among others, the Federal Food, Drug, and Cosmetic Act, the Federal Trade Commission Act, the Lanham Act, state consumer protection laws, the Occupational Safety and Health Act, various environmental statutes, as well as various state and local statutes and regulations. Outside the United States, the production, distribution, sale, advertising and labeling of many of our products are also subject to various laws and regulations. Changes in applicable laws or regulations or evolving interpretations thereof could, in certain circumstances, result in increased compliance costs or capital expenditures, which could affect our profitability, or impede the production or distribution of our products, which could affect our net operating revenues.

Changes in accounting standards and taxation requirements could affect our financial results.

New accounting standards or pronouncements that may become applicable to our Company from time to time, or changes in the interpretation of existing standards and pronouncements, could have a significant effect on our reported results for the affected periods. We are also subject to income tax in the numerous jurisdictions in which we generate net operating revenues. In addition, our products are subject to import and excise duties and/or sales or value-added taxes in many jurisdictions in which we operate. Increases in income tax rates could reduce our after-tax income from affected jurisdictions, while increases in indirect taxes could affect our products affordability and therefore reduce demand for our products.

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If we are not able to achieve our overall long-term goals, the value of an investment in our Company could be negatively affected.

We have established and publicly announced certain long-term growth objectives. These objectives were based on our evaluation of our growth prospects, which are generally based on volume and sales potential of many product types, some of which are more profitable than others, and on an assessment of potential level or mix of product sales. There can be no assurance that we will achieve the required volume or revenue growth or mix of products necessary to achieve our growth objectives.

If we are unable to protect our information systems against data corruption, cyber-based attacks or network security breaches, our operations could be disrupted.

We are increasingly dependent on information technology networks and systems, including the Internet, to process, transmit and store electronic information. In particular, we depend on our information technology infrastructure for digital marketing activities and electronic communications among our locations around the world and between Company personnel and our bottlers and other customers and suppliers. Security breaches of this infrastructure can create system disruptions, shutdowns or unauthorized disclosure of confidential information. If we are unable to prevent such breaches, our operations could be disrupted, or we may suffer financial damage or loss because of lost or misappropriated information.

We may be required to recognize additional impairment charges.

We assess our goodwill, trademarks and other intangible assets and our long-lived assets as and when required by generally accepted accounting principles in the United States to determine whether they are impaired. In 2007, we recorded net charges of approximately $150 million related to our proportionate share of impairment and restructuring charges partially offset by our proportionate share of tax rate changes recorded by certain equity investees. Refer to the heading Equity Income Net of Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations of this report. In 2006, we recorded a charge of approximately $602 million to equity income resulting from the impact of our proportionate share of an impairment charge recorded by CCE, and impairment charges of approximately $41 million primarily related to trademarks for beverages sold in the Philippines and Indonesia; and in 2005, we recorded impairment charges of approximately $89 million primarily related to our operations and investments in the Philippines. If market conditions in certain territories in Europe or Asia in which our Company has significant investments in bottling operations deteriorate, we may be required to record additional impairment charges. In addition, unexpected declines in our operating results and structural changes in these and other markets may also result in impairment charges. Additional impairment charges would reduce our reported earnings for the periods in which they are recorded.

If we do not successfully manage our Company-owned bottling operations, our results could suffer.

While we primarily manufacture, market and sell concentrates and syrups to our bottling partners, from time to time we do acquire or take control of bottling operations and have increasingly done so in recent years. As of December 31, 2007, the net operating revenues generated by Company-owned and controlled bottling operations (which are included in the Bottling Investments operating segment) represented approximately 26 percent of our Company s consolidated net operating revenues. Often, though not always, these acquired bottling operations are in underperforming markets where we believe we can use our resources and expertise to improve performance. Acquisitions and consolidation of controlled bottling operations during 2007 have resulted in a substantial increase in the number of Company-owned bottling plants included in our consolidated financial statements and in the number of our associates. We may incur unforeseen liabilities and obligations in connection with acquiring, taking control of or managing bottling operations and may encounter unexpected difficulties and costs in restructuring and integrating them into our Company s operating and internal control structures. We may also experience delays in extending our Company s internal control over financial reporting to newly acquired bottling operations which may increase the risk of failure to prevent misstatements in such operations financial records. In addition, our financial performance and the strength and efficiency of the Coca-Cola system depend in part on how well we can manage and improve the performance of Company-owned or controlled bottling operations. We cannot assure you, however, that we will be able to achieve our strategic and financial objectives for such bottling operations.

Global or regional catastrophic events could impact our operations and financial results.

Because of our global presence and worldwide operations, our business can be affected by large-scale terrorist acts, especially those directed against the United States or other major industrialized countries; the outbreak or escalation of armed hostilities; major natural disasters; or widespread outbreaks of infectious diseases such as avian influenza or severe acute respiratory syndrome (generally known as SARS). Such events could impair our ability to manage our business around the world, could disrupt our supply of raw materials, and could impact production, transportation and delivery of concentrates, syrups and finished products. In addition, such events could cause disruption of regional or global economic activity, which can affect consumers purchasing power in the affected areas and, therefore, reduce demand for our products.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our worldwide headquarters is located on a 35-acre office complex in Atlanta, Georgia. The complex includes the approximately 621,000 square foot headquarters building, the approximately 870,000 square foot Coca-Cola North America (CCNA) building and the approximately 264,000 square foot Coca-Cola Plaza building. The complex also includes several other buildings, including technical and engineering facilities, a learning center and a reception center. Our Company leases approximately 250,000 square feet of office space at 10 Glenlake Parkway, Atlanta, Georgia, which we currently sublease to third parties. In addition, we lease approximately 218,000 square feet of office space at Northridge Business Park, Dunwoody, Georgia. We own or lease additional real estate, including a Company-owned office and retail building at 711 Fifth Avenue in New York, New York. These properties are primarily included in the Corporate operating segment.

The Company has facilities for administrative operations, manufacturing, processing, packaging, packing, storage and warehousing throughout the United States and Canada, including a portion of the Atlanta office complex, which are included in our North America operating segment. In addition, in North America, we own nine still beverage production facilities and four bottled water facilities, lease one bottled water facility, and own a facility that manufactures juice concentrates for foodservice use, all of which are included in the North America operating segment.

We own or hold a majority interest in or otherwise consolidate under applicable accounting rules bottling operations that own 136 principal beverage bottling and canning plants located throughout the world. These plants are included in the Bottling Investments operating segment.

We own a facility in Brussels, Belgium, which consists of approximately 315,000 square feet of office and technical space. This facility is included in the European Union operating segment. We also own or lease real estate, office space and other facilities throughout the world which are used for administrative facilities, warehouses and retail operations. In addition, as of December 31, 2007, our Company owned and operated 30 principal beverage concentrate and/or syrup manufacturing plants located throughout the world. These properties are generally included in the geographic operating segment in which they are located.

Management believes that our Company s facilities for the production of our products are suitable and adequate, that they are being appropriately utilized in line with past experience, and that they have sufficient production capacity for their present intended purposes. The extent of utilization of such facilities varies based upon seasonal demand for our products. It is not possible to measure with any degree of certainty or uniformity the productive capacity and extent of utilization of these facilities. However, management believes that additional production can be obtained at the existing facilities by adding personnel and capital equipment and, at some facilities, by adding shifts of personnel or expanding the facilities. We continuously review our anticipated requirements for facilities and, on the basis of that review, may from time to time acquire additional facilities and/or dispose of existing facilities.

ITEM 3. LEGAL PROCEEDINGS

The Company is involved in various legal proceedings, including the proceedings specifically discussed below. Management of the Company believes that any liability to the Company that may arise as a result of these proceedings will not have a material adverse effect on the financial condition of the Company and its subsidiaries taken as a whole.

Carpenters

On October 27, 2000, a class action lawsuit (*Carpenters Health & Welfare Fund of Philadelphia & Vicinity v. The Coca-Cola Company, et al.*) was filed in the United States District Court for the Northern District of Georgia alleging that the Company, M. Douglas Ivester, Jack L. Stahl and James E. Chestnut violated antifraud provisions of the federal securities laws by making misrepresentations or material omissions relating to the Company s financial condition and prospects in late 1999 and early 2000. A second, largely identical lawsuit (*Gaetan LaValla v. The Coca-Cola Company, et al.*) was filed in the same court on November 9, 2000. The complaints allege that the Company and the individual named officers: (1) forced certain Coca-Cola system bottlers to accept excessive, unwanted and unneeded sales of concentrate during the third and fourth quarters of 1999, thus creating a misleading sense of improvement in our Company s performance in those quarters; (2) failed to write down the value of impaired assets in Russia, Japan and elsewhere on a timely basis, again resulting in the presentation of misleading interim financial results in the third and fourth quarters of 1999; and (3) misrepresented the reasons for Mr. Ivester s departure from the Company and then misleadingly reassured the financial community that there would be no changes in the Company s core business strategy or financial outlook following that departure. Damages in an unspecified amount are sought in both complaints.

On January 8, 2001, an order was entered by the United States District Court for the Northern District of Georgia consolidating the two cases for all purposes. The Court also ordered the plaintiffs to file a Consolidated Amended Complaint. On July 25, 2001, the plaintiffs filed a Consolidated Amended Complaint, which largely repeated the allegations made in the original complaints and added Douglas N. Daft as an additional defendant.

On September 25, 2001, the defendants filed a Motion to Dismiss all counts of the Consolidated Amended Complaint. On August 20, 2002, the Court granted in part and denied in part the defendants Motion to Dismiss. The Court also granted the plaintiffs Motion for Leave to Amend the Complaint. On September 4, 2002, the defendants filed a Motion for Partial Reconsideration of the Court s August 20, 2002 ruling. The motion was denied by the Court on April 15, 2003.

On June 2, 2003, the plaintiffs filed an Amended Consolidated Complaint. The defendants moved to dismiss the Amended Complaint on June 30, 2003. On March 31, 2004, the Court granted in part and denied in part the defendants Motion to Dismiss the Amended Complaint. In its order, the Court dismissed a number of the plaintiffs allegations, including the claim that the Company made knowingly false statements to financial analysts. The Court permitted the remainder of the allegations to proceed to discovery. The Court denied the plaintiffs request for leave to further amend and replead their complaint. The fact discovery closed on March 23, 2007, pursuant to the Court s order. However, there remain certain unresolved issues relating to discovery pending before the Court.

In August 2007, the Court heard oral argument on plaintiffs motion to certify the class and the Company s opposition thereto. A ruling on that motion is currently pending before the Court. In October 2007, the Company filed various motions for summary judgment and related relief. Briefing on the Company s motions is ongoing.

The Company believes it has substantial legal and factual defenses to the plaintiffs claims.

Aqua-Chem Litigation

On December 20, 2002, the Company filed a lawsuit (*The Coca-Cola Company v. Aqua-Chem, Inc., Civil Action No. 2002CV631-50*) in the Superior Court, Fulton County, Georgia (the Georgia Case), seeking a declaratory

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judgment that the Company has no obligation to its former subsidiary, Aqua-Chem, Inc., now known as Cleaver-Brooks, Inc. (Aqua-Chem), for any past, present or future liabilities or expenses in connection with any claims or lawsuits against Aqua-Chem. Subsequent to the Company s filing but on the same day, Aqua-Chem filed a lawsuit (*Aqua-Chem, Inc. v. The Coca-Cola Company, Civil Action No. 02CV012179*) in the Circuit Court, Civil Division of Milwaukee County, Wisconsin (the Wisconsin Case). In the Wisconsin Case, Aqua-Chem sought a declaratory judgment that the Company is responsible for all liabilities and expenses not covered by insurance in connection with certain of Aqua-Chem s general and product liability claims arising from occurrences prior to the Company s sale of Aqua-Chem in 1981, and a judgment for breach of contract in an amount exceeding $9 million for costs incurred by Aqua-Chem to date in connection with such claims. The Wisconsin Case initially was stayed, pending final resolution of the Georgia Case, and later was voluntarily dismissed without prejudice by Aqua-Chem.

The Company owned Aqua-Chem from 1970 to 1981. During that time, the Company purchased over $400 million of insurance coverage, of which approximately $350 million is still available to cover Aqua-Chem s costs for certain product liability and other claims. The Company sold Aqua-Chem to Lyonnaise American Holding, Inc. in 1981 under the terms of a stock sale agreement. The 1981 agreement, and a subsequent 1983 settlement agreement, outlined the parties rights and obligations concerning past and future claims and lawsuits involving Aqua-Chem. Cleaver-Brooks, a division of Aqua-Chem, manufactured boilers, some of which contained asbestos gaskets. Aqua-Chem was first named as a defendant in asbestos lawsuits in or around 1985 and currently has more than 100,000 claims pending against it.

The parties agreed in 2004 to stay the Georgia Case pending the outcome of insurance coverage litigation filed by certain Aqua-Chem insurers on March 26, 2004. In the coverage action, five plaintiff insurance companies filed suit (*Century Indemnity Company, et al. v. Aqua-Chem, Inc., The Coca-Cola Company, et al., Case No. 04CV002852*) in the Circuit Court, Civil Division of Milwaukee County, Wisconsin, against the Company, Aqua-Chem and 16 insurance companies. Several of the policies that are the subject of the coverage action were issued to the Company during the period (1970 to 1981) when the Company owned Aqua-Chem. The complaint seeks a determination of the respective rights and obligations under the insurance policies issued with regard to asbestos-related claims against Aqua-Chem. The action also seeks a monetary judgment reimbursing any amounts paid by the plaintiffs in excess of their obligations. Two of the insurers, one with a $15 million policy limit and one with a $25 million policy limit, asserted cross-claims against the Company, alleging that the Company and/or its insurers are responsible for Aqua-Chem s asbestos liabilities before any obligation is triggered on the part of the cross-claimant insurers to pay for such costs under their policies.

Aqua-Chem and the Company filed and obtained a partial summary judgment determination in the coverage action that the insurers for Aqua-Chem and the Company were jointly and severally liable for coverage amounts, but reserving judgment on other defenses that might apply. During the course of the Wisconsin coverage litigation, Aqua-Chem and the Company reached settlements with several of the insurers, including plaintiffs, who have paid or will pay funds into an escrow account for payment of costs arising from the asbestos claims against Aqua-Chem. On July 24, 2007, the Wisconsin trial court entered a final declaratory judgment regarding the rights and obligations of the parties under the insurance policies issued by the remaining defendant insurers, which judgment was not appealed. The judgment directs, among other things, that each insurer whose policy is triggered is jointly and severally liable for 100 percent of Aqua-Chem s losses up to policy limits.

The court s judgment concludes the Wisconsin insurance coverage litigation. The Georgia Case remains subject to the stay agreed to in 2004.

European Union Parallel Trade Matter

The Company has had discussions with the Competition Directorate of the European Commission (the European Commission) about issues relating to parallel trade within the European Union arising out of comments received by the European Commission from third parties. The Company has fully cooperated with the European Commission and has provided information on these issues and the measures taken and to be taken to address them.

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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.

Selbst and Amalgamated

In May and July 2005, two putative class action lawsuits (*Selbst v. The Coca-Cola Company and Douglas N. Daft* and *Amalgamated Bank, et al. v. The Coca-Cola Company, Douglas N. Daft, E. Neville Isdell, Steven J. Heyer and Gary P. Fayard*) alleging violations of the anti-fraud provisions of the federal securities laws were filed in the United States District Court for the Northern District of Georgia against the Company and certain current and former executive officers. These cases were subsequently consolidated, and an amended and consolidated complaint was filed in September 2005. The purported class consists of persons, except the defendants, who purchased Company stock between January 30, 2003, and September 15, 2004, and were damaged thereby. The amended and consolidated complaint alleges, among other things, that during the class period the defendants made false and misleading statements about (a) the Company s new business strategy/model, (b) the Company s execution of its new business strategy/model, (c) the state of the Company s critical bottler relationships, (d) the Company s North American business, (e) the Company s European operations, with a particular emphasis on Germany, (f) the Company s marketing and introduction of new products, particularly Coca-Cola C2, and (g) the Company s forecast for growth going forward. The plaintiffs claim that as a result of these allegedly false and misleading statements, the price of the Company stock increased dramatically during the purported class period. The amended and consolidated complaint also alleges that in September and November of 2004, the Company and E. Neville Isdell acknowledged that the Company s performance had been below expectations, that various corrective actions were needed, that the Company was lowering its forecasts, and that there would be no quick fixes. In addition, the amended and consolidated complaint alleges that the charge announced by the Company in November 2004 should have been taken early in 2003 and that, as a result, the Company s financial statements were materially misstated during 2003 and the first three quarters of 2004. The plaintiffs, on behalf of the putative class, seek compensatory damages in an amount to be proved at trial, extraordinary, equitable and/or injunctive relief as permitted by law to assure that the class has an effective remedy, award of reasonable costs and expenses, including counsel and expert fees, and such other further relief as the Court may deem just and proper. On November 21, 2005, the Company and the individual parties filed a motion to dismiss the amended and consolidated complaint. The plaintiffs filed their response to that motion on January 27, 2006. On September 29, 2006, the Court entered its order granting the Company s motion to dismiss the amended complaint in its entirety and granted the plaintiffs 20 days from its date of entry within which to seek leave to file a second amended complaint to attempt to correct deficiencies noted therein. On October 23, 2006, plaintiffs advised the Court that they would not seek leave to file a second amended complaint. The Court entered its final order of judgment on March 23, 2007. On April 16, 2007, plaintiffs filed notice of appeal to the United States Court of Appeals for the Eleventh Circuit of the Court s order dismissing this case. On December 4, 2007, the Court of Appeals heard argument on the appeal. On January 10, 2008, the Court of Appeals issued an opinion affirming the dismissal of the case.

The plaintiffs may file a petition of certiorari with the U.S. Supreme Court; however, barring the U.S. Supreme Court granting such a petition, this matter will be considered closed.

Chapman

On June 30, 2005, Maryann Chapman filed a purported shareholder derivative action (*Chapman v. Isdell, et al.*) in the Superior Court of Fulton County, Georgia, alleging violations of state law by certain individual current and former members of the Board of Directors of the Company and senior management, including breaches of fiduciary duties, abuse of control, gross mismanagement, waste of corporate assets and unjust enrichment, between January 2003 and the date of filing of the complaint that have caused substantial losses to the Company and other damages, such as to its reputation and goodwill. The defendants named in the lawsuit include Neville Isdell, Douglas Daft, Gary Fayard, Ronald Allen, Cathleen Black, Warren Buffett, Herbert Allen, Barry Diller, Donald McHenry, Sam Nunn, James Robinson, Peter Ueberroth, James Williams, Donald Keough, Maria Lagomasino, Pedro Reinhard, Robert Nardelli and Susan Bennett King. The Company is also named a nominal defendant. The complaint further alleges that the

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September 2004 earnings warning issued by the Company resulted from factors known by the individual defendants as early as January 2003 that were not adequately disclosed to the investing public until the earnings warning. The factors cited in the complaint include (i) a flawed business strategy and a business model that was not working; (ii) a workforce so depleted by layoffs that it was unable to properly react to changing market conditions; (iii) impaired relationships with key bottlers; and (iv) the fact that the foregoing conditions would lead to diminished earnings. The plaintiff, purportedly on behalf of the Company, seeks damages in an unspecified amount, extraordinary equitable and/or injunctive relief, restitution and disgorgement of profits, reimbursement for costs and disbursements of the action, and such other and further relief as the Court deems just and proper. The Company s motion to dismiss the complaint and the plaintiff s response were filed and fully briefed. The Court heard oral argument on the Company s motion to dismiss on June 6, 2006. Following the hearing, the Court took the matter under advisement and the parties are awaiting a ruling. There were no material developments in this case during 2007.

The Company intends to vigorously defend its interests in this matter.

CCE Shareholders Litigation

In February 2006, the International Brotherhood of Teamsters, a purported shareholder of CCE, filed a derivative suit (*International Brotherhood of Teamsters v. The Coca-Cola Company, et al.*) in the Delaware Court of Chancery for New Castle County naming the Company and current and former CCE board members, including certain current and former Company officers who serve or served on CCE s board, as defendants. The plaintiff alleged that the Company breached fiduciary duties owed to CCE shareholders based upon alleged control of CCE by the Company. The complaint also alleged that the Company had actual control over CCE and that the Company abused its control by maximizing its own financial condition at the expense of CCE s financial condition. Subsequently, two lawsuits virtually identical to *Teamsters* were filed in the same court: *Lang v. The Coca-Cola Company, et al.,* filed March 30, 2006, and *Gordon v. The Coca-Cola Company, et al.,* filed April 10, 2006. On April 6, 2006, the Company moved to dismiss *Teamsters* or, in the alternative, for a stay of discovery. On May 19, 2006, the Chancery Court entered an order consolidating *Teamsters, Lang* and *Gordon* under the caption *In re Coca-Cola Enterprises, Inc. Shareholders Litigation* and requiring the plaintiffs to file an amended consolidated complaint in the consolidated action as soon as practicable.

On September 29, 2006, plaintiffs filed their Consolidated Amended Shareholders Derivative Complaint (the Amended Complaint). The Amended Complaint omits certain former Company officers from the group of individual defendants and defines the relevant time period for purposes of the claims as October 15, 2003, through the date of the filing. The original complaint did not identify any specific dates. The Amended Complaint also includes additional allegations about the conduct of the Company and certain of its executive officers, including new allegations about the Company s purported control over CCE and allegations of improper conduct in connection with the establishment of a warehouse delivery system to supply Powerade to a major customer. On December 7, 2006, the Company filed its motion to dismiss the Amended Complaint and accompanying brief. The plaintiffs reply brief was filed on January 22, 2007. On October 17, 2007, the Chancery Court dismissed plaintiffs Amended Complaint. The plaintiffs appealed the Chancery Court s decision to the Delaware Supreme Court.

The Company will vigorously defend its interests on appeal.

American Canyon Matter

The Company has received notices of violations from local environmental authorities alleging that certain violations of the United States Clean Water Act (the CWA) and applicable local law have occurred at the Company s production plant in American Canyon, California. That plant treats and discharges wastewater under permit authority issued under the CWA and local law. The alleged violations relate to handling of wastewater discharge and required regulatory reporting. The Company believes that the regulatory authorities may pursue enforcement action against the Company and may seek potential monetary and/or other sanctions, although the Company believes that any sanctions that may be imposed on the Company as a result of these alleged violations will not be material to the Company s business or financial condition.

The Company is working with the local environmental authorities to resolve and settle the matter.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM X. EXECUTIVE OFFICERS OF THE COMPANY

The following are the executive officers of our Company as of February 22, 2008:

Ahmet C. Bozer, 47, is President of the Eurasia Group. Mr. Bozer joined the Company in 1990 as a Financial Control Manager for Coca-Cola USA and held a number of other roles in the finance organization. In 1994, he joined Coca-Cola Bottlers of Turkey (now Coca-Cola Icecek A.S.), a joint venture among the Company, The Anadolu Group and Özgörkey Companies, as Chief Financial Officer and was later named Managing Director in 1998. In 2000, Mr. Bozer was named President of the Eurasia Division of the Company. At the end of 2002, that division was reorganized to include the Middle East Division and was renamed the Eurasia and Middle East Division. During the period between 2000 until 2006, the Eurasia and Middle East Division was expanded to include 34 countries and, in 2006, Mr. Bozer assumed the additional leadership responsibility for the Russia, Ukraine and Belarus Division. Mr. Bozer was appointed to his current position effective January 1, 2007.

Alexander B. Cummings, 51, is President of the Africa Group. Mr. Cummings joined the Company in 1997 as Deputy Region Manager, Nigeria, based in Lagos, Nigeria. In 1998, he was made Managing Director/Region Manager, Nigeria. In 2000, Mr. Cummings became President of the North West Africa Division based in Morocco and in 2001 became President of the Africa Group overseeing the entire African continent. Mr. Cummings started his career in 1982 with The Pillsbury Company and held various positions within Pillsbury, the last position being Vice President of Finance and Chief Financial Officer for all of Pillsbury s international businesses. Mr. Cummings was appointed to his current position in March 2001.

J. Alexander M. Douglas, Jr., 46, is Senior Vice President and President of the North America Group. Mr. Douglas joined the Company in January 1988 as a District Sales Manager for the Foodservice Division of Coca-Cola USA. In May 1994, he was named Vice President of Coca-Cola USA, initially assuming leadership of the CCE Sales & Marketing Group and eventually assuming leadership of the entire North American Field Sales and Marketing Groups. In January 2000, Mr. Douglas was appointed President of the North American Division within the North America Group. He served as Senior Vice President and Chief Customer Officer of the Company from February 2003 until August 2006. Mr. Douglas was elected to his current position in August 2006.

Gary P. Fayard, 55, is Executive Vice President and Chief Financial Officer of the Company. Mr. Fayard joined the Company in April 1994. In July 1994, he was elected Vice President and Controller. In December 1999, he was elected Senior Vice President and Chief Financial Officer. Mr. Fayard was elected Executive Vice President of the Company in February 2003.

Irial Finan, 50, is Executive Vice President of the Company and President, Bottling Investments and Supply Chain. Mr. Finan joined the Coca-Cola system in 1981 with Coca-Cola Bottlers Ireland, Ltd., where for several years he held a variety of accounting positions. From 1987 until 1990, Mr. Finan served as Finance Director of Coca-Cola Bottlers Ireland, Ltd. From 1991 to 1993, he served as Managing Director of Coca-Cola Bottlers Ulster, Ltd. He was Managing Director of Coca-Cola Bottlers in Romania and Bulgaria until late 1994. From 1995 to 1999, he served as Managing Director of Molino Beverages, with responsibility for expanding markets, including the Republic of Ireland, Northern Ireland, Romania, Moldova, Russia and Nigeria. Mr. Finan served from May 2001 until 2003 as Chief Executive Officer of Coca-Cola Hellenic. In August 2004, Mr. Finan joined the Company and was named President, Bottling Investments. He was elected Executive Vice President of the Company in October 2004.

E. Neville Isdell, 64, is Chairman of the Board of Directors and Chief Executive Officer of the Company. Mr. Isdell joined the Coca-Cola system in 1966 with the local bottling company in Zambia. In 1972, he became General Manager of Coca-Cola Bottling of Johannesburg, the largest Coca-Cola bottler in South Africa at the time.

Mr. Isdell was named Region Manager for Australia in 1980. In 1981, he became President of Coca-Cola Bottlers Philippines, Inc., the bottling joint venture between the Company and San Miguel Corporation in the Philippines. Mr. Isdell was appointed President of the Central European Division of the Company in 1985. In January 1989, he was elected Senior Vice President of the Company and was appointed President of the Northeast Europe/Africa Group, which was renamed the Northeast Europe/Middle East Group in 1992. In 1995, Mr. Isdell was named President of the Greater Europe Group. From July 1998 to September 2000, he was Chairman and Chief Executive Officer of Coca-Cola Beverages Plc in Great Britain, where he oversaw that company s merger with Hellenic Bottling and the formation of Coca-Cola Hellenic, one of the Company s largest bottlers. Mr. Isdell served as Chief Executive Officer of Coca-Cola Hellenic from September 2000 until May 2001 and served as Vice Chairman of Coca-Cola Hellenic from May 2001 until December 2001. From January 2002 to May 2004, Mr. Isdell was an international consultant to the Company. He was elected to his current positions on June 1, 2004. In December 2007, the Company announced that Mr. Isdell will transition from the position of Chief Executive Officer of the Company, effective July 1, 2008; however, Mr. Isdell will remain Chairman of the Board of Directors until the Company s Annual Meeting of Shareowners in April 2009.

Glenn G. Jordan S., 51, is President of the Pacific Group. Mr. Jordan joined the Company in 1978 as a field representative for Coca-Cola de Colombia where, for several years, he held various positions, including Region Manager from 1985 to 1989. Mr. Jordan served as Marketing Operations Manager, Pacific Group from 1989 to 1990 and as Vice President of Coca-Cola International and Executive Assistant to the Pacific Group President from 1990 to 1991. Mr. Jordan served as Senior Vice President, Marketing and Operations, for the Brazil Division from 1991 to 1995, as President of the River Plate Division, which comprised Argentina, Uruguay and Paraguay from 1995 to 2000, and as President of the South Latin America Division, comprising Argentina, Bolivia, Chile, Ecuador, Paraguay, Peru and Uruguay from 2000 to 2003. In February 2003, Mr. Jordan was appointed Executive Vice President and Director of Operations for the Latin America Group and served in that capacity until February 2006. Mr. Jordan was appointed President of the East, South Asia and Pacific Rim Group in February 2006. The East, South Asia and Pacific Rim Group was reconfigured and renamed the Pacific Group, effective January 1, 2007.

Geoffrey J. Kelly, 63, is Senior Vice President and General Counsel of the Company. Mr. Kelly joined the Company in 1970 in Australia as manager of the Legal Department for the Australasia Area. Since then he has held a number of key roles, including Senior Counsel for the Pacific Group and subsequently for the Middle and Far East Group. In 2000, Mr. Kelly was appointed Senior Counsel for International Operations. He became Chief Deputy General Counsel in 2003 and was elected Senior Vice President of the Company in 2004. In January 2005, he assumed the role of Acting General Counsel to the Company, and in July 2005, he was elected General Counsel of the Company.

Muhtar Kent, 55, is currently President and Chief Operating Officer of the Company. In December 2007, Mr. Kent was also elected Chief Executive Officer of the Company, effective July 1, 2008, and in February 2008, he was nominated by the Board of Directors to stand for election as a Director of the Company at the Annual Meeting of Shareowners to be held on April 16, 2008. Mr. Kent joined the Company in 1978 and held a variety of marketing and operations roles throughout his career with the Company. In 1985, he was appointed General Manager of Coca-Cola Turkey and Central Asia. From 1989 to 1995, Mr. Kent served as President of the East Central Europe Division and Senior Vice President of Coca-Cola International. Between 1995 and 1998, he served as Managing Director of Coca-Cola Amatil Limited - Europe, and from 1999 until 2005, he served as President and Chief Executive Officer of Efes Beverage Group and as a board member of Coca-Cola Icecek. Mr. Kent rejoined the Company in May 2005 as President, North Asia, Eurasia and Middle East Group, was appointed President, Coca-Cola International in January 2006 and was elected Executive Vice President of the Company in February 2006. He was elected President and Chief Operating Officer of the Company in December 2006.

Robert P. Leechman, 51, is Vice President and Chief Customer and Commercial Officer of the Company. Prior to joining the Company, Mr. Leechman held various sales management positions with Mars Inc. Mr. Leechman joined the Company in 1988 as general sales manager for Coca-Cola & Schweppes Beverages in England. In 1990, he was

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appointed region sales manager for the Gulf States in the Company s Middle East Division and in 1996**,** he became region manager for the Gulf States. In 1998, he was appointed general manager for the Olympic Games, where he led the activation of the Coca-Cola system s sponsorship activities for the 2000 Olympic Games held in Australia. In 2001, Mr. Leechman was appointed President of the Central Europe and Russia Division, and then briefly, President of the Central Europe Division after the creation of the Company s European Union Group. He was named President, Global Customer and Commercial Leadership, Europe in September 2005. Mr. Leechman was appointed Chief Customer and Commercial Officer of the Company effective February 2007 and was elected Vice President of the Company in July 2007.

Thomas G. Mattia, 59, is Senior Vice President of the Company and Director of Worldwide Public Affairs and Communications. Prior to joining the Company, Mr. Mattia served since 2000 as Vice President of Global Communications at technology services leader EDS, where he was responsible for a wide range of activities from brand management and media relations to advertising and on-line marketing and communications. From 1995 to 2000, Mr. Mattia held a variety of executive positions with Ford Motor Company, including head of International Public Affairs, Vice President of Lincoln Mercury and Director of North American Public Affairs. Mr. Mattia was appointed Director of Worldwide Public Affairs and Communications effective January 20, 2006, and was elected Senior Vice President of the Company in February 2006.

Cynthia P. McCague, 57, is Senior Vice President of the Company and Director of Human Resources. Ms. McCague initially joined the Company in 1982, and since then has worked across the Coca-Cola business system in a variety of human resources and business roles in Europe and the United States. In 1998, she was appointed to lead the human resources function for Coca-Cola Beverages Plc in Great Britain, which in 2000 became Coca-Cola Hellenic, a large publicly traded Coca-Cola bottler. Ms. McCague rejoined the Company in June 2004 as Director of Human Resources. She was elected Senior Vice President of the Company in July 2004 and has led the global Human Resources function since that time.

Dominique Reiniche, 52, is President of the European Union Group. Ms. Reiniche joined the Company in May 2005 and was appointed to her current position at that time. Prior to joining the Company, she held a number of marketing, sales and general management positions with CCE. From May 1998 until December 2002, she served as General Manager of France for CCE, and from January 2003 until May 2005, Ms. Reiniche was President of CCE Europe. Before joining the Coca-Cola system, she was Director of Marketing and Strategy with Kraft Jacobs-Suchard.

José Octavio Reyes, 55, is President of the Latin America Group. Mr. Reyes began his career with The Coca-Cola Company in 1980 at Coca-Cola de México as Manager of Strategic Planning. In 1987, he was appointed Manager of the Sprite and Diet Coke brands at Corporate Headquarters. In 1990, he was appointed Marketing Director for the Brazil Division, and later became Marketing and Operations Vice President for the Mexico Division. Mr. Reyes assumed the role of Deputy Division President for the Mexico Division in January 1996 and was named Division President for the Mexico Division in May 1996. He assumed his position as President of the Latin America Group in December 2002.

Danny L. Strickland, 59, is Senior Vice President of the Company and Chief Innovation and Technology Officer. Mr. Strickland joined the Company in April 2003. Prior to joining the Company, Mr. Strickland served as Senior Vice President, Innovation, Technology & Quality at General Mills, Inc., from January 1997 until March 2003, where he was responsible for building a strong product pipeline, innovation culture and organization. Prior to General Mills, Mr. Strickland held several research and development, innovation, engineering, quality and strategy roles in the United States and abroad with Johnson & Johnson from March 1993 until December 1996, Kraft Foods Inc. from February 1988 until March 1993, and the Procter & Gamble Company from June 1970 until February 1988. Mr. Strickland was elected Senior Vice President of the Company in April 2003.

Joseph V. Tripodi, 52, is Senior Vice President and Chief Marketing and Commercial Officer of the Company. Prior to joining the Company, Mr. Tripodi served as Senior Vice President and Chief Marketing Officer for Allstate

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Insurance Co. Prior to joining Allstate in November 2003, Mr. Tripodi was Chief Marketing Officer for The Bank of New York. From 1999 until April 2002, he served as Chief Marketing Officer for Seagram Spirits & Wine Group. From 1989 to 1998, he was the Executive Vice President for Global Marketing, Products and Services for MasterCard International. Previously, Mr. Tripodi spent seven years with the Mobil Oil Corporation in roles of increasing responsibility in planning, marketing, business development and operations in New York, Paris, Hong Kong and Guam. Mr. Tripodi joined the Company as Chief Marketing and Commercial Officer effective September 2007 and was elected Senior Vice President of the Company in October 2007.

All executive officers serve at the pleasure of the Board of Directors. There is no family relationship between any of the Directors or executive officers of the Company.

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

In the United States, the Company s common stock is listed and traded on the New York Stock Exchange (the principal market for our common stock) and is traded on the Boston, Chicago, National and Philadelphia stock exchanges.

The following table sets forth, for the quarterly periods indicated, the high and low sales prices per share for the Company s common stock, as reported on the New York Stock Exchange composite tape, and dividend per share information:

	Common Stock Market Prices		Dividends
	High	Low	Declared
2007			
Fourth quarter	**$ 64.32**	**$ 56.92**	**$ 0.34**
Third quarter	**57.78**	**51.79**	**0.34**
Second quarter	**53.65**	**48.05**	**0.34**
First quarter	**49.00**	**45.56**	**0.34**
2006			
Fourth quarter	$ 49.35	$ 43.72	$ 0.31
Third quarter	45.40	42.37	0.31
Second quarter	44.76	40.86	0.31
First quarter	42.99	39.36	0.31

While we have historically paid dividends to holders of our common stock, the declaration and payment of future dividends will depend on many factors, including our earnings, financial condition, business development needs and regulatory considerations, and is at the discretion of our Board of Directors.

As of February 22, 2008, there were approximately 305,630 shareowner accounts of record. This figure does not include a substantially greater number of street name holders or beneficial holders of our common stock, whose shares are held of record by banks, brokers and other financial institutions.

The information under the principal heading EQUITY COMPENSATION PLAN INFORMATION in the Company s definitive Proxy Statement for the Annual Meeting of Shareowners to be held on April 16, 2008, to be filed with the Securities and Exchange Commission (the Company s 2008 Proxy Statement), is incorporated herein by reference.

During the fiscal year ended December 31, 2007, no equity securities of the Company were sold by the Company that were not registered under the Securities Act of 1933, as amended.

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The following table presents information with respect to purchases of common stock of the Company made during the three months ended December 31, 2007, by the Company or any affiliated purchaser of the Company as defined in Rule 10b-18(a)(3) under the Exchange Act.

Period	Total Number of Shares Purchased[1]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[2]	Maximum Number of Shares That May Yet Be Purchased Under the Publicly Announced Plans or Programs
September 29, 2007 through October 26, 2007	200,000	$ 60.47	200,000	240,676,211
October 27, 2007 through November 23, 2007	900,000	$ 61.48	900,000	239,776,211
November 24, 2007 through December 31, 2007	780,000	$ 62.86	780,000	238,996,211
Total	1,880,000	$ 61.95	1,880,000	

1 The total number of shares purchased includes: (i) shares purchased pursuant to the 2006 Plan described in footnote 2 below; and (ii) shares surrendered to the Company to pay the exercise price and/or to satisfy tax withholding obligations in connection with so-called stock swap exercises of employee stock options and/or the vesting of restricted stock issued to employees, of which there were none for the periods indicated in the table.

2 On July 20, 2006, we publicly announced that our Board of Directors had authorized a plan (the 2006 Plan) for the Company to purchase up to 300 million shares of our Company s common stock. This column discloses the number of shares purchased pursuant to the 2006 Plan during the indicated time periods.

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Performance Graph

Comparison of Five-Year Cumulative Total Return Among

The Coca-Cola Company, the Peer Group Index and the S&P 500 Index

Total Return

Stock Price Plus Reinvested Dividends

The total return assumes that dividends were reinvested quarterly and is based on a $100 investment on December 31, 2002.

The Peer Group Index is a self-constructed peer group of companies included in the Food, Beverage and Tobacco Groups of companies as published in *The Wall Street Journal*, from which the Company has been excluded.

The Peer Group Index consists of the following companies: Altria Group, Inc., Anheuser-Busch Companies, Inc., Archer-Daniels-Midland Company, Brown-Forman Corporation (Class B Stock), Bunge Limited, Campbell Soup Company, Loews Corporation (Carolina Group tracking stock), Chiquita Brands International, Inc., Coca-Cola Enterprises Inc., ConAgra Foods, Inc., Constellation Brands, Inc., Corn Products International, Inc., Dean Foods Company, Del Monte Foods Company, Flowers Foods, Inc., General Mills, Inc., Hansen Natural Corporation, Herbalife Ltd., H.J. Heinz Company, Hormel Foods Corporation, Kellogg Company, Kraft Foods Inc., Lancaster Colony Corporation, Martek Biosciences Corporation, McCormick & Company, Incorporated, Molson Coors Brewing Company, NBTY, Inc., Nu Skin Enterprises, Inc., Nutrisystem, Inc., PepsiAmericas, Inc., PepsiCo, Inc., Pilgrim s Pride Corporation, Ralcorp Holdings, Inc., Reynolds American Inc., Sara Lee Corporation, Smithfield Foods, Inc., The Hain Celestial Group, Inc., The Hershey Company, The J.M. Smucker Company, The Pepsi Bottling Group, Inc., Tootsie Roll Industries, Inc., TreeHouse Foods, Inc., Tyson Foods, Inc., Universal Corporation, UST Inc., Weight Watchers International, Inc., and Wm. Wrigley Jr. Company.

The Wall Street Journal periodically changes the companies reported as a part of the Food, Beverage and Tobacco Groups of companies. This year, the Groups include Pilgrim s Pride Corporation, which was not included in the Groups last year.

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ITEM 6. SELECTED FINANCIAL DATA

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

Year Ended December 31, (In millions except per share data)	2007[1]	2006[2]	2005[3]	2004[3,4]	2003
SUMMARY OF OPERATIONS					
Net operating revenues	**$ 28,857**	$ 24,088	$ 23,104	$ 21,742	$ 20,857
Cost of goods sold	**10,406**	8,164	8,195	7,674	7,776
Gross profit	**18,451**	15,924	14,909	14,068	13,081
Selling, general and administrative expenses	**10,945**	9,431	8,739	7,890	7,287
Other operating charges	**254**	185	85	480	573
Operating income	**7,252**	6,308	6,085	5,698	5,221
Interest income	**236**	193	235	157	176
Interest expense	**456**	220	240	196	178
Equity income net	**668**	102	680	621	406
Other income (loss) net	**173**	195	(93)	(82)	(138)
Gains on issuances of stock by equity investees			23	24	8
Income before income taxes	**7,873**	6,578	6,690	6,222	5,495
Income taxes	**1,892**	1,498	1,818	1,375	1,148
Net income	**$ 5,981**	$ 5,080	$ 4,872	$ 4,847	$ 4,347
Average shares outstanding	**2,313**	2,348	2,392	2,426	2,459
Average shares outstanding assuming dilution	**2,331**	2,350	2,393	2,429	2,462
PER SHARE DATA					
Basic net income	**$ 2.59**	$ 2.16	$ 2.04	$ 2.00	$ 1.77
Diluted net income	**2.57**	2.16	2.04	2.00	1.77
Cash dividends	**1.36**	1.24	1.12	1.00	0.88
Closing market price on December 31	**61.37**	48.25	40.31	41.64	50.75
TOTAL MARKET VALUE OF COMMON STOCK	**$ 142,289**	$ 111,857	$ 95,504	$ 100,325	$ 123,908
BALANCE SHEET DATA					
Cash, cash equivalents and current marketable securities	**$ 4,308**	$ 2,590	$ 4,767	$ 6,768	$ 3,482
Property, plant and equipment net	**8,493**	6,903	5,831	6,091	6,097
Depreciation	**958**	763	752	715	667
Capital expenditures	**1,648**	1,407	899	755	812
Total assets	**43,269**	29,963	29,427	31,441	27,410
Long-term debt	**3,277**	1,314	1,154	1,157	2,517
Shareowners equity	**21,744**	16,920	16,355	15,935	14,090
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$ 7,150**	$ 5,957	$ 6,423	$ 5,968	$ 5,456

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

[1] In 2007, we adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes and recorded an approximate $65 million increase in accrued income taxes in our consolidated balance sheet for unrecognized tax benefits, which was accounted for as a cumulative effect adjustment to the January 1, 2007 balance of reinvested earnings.

[2] In 2006, we adopted Statement of Financial Accounting Standards (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).

[3] We adopted FASB Staff Position (FSP) No. 109-2, Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004 in 2004. FSP No. 109-2 allowed the Company to record the tax expense associated with the repatriation of foreign earnings in 2005 when the previously unremitted foreign earnings were actually repatriated.

[4] We adopted Interpretation No. 46(R), Consolidation of Variable Interest Entities, effective April 2, 2004.

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

Overview

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

Our Business a general description of our business and the nonalcoholic beverages segment of the commercial beverages industry, our objective, our strategic priorities, our core capabilities, and challenges and risks of our business.

Critical Accounting Policies and Estimates a discussion of accounting policies that require critical judgments and estimates.

Operations Review an analysis of our Company s consolidated results of operations for the three years presented in our consolidated financial statements. Except to the extent that differences among our operating segments are material to an understanding of our business as a whole, we present the discussion in the MD&A on a consolidated basis.

Liquidity, Capital Resources and Financial Position an analysis of cash flows; off-balance sheet arrangements and aggregate contractual obligations; foreign exchange; an overview of financial position; and the impact of inflation and changing prices.

Our Business

General

We are the largest manufacturer, distributor and marketer of nonalcoholic beverage concentrates and syrups in the world. Along with Coca-Cola, which is recognized as the world s most valuable brand, we market four of the world s top five nonalcoholic sparkling brands, including Diet Coke, Fanta and Sprite. Our Company owns or licenses more than 450 brands, including diet and light beverages, waters, enhanced waters, juices and juice drinks, teas, coffees, and energy and sports drinks. Through the world s largest beverage distribution system, consumers in more than 200 countries enjoy the Company s beverages at a rate of approximately 1.5 billion servings each day. Our Company generates revenues, income and cash flows by selling beverage concentrates and syrups as well as finished beverages. We generally sell these products to bottling and canning operations, fountain wholesalers and some fountain retailers, and, in the case of finished products, to distributors. Our bottlers sell our branded products to businesses and institutions including retail chains, supermarkets, restaurants, small neighborhood grocers, sports and entertainment venues, and schools and colleges. We continue to expand our marketing presence and increase our unit case volume in both developed and emerging markets. Our strong and stable system helps us to capture growth by manufacturing, distributing and marketing existing, enhanced and new innovative products to our consumers throughout the world.

We have three types of bottling relationships: bottlers in which our Company has no ownership interest, bottlers in which our Company has a noncontrolling ownership interest and bottlers in which our Company has a controlling ownership interest. We authorize our bottling partners to manufacture and package products made from our concentrates and syrups into branded finished products that they then distribute and sell. In 2007, bottling partners in which our Company has no ownership interest or a noncontrolling ownership interest produced and distributed approximately 79 percent of our worldwide unit case volume.

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

The Nonalcoholic Beverages Segment of the Commercial Beverages Industry

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

Our Objective

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

People: Being a great place to work where people are inspired to be the best they can be.

Portfolio: Bringing to the world a portfolio of beverage brands that anticipates and satisfies people s desires and needs.

Partners: Nurturing a winning network of partners and building mutual loyalty.

Planet: Being a responsible global citizen that makes a difference.

Profit: Maximizing return to shareowners while being mindful of our overall responsibilities.

Strategic Priorities

We have five strategic priorities designed to create long-term sustainable growth for our Company and the Coca-Cola system and value for our shareowners. These strategic priorities are growing sparkling beverage leadership; rapidly growing still beverages; leveraging a balanced geographic portfolio; accelerating the innovation pipeline; and strengthening Coca-Cola system capability. To enable the entire Coca-Cola system so that we can deliver on these strategic priorities, we must further enhance our core capabilities of consumer marketing; commercial leadership; and franchise leadership.

Core Capabilities

Consumer Marketing

Marketing investments are designed to enhance consumer awareness and increase consumer preference for our brands. This produces long-term growth in unit case volume, per capita consumption and our share of worldwide nonalcoholic beverage sales. We heighten consumer awareness of and product appeal for our brands using integrated marketing programs. Through our relationships with our bottling partners and those who sell our products in the marketplace, we create and implement marketing programs both globally and locally. In developing a strategy for a Company brand, we conduct product and packaging research, establish brand positioning, develop precise consumer communications and solicit consumer feedback. Our integrated global and local marketing programs include activities such as advertising, point-of-sale merchandising and sales promotions.

Commercial Leadership

The Coca-Cola system has millions of customers around the world who sell or serve our products directly to consumers. We focus on enhancing value for our customers and providing solutions to grow their beverage businesses. Our approach includes understanding each customer s business and needs, whether that customer is a sophisticated retailer in a developed market or a kiosk owner in an emerging market. We focus on ensuring that our customers have the right product and package offerings and the right promotional tools to deliver enhanced value to themselves and the Company. We are constantly looking to build new beverage consumption occasions in our customers outlets through unique and innovative consumer experiences, product availability and delivery systems, and beverage merchandising and displays.

Franchise Leadership

We must continue to improve our franchise leadership capabilities to give our Company and our bottling partners the ability to grow together through shared values, aligned incentives and a sense of urgency and flexibility that supports consumers always changing needs and tastes. The financial health and success of our bottling partners are critical components of the Company s success. We work with our bottling partners to continuously look for ways to improve system economics, and we share best practices throughout the bottling system. We also design business models for still beverages in specific markets to ensure that we appropriately share the value created by these beverages with our bottling partners. We will continue to build a supply chain network that leverages the size and scale of the Coca-Cola system to gain a competitive advantage.

Challenges and Risks

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

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

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

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

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

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

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

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

Critical Accounting Policies and Estimates

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

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

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

Basis of Presentation and Consolidation

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. Our judgment in determining if we are the primary beneficiary of the variable interest entities includes assessing our Company s level of involvement in setting up the entity, determining if the activities of the entity are substantially conducted on behalf of our Company, determining whether the Company provides more than half of the subordinated financial support to the entity, and determining if we absorb the majority of the entity s expected losses or returns.

We use the equity method to account for investments for which we have the ability to exercise significant influence over operating and financial policies of the investee. Our consolidated net income includes our Company s proportionate share of the net income or loss of these companies. Our judgment regarding the level of influence over

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each equity method investment includes considering key factors such as our ownership interest, representation on the board of directors, participation in policy-making decisions and material intercompany transactions.

We use the cost method to account for 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 record dividend income when applicable dividends are declared.

Our Company eliminates all significant intercompany transactions, including the intercompany portion of transactions with equity method investees, from our financial results.

Recoverability of Noncurrent Assets

Management s assessments of the recoverability of noncurrent assets involve critical accounting estimates. These assessments reflect management s best assumptions, which, we believe, are consistent with the assumptions that hypothetical marketplace participants would use. Factors that management must estimate when performing recoverability and impairment tests include, among others, the economic life of the asset, sales volume, prices, inflation, cost of capital, marketing spending, foreign currency exchange rates, tax rates and capital spending. These factors are often interdependent and therefore do not change in isolation. These factors include inherent uncertainties, and significant management judgment is involved in estimating their impact. However, the assumptions we use for financial reporting purposes are consistent with those we use in our internal planning, and we believe they are consistent with those that a hypothetical marketplace participant would use. Management periodically evaluates and updates the estimates based on the conditions that influence these factors. The variability of these factors depends on a number of conditions, including uncertainty about future events, and thus our accounting estimates may change from period to period. If other assumptions and estimates had been used in the current period, the balances for noncurrent assets could have been materially impacted. Furthermore, if management uses different assumptions or if different conditions occur in future periods, future operating results could be materially impacted.

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

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For the noncurrent assets listed in the table below, we perform tests of impairment as appropriate. For applicable assets, we perform these tests when certain conditions exist that indicate the carrying value may not be recoverable. For other applicable assets, we perform these tests at least annually or more frequently if events or circumstances indicate that an asset may be impaired:

December 31, 2007 (In millions except percentages)	Carrying Value	Percentage of Total Assets
Tested for impairment when conditions indicate carrying value may be impaired:		
Equity method investments	$ 7,289	17%
Cost method investments, principally bottling companies	488	1
Other assets	2,675	6
Property, plant and equipment, net	8,493	20
Amortized intangible assets, net	493	1
Total	$ 19,438	45%
Tested for impairment at least annually or when events indicate that an asset may be impaired:		
Trademarks with indefinite lives	$ 5,153	12%
Goodwill	4,256	10
Bottlers franchise rights	2,184	5
Other intangible assets not subject to amortization	133	
Total	$ 11,726	27%

During 2007, operating losses incurred in several quarters by certain consolidated bottling operations in Asia and Europe were considered impairment indicators. Therefore, the Company completed impairment reviews of our noncurrent assets in these bottling operations. In 2007, as a result of these impairment reviews, the Company did not record any impairment charges related to these bottling operations. As of December 31, 2007, the remaining carrying values of our noncurrent assets in bottling operations subject to these impairment reviews in Asia and Europe were approximately $386 million and $2,829 million, respectively. The Company will continue to monitor the recoverability of these noncurrent assets and investments in bottling operations in 2008.

Equity Method and Cost Method Investments

We review our equity and cost method investments in every reporting period to determine whether a significant event or change in circumstances has occurred that may have an adverse effect on the fair value of each investment. When such events or changes occur, we evaluate the fair value compared to the carrying value of the related investment. We also perform this evaluation every reporting period for each investment for which the carrying value has exceeded the fair value in the prior period. The fair values of most of our Company s investments in publicly traded companies are often readily available based on quoted market prices. For investments in nonpublicly traded companies, management s assessment of fair value is based on valuation methodologies including discounted cash flows, estimates of sales proceeds and appraisals, as appropriate. We consider the assumptions that we believe hypothetical marketplace participants would use in evaluating estimated future cash flows when employing the discounted cash flow or estimates of sales proceeds valuation methodologies. The ability to accurately predict future cash flows, especially in developing and unstable markets, may impact the determination of fair value.

In the event a decline in fair value of an investment occurs, management may be required to determine if the decline in fair value is other than temporary. Management s assessment as to the nature of a decline in fair value is based on the valuation methodologies discussed above, our ability and intent to hold the investment, and whether evidence indicating the cost of the investment is recoverable within a reasonable period of time outweighs evidence to the contrary. We consider most of our equity method investees to be strategic long-term investments. If the fair value of

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an investment is less than its carrying value and the decline in value is considered to be other than temporary, a write-down is recorded. Management s assessments of fair value represent our best estimates as of the time of the impairment review and are consistent with the assumptions that we believe hypothetical marketplace participants would use. If different assessments were made, this could have a material impact on our consolidated financial statements.

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

December 31, 2007	Fair Value	Carrying Value	Difference
Coca-Cola Enterprises Inc.	$ 4,398	$ 1,637	**$ 2,761**
Coca-Cola Hellenic Bottling Company S.A.	3,647	1,549	**2,098**
Coca-Cola FEMSA, S.A.B. de C.V.	2,853	996	**1,857**
Coca-Cola Amatil Limited	1,860	806	**1,054**
Coca-Cola Icecek A.S.	578	156	**422**
Grupo Continental, S.A.	369	176	**193**
Coca-Cola Embonor S.A.	271	208	**63**
Coca-Cola Bottling Company Consolidated	146	73	**73**
Embotelladoras Polar S.A.	115	67	**48**
	$ 14,237	$ 5,668	**$ 8,569**

Other Assets

Our Company invests in infrastructure programs with our bottlers that are directed at strengthening our bottling system and increasing unit case volume. Additionally, our Company advances payments to certain customers to fund future marketing activities intended to generate profitable volume and expenses such payments over the periods benefited. Advance payments are also made to certain customers for distribution rights. Payments under these programs are generally capitalized and reported as other assets in our consolidated balance sheets. When facts and circumstances indicate that the carrying value of these assets may not be recoverable, management evaluates the recoverability of the carrying value of these assets by preparing estimates of sales volume and the resulting gross profit and cash flows. If the carrying value of these assets is assessed to be recoverable, it is amortized over the periods benefited. If the carrying value of these assets is considered to be not recoverable, an impairment is recognized, resulting in a write-down of assets.

Property, Plant and Equipment

Certain events or changes in circumstances may indicate that the recoverability of the carrying amount of property, plant and equipment should be assessed. Such events or changes may include a significant decrease in market value, a significant change in the business climate in a particular market, or a current-period operating or cash flow loss combined with historical losses or projected future losses. If an event occurs or changes in circumstances are present, we estimate the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount, we recognize an impairment loss. The impairment loss recognized is the amount by which the carrying amount exceeds the fair value. We use a variety of methodologies to determine the fair value of property, plant and equipment, including appraisals and cash flow analyses, that are consistent with the assumptions we believe hypothetical marketplace participants would use.

In 2007, our Company recorded a charge of approximately $99 million in the line item equity income net resulting from the impact of our proportionate share of asset write-downs primarily related to excess and obsolete bottles and cases at CCBPI, which impacted Bottling Investments. Refer to the heading Operations Review Equity Income Net and Note 3 of Notes to Consolidated Financial Statements.

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Goodwill, Trademarks and Other Intangible Assets

SFAS No. 142, Goodwill and Other Intangible Assets, classifies intangible assets into three categories: (1) intangible assets with definite lives subject to amortization; (2) intangible assets with indefinite lives not subject to amortization; and (3) goodwill. For intangible assets with definite lives, tests for impairment must be performed if conditions exist that indicate the carrying value may not be recoverable. For intangible assets with indefinite lives and goodwill, tests for impairment must be performed at least annually or more frequently if events or circumstances indicate that assets might be impaired. Our equity method investees also perform such tests for impairment for intangible assets and/or goodwill. If an impairment charge was recorded by one of our equity method investees, the Company would record its proportionate share of such charge.

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

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

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 the Pacific. The amount of these impairment charges was determined by comparing the fair values of the intangible assets to their respective carrying values. The fair values were determined using discounted cash flow analyses. Because the fair values were less than the carrying values of the assets, we recorded impairment charges to reduce the carrying values of the assets to their respective fair values. These impairment charges were recorded in the line item other operating charges in the consolidated statement of income.

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

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Revenue Recognition

We recognize revenue when persuasive evidence of an arrangement exists, delivery of products has occurred, the sales price is fixed or determinable, and collectibility is reasonably assured. For our Company, this generally means that we recognize revenue when title to our products is transferred to our bottling partners, resellers or other customers. In particular, title usually transfers upon shipment to or receipt at our customers locations, as determined by the specific sales terms of each transaction. Our sales terms do not allow for a right of return except for matters related to any manufacturing defects on our part.

In addition, our customers can earn certain incentives, which are included in deductions from revenue, a component of net operating revenues in the consolidated statements of income. These incentives include, but are not limited to, cash discounts, funds for promotional and marketing activities, volume-based incentive programs and support for infrastructure programs. Refer to Note 1 of Notes to Consolidated Financial Statements. The aggregate deductions from revenue recorded by the Company in relation to these programs, including amortization expense on infrastructure programs, was approximately $4.1 billion, $3.8 billion and $3.7 billion for the years ended December 31, 2007, 2006 and 2005, respectively.

Income Taxes

In July 2006, the FASB issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (Interpretation No. 48). Interpretation No. 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with 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. Our Company adopted the provisions of Interpretation No. 48 effective January 1, 2007. As a result of the adoption of Interpretation No. 48, we recorded an approximate $65 million increase in accrued income taxes in our consolidated balance sheet for unrecognized tax benefits, which was accounted for as a cumulative effect adjustment to the January 1, 2007 balance of reinvested earnings.

Our annual tax rate is based on our income, statutory tax rates and tax planning opportunities available to us in the various jurisdictions in which we operate. Significant judgment is required in determining our annual tax expense and in evaluating our tax positions. We establish reserves to remove some or all of the tax benefit of any of our tax positions at the time we determine that the positions become uncertain based upon one of the following: (1) the tax position is not more likely than not to be sustained, (2) the tax position is more likely than not to be sustained, but for a lesser amount, (3) the tax position is more likely than not to be sustained, but not in the financial period in which the tax position was originally taken. For purposes of evaluating whether or not a tax position is uncertain, (1) we presume the tax position will be examined by the relevant taxing authority that has full knowledge of all relevant information, (2) the technical merits of a tax position are derived from authorities such as legislation and statutes, legislative intent, regulations, rulings and case law and their applicability to the facts and circumstances of the tax position, and (3) each tax position is evaluated without considerations of the possibility of offset or aggregation with other tax positions taken. We adjust these reserves, including any impact on the related interest and penalties, in light of changing facts and circumstances, such as the progress of a tax audit.

A number of years may elapse before a particular matter for which we have established a reserve is audited and finally resolved. The number of years with open tax audits varies depending on the tax jurisdiction. The tax benefit that has been previously reserved because of a failure to meet the more likely than not recognition threshold would be recognized in our income tax expense in the first interim period when the uncertainty disappears under any one of the following conditions: (1) the tax position is more likely than not to be sustained, (2) the tax position, amount, and/or timing is ultimately settled through negotiation or litigation, or (3) the statute of limitations for the tax position has expired. Settlement of any particular issue would usually require the use of cash.

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

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

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

The American Jobs Creation Act of 2004 (the Jobs Creation Act) was enacted in October 2004. Among other things, it provided a one-time benefit related to foreign tax credits generated by equity investments in prior years. In 2004, the Company recorded an income tax benefit of approximately $50 million as a result of this new law. The Jobs Creation Act also included a temporary incentive for U.S. multinationals to repatriate foreign earnings at an approximate 5.25 percent effective tax rate. During 2005, the Company repatriated approximately $6.1 billion in previously unremitted foreign earnings, with an associated tax liability of approximately $315 million. The reinvestment requirements of this repatriation have been fulfilled at December 31, 2007. Refer to Note 1 and Note 17 of Notes to Consolidated Financial Statements.

The Company s effective tax rate is expected to be approximately 22.0 to 22.5 percent in 2008. This estimated tax rate does not reflect the impact of any unusual or special items that may affect our tax rate in 2008.

Contingencies

Our Company is subject to various claims and contingencies, mostly related to legal proceedings and tax matters (both income taxes and indirect taxes). Due to their nature, such legal proceedings and tax matters involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties and governmental actions. Management assesses the probability of loss for such contingencies and accrues a liability and/or discloses the relevant circumstances, as appropriate. Management believes that any liability to the Company that may arise as a result of currently pending legal proceedings, tax matters or other contingencies will not have a material adverse effect on the financial condition of the Company taken as a whole. Refer to Note 13 of Notes to Consolidated Financial Statements.

Recent Accounting Standards and Pronouncements

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

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Operations Review

We manufacture, distribute and market nonalcoholic beverage concentrates and syrups. We also manufacture, distribute and market finished beverages. Our organizational structure as of January 1, 2007 consisted of the following operating segments, the first seven of which are sometimes referred to as operating groups or groups : Africa; Eurasia; European Union; Latin America; North America; Pacific; Bottling Investments; and Corporate. We revised previously reported group information to conform to our operating structure as of January 1, 2007. For further information regarding our operating segments, including a discussion of changes made to our operating segments effective January 1, 2007, refer to Note 21 of Notes to Consolidated Financial Statements.

Beverage Volume

We measure our sales volume in two ways: (1) unit cases of finished products and (2) concentrate sales. A unit case is a unit of measurement equal to 192 U.S. fluid ounces of finished beverage (24 eight-ounce servings). Unit case volume represents the number of unit cases of Company beverage products directly or indirectly sold by the Company and its bottling partners to customers. Unit case volume primarily consists of beverage products bearing Company trademarks. Also included in unit case volume are certain products licensed to, or distributed by, our Company, and brands owned by Coca-Cola system bottlers for which our Company provides marketing support and from the sale of which we derive economic benefit. Such products licensed to, or distributed by, our Company or owned by Coca-Cola system bottlers account for a minimal portion of total unit case volume. In addition, unit case volume includes sales by joint ventures in which the Company is a partner. Unit case volume is derived based on estimates supplied by our bottling partners and distributors. Concentrate sales volume represents the amount of concentrates, syrups, beverage bases and powders (in all cases expressed in equivalent unit cases) sold by, or used in finished beverages sold by, the Company to its bottling partners or other customers. Concentrate sales replaced the gallon sales concept beginning with the first quarter of 2007. We made this change primarily to replace equivalent gallons with equivalent unit cases as a unit of measurement for concentrates, syrups, beverage bases and powders, which better reflects how our Company conducts its operations. Most of our revenues are based on concentrate sales, a primarily wholesale activity. Unit case volume and concentrate sales growth rates are not necessarily equal during any given period. Items such as seasonality, bottlers inventory practices, supply point changes, timing of price increases, new product introductions and changes in product mix can impact unit case volume and concentrate sales and can create differences between unit case volume and concentrate sales growth rates.

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

	Percentage Change			
	2007 vs. 2006		2006 vs. 2005	
Year Ended December 31,	Unit Cases[1,2]	Concentrate Sales	Unit Cases[1,2]	Concentrate Sales
Worldwide	6%	6%	4%	4%
Africa	10	11	4	4
Eurasia	16	15	14	11
European Union	3	3	6	4
Latin America	9	9	7	7
North America	(1)			
Pacific	7	7	1	1
Bottling Investments	64	N/A	16	N/A

1 Bottling Investments operating segment data reflects unit case volume growth for consolidated bottlers only.
2 Geographic segment data reflects unit case volume growth for all bottlers in the applicable geographic areas, both consolidated and unconsolidated.

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Unit Case Volume

Although most of our Company s revenues are not based directly on unit case volume, we believe unit case volume is one of the measures of the underlying strength of the Coca-Cola system because it measures our product trends at the consumer level. The Coca-Cola system sold approximately 22.7 billion unit cases of our products in 2007, approximately 21.4 billion unit cases in 2006, and approximately 20.6 billion unit cases in 2005.

In Africa, unit case volume increased 10 percent in 2007 compared to 2006. The increase in 2007 reflected growth across all divisions, led by growth in South Africa. South Africa unit case volume increased 13 percent in 2007, driven by strong marketing, the replenishment of trade inventory resulting from the carbon dioxide shortage in the fourth quarter of 2006, and favorable weather. Solid growth in North and West Africa, and in East and Central Africa, driven primarily by strong marketing and bottler execution, also favorably impacted the results in 2007.

In Eurasia, unit case volume grew 16 percent in 2007 versus 2006. Double-digit unit case volume growth in Russia, India, Turkey, Middle East, Eastern Europe and southern Eurasia drove the results. In India, continued investment in marketing initiatives on the quality and safety of our products and focus on improved execution by the consolidated bottling operations resulted in 14 percent unit case volume growth in 2007.

Unit case volume in the European Union increased 3 percent in 2007 compared to 2006, primarily due to growth in most key countries. The results reflected the benefits of key initiatives across the group, including Coca-Cola Zero launches and the three-cola strategy (focusing on driving unit case volume growth for Coca-Cola, Coca-Cola Zero and Diet Coke or Coca-Cola light.), The Coke Side of Life Campaign, Christmas programs and activation of the Rugby World Cup. In addition, the full-year impact of the 2006 acquisition of Apollinaris GmbH, a German premium source water brand (Apollinaris), and the 2006 joint acquisition of Fonti del Vulture S.r.l. (Fonti del Vulture), an Italian mineral water company, with Coca-Cola Hellenic contributed to unit case volume growth in 2007. Unit case volume growth in the European Union was negatively impacted by the unseasonably cool and rainy summer weather compared to 2006 and the impact of World Cup in 2006.

In Latin America, unit case volume increased 9 percent in 2007 versus 2006, including 7 percent growth in Trademark Coca-Cola, reflecting the introduction of Coca-Cola Zero during the first quarter of 2007. The acquisition of Leao Junior in Brazil also favorably impacted the unit case volume growth in 2007. Unit case volume increased 16 percent in Brazil, 6 percent in Mexico and 9 percent in Argentina in 2007 versus 2006. In December 2006, the Company and Coca-Cola FEMSA entered into an agreement to jointly acquire Jugos del Valle, the second largest producer of packaged juices, nectars and fruit-flavored beverages in Mexico and the largest producer of such products in Brazil. In July 2007, the Mexican Federal Competition Commission approved the acquisition of Jugos del Valle. The transfer of ownership was completed in November 2007. Full-year 2006 unit case volume of Jugos del Valle was approximately 117 million.

Unit case volume in North America decreased 1 percent in 2007 versus 2006, reflecting a 1 percent decline in the Foodservice and Hospitality Division due to the challenging restaurant industry environment. Unit case volume in the Retail Division was even in 2007, reflecting a 1 percent favorable impact from acquisitions primarily related to glacéau. In 2007, the Company transferred the majority of the distribution of glacéau branded products to its existing bottling system with the exception of certain regional glacéau distributors and certain channels. Refer to Note 20 of Notes to Consolidated Financial Statements. Unit case volume for glacéau beverages was 56 million unit cases in 2006. The Retail Division s unit case volume result was unfavorably impacted by the difficult sparkling beverage industry environment and by a unit case volume decline in warehouse-delivered water resulting from the strategic decision to refocus resources behind the more profitable Dasani business. Sparkling beverage unit case volume declined 2 percent in 2007 compared to 2006, reflecting the expected difficult category environment resulting from increased retail pricing. Coca-Cola Zero unit case volume continued to increase by double digits in 2007. In 2007, both Trademark Dasani and Trademark Powerade unit case volume continued to grow. Warehouse-delivered juice unit case volume declined due to retail price increases taken to cover higher ingredient costs. This decline was partially offset by continued unit case volume growth in Trademark Odwalla and Trademark Simply juices. In February 2008, the

Company and Honest Tea, Inc. completed an agreement resulting in the Company holding an approximate 40 percent interest in Honest Tea, Inc., the maker of organic beverages, including beverages sold under the Honest Tea trademark. Refer to Note 22 of Notes to Consolidated Financial Statements.

Unit case volume in the Pacific increased 7 percent in 2007 compared to 2006. The increase includes 18 percent growth in China, 5 percent growth in the Philippines, and 3 percent growth in Japan. The increase in unit case volume in China was led by double-digit growth in sparkling beverages, Minute Maid and Nestea. The increase in unit case volume in Japan was primarily due to growth in Trademarks Coca-Cola, Sprite, Sokenbicha and water brands. Georgia Coffee volume declined 1 percent in 2007 compared to 2006; however, as a result of success with a new marketing campaign, it returned to growth in the fourth quarter of 2007. The increase in unit case volume in the Philippines was primarily due to strong sparkling unit case volume growth reflecting the investment in key marketing initiatives, the focus on improving the route-to-market, and reshaping and streamlining the supply chain and building sales capabilities. On February 22, 2007, the Company acquired the remaining 65 percent ownership interest in Coca-Cola Bottlers Philippines, Inc. (CCBPI) held by San Miguel Corporation and two of its subsidiaries (collectively, SMC) and began to implement certain initiatives to address business performance. Refer to Note 20 of Notes to Consolidated Financial Statements.

Unit case volume for Bottling Investments increased 64 percent in 2007 versus 2006, primarily due to acquisitions of certain bottlers and unit case volume growth across the bottling group. Refer to Note 20 of Notes to Consolidated Financial Statements.

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

In Eurasia, unit case volume grew 14 percent in 2006 compared to 2005, led by double-digit growth in Russia and Turkey, partially offset by a 5 percent decline in India. The unit case volume growth in Russia and Turkey was the result of improving macroeconomic trends, strong bottler execution and successful marketing programs. Unit case volume in Russia also benefited from the full-year impact of the joint acquisition of Multon, a Russian juice business, compared to a partial year in 2005. The Company and Coca-Cola Hellenic jointly acquired Multon in April 2005. The decline in India was primarily due to price increases in the second half of 2005 and steps taken to drive revenue growth and improve operating and working capital efficiency. The results in India reflected high single-digit declines in sparkling beverages which were partially offset by growth in still beverages. Continued investment in marketing initiatives around the quality and safety of our products and focus on execution in the consolidated bottling operations delivered positive results during the second half of 2006, despite the renewed unfounded allegations of unsafe pesticide levels in the Company s products.

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

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In Latin America, unit case volume increased 7 percent in 2006 versus 2005, primarily due to growth in sparkling beverages led by growth of Trademark Coca-Cola. This performance was seen in all key markets, especially Brazil, Mexico and Argentina. In Mexico, the increase in unit case volume was driven by strong growth in Trademark Coca-Cola. In Brazil, strong marketing and bottler execution led to unit case volume growth in sparkling beverages. In Argentina, consumer marketing activities and bottler execution drove unit case volume growth.

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

Unit case volume in the Pacific increased 1 percent in 2006 versus 2005, primarily due to double-digit growth in China, partially offset by a double-digit decline in the Philippines and a 3 percent decline in Japan. The increase in unit case volume in China was led by significant growth in both sparkling and still beverages. The double-digit decline in the Philippines was mainly driven by the continued impact of affordability and availability issues. The decrease in unit case volume in Japan was primarily due to weakness across core brands including Trademark Coca-Cola, Georgia Coffee and our green tea brands. However, results in Japan gradually improved during 2006.

Unit case volume for Bottling Investments increased 16 percent in 2006 versus 2005, primarily due to the acquisition of Kerry Beverages Limited, which was subsequently renamed Coca-Cola China Industries Limited (CCCIL), and the acquisitions of TJC Holdings (Pty) Ltd., a South African bottling company (TJC), and Apollinaris. Unit case volume for Bottling Investments also increased due to the consolidation of Brucephil, Inc. (Brucephil), the parent company of The Philadelphia Coca-Cola Bottling Company. In the third quarter of 2006, our Company signed agreements with J. Bruce Llewellyn and Brucephil for the potential purchase of the remaining shares of Brucephil not currently owned by the Company. The agreements provide for the Company s purchase of the shares upon the election of Mr. Llewellyn or the election of the Company. Based on the terms of these agreements, the Company concluded that it must consolidate Brucephil under Interpretation No. 46(R). Brucephil s financial statements were consolidated effective September 29, 2006. The acquisition of the German bottling company Bremer Erfrischungsgetraenke GmbH (Bremer) during the third quarter of 2005 also contributed to unit case volume increases in 2006, reflecting the impact of full-year unit case volume in 2006 for Bremer compared to a partial year in 2005. Refer to Note 20 of Notes to Consolidated Financial Statements. The unit case volume increase was partially offset by a decline in India.

Concentrate Sales Volume

Company-wide concentrate sales volume and unit case volume both grew 6 percent in 2007 when compared to 2006. For 2007, differences between unit case volume and concentrate sales volume growth rates for all segments were primarily due to timing of concentrate shipments.

Company-wide concentrate sales volume and unit case volume both grew 4 percent in 2006 when compared to 2005. For 2006, differences between unit case volume and concentrate sales volume growth rates for all segments were primarily due to timing of concentrate shipments. In Eurasia, unit case volume increased ahead of concentrate sales volume primarily due to inventory reductions in Russia and partially offset by the timing of concentrate sales in India. Unit case volume growth also reflected the impact of a full-year of unit case volume compared to a partial year in 2005 due to the joint acquisition of Multon with Coca-Cola Hellenic in the second quarter of 2005. The Company only reports unit case volume related to Multon, as the Company does not sell concentrates or syrups to Multon.

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Analysis of Consolidated Statements of Income

Year Ended December 31, (In millions except per share data and percentages)	**2007**	2006	2005	Percent Change 2007 vs. 2006	Percent Change 2006 vs. 2005
NET OPERATING REVENUES	**$ 28,857**	$ 24,088	$ 23,104	20%	4%
Cost of goods sold	**10,406**	8,164	8,195	27	
GROSS PROFIT	**18,451**	15,924	14,909	16	7
GROSS PROFIT MARGIN	**63.9%**	66.1%	64.5%		
Selling, general and administrative expenses	**10,945**	9,431	8,739	16	8
Other operating charges	**254**	185	85	*	*
OPERATING INCOME	**7,252**	6,308	6,085	15	4
OPERATING MARGIN	**25.1%**	26.2%	26.3%		
Interest income	**236**	193	235	22	(18)
Interest expense	**456**	220	240	107	(8)
Equity income net	**668**	102	680	555	(85)
Other income (loss) net	**173**	195	(93)	*	*
Gains on issuances of stock by equity investees			23	*	*
INCOME BEFORE INCOME TAXES	**7,873**	6,578	6,690	20	(2)
Income taxes	**1,892**	1,498	1,818	26	(18)
Effective tax rate	**24.0%**	22.8%	27.2%		
NET INCOME	**$ 5,981**	$ 5,080	$ 4,872	18%	4%
PERCENTAGE OF NET OPERATING REVENUES	**20.7%**	21.1%	21.1%		
NET INCOME PER SHARE:					
Basic	**$ 2.59**	$ 2.16	$ 2.04	20%	6%
Diluted	**$ 2.57**	$ 2.16	$ 2.04	19%	6%

* Calculation is not meaningful.

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Net Operating Revenues

Net operating revenues increased by $4.8 billion or 20 percent in 2007 versus 2006. Net operating revenues increased by $984 million or 4 percent in 2006 versus 2005.

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

	Percent Change	
Year Ended December 31,	2007 vs. 2006	2006 vs. 2005
Increase in concentrate sales volume	6%	4%
Structural changes	8	(2)
Price and product/geographic mix	2	2
Impact of currency fluctuations versus the U.S. dollar	4	0
Total percentage increase	20%	4%

Refer to the heading Beverage Volume for a detailed discussion on concentrate sales volume.

Structural changes refers to acquisitions or dispositions of bottling, distribution or canning operations and consolidation or deconsolidation of bottling and distribution entities for accounting purposes. In 2007, structural changes increased net operating revenues by 8 percent compared to 2006. These structural changes included the impact of the acquisition of CCBPI in the first quarter of 2007, the acquisition of the 18 remaining German bottling and distribution operations in September 2007, the acquisition of CCCIL in the third quarter of 2006, the consolidation of Brucephil effective September 29, 2006 and the acquisition of several other individually insignificant bottling operations. Refer to Note 20 of Notes to Consolidated Financial Statements.

Price and product/geographic mix increased net operating revenues by 2 percent in 2007 versus 2006, primarily due to favorable pricing and product/package mix across the majority of the operating segments.

The favorable impact of currency fluctuations in 2007 compared to 2006 resulted from a weaker U.S. dollar versus most key currencies, especially a stronger euro, which favorably impacted the European Union and Bottling Investments, a stronger Brazilian real, which favorably impacted Latin America and Bottling Investments, and a stronger Australian dollar which favorably impacted Pacific and Bottling Investments. The favorable impact of the fluctuation in these currencies was partially offset by a weaker Japanese yen and South African rand, which unfavorably impacted the Pacific, Africa and Bottling Investments. Refer to the heading Foreign Exchange.

In 2006, structural changes decreased net operating revenues by 2 percent compared to 2005, primarily due to the change of the business model in Spain, partially offset by the acquisitions of Bremer in the third quarter of 2005, TJC in the first quarter of 2006, CCCIL in the third quarter of 2006 and the consolidation of Brucephil under Interpretation No. 46(R) effective September 29, 2006. Refer to Note 20 of Notes to Consolidated Financial Statements. Effective January 1, 2006, the Company granted our bottling partners in Spain the rights to manufacture and distribute Company trademarked products in can packages. Prior to granting these rights to our bottling partners, the Company held the manufacturing and distribution rights for these can packages in Spain. In connection with granting these rights, the Company reduced our planned future annual marketing support payments to our bottling partners in Spain. These changes resulted in a reduction of net operating revenues and cost of goods sold. This change did not materially impact gross profit for 2006. If the change had occurred as of January 1, 2005, net operating revenues for 2005 would have been reduced by approximately $779 million.

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

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

Year Ended December 31,	**2007**	2006	2005
Africa	**4.4%**	4.6%	4.8%
Eurasia	**3.4**	3.3	2.8
European Union	**14.4**	15.2	18.4
Latin America	**10.6**	10.3	8.9
North America	**26.9**	29.1	28.9
Pacific	**13.9**	16.5	18.0
Bottling Investments	**26.2**	20.6	17.8
Corporate	**0.2**	0.4	0.4
	100.0%	100.0%	100.0%

The percentage contribution of each operating segment has changed due to net operating revenues in certain segments growing at a faster rate compared to the other operating segments, the impact of foreign currency fluctuations, and the acquisitions and consolidations of certain bottling operations.

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

Gross Profit

Our gross profit margin decreased to 63.9 percent in 2007 from 66.1 percent in 2006. Our gross profit margin decreased as a result of acquisitions and consolidations of certain bottling operations. Refer to the heading Beverage Volume and Note 20 of Notes to Consolidated Financial Statements. Generally, bottling and finished product operations produce higher net revenues but lower gross profit margins compared to concentrate and syrup operations. Our gross profit margins were also unfavorably impacted by increases in the cost of raw materials and freight. In 2008, we expect to see a moderation in commodity cost pressures.

Our gross profit margin increased to 66.1 percent in 2006 from 64.5 percent in 2005. Our gross margin was favorably impacted by the change in the business model in Spain, as discussed above. Other structural changes, which included the consolidation of Brucephil under Interpretation No. 46(R) in 2006, the acquisitions of CCCIL and TJC in 2006, and the acquisition of Bremer in 2005, unfavorably impacted our gross profit margin. Our gross margin in 2006 was also impacted favorably by price increases, partially offset by increases in the cost of raw materials and freight, primarily in North America, and by an unfavorable product mix, primarily in Japan. Gross profit margin in 2005 was favorably impacted by the receipt of approximately $109 million in proceeds related to a class action lawsuit settlement concerning price-fixing in the sale of high fructose corn syrup (HFCS) purchased by the Company during the years 1991 to 1995. Subsequent to the receipt of this settlement, the Company distributed approximately $62 million to certain bottlers in North America. From 1991 to 1995, the Company purchased HFCS on behalf of those bottlers. Therefore, those bottlers ultimately were entitled to a portion of the proceeds. The Company s portion of the settlement was approximately $47 million, which was recorded as a reduction of cost of goods sold and impacted Corporate. Refer to Note 19 of Notes to Consolidated Financial Statements.

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Selling, General and Administrative Expenses

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

Year Ended December 31,	**2007**	2006	2005
Selling expenses	**$ 5,029**	$ 3,924	$ 3,453
Advertising expenses	**2,774**	2,553	2,475
General and administrative expenses	**2,829**	2,630	2,487
Stock-based compensation expense	**313**	324	324
Selling, general and administrative expenses	**$ 10,945**	$ 9,431	$ 8,739

Total selling, general and administrative expenses were approximately 16 percent higher in 2007 versus 2006. The increases were primarily related to continued investments in marketing, increased costs to drive growth in our consolidated bottling operations, including a 6 percent increase related to the acquisitions and consolidations of certain bottling operations (refer to Note 20 of Notes to Consolidated Financial Statements), increased sales and service costs for certain brand acquisitions and a 4 percent increase due to foreign currency fluctuations. Selling and advertising expenses increased 20 percent in 2007 compared to 2006, on a combined basis. The increases in selling and advertising expenses were primarily related to increased investments in marketing and innovation activities, including the reinvestment of certain general and administrative expense savings derived from productivity initiatives. Selling and advertising expenses also increased due to costs to drive growth in our consolidated bottling operations, including a 6 percent increase related to the acquisitions and consolidations of certain bottling operations and a 4 percent increase due to foreign currency fluctuations. General and administrative expenses increased 8 percent in 2007 compared to 2006, primarily due to increased costs in our consolidated bottling operations, including a 4 percent impact relating to the acquisitions and consolidations of certain bottling operations, increased costs of long-term incentive plans based on the Company s financial performance over the plan periods, and a 3 percent increase due to foreign currency fluctuations. These increases in general and administrative expenses were partially offset by expense savings generated through productivity initiatives. In February and October of 2007, the Company amended its U.S. retiree medical plan to limit the Company s exposure to increases in retiree medical costs associated with current and future retirees. Based on the materiality of the change in liability resulting from the amendments, we remeasured the assets and liabilities of the U.S. retiree medical plan effective February 28, 2007 and October 31, 2007. As a result of the amendments and remeasurements, the Company reduced its liabilities for the U.S. retiree medical plan by approximately $435 million. In accordance with SFAS No. 158, the Company also recognized the appropriate effects of the change in accumulated other comprehensive income (loss) and deferred taxes. In addition, annual net periodic benefits costs decreased by approximately $82 million compared to 2006, primarily due to changes to the U.S. retiree medical plan. This reduced expense impacted the general and administrative expenses line item. The Company anticipates receiving a similar benefit, as a result of the changes to the U.S. retiree medical plan, in each of the five years beginning January 1, 2008. Refer to Note 16.

As of December 31, 2007, we had approximately $441 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements granted under our plans. This cost is expected to be recognized over a weighted-average period of 1.8 years as stock-based compensation expense. This expected cost does not include the impact of any future stock-based compensation awards. Refer to Note 15 of Notes to Consolidated Financial Statements.

Total selling, general and administrative expenses were approximately 8 percent higher in 2006 versus 2005. The increases in selling and advertising expenses were primarily related to increased investments in marketing activities, including World Cup and Winter Olympics promotions in the European Union, combined with new product innovation activities and increased costs in our consolidated bottling investments as a result of acquisitions and consolidation of certain bottling operations. General and administrative expenses increased due to higher costs in Bottling Investments related to the acquisitions of CCCIL and TJC and the consolidation of Brucephil under Interpretation No. 46(R). The acquisition of Bremer during the third quarter of 2005 also increased general and administrative expenses in 2006,

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reflecting a full-year impact in 2006 for Bremer compared to a partial year in 2005. General and administrative expenses in 2006 also reflected the impact of a $100 million donation made to The Coca-Cola Foundation, which impacted Corporate. Stock-based compensation expense was flat in 2006 compared to 2005. Stock-based compensation expense in 2005 included approximately $50 million of expense due to a change in our estimated service period for retirement-eligible participants in our plans. This amount was offset primarily by the impact of the timing of stock-based compensation grants in prior years.

Other Operating Charges

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

Year Ended December 31,	**2007**	2006	2005
Africa	**$ 34**	$ 3	$
Eurasia	**3**		
European Union	**33**	36	
Latin America	**4**		
North America	**23**		
Pacific	**3**	62	85
Bottling Investments	**33**	83	
Corporate	**121**	1	
Total	**$ 254**	$ 185	$ 85

Other operating charges in 2007 were primarily related to restructuring costs and asset write-downs. These restructuring costs and asset write-downs included the reorganization of the North American business around three main business units: Sparkling Beverages, Still Beverages and Emerging Brands. They also included the plan to close a beverage concentrate manufacturing and distribution plant in Drogheda, Ireland, as well as individually insignificant streamlining activities throughout many other business units. The total cost of these restructuring activities is expected to be approximately $342 million. These costs are expected to be incurred through mid-2008. The expected payback period is three to four years. Refer to Note 18 of Notes to Consolidated Financial Statements. Also in 2007, other operating charges included charges related to the impairment of certain assets, none of which was individually significant.

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

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

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Operating Income and Operating Margin

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

Year Ended December 31,	**2007**	2006	2005
Africa	**6.2%**	6.7%	6.5%
Eurasia	**5.3**	4.3	3.3
European Union	**36.0**	35.7	36.5
Latin America	**24.1**	22.8	19.3
North America	**23.4**	26.7	25.5
Pacific	**23.4**	26.2	29.9
Bottling Investments	**2.1**	0.3	(0.6)
Corporate	**(20.5)**	(22.7)	(20.4)
	100.0%	100.0%	100.0%

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

Year Ended December 31,	**2007**	2006	2005
Consolidated	**25.1%**	26.2%	26.3%
Africa	**35.3%**	38.4%	35.8%
Eurasia	**39.2**	34.8	30.5
European Union	**63.0**	61.6	52.1
Latin America	**57.0**	57.9	57.0
North America	**21.9**	24.0	23.3
Pacific	**42.5**	41.4	43.8
Bottling Investments	**2.0**	0.4	0.9
Corporate	*	*	*

* Calculation is not meaningful.

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

In 2007, foreign currency exchange rates favorably impacted operating income by approximately 4 percent, primarily related to a stronger euro, which impacted the European Union and Bottling Investments, a stronger Brazilian real, which impacted Latin America and Bottling Investments, and a stronger Australian dollar, which impacted the Pacific and Bottling Investments. The favorable impact of the fluctuation in these currencies was partially offset by a weaker Japanese yen, which impacted the Pacific, and a weaker South African rand, which impacted Africa and Bottling Investments. Refer to the heading Foreign Exchange.

In 2007, price increases across the majority of operating segments favorably impacted both operating income and operating margins.

In 2007, increased spending on marketing and innovation activities impacted the majority of the operating segments operating income. Refer to the heading Selling, General and Administrative Expenses.

In 2007, operating income was reduced by approximately $34 million for Africa, $3 million for Eurasia, $33 million for the European Union, $4 million for Latin America, $23 million for North America, $3 million for the Pacific, $47 million for Bottling Investments and $121 million for Corporate, primarily due to restructuring costs and asset write-downs, included in other operating charges and cost of goods sold. Refer to Note 18 of Notes to Consolidated Financial Statements.

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In 2007, operating income and operating margin for Latin America, North America and the Pacific reflected the impact of increases in the cost of raw materials primarily in the finished goods businesses.

In 2007, operating income and operating margin for Bottling Investments reflected the impact of acquisitions and the consolidation of certain bottling operations.

In 2006, foreign currency exchange rates unfavorably impacted operating income by approximately 1 percent, primarily related to a weaker Japanese yen, which impacted the Pacific. The unfavorable impact from the weaker Japanese yen was partially offset by favorable foreign currency exchange rate changes primarily related to the euro, which impacted the European Union and Bottling Investments, and the Brazilian real, which impacted Latin America and Bottling Investments. Refer to the heading Foreign Exchange.

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

In 2006, increased spending on marketing and innovation activities impacted the majority of the operating segments operating income and operating margins. Refer to the heading Selling, General and Administrative Expenses.

In 2006, operating income was reduced by approximately $3 million for Africa, $36 million for the European Union, $62 million for the Pacific, $87 million for Bottling Investments and $1 million for Corporate primarily due to contract termination costs related to production capacity efficiencies, asset impairments and other restructuring costs. Refer to Note 19 and Note 21 of Notes to Consolidated Financial Statements.

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

In 2006, the decrease in operating income and operating margin for the Pacific was primarily due to an unfavorable product mix in Japan.

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

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

In 2005, the Pacific operating segment reflected impairment charges totaling approximately $85 million related to the Philippines. Refer to the heading Other Operating Charges.

In 2005, operating income in Corporate reflected our receipt of a net settlement of approximately $47 million related to a class action lawsuit concerning the purchase of HFCS. Refer to the heading Gross Profit.

Interest Income and Interest Expense

Our Company monitors our mix of fixed-rate and variable-rate debt as well as our mix of short-term debt versus long-term debt. This monitoring includes a review of business and other financial risks. From time to time, we enter into interest rate swap agreements and other related instruments to manage our mix of fixed-rate and variable-rate debt.

In 2007, interest income increased by $43 million compared to 2006, primarily due to higher average short-term investment balances, partially offset by a decline in interest rates.

Interest expense in 2007 increased by $236 million compared to 2006, primarily due to issuance of $1,750 million of notes due November 15, 2017, and higher average balances on commercial paper borrowings in the United States, partially offset by a decline in interest rates. The proceeds from this $1,747 million long-term debt issuance and commercial paper borrowings were primarily used to finance current-year acquisitions. We expect 2008 net interest expense to increase due to forecasted higher average debt balances for the year, partially offset by an expected decline in U.S. interest rates. The increase in higher average forecasted debt balances is due to carrying indebtedness incurred in connection with 2007 acquisitions for a full year versus a partial year in 2007.

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

Equity Income Net

Our Company s proportionate share of income from equity method investments for 2007 totaled $668 million, compared to $102 million in 2006, an increase of $566 million. The increase in equity income net reflected the impact of impairment charges recorded by CCE in 2006. Refer to the heading Critical Accounting Policies and Estimates Goodwill, Trademarks and Other Intangible Assets. Equity income net also increased due to our proportionate share of increased net income from certain of our equity method investees as a result of the overall improving health of the Coca-Cola bottling system in most of the world, our proportionate share of tax benefits recorded by CCE and the favorable impact of foreign exchange fluctuations. The increase in equity income net was partially offset by our proportionate share of restructuring costs recorded by CCE in 2007, the write-off of assets related to excess bottles and cases at CCBPI in 2007, the sale of our ownership interest in Vonpar Refrescos S.A. (Vonpar), a bottler headquartered in Brazil, in January 2007, and the sale of a portion of our investment in Coca-Cola Amatil in September 2007. In February 2007, CCE announced that it would restructure segments of its Corporate, North America and European operations. As a part of the restructuring, CCE expects a net job reduction of approximately 3,500 positions, or 5 percent of its total workforce. CCE expects this restructuring will result in a charge of approximately $300 million, with the majority to be recognized in 2007 and 2008. The Company s equity income in 2008 will reflect our proportionate share of the restructuring charges recorded by CCE. In addition, impairment charges related to investments by Coca-Cola Amatil in bottling operations in South Korea unfavorably impacted our equity income net by approximately $62 million in 2007. The reduction in the Company s ownership position in Coca-Cola FEMSA in November 2006, as well as the sale of a portion of our investment in Coca-Cola Icecek A.S. (Coca-Cola Icecek) in an initial public offering during the second quarter of 2006, also impacted our equity income net. Our ownership interest in Coca-Cola FEMSA was reduced from approximately 40 percent to approximately 32 percent, and our Company s interest in Coca-Cola Icecek decreased from approximately 36 percent to approximately 20 percent. In 2007, the Company acquired a 50 percent interest in Jugos del Valle and a 34 percent interest in Tokyo Coca-Cola Bottling Company (Tokyo CCBC) which are accounted for under the equity method. The Company expects that these investments in Jugos del Valle and Tokyo CCBC will favorably impact our future equity income net.

Our Company s share of income from equity method investments for 2006 totaled $102 million, compared to $680 million in 2005, a decrease of $578 million. Equity income in 2006 was reduced by approximately $602 million resulting from the impact of our proportionate share of an impairment charge recorded by CCE. CCE recorded a $2.9 billion pretax ($1.8 billion after tax) impairment of its North American franchise rights. The decline in the estimated fair value of CCE s North American franchise rights was the result of several factors, including but not limited to (1) CCE s revised outlook on 2007 raw material costs driven by significant increases in aluminum and HFCS; (2) a challenging marketplace environment with increased pricing pressures in several high-growth beverage categories; and (3) increased interest rates contributing to a higher discount rate and corresponding capital charge. Our 2006 equity income net also reflected a net decrease of approximately $37 million primarily related to other impairment and restructuring charges recorded by CCE and certain other equity method investees, partially offset by approximately $33 million related to our proportionate share of favorable changes in certain of CCE s state and Canadian federal and provincial tax rates. In addition, our 2006 equity income was slightly impacted by the Company s sale of shares representing 8 percent of the capital stock of Coca-Cola FEMSA. The Company sold these shares to Fomento Economico Mexicano, S.A.B. de C.V. (FEMSA), the major shareowner of Coca-Cola FEMSA, in November 2006. As a result of this sale, our ownership interest in Coca-Cola FEMSA was reduced from approximately 40 percent to approximately 32 percent. The decrease in 2006 equity income was also the result of the sale of a portion of our investment in Coca-Cola Icecek in an initial public offering during the second quarter of 2006. As a result of this public offering, our Company s interest in Coca-Cola Icecek decreased from approximately 36 percent to approximately 20 percent. These reductions in ownership of Coca-Cola FEMSA and Coca-Cola Icecek reduced our equity income for the years ended December 31, 2007 and 2006. Refer to Note 3 of Notes to Consolidated Financial Statements. The decrease in equity income for 2006 was partially offset by our Company s proportionate share of increased net income from certain of the equity method investees and our proportionate share of the net income of the Multon juice joint venture in Russia.

Other Income (Loss) Net

Other income (loss) net was income of $173 million for 2007 compared to income of $195 million for 2006, a decrease of $22 million. In 2007, other income (loss) net included a gain of approximately $73 million resulting from the sale of a portion of the Company s ownership interest in Coca-Cola Amatil. Our ownership interest in Coca-Cola Amatil was reduced from approximately 32 percent to 30 percent. In 2007, other income (loss) net also included a gain of approximately $70 million resulting from the sale of our equity investment in Vonpar and gains of approximately $84 million resulting from the sale of real estate in Spain and the United States. Refer to Note 19 of Notes to Consolidated Financial Statements. Other income (loss) net also included the impact of foreign currency exchange gains and losses, accretion expenses related to certain acquisitions and the minority shareowners proportionate share of net income of certain consolidated subsidiaries. None of these items was individually significant in 2007.

Other income (loss) net was a net income of $195 million for 2006 compared to a net loss of $93 million for 2005, a difference of $288 million. In 2006, other income (loss) net included a gain of approximately $175 million resulting from the sale of a portion of our Coca-Cola FEMSA shares to FEMSA and a gain of approximately $123 million resulting from the sale of a portion of our investment in Coca-Cola Icecek shares in an initial public offering. Refer to Note 19 of Notes to Consolidated Financial Statements. This line item in 2006 also included $15 million in foreign currency exchange losses, the accretion of $58 million for the discounted value of our liability to purchase Coca-Cola Erfrischungsgetraenke AG (CCEAG) shares (refer to Note 8 of Notes to Consolidated Financial Statements) and the minority shareowners proportional share of net income of certain consolidated subsidiaries.

Gains on Issuances of Stock by Equity Method Investees

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

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

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

Income Taxes

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

Our effective tax rate of approximately 24.0 percent for the year ended December 31, 2007, included the following:

- a tax charge of approximately $96 million related to amounts required to be recorded for changes to our uncertain tax positions under Interpretation No. 48, including interest and penalties;

- a tax benefit of approximately $19 million related to tax rate changes in Germany;

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a tax charge related to the gains on the sale of a portion of our equity interest in Coca-Cola Amatil and Vonpar, at a combined effective tax rate of 58 percent, or approximately $83 million;

a tax benefit related to restructuring charges and asset write-downs recorded by the Company, at an effective tax rate of 18 percent, or approximately $49 million; and

the impact of an approximate 14 percent combined effective tax rate on our proportionate share of restructuring charges and tax rate changes recorded by CCE and the impairment of assets recorded by CCBPI and Coca-Cola Amatil. Refer to Note 19 of Notes to Consolidated Financial Statements.

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

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

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

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

an income tax benefit related to our proportionate share of CCE s charges recorded at a rate of approximately 8.8 percent. Refer to Note 3 and Note 19 of Notes to Consolidated Financial Statements.

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

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

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

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

The Company adopted the provisions of Interpretation No. 48 effective January 1, 2007. As a result of the implementation of Interpretation No. 48, the Company recorded an increase of approximately $65 million in liabilities for unrecognized tax benefits, which was accounted for as a reduction to the January 1, 2007 balance of reinvested earnings. As of December 31, 2007, the gross amount of unrecognized tax benefits was approximately $643 million. If the Company were to prevail on all uncertain tax positions, the net effect would be a benefit to the Company s effective tax rate of approximately $147 million. The remaining approximately $496 million, which was recorded as a deferred tax asset, primarily represents tax benefits that would be received in different tax jurisdictions in the event that the Company did not prevail on all uncertain tax positions. The Company recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense. The Company had approximately $272 million in interest and penalties related to unrecognized tax benefits accrued as of December 31, 2007. If the Company were to prevail on all uncertain tax positions, the reversal of this accrual would also be a benefit to the Company s effective tax rate.

Based on current tax laws, the Company s effective tax rate in 2008 is expected to be approximately 22.0 to 22.5 percent before considering the effect of any unusual or special items that may affect our tax rate in future years.

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Liquidity, Capital Resources and Financial Position

We believe our ability to generate cash from operating activities is one of our fundamental financial strengths. Our Company expects to meet all of our financial commitments and operating needs for the foreseeable future. We expect to use cash generated from operating activities primarily for dividends, share repurchases, acquisitions and aggregate contractual obligations.

Cash Flows from Operating Activities

Net cash provided by operating activities for the years ended December 31, 2007, 2006 and 2005 was approximately $7.1 billion, $6.0 billion and $6.4 billion, respectively.

Cash flows from operating activities increased 20 percent in 2007 compared to 2006. This increase was primarily related to increased cash receipts from customers in 2007, which was driven by a 20 percent rise in net operating revenues. These higher cash collections were offset in part by increased payments to suppliers and vendors in 2007, primarily related to the increased cost of goods sold to support the higher sales volumes, and secondarily related to higher cash payments for selling, general and administrative related costs. Cash flows from operating activities in 2007 were also reduced due to an increase in interest payments of $193 million and an increase in cash payments for streamlining initiatives of $83 million. Cash flows from operating activities in 2006 reflected the contribution and donation discussed below.

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

Cash Flows from Investing Activities

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

Year Ended December 31,	**2007**	2006	2005
Cash flows (used in) provided by investing activities:			
Acquisitions and investments, principally beverage and bottling companies	**$ (5,653)**	$ (901)	$ (637)
Purchases of other investments	**(99)**	(82)	(53)
Proceeds from disposals of other investments	**448**	640	33
Purchases of property, plant and equipment	**(1,648)**	(1,407)	(899)
Proceeds from disposals of property, plant and equipment	**239**	112	88
Other investing activities	**(6)**	(62)	(28)
Net cash used in investing activities	**$ (6,719)**	$ (1,700)	$ (1,496)

Net purchases of property, plant and equipment for the years ended December 31, 2007, 2006 and 2005 were approximately $1,409 million, $1,295 million and $811 million, respectively. The increase is primarily related to acquisitions of certain bottling operations in 2007 and 2006. Generally, bottling and finished product operations are more capital intensive compared to concentrate and syrup operations. Our Company currently estimates that net purchases of property, plant and equipment in 2008 will be approximately $1.6 billion to $1.7 billion.

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Total capital expenditures for property, plant and equipment (including our investments in information technology) and the percentage of such totals by operating segment for 2007, 2006 and 2005 were as follows:

Year Ended December 31,	**2007**	2006	2005
Capital expenditures (in millions)	**$ 1,648**	$ 1,407	$ 899
Africa	**2.4%**	2.7%	2.5%
Eurasia	**2.3**	0.4	0.6
European Union	**4.6**	6.6	8.6
Latin America	**2.8**	3.1	2.7
North America	**20.9**	29.9	29.5
Pacific	**11.6**	9.5	10.1
Bottling Investments	**39.1**	29.7	29.4
Corporate	**16.3**	18.1	16.6

Acquisitions and investments accounted for approximately $5,653 million in 2007, $901 million in 2006 and $637 million in 2005.

In 2007, our Company acquired glacéau, 18 German bottling and distribution operations, Fuze and Leao Junior. Our Company also completed the acquisition of the remaining 65 percent of the shares of capital stock of CCBPI not previously owned by our Company. In addition, the Company acquired a 50 percent interest in Jugos del Valle, a 34 percent interest in Tokyo CCBC and an 11 percent interest in Nordeste Refrigerantes S.A. (NORSA). Refer to Note 20 of Notes to Consolidated Financial Statements. The remaining amount of cash used for acquisitions and investments was primarily related to the acquisition of various trademarks and brands, none of which was individually significant.

In 2006, our Company acquired a controlling interest in CCCIL and acquired Apollinaris and TJC. Refer to Note 20 of Notes to Consolidated Financial Statements. The remaining amount of cash used for acquisitions and investments was primarily related to the acquisition of various trademarks and brands, none of which was individually significant.

In April 2005, our Company and Coca-Cola Hellenic jointly acquired Multon for a total purchase price of approximately $501 million, split equally between the Company and Coca-Cola Hellenic. During the third quarter of 2005, our Company acquired the German bottling company Bremer for approximately $160 million from InBev SA. Also in 2005, the Company acquired Sucos Mais, a Brazilian juice company, and completed the acquisition of the remaining 49 percent interest in the business of CCDA Waters L.L.C. not previously owned by our Company. Refer to Note 20 of Notes to Consolidated Financial Statements.

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

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

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Cash Flows from Financing Activities

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

Year Ended December 31,	2007	2006	2005
Cash flows provided by (used in) financing activities:			
Issuances of debt	**$ 9,979**	$ 617	$ 178
Payments of debt	**(5,638)**	(2,021)	(2,460)
Issuances of stock	**1,619**	148	230
Purchases of stock for treasury	**(1,838)**	(2,416)	(2,055)
Dividends	**(3,149)**	(2,911)	(2,678)
Net cash provided by (used in) financing activities	**$ 973**	$ (6,583)	$ (6,785)

Debt Financing

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

As of December 31, 2007, our long-term debt was rated A+ by Standard & Poor s and Aa3 by Moody s, and our commercial paper program was rated A-1 and P-1 by Standard & Poor s and Moody s, respectively. In assessing our credit strength, both Standard & Poor s and Moody s conside our capital structure and financial policies as well as the aggregated balance sheet and other financial information for the Company and certain bottlers, including CCE and Coca-Cola Hellenic. While the Company has no legal obligation for the debt of these bottlers, the rating agencies believe the strategic importance of the bottlers to the Company s business model provides the Company with an incentive to keep these bottlers viable. It is our expectation that the credit rating agencies will continue using this methodology. If our credit ratings were to be downgraded as a result of changes in our capital structure, our major bottlers financial performance, changes in the credit rating agencies methodology in assessing our credit strength or for any other reason, our cost of borrowing could increase. Additionally, if certain bottlers credit ratings were to decline, the Company s share of equity income could be reduced as a result of the potential increase in interest expense for these bottlers.

We monitor our interest coverage ratio and, as indicated above, the rating agencies consider our ratio in assessing our credit ratings. However, the rating agencies aggregate financial data for certain bottlers along with our Company when assessing our debt rating. As such, the key measure to rating agencies is the aggregate interest coverage ratio of the Company and certain bottlers. Both Standard & Poor s and Moody s employ different aggregation methodologies and have different thresholds for the aggregate interest coverage ratio. These thresholds are not necessarily permanent, nor are they fully disclosed to our Company.

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

Issuances and payments of debt included both short-term and long-term financing activities. On December 31, 2007, we had approximately $4,963 million in lines of credit and other short-term credit facilities available, of which approximately $499 million was outstanding. The outstanding amount of $499 million was primarily related to our international operations.

The issuances of debt in 2007 primarily included approximately $6,024 million of issuances of commercial paper and short-term debt with maturities of greater than 90 days, approximately $1,750 million in issuances of long-term notes due November 15, 2017, and approximately $2,024 million of net issuances of commercial paper and short-term debt with maturities of 90 days or less. The increases in debt were primarily due to our acquisitions of 18 German bottling and distribution operations, glacéau, CCBPI, Fuze, Leao Junior, Jugos del Valle and our investment in Tokyo CCBC in 2007. During the fourth quarter of 2007, the Company decided to replace a certain amount of commercial paper and short-term debt with longer-term debt. Refer to Note 9 of Notes to Consolidated Financial Statements. The Company continues to review its optimal mix of short-term and long-term debt. We may replace a certain amount of commercial paper and short-term debt with longer term debt in the future. The payments of debt in 2007 primarily included approximately $5,514 million related to commercial paper and short-term debt with maturities of greater than 90 days. Included in these payments was the payment of the outstanding liability to CCEAG shareowners in January 2007 of $1,068 million.

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

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

Issuances of Stock

The issuances of stock in 2007 primarily related to the exercise of stock options by Company employees. In addition, certain executive officers and former shareholders of glacéau invested approximately $179 million of their proceeds from the sale of glacéau in common stock of the Company at then current market prices. These shares of Company common stock were placed in escrow pursuant to the glacéau acquisition agreement.

Share Repurchases

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

Year Ended December 31,	**2007**	2006	2005
Number of shares repurchased (in millions)	**34**	55	46
Average price per share	**$ 51.66**	$ 45.19	$ 43.26

Since the inception of our initial share repurchase program in 1984 through our current program as of December 31, 2007, we have purchased approximately 1.3 billion shares of our Company s common stock at an average price per share of $18.45.

As strong cash flows are expected to continue in the future, the Company currently expects 2008 share repurchases to be in the range of $1.5 billion to $2.0 billion.

Dividends

At its February 2008 meeting, our Board of Directors increased our quarterly dividend by 12 percent, raising it to $0.38 per share, equivalent to a full-year dividend of $1.52 per share in 2008. This is our 46th consecutive annual increase. Our annual common stock dividend was $1.36 per share, $1.24 per share and $1.12 per share in 2007, 2006 and 2005, respectively. The 2007 dividend represented a 10 percent increase from 2006, and the 2006 dividend represented a 10 percent increase from 2005.

Off-Balance Sheet Arrangements and Aggregate Contractual Obligations

Off-Balance Sheet Arrangements

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

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

As of December 31, 2007, we were contingently liable for guarantees of indebtedness owed by third parties in the amount of approximately $267 million. These guarantees primarily are related to third-party customers, bottlers and vendors and have arisen through the normal course of business. These guarantees have various terms, and none of these guarantees was individually significant. The amount represents the maximum potential future payments that we could be required to make under the guarantees; however, we do not consider it probable that we will be required to satisfy these guarantees. Management concluded that the likelihood of any material amounts being paid by our Company under these guarantees is not probable. As of December 31, 2007, we were not directly liable for the debt of any unconsolidated entity, and we did not have any retained or contingent interest in assets as defined above.

Our Company recognizes all derivatives as either assets or liabilities at fair value in our consolidated balance sheets. Refer to Note 12 of Notes to Consolidated Financial Statements.

Aggregate Contractual Obligations

As of December 31, 2007, the Company s contractual obligations, including payments due by period, were as follows (in millions):

	Payments Due by Period				
	Total	2008	2009-2010	2011-2012	2013 and Thereafter
Short-term loans and notes payable[1]:					
Commercial paper borrowings	$ 5,420	$ 5,420	$	$	$
Lines of credit and other short-term borrowings	499	499			
Current maturities of long-term debt[2]	133	133			
Long-term debt, net of current maturities[2]	3,277		649	749	1,879
Estimated interest payments[3]	1,955	197	339	265	1,154
Accrued income taxes[4]	258	258			
Purchase obligations[5]	13,445	6,891	2,247	815	3,492
Marketing obligations[6]	4,219	1,708	868	591	1,052

Lease obligations	601	171	203	112	115
Total contractual obligations[4]	$ 29,807	$ 15,277	$ 4,306	$ 2,532	$ 7,692

[1] Refer to Note 8 of Notes to Consolidated Financial Statements for information regarding short-term loans and notes payable. Upon payment of outstanding commercial paper, we typically issue new commercial paper. Lines of credit and other short-term borrowings are expected to fluctuate depending upon current liquidity needs, especially at international subsidiaries.

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[2] Refer to Note 9 of Notes to Consolidated Financial Statements for information regarding long-term debt. We will consider several alternatives to settle this long-term debt, including the use of cash flows from operating activities, issuance of commercial paper or issuance of other long-term debt.

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

[4] Refer to Note 17 of Notes to Consolidated Financial Statements for information regarding income taxes. As of December 31, 2007, the noncurrent portion of our income tax liability, including accrued interest and penalties related to unrecognized tax benefits, was approximately $883 million, which was not included in the total above. At this time, the settlement period for the noncurrent portion of our income tax liability cannot be determined. In addition, any payments related to unrecognized tax benefits would be partially offset by reductions in payments in other jurisdictions.

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

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

In accordance with SFAS No. 87, Employers Accounting for Pensions, and SFAS No. 106, Employers Accounting for Postretirement Benefits Other Than Pensions, as amended by SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R), the total accrued benefit liability for pension and other postretirement benefit plans recognized as of December 31, 2007 was $873 million. Refer to Note 16 of Notes to Consolidated Financial Statements. This amount is impacted by, among other items, pension expense, funding levels, plan amendments, changes in plan demographics and assumptions, investment return on plan assets, and the application of SFAS No. 158. Because the accrued liability does not represent expected liquidity needs, we did not include this amount in the contractual obligations table.

The Pension Protection Act of 2006 (PPA) was enacted in August 2006 and established, among other things, new standards for funding of U.S. defined benefit pension plans. One of the primary objectives of the PPA is to improve the financial integrity of underfunded plans through the requirement of additional contributions. The requirements of the PPA will not have a significant impact on our financial condition because, under the provisions of the PPA, required contributions for the primary funded U.S. plan are projected to be zero through 2017 as a result of contributions we have made to the plan since 2001. Therefore, we did not include any amounts as a contractual obligation in the above table. We may, however, decide to make additional discretionary contributions to our pension and other benefit plans in future years. In addition, as a result of contributions totaling approximately $224 million in 2006 to fund a portion of our U.S. postretirement healthcare obligation, including a contribution of $216 million to a VEBA trust, we do not expect to contribute to our U.S. postretirement healthcare plan in 2008. We generally expect to fund all future contributions with cash flows from operating activities.

Our international pension plans are funded in accordance with local laws and income tax regulations. We do not expect contributions to these plans to be material in 2008 or thereafter. Therefore, no amounts have been included in the table above.

As of December 31, 2007, the projected benefit obligation of the U.S. qualified pension plans was $1,725 million, and the fair value of plan assets was approximately $2,255 million. As of December 31, 2007, the projected benefit obligation of all pension plans other than the U.S. qualified pension plans was approximately $1,792 million, and the fair value of all other pension plan assets was approximately $1,173 million. The majority of this underfunding is attributable to an international pension plan for certain non-U.S. employees that is unfunded due to tax law restrictions, as well as our unfunded U.S. nonqualified pension plans. These U.S. nonqualified pension plans provide, for certain associates, benefits that are not permitted to be funded through a qualified plan because of limits imposed by the

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Internal Revenue Code of 1986. Disclosure of amounts is not included in the above table regarding expected benefit payments for these unfunded pension plans. However, we anticipate annual benefit payments to be approximately $40 million in 2008, reduce to approximately $30 million in 2009 and remain near that level through 2032, decreasing annually thereafter. Refer to Note 16 of Notes to Consolidated Financial Statements.

Deferred income tax liabilities as of December 31, 2007 were approximately $1,919 million. Refer to Note 17 of Notes to Consolidated Financial Statements. This amount is not included in the total contractual obligations table because we believe this presentation would not be meaningful. Deferred income tax liabilities are calculated based on temporary differences between the tax bases of assets and liabilities and their respective book bases, which will result in taxable amounts in future years when the liabilities are settled at their reported financial statement amounts. The results of these calculations do not have a direct connection with the amount of cash taxes to be paid in any future periods. As a result, scheduling deferred income tax liabilities as payments due by period could be misleading, because this scheduling would not relate to liquidity needs.

Minority interests of approximately $358 million as of December 31, 2007, for consolidated entities in which we do not have a 100 percent ownership interest were recorded in the consolidated balance sheet line item other liabilities. Such minority interests are not liabilities requiring the use of cash or other resources; therefore, this amount is excluded from the contractual obligations table.

Foreign Exchange

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

We use 68 functional currencies. Due to our global operations, weaknesses in some of these currencies might be offset by strength in others. In 2007, 2006 and 2005, the weighted-average exchange rates for foreign currencies in which the Company conducted operations (all operating currencies), and for certain individual currencies, strengthened (weakened) against the U.S. dollar as follows:

Year Ended December 31,	**2007**	2006	2005
All operating currencies	**4 %**	(1)%	2 %
Brazilian real	**11 %**	10 %	21 %
Mexican peso	**0 %**	0 %	4 %
Australian dollar	**10 %**	(1)%	3 %
South African rand	**(3)%**	(7)%	1 %
British pound	**9 %**	1 %	0 %
Euro	**8 %**	1 %	1 %
Japanese yen	**(2)%**	(6)%	(1)%

These percentages do not include the effects of our hedging activities and, therefore, do not reflect the actual impact of fluctuations in exchange rates on our operating results. Our foreign currency management program is designed to mitigate, over time, a portion of the impact of exchange rate changes on our net income and earnings per share. The total currency impact on operating income, including the effect of our hedging activities, was an increase of approximately 4 percent in 2007. The impact of a stronger U.S. dollar reduced our operating income by approximately 1 percent in 2006. The impact of a weaker U.S. dollar increased our operating income by approximately 4 percent in 2005. Based on the anticipated benefits of hedging coverage in place, the Company currently expects currencies to have a minimal impact on operating income in 2008.

Exchange losses net amounted to approximately $10 million in 2007, $15 million in 2006 and $23 million in 2005 and were recorded in other income (loss) net in our consolidated statements of income. Exchange losses net

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include the remeasurement of monetary assets and liabilities from certain currencies into functional currencies and the costs of hedging certain exposures of our consolidated balance sheets. Refer to Note 12 of Notes to Consolidated Financial Statements.

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

Overview of Financial Position

Our consolidated balance sheet as of December 31, 2007, compared to our consolidated balance sheet as of December 31, 2006, was impacted by the effects of translation adjustments and the following:

- increases in trade accounts receivable, inventories, and prepaid expenses and other assets of $730 million, $579 million and $637 million, respectively, primarily due to 2007 acquisitions,