ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

TABLE OF CONTENTS

	Page
Consolidated Statements of Income	61
Consolidated Balance Sheets	62
Consolidated Statements of Cash Flows	64
Consolidated Statements of Shareowners' Equity	65
Notes to Consolidated Financial Statements	66
Report of Management on Internal Control Over Financial Reporting	115
Report of Independent Registered Public Accounting Firm	116
Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting	117
Quarterly Data (Unaudited)	118
Glossary	119

CONSOLIDATED STATEMENTS OF INCOME

The Coca-Cola Company and Subsidiaries

Year Ended December 31,	**2004**	2003	2002
(In millions except per share data)			
NET OPERATING REVENUES	**$ 21,962**	$ 21,044	$ 19,564
Cost of goods sold	**7,638**	7,762	7,105
GROSS PROFIT	**14,324**	13,282	12,459
Selling, general and administrative expenses	**8,146**	7,488	7,001
Other operating charges	**480**	573	—
OPERATING INCOME	**5,698**	5,221	5,458
Interest income	**157**	176	209
Interest expense	**196**	178	199
Equity income — net	**621**	406	384
Other income (loss) — net	**(82)**	(138)	(353)
Gains on issuances of stock by equity investees	**24**	8	—
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	**6,222**	5,495	5,499
Income taxes	**1,375**	1,148	1,523
NET INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	**4,847**	4,347	3,976
Cumulative effect of accounting change for SFAS No. 142, net of income taxes:			
Company operations	**—**	—	(367)
Equity investees	**—**	—	(559)
NET INCOME	**$ 4,847**	$ 4,347	$ 3,050
BASIC NET INCOME PER SHARE:			
Before accounting change	**$ 2.00**	$ 1.77	$ 1.60
Cumulative effect of accounting change	**—**	—	(0.37)
	$ 2.00	$ 1.77	$ 1.23
DILUTED NET INCOME PER SHARE:			
Before accounting change	**$ 2.00**	$ 1.77	$ 1.60
Cumulative effect of accounting change	**—**	—	(0.37)
	$ 2.00	$ 1.77	$ 1.23
AVERAGE SHARES OUTSTANDING	**2,426**	2,459	2,478
Effect of dilutive securities	**3**	3	5
AVERAGE SHARES OUTSTANDING ASSUMING DILUTION	**2,429**	2,462	2,483

Refer to Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

The Coca-Cola Company and Subsidiaries

December 31,	**2004**	2003
(In millions)		
ASSETS		
CURRENT		
Cash and cash equivalents	**$ 6,707**	$ 3,362
Marketable securities	**61**	120
	6,768	3,482
Trade accounts receivable, less allowances of $69 in 2004 and $61 in 2003	**2,171**	2,091
Inventories	**1,420**	1,252
Prepaid expenses and other assets	**1,735**	1,571
TOTAL CURRENT ASSETS	**12,094**	8,396
INVESTMENTS AND OTHER ASSETS		
Equity method investments:		
Coca-Cola Enterprises Inc.	**1,569**	1,260
Coca-Cola Hellenic Bottling Company S.A.	**1,067**	941
Coca-Cola FEMSA, S.A. de C.V.	**792**	674
Coca-Cola Amatil Limited	**736**	652
Other, principally bottling companies	**1,733**	1,697
Cost method investments, principally bottling companies	**355**	314
Other assets	**3,054**	3,322
	9,306	8,860
PROPERTY, PLANT AND EQUIPMENT		
Land	**479**	419
Buildings and improvements	**2,853**	2,615
Machinery and equipment	**6,337**	6,159
Containers	**480**	429
	10,149	9,622
Less allowances for depreciation	**4,058**	3,525
	6,091	6,097
TRADEMARKS WITH INDEFINITE LIVES	**2,037**	1,979
GOODWILL	**1,097**	1,029
OTHER INTANGIBLE ASSETS	**702**	981
TOTAL ASSETS	**$ 31,327**	$ 27,342

Refer to Notes to Consolidated Financial Statements.

The Coca-Cola Company and Subsidiaries

December 31,	2004	2003
(In millions except share data)		
LIABILITIES AND SHAREOWNERS' EQUITY		
CURRENT		
Accounts payable and accrued expenses	**$ 4,283**	$ 4,058
Loans and notes payable	**4,531**	2,583
Current maturities of long-term debt	**1,490**	323
Accrued income taxes	**667**	922
TOTAL CURRENT LIABILITIES	**10,971**	7,886
LONG-TERM DEBT	**1,157**	2,517
OTHER LIABILITIES	**2,814**	2,512
DEFERRED INCOME TAXES	**450**	337
SHAREOWNERS' EQUITY		
Common stock, $0.25 par value		
Authorized: 5,600,000,000 shares;		
issued: 3,500,489,544 shares in 2004 and 3,494,799,258 shares in 2003	**875**	874
Capital surplus	**4,928**	4,395
Reinvested earnings	**29,105**	26,687
Accumulated other comprehensive income (loss)	**(1,348)**	(1,995)
	33,560	29,961
Less treasury stock, at cost (1,091,150,977 shares in 2004; 1,053,267,474 shares in 2003)	**(17,625)**	(15,871)
	15,935	14,090
TOTAL LIABILITIES AND SHAREOWNERS' EQUITY	**$ 31,327**	$ 27,342

Refer to Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

The Coca-Cola Company and Subsidiaries

Year Ended December 31, (In millions)	**2004**	2003	2002
OPERATING ACTIVITIES			
Net income	**$ 4,847**	$ 4,347	$ 3,050
Depreciation and amortization	**893**	850	806
Stock-based compensation expense	**345**	422	365
Deferred income taxes	**162**	(188)	40
Equity income (loss), net of dividends	**(476)**	(294)	(256)
Foreign currency adjustments	**(59)**	(79)	(76)
Gains on issuances of stock by equity investees	**(24)**	(8)	—
(Gains) losses on sales of assets, including bottling interests	**(20)**	(5)	3
Cumulative effect of accounting changes	**—**	—	926
Other operating charges	**480**	330	—
Other items	**437**	249	291
Net change in operating assets and liabilities	**(617)**	(168)	(407)
Net cash provided by operating activities	**5,968**	5,456	4,742
INVESTING ACTIVITIES			
Acquisitions and investments, principally trademarks and bottling companies	**(267)**	(359)	(544)
Purchases of investments and other assets	**(46)**	(177)	(141)
Proceeds from disposals of investments and other assets	**161**	147	243
Purchases of property, plant and equipment	**(755)**	(812)	(851)
Proceeds from disposals of property, plant and equipment	**341**	87	69
Other investing activities	**63**	178	159
Net cash used in investing activities	**(503)**	(936)	(1,065)
FINANCING ACTIVITIES			
Issuances of debt	**3,030**	1,026	1,622
Payments of debt	**(1,316)**	(1,119)	(2,378)
Issuances of stock	**193**	98	107
Purchases of stock for treasury	**(1,739)**	(1,440)	(691)
Dividends	**(2,429)**	(2,166)	(1,987)
Net cash used in financing activities	**(2,261)**	(3,601)	(3,327)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**141**	183	44
CASH AND CASH EQUIVALENTS			
Net increase during the year	**3,345**	1,102	394
Balance at beginning of year	**3,362**	2,260	1,866
Balance at end of year	**$ 6,707**	$ 3,362	$ 2,260

Refer to Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREOWNERS' EQUITY

The Coca-Cola Company and Subsidiaries

Year Ended December 31,	2004	2003	2002
(In millions except per share data)			
NUMBER OF COMMON SHARES OUTSTANDING			
Balance at beginning of year	**2,442**	2,471	2,486
Stock issued to employees exercising stock options	**5**	4	3
Purchases of stock for treasury[1]	**(38)**	(33)	(14)
Adoption of SFAS No. 123	**—**	—	(4)
Balance at end of year	**2,409**	2,442	2,471
COMMON STOCK			
Balance at beginning of year	**$ 874**	$ 873	$ 873
Stock issued to employees exercising stock options	**1**	1	1
Adoption of SFAS No. 123	**—**	—	(1)
Balance at end of year	**875**	874	873
CAPITAL SURPLUS			
Balance at beginning of year	**4,395**	3,857	3,520
Stock issued to employees exercising stock options	**175**	105	111
Tax benefit from employees' stock option and restricted stock plans	**13**	11	11
Stock-based compensation	**345**	422	365
Adoption of SFAS No. 123	**—**	—	(150)
Balance at end of year	**4,928**	4,395	3,857
REINVESTED EARNINGS			
Balance at beginning of year	**26,687**	24,506	23,443
Net income	**4,847**	4,347	3,050
Dividends (per share—$1.00, $0.88 and $0.80 in 2004, 2003 and 2002, respectively)	**(2,429)**	(2,166)	(1,987)
Balance at end of year	**29,105**	26,687	24,506
OUTSTANDING RESTRICTED STOCK			
Balance at beginning of year	**—**	—	(150)
Adoption of SFAS No. 123	**—**	—	150
Balance at end of year	**—**	—	—
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)			
Balance at beginning of year	**(1,995)**	(3,047)	(2,638)
Net foreign currency translation adjustment	**665**	921	(95)
Net loss on derivatives	**(3)**	(33)	(186)
Net change in unrealized gain on available-for-sale securities	**39**	40	67
Net change in minimum pension liability	**(54)**	124	(195)
Net other comprehensive income adjustments	**647**	1,052	(409)
Balance at end of year	**(1,348)**	(1,995)	(3,047)
TREASURY STOCK			
Balance at beginning of year	**(15,871)**	(14,389)	(13,682)
Purchases of treasury stock	**(1,754)**	(1,482)	(707)
Balance at end of year	**(17,625)**	(15,871)	(14,389)
TOTAL SHAREOWNERS' EQUITY	**$ 15,935**	$ 14,090	$ 11,800
COMPREHENSIVE INCOME			
Net income	**$ 4,847**	$ 4,347	$ 3,050
Net other comprehensive income adjustments	**647**	1,052	(409)
TOTAL COMPREHENSIVE INCOME	**$ 5,494**	$ 5,399	$ 2,641

[1] Common stock purchased from employees exercising stock options numbered 0.4 million, 0.4 million and 0.2 million shares for the years ended December 31, 2004, 2003 and 2002, respectively.

Refer to Notes to Consolidated Financial Statements.

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Coca-Cola Company is predominantly a manufacturer, distributor and marketer of nonalcoholic beverage concentrates and syrups. In these notes, the terms "Company," "we," "us" or "our" mean The Coca-Cola Company and all subsidiaries included in the consolidated financial statements. Operating in more than 200 countries worldwide, we primarily sell our concentrates and syrups, as well as some finished beverages, to bottling and canning operations, distributors, fountain wholesalers and fountain retailers. We also market and distribute juices and juice drinks, sports drinks, water products, teas, coffees and other beverage products. Additionally, we have ownership interests in numerous bottling and canning operations. Significant markets for our products exist in all the world's geographic regions.

Basis of Presentation and Consolidation

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

We use the equity method to account for our investments for which we have the ability to exercise significant influence over operating and financial policies. Consolidated net income includes our Company's share of the net earnings of these companies. The difference between consolidation and the equity method impacts certain financial ratios because of the presentation of the detailed line items reported in the financial statements.

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

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

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

Variable Interest Entities

In December 2003, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 46 (revised December 2003), "Consolidation of Variable Interest Entities" ("Interpretation 46" or "FIN 46"). Application of this interpretation was required in our consolidated financial statements for the year ended December 31, 2003 for interests in variable interest entities that were considered to be special-purpose entities. Our Company determined that we did not have any arrangements or relationships with special-purpose entities. Application of Interpretation 46 for all other types of variable interest entities was required for our Company effective March 31, 2004.

Interpretation 46 addresses the consolidation of business enterprises to which the usual condition (ownership of a majority voting interest) of consolidation does not apply. This interpretation focuses on controlling financial interests that may be achieved through arrangements that do not involve voting interests. It concludes that in the absence of clear control through voting interests, a company's exposure (variable interest)

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

to the economic risks and potential rewards from the variable interest entity's assets and activities are the best evidence of control. If an enterprise holds a majority of the variable interests of an entity, it would be considered the primary beneficiary. Upon consolidation, the primary beneficiary is generally required to include assets, liabilities and noncontrolling interests at fair value and subsequently account for the variable interest as if it were consolidated based on majority voting interest.

In our financial statements as of December 31, 2003 and prior to December 31, 2003, we consolidated all entities that we controlled by ownership of a majority of voting interests. As a result of Interpretation 46, effective as of March 31, 2004, our consolidated balance sheet includes the assets and liabilities of:

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

Our Company holds interests in certain entities, primarily bottlers, previously accounted for under the equity method of accounting that are considered variable interest entities. These variable interests relate to profit guarantees or subordinated financial support for these entities. Upon adoption of Interpretation 46 as of March 31, 2004, we consolidated assets of approximately $383 million and liabilities of approximately $383 million that were previously not recorded on our consolidated balance sheet. We did not record a cumulative effect of an accounting change, and prior periods were not restated. The results of operations of these variable interest entities were included in our consolidated results beginning April 1, 2004 and did not have a material impact for the year ended December 31, 2004. Our Company's investment, plus any loans and guarantees, related to these variable interest entities totaled approximately $313 million at December 31, 2004, representing our maximum exposure to loss. Any creditors of the variable interest entities do not have recourse against the general credit of the Company as a result of including these variable interest entities in our consolidated financial statements.

Use of Estimates and Assumptions

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

Risks and Uncertainties

The Company's operations could be adversely affected by restrictions on imports and exports and sources of supply; prolonged labor strikes (including any at key manufacturing operations); adverse weather conditions; advertising effectiveness; changes in labeling requirements; duties or tariffs; changes in governmental regulations; the introduction of additional measures to control inflation; changes in the rate or method of taxation; the imposition of additional restrictions on currency conversion and remittances abroad; the expropriation of private enterprise; or product issues such as a product recall. In addition, policy concerns particular to the United States with respect to a country in which the Company has operations could adversely affect our operations. The foregoing list of risks and uncertainties is not exclusive.

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

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

Revenue Recognition

Our Company recognizes revenue when title to our products is transferred to our bottling partners or our customers.

Advertising Costs

Our Company expenses production costs of print, radio, television and other advertisements as of the first date the advertisements take place. Advertising costs included in selling, general and administrative expenses were approximately $2.2 billion in 2004, approximately $1.8 billion in 2003 and approximately $1.7 billion in 2002. As of December 31, 2004 and 2003, advertising and production costs of approximately $194 million and $190 million, respectively, were recorded in prepaid expenses and other assets and in noncurrent other assets in our consolidated balance sheets.

Stock-Based Compensation

Our Company currently sponsors stock option plans and restricted stock award plans. Refer to Note 13. Effective January 1, 2002, our Company adopted the preferable fair value recognition provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation." Our Company selected the modified prospective method of adoption described in SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure." The fair values of the stock awards are determined using a single estimated expected life. The compensation expense is recognized on a straight-line basis over the vesting period. The total stock-based compensation expense, net of related tax effects, was $254 million in 2004, $308 million in 2003 and $267 million in 2002. These amounts represent the same as that which would have been recognized had the fair value method of SFAS No. 123 been applied from its original effective date.

Issuances of Stock by Equity Investees

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

If gains have been previously recognized on issuances of an equity investee's stock and shares of the equity investee are subsequently repurchased by the equity investee, gain recognition does not occur on issuances subsequent to the date of a repurchase until shares have been issued in an amount equivalent to the number of repurchased shares. This type of transaction is reflected as an equity transaction, and the net effect is reflected in our consolidated balance sheets. Refer to Note 3.

Net Income Per Share

We compute basic net income per share by dividing net income by the weighted-average number of shares outstanding. Diluted net income per share includes the dilutive effect of stock-based compensation awards, if any.

Cash Equivalents

We classify marketable securities that are highly liquid and have maturities of three months or less at the date of purchase as cash equivalents.

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

Trade Accounts Receivable

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

Inventories

Inventories consist primarily of raw materials, supplies, concentrates and syrups and are valued at the lower of cost or market. We determine cost on the basis of average cost or first-in, first-out methods.

Recoverability of Equity Method and Cost Method Investments

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

Other Assets

Our Company advances payments to certain customers for marketing to fund future activities intended to generate profitable volume, and we expense such payments over the applicable period. Advance payments are also made to certain customers for distribution rights. Additionally, our Company invests in infrastructure programs with our bottlers that are directed at strengthening our bottling system and increasing unit case volume. Management periodically evaluates the recoverability of these assets by preparing estimates of sales volume, the resulting gross profit, cash flows and considering other factors. Costs of these programs are recorded in prepaid expenses and other assets and noncurrent other assets and are subsequently amortized over the periods to be directly benefited. Amortization expense for infrastructure programs was approximately $136 million, $156 million and $176 million, respectively, for the years ended December 31, 2004, 2003 and 2002. Refer to Note 2.

Property, Plant and Equipment

We state property, plant and equipment at cost and depreciate such assets principally by the straight-line method over the estimated useful lives of the assets. Management assesses the recoverability of the carrying amount of property, plant and equipment if certain events or changes occur, such as a significant decrease in market value of the assets or a significant change in the business conditions in a particular market.

Goodwill, Trademarks and Other Intangible Assets

Effective January 1, 2002, our Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets." The adoption of SFAS No. 142 required an initial impairment assessment involving a comparison of the fair value of goodwill, trademarks and other intangible assets to current carrying value. Upon adoption, we recorded

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

a loss for the cumulative effect of accounting change for SFAS No. 142, net of income taxes, of $367 million for Company operations and $559 million for the Company's proportionate share of impairment losses from its equity method investees. We did not restate prior periods for the adoption of SFAS No. 142.

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 an asset might be impaired. Trademarks and other intangible assets determined to have definite lives are amortized over their useful lives. We review such trademarks and other intangible assets with definite lives for impairment to ensure they are appropriately valued if conditions exist that may indicate the carrying value may not be recoverable. Such conditions may include an economic downturn in a geographic market or a change in the assessment of future operations.

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. Goodwill is not amortized. We perform tests for impairment of goodwill annually, or more frequently if events or circumstances indicate it might be impaired. Such tests include comparing the fair value of a reporting unit with its carrying value, including goodwill. Impairment assessments are performed using a variety of methodologies, including cash flow analyses, estimates of sales proceeds and independent appraisals. Where applicable, an appropriate discount rate is used, based on the Company's cost of capital rate or location-specific economic factors. Refer to Note 4.

Derivative Financial Instruments

Our Company accounts for derivative financial instruments in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137, SFAS No. 138, and SFAS No. 149. Our Company recognizes all derivative instruments as either assets or liabilities at fair value in our consolidated balance sheets. Refer to Note 10.

Retirement Related Benefits

Using appropriate actuarial methods and assumptions, our Company accounts for defined benefit pension plans in accordance with SFAS No. 87, "Employers' Accounting for Pensions." We account for our nonpension postretirement benefits in accordance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." In 2003, we adopted SFAS No. 132 (revised 2003), "Employers' Disclosures about Pensions and Other Postretirement Benefits," ("SFAS 132(R)") for all U.S. plans. As permitted by this standard, in 2004 we adopted the disclosure provisions for all foreign plans for the year ended December 31, 2004. SFAS No. 132(R) requires additional disclosures about the assets, obligations, cash flows and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. This statement did not change the measurement or recognition of those plans required by SFAS No. 87, SFAS No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits," or SFAS No. 106. Refer to Note 14 for a description of how we determine our principal assumptions for pension and postretirement benefit accounting.

Contingencies

Our Company is involved in various legal proceedings and tax matters. Due to their nature, such legal proceedings and tax matters involve inherent uncertainties including, but not limited to, court rulings,

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

negotiations between affected parties and governmental actions. Management assesses the probability of loss for such contingencies and accrues a liability and/or discloses the relevant circumstances, as appropriate. Refer to Note 11.

Business Combinations

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

New Accounting Standards

Effective January 1, 2003, the Company adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force ("EITF") Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal plan be recognized when the liability is incurred. Under SFAS No. 146, an exit or disposal plan exists when the following criteria are met:

- Management, having the authority to approve the action, commits to a plan of termination.
- The plan identifies the number of employees to be terminated, their job classifications or functions and their locations, and the expected completion date.
- The plan establishes the terms of the benefit arrangement, including the benefits that employees will receive upon termination (including but not limited to cash payments), in sufficient detail to enable employees to determine the type and amount of benefits they will receive if they are involuntarily terminated.
- Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

SFAS No. 146 establishes that fair value is the objective for initial measurement of the liability. In cases where employees are required to render service beyond a minimum retention period until they are terminated in order to receive termination benefits, a liability for termination benefits is recognized ratably over the future service period. Under EITF Issue No. 94-3, a liability for the entire amount of the exit cost was recognized at the date that the entity met the four criteria described above. Refer to Note 17.

Effective January 1, 2003, our Company adopted the recognition and measurement provisions of FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("Interpretation 45"). This interpretation elaborates on the disclosures to be made by a guarantor in interim and annual financial statements about the obligations under certain guarantees. Interpretation 45 also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. We do not currently provide significant guarantees on a routine basis. As a result, this interpretation has not had a material impact on our consolidated financial statements.

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

During 2004, the FASB issued FASB Staff Position 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" ("FSP 106-2"). FSP 106-2 relates to the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "Act") signed into law in December 2003. The Act introduced a prescription drug benefit under Medicare known as "Medicare Part D." The Act also established a federal subsidy to sponsors of retiree health care plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. During the second quarter of 2004, our Company adopted the provisions of FSP 106-2 retroactive to January 1, 2004. The adoption of FSP 106-2 did not have a material impact on our consolidated financial statements. Refer to Note 14.

In October 2004, the American Jobs Creation Act of 2004 (the "Jobs Creation Act") was signed into law. The Jobs Creation Act includes a temporary incentive for U.S. multinationals to repatriate foreign earnings at an effective 5.25 percent tax rate. Such repatriations must occur in either an enterprise's last tax year that began before the enactment date, or the first tax year that begins during the one-year period beginning on the date of enactment.

FASB Staff Position 109-2, "Accounting and Disclosure Guidance for the Foreign Earnings Repatriation Provision within the American Jobs Creation Act of 2004" ("FSP 109-2"), indicates that the lack of clarification of certain provisions within the Jobs Creation Act and the timing of the enactment necessitate a practical exception to the SFAS No. 109, "Accounting for Income Taxes," ("SFAS No. 109") requirement to reflect in the period of enactment the effect of a new tax law. Accordingly, an enterprise is allowed time beyond the financial reporting period of enactment to evaluate the effect of the Jobs Creation Act on its plan for reinvestment or repatriation of foreign earnings. FSP 109-2 requires that the provisions of SFAS No. 109 be applied as an enterprise decides on its plan for reinvestment or repatriation of its unremitted foreign earnings.

In 2004, our Company recorded an income tax benefit of approximately $50 million as a result of the realization of certain tax credits related to certain provisions of the Jobs Creation Act not related to repatriation provisions. Our Company is currently evaluating the details of the Jobs Creation Act and any impact it may have on our income tax expense in 2005. Refer to Note 15.

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

In December 2004, the FASB issued SFAS No. 123 (revised 2004), "Share Based Payment" ("SFAS No. 123(R)"). SFAS No. 123(R) supercedes APB Opinion No. 25, "Accounting for Stock Issued to Employees," and amends SFAS No. 95, "Statement of Cash Flows." Generally, the approach in SFAS No. 123(R) is similar to the approach described in SFAS No. 123. SFAS No. 123(R) must be adopted by our Company by the third quarter of 2005. Currently, our Company uses the Black-Scholes-Merton formula to estimate the value of stock options granted to employees and is evaluating option valuation models, including the Black-Scholes-Merton formula, to determine which model the Company will utilize upon adoption of SFAS No. 123(R). Our Company plans to adopt SFAS No. 123(R) using the modified-prospective method. We do not anticipate that adoption of SFAS No. 123(R) will have a material impact on our Company's stock-based compensation expense. However, our equity investees are also required to adopt SFAS No. 123(R) beginning no later than the third quarter of

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

2005. Our proportionate share of the stock-based compensation expense resulting from the adoption of SFAS No. 123(R) by our equity investees will be recognized as a reduction to equity income.

In December 2004, the FASB issued SFAS No. 153, ''Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29.'' SFAS No. 153 is based on the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged. APB Opinion No. 29, ''Accounting for Nonmonetary Transactions,'' provided an exception to its basic measurement principle (fair value) for exchanges of similar productive assets. Under APB Opinion No. 29, an exchange of a productive asset for a similar productive asset was based on the recorded amount of the asset relinquished. SFAS No. 153 eliminates this exception and replaces it with an exception of exchanges of nonmonetary assets that do not have commercial substance. SFAS No. 153 is effective for our Company as of July 1, 2005. The Company will apply the requirements of SFAS No. 153 prospectively.

NOTE 2: BOTTLING INVESTMENTS

Coca-Cola Enterprises Inc.

Coca-Cola Enterprises Inc. (''CCE'') is a marketer, producer and distributor of bottle and can nonalcoholic beverages, operating in eight countries. On December 31, 2004, our Company owned approximately 36 percent of the outstanding common stock of CCE. We account for our investment by the equity method of accounting and, therefore, our operating results include our proportionate share of income (loss) resulting from our investment in CCE. As of December 31, 2004, our proportionate share of the net assets of CCE exceeded our investment by approximately $366 million. This difference is not amortized.

NOTE 2: BOTTLING INVESTMENTS (Continued)

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

December 31,	**2004**	2003
Current assets	**$ 3,264**	$ 3,000
Noncurrent assets	**23,090**	22,700
Total assets	**$ 26,354**	$ 25,700
Current liabilities	**$ 3,431**	$ 3,941
Noncurrent liabilities	**17,545**	17,394
Total liabilities	**$ 20,976**	$ 21,335
Shareowners' equity	**$ 5,378**	$ 4,365
Company equity investment	**$ 1,569**	$ 1,260

Year Ended December 31,	**2004**	2003	2002
Net operating revenues	**$ 18,158**	$ 17,330	$ 16,058[1]
Cost of goods sold	**10,771**	10,165	9,458[1]
Gross profit	**$ 7,387**	$ 7,165	$ 6,600[1]
Operating income	**$ 1,436**	$ 1,577	$ 1,364
Net income	**$ 596**	$ 676	$ 494
Net income available to common shareowners	**$ 596**	$ 674	$ 491

[1] These amounts reflect reclassifications related to the January 1, 2003 adoption of EITF Issue No. 02-16, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor."

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

	2004	2003	2002
Concentrate, syrup and finished products sales to CCE	**$ 5,203**	$ 5,084	$ 4,767
Syrup and finished product purchases from CCE	**428**	403	461
CCE purchases of sweeteners through our Company	**309**	311	325
Payments made by us directly to CCE	**646**	880	837
Payments made to third parties on behalf of CCE	**104**	115	204
Local media and marketing program reimbursements from CCE	**246**	221	264

Syrup and finished product purchases from CCE represent purchases of fountain syrup in certain territories that have been resold by our Company to major customers and purchases of bottle and can products. Payments made by us directly to CCE represent support of certain marketing activities and our participation with CCE in cooperative advertising and other marketing activities to promote the sale of Company trademark products within CCE territories. These programs are agreed to on an annual basis. Payments made to third parties on behalf of CCE represent support of certain marketing activities and programs to promote the sale of Company trademark products within CCE's territories in conjunction with certain of CCE's customers. Pursuant to cooperative advertising and trade agreements with CCE, we received funds from CCE for local media and marketing program expense reimbursements.

NOTE 2: BOTTLING INVESTMENTS (Continued)

In the second quarter of 2004, our Company and CCE agreed to terminate the Sales Growth Initiative ("SGI") agreement and certain other marketing funding programs that were previously in place. Due to termination of these agreements, a significant portion of the cash payments to be made by us directly to CCE was eliminated prospectively. At the termination of these agreements, we agreed that the concentrate price that CCE pays us for sales made in the United States and Canada would be reduced. Total cash support paid by our Company under the SGI agreement prior to its termination was $58 million, $161 million and $150 million for 2004, 2003 and 2002, respectively. These amounts are included in the line item payments made by us directly to CCE in the table above.

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

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

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

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

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

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

CCE must achieve minimum average unit case sales volume for a 12-year period following the placement of equipment. These minimum average unit case sales volume levels ensure adequate gross profit from sales of concentrate to fully recover the capitalized costs plus a return on the Company's investment. Should CCE fail to purchase the specified numbers of cold-drink equipment for any calendar year through 2010, the parties agreed to mutually develop a reasonable solution. Should no mutually agreeable solution be developed, or in the event that CCE otherwise breaches any material obligation under the contracts and such breach is not remedied within a stated period, then CCE would be required to repay a portion of the support funding as determined by our Company. In the third quarter of 2004, our Company and CCE agreed to amend the contract to defer the placement of some equipment from 2004 and 2005, as previously agreed under the original contract, to 2009 and 2010. In connection with this amendment, CCE agreed to pay the Company approximately $2 million in 2004, $3 million annually in 2005 through 2008, and $1 million in 2009. Our Company paid or committed to pay $3 million in 2002 to CCE in connection with these infrastructure programs. These payments are recorded in prepaid expenses and other assets and in noncurrent other assets and amortized as deductions in net operating revenues over the 10-year period following the placement of the equipment. Our carrying values for these

NOTE 2: BOTTLING INVESTMENTS (Continued)

infrastructure programs with CCE were approximately $759 million and $829 million as of December 31, 2004 and 2003, respectively. Effective in 2002 and thereafter, the Company had no further commitments under these programs.

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

In March 2003, our Company acquired a 100 percent ownership interest in Truesdale Packaging Company LLC ("Truesdale") from CCE. Refer to Note 18.

If valued at the December 31, 2004 quoted closing price of CCE shares, the fair value of our investment in CCE would have exceeded our carrying value by approximately $2.0 billion.

NOTE 2: BOTTLING INVESTMENTS (Continued)

Other Equity Investments

Operating results include our proportionate share of income (loss) from our equity investments. A summary of financial information for our equity investments in the aggregate, other than CCE, is as follows (in millions):

December 31,	**2004**	2003
Current assets	**$ 6,723**	$ 6,416
Noncurrent assets	**19,107**	17,394
Total assets	**$ 25,830**	$ 23,810
Current liabilities	**$ 5,507**	$ 5,467
Noncurrent liabilities	**8,924**	9,011
Total liabilities	**$ 14,431**	$ 14,478
Shareowners' equity	**$ 11,399**	$ 9,332
Company equity investment	**$ 4,328**	$ 3,964

Year Ended December 31,	**2004**	2003	2002
Net operating revenues	**$ 21,202**	$ 19,797	$ 17,714[1]
Cost of goods sold	**12,132**	11,661	10,112[1]
Gross profit	**$ 9,070**	$ 8,136	$ 7,602[1]
Operating income	**$ 2,406**	$ 1,666	$ 1,744
Cumulative effect of accounting change[2]	**$ —**	$ —	$ (1,428)
Net income (loss)	**$ 1,389**	$ 580	$ (630)
Net income (loss) available to common shareowners	**$ 1,364**	$ 580	$ (630)

Equity investments include nonbottling investees.

[1] These amounts reflect reclassifications related to the January 1, 2003 adoption of EITF Issue No. 02-16, "Accounting by a Customer (Including a Reseller) for Certain Consideration Received from a Vendor."

[2] Accounting change is the adoption of SFAS No. 142.

Net sales to equity investees other than CCE, the majority of which are located outside the United States, were $5.2 billion in 2004, $4.0 billion in 2003 and $3.2 billion in 2002. Total support payments, primarily marketing, made to equity investees other than CCE were approximately $442 million, $511 million and $488 million for 2004, 2003 and 2002, respectively.

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

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

NOTE 2: BOTTLING INVESTMENTS (Continued)

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

Effective May 6, 2003, one of our Company's equity method investees, Coca-Cola FEMSA consummated a merger with another of the Company's equity method investees, Panamerican Beverages, Inc. ("Panamco"). Our Company received new Coca-Cola FEMSA shares in exchange for all Panamco shares previously held by the Company. Our Company's ownership interest in Coca-Cola FEMSA increased from 30 percent to approximately 40 percent as a result of this merger. This exchange of shares was treated as a nonmonetary exchange of similar productive assets, and no gain was recorded by our Company as a result of this merger.

In connection with the merger, Coca-Cola FEMSA management initiated steps to streamline and integrate operations. This process included the closing of various distribution centers and manufacturing plants. Furthermore, due to the challenging economic conditions and an uncertain political situation in Venezuela, certain intangible assets were determined to be impaired and written down to their fair market value. During 2003, our Company recorded a noncash charge of $102 million primarily related to our proportionate share of these matters. This charge is included in the consolidated statement of income line item equity income—net.

In December 2003, the Company issued a stand-by line of credit to Coca-Cola FEMSA. Refer to Note 11.

The Company and the major shareowner of Coca-Cola FEMSA have an understanding that will permit this shareowner to purchase from our Company an amount of Coca-Cola FEMSA shares sufficient for this shareowner to regain a 51 percent ownership interest in Coca-Cola FEMSA. Pursuant to this understanding, which is in place until May 2006, this shareowner would pay the higher of the prevailing market price per share at the time of the sale or the sum of approximately $2.22 per share plus the Company's carrying costs. Both resulting amounts are in excess of our Company's carrying value.

In July 2003, we made a convertible loan of approximately $133 million to The Coca-Cola Bottling Company of Egypt ("TCCBCE"). The loan is convertible into preferred shares of TCCBCE upon receipt of governmental approvals. Additionally, upon certain defaults under either the loan agreement or the terms of the preferred shares, we have the ability to convert the loan or the preferred shares into common shares. At December 31, 2004, our Company owned approximately 42 percent of the common shares of TCCBCE. In 2004, we consolidated TCCBCE under the provisions of Interpretation 46.

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

In November 2003, Coca-Cola Hellenic Bottling Company S.A. ("Coca-Cola HBC") approved a share capital reduction totaling approximately 473 million euros and the return of 2 euros per share to all shareowners. In December 2003, our Company received our share capital return payment from Coca-Cola HBC equivalent to $136 million, and we recorded a reduction to our investment in Coca-Cola HBC.

NOTE 2: BOTTLING INVESTMENTS (Continued)

Effective February 2002, our Company acquired control of Coca-Cola Erfrischungsgetraenke AG ("CCEAG"), the largest bottler of our Company's beverage products in Germany. Prior to acquiring control, our Company accounted for CCEAG under the equity method of accounting. Refer to Note 18.

In the first quarter of 2002, our Company sold our bottling operations in the Baltics to Coca-Cola HBC. The proceeds from the sale of the Baltic bottlers were approximately equal to the carrying value of the investment.

If valued at the December 31, 2004, quoted closing prices of shares actively traded on stock markets, the value of our equity investments in publicly traded bottlers other than CCE exceeded our carrying value by approximately $2.2 billion.

The total amount of receivables due from equity method investees, including CCE, was approximately $680 million as of December 31, 2004. This amount was primarily reported in our consolidated balance sheet caption trade accounts receivable.

NOTE 3: ISSUANCES OF STOCK BY EQUITY INVESTEES

In 2004, our Company recorded approximately $24 million of noncash pretax gains on issuances of stock by CCE. The issuances primarily related to the exercise of CCE stock options by CCE employees at amounts greater than the book value per share of our investment in CCE. We provided deferred taxes of approximately $9 million on these gains. These issuances of stock reduced our ownership interest in the total outstanding shares of CCE common stock by approximately 1 percent to approximately 36 percent.

In 2003, our Company recorded approximately $8 million of noncash pretax gains on issuances of stock by equity investees. These gains primarily related to the issuance by CCE of common stock valued at an amount greater than the book value per share of our investment in CCE. These transactions reduced our ownership interest in the total outstanding shares of CCE common stock by less than 1 percent. No gains or losses on issuances of stock by equity investees were recorded during 2002.

NOTE 4: GOODWILL, TRADEMARKS AND OTHER INTANGIBLE ASSETS

In accordance with SFAS No. 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed annually for impairment. Our Company is the owner of some of the world's most valuable trademarks. As a result, certain trademarks and franchise rights to bottle and distribute such trademarked products are expected to generate positive cash flows for as long as the Company owns such trademarks and franchise rights for a particular territory. Given the Company's more than 100-year history, certain trademarks and the franchise rights to bottle and distribute products under our trademarks have been assigned indefinite lives. Intangible assets that are deemed to have definite lives are amortized over their useful lives. The amortization provisions of SFAS No. 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, the Company began applying the new accounting rules effective January 1, 2002.

The adoption of SFAS No. 142 required the Company to perform an initial impairment assessment of all goodwill and indefinite-lived intangible assets as of January 1, 2002. The Company compared the fair value of trademarks and other intangible assets to the current carrying value. Fair values were derived using discounted cash flow analyses. The assumptions used in these discounted cash flow analyses were consistent with our internal planning. Valuations were completed for intangible assets for both the Company and our equity method investees. For the Company's intangible assets, the cumulative effect of this change in accounting principle in 2002 was an after-tax decrease to net income of $367 million. For the Company's proportionate share of its

NOTE 4: GOODWILL, TRADEMARKS AND OTHER INTANGIBLE ASSETS (Continued)

equity method investees, the cumulative effect of this change in accounting principle in 2002 was an after-tax decrease to net income of $559 million. The deferred income tax benefit related to the cumulative effect of this change for the Company's intangible assets in 2002 was approximately $94 million and for the Company's proportionate share of its equity method investees was approximately $123 million.

The impairment charges resulting in the after-tax decrease to net income for the cumulative effect of this change by applicable operating segment as of January 1, 2002 were as follows (in millions):

The Company:	
Asia	$ 108
Europe, Eurasia and Middle East	33
Latin America	226
	$ 367
The Company's proportionate share of its equity method investees:	
Africa	$ 63
Europe, Eurasia and Middle East	400
Latin America	96
	$ 559

Of the $108 million impairment recorded as of January 1, 2002 for the Company in Asia, $99 million related to bottlers' franchise rights in our consolidated bottlers in our Southeast and West Asia Division. Difficult economic conditions impacted our business in Singapore, Sri Lanka, Nepal and Vietnam. As a result, bottlers in these countries experienced lower than expected volume and operating margins.

Of the Company's $226 million impairment recorded as of January 1, 2002 for Latin America, approximately $113 million related to Company-owned Brazilian bottlers' franchise rights. The Brazilian macroeconomic conditions, the devaluation of the currency and lower pricing impacted the valuation of these bottlers' franchise rights. The remainder of the $226 million primarily related to a $109 million impairment for certain trademarks in Latin America. In early 1999, our Company formed a strategic partnership to market and distribute such trademarked products. The macroeconomic conditions and lower pricing depressed operating margins for these trademarks.

For Europe, Eurasia and Middle East equity method investees, a $400 million impairment was recorded as of January 1, 2002 for the Company's proportionate share related to bottlers' franchise rights. Of this amount, approximately $301 million related to CCEAG. This impairment was due to a prolonged difficult economic environment in Germany, resulting in continuing losses for CCEAG in eastern Germany. At that time, the market for nonalcoholic beverages was undergoing a transformation. A changing competitive landscape, continuing price pressure and growing demand for new products and packaging were elements impacting CCEAG. The $400 million impairment also included a $50 million charge for Middle East bottlers' franchise rights.

In our Africa operating segment, a $63 million charge was recorded for the Company's proportionate share of impairments related to equity method investee bottlers' franchise rights. These Middle East and Africa bottlers had challenges as a result of political instability and the resulting economic instability in their respective regions, which adversely impacted financial performance.

A $96 million impairment was recorded as of January 1, 2002 for the Company's proportionate share related to bottlers' franchise rights of Latin America equity method investees. In southern Latin America, the

NOTE 4: GOODWILL, TRADEMARKS AND OTHER INTANGIBLE ASSETS (Continued)

macroeconomic conditions and devaluation of the Argentine peso significantly impacted the valuation of bottlers' franchise rights.

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

December 31,	**2004**	2003
Amortized intangible assets (various, principally trademarks):		
Gross carrying amount	**$ 292**	$ 263
Accumulated amortization	**$ 128**	$ 98
Unamortized intangible assets:		
Trademarks	**$ 2,037**	$ 1,979
Goodwill[1]	**1,097**	1,029
Bottlers' franchise rights[2]	**374**	658
Other	**164**	158
	$ 3,672	$ 3,824

[1] During 2004, the increase in goodwill primarily resulted from translation adjustments.

[2] During 2004, the decrease in franchise rights primarily related to the impairment charge of $354 million related to CCEAG's franchise rights (see discussion below).

Year Ended December 31,	**2004**	2003
Aggregate amortization expense	**$ 40**	$ 23
Estimated amortization expense:		
For the year ending:		
December 31, 2005	$ 28	
December 31, 2006	$ 16	
December 31, 2007	$ 16	
December 31, 2008	$ 16	
December 31, 2009	$ 15	

The goodwill by applicable operating segment as of December 31, 2004 was as follows (in millions):

December 31,	**2004**	2003
North America	**$ 140**	$ 142
Asia	**37**	45
Europe, Eurasia and Middle East	**828**	742
Latin America	**92**	100
	$ 1,097	$ 1,029

In 2004, acquisition of intangible assets totaled approximately $89 million. This amount is primarily related to the Company's acquisition of trademarks with indefinite lives in the Latin America operating segment.

In 2004, our Company recorded impairment charges related to intangible assets of approximately $374 million. The decrease in franchise rights in 2004 was primarily due to this impairment charge, offset by an increase due to translation adjustment. These impairment charges primarily were in the Europe, Eurasia and

NOTE 4: GOODWILL, TRADEMARKS AND OTHER INTANGIBLE ASSETS (Continued)

Middle East operating segment and were included in other operating charges in our consolidated statement of income. The charge was primarily related to franchise rights at CCEAG. The CCEAG impairment was the result of our revised outlook for the German market that has been unfavorably impacted by volume declines resulting from market shifts related to the deposit law on nonreturnable beverage packages and the corresponding lack of availability for our products in the discount retail channel. The deposit laws in Germany have led to discount chains creating proprietary packages that can only be returned to their own stores. These proprietary packages are continuing to gain market share and customer acceptance.

At the end of 2004, the German government passed an amendment to the mandatory deposit legislation that will require retailers, including discount chains, to accept returns of each type of non-refillable beverage containers which they sell, regardless of where the beverage container type was purchased. In addition, the mandatory deposit requirement was expanded to other beverage categories. The amendment allows for a transition period to enable manufacturers and retailers to establish a national take-back system for non-refillable containers. The transition period is expected to last at least until mid-2006.

We determined the amount of the 2004 impairment charges by comparing the fair value of the intangible assets to the current carrying value. Fair values were derived using discounted cash flow analyses with a number of scenarios that were weighted based on the probability of different outcomes. Because the fair value was less than the carrying value of the assets, we recorded an impairment charge to reduce the carrying value of the assets to fair value. These impairment charges were recorded in the line item other operating charges in the consolidated statement of income for 2004.

In 2003, acquisitions of intangible assets totaled approximately $142 million. Of this amount, approximately $88 million related to the Company's acquisition of certain intangible assets with indefinite lives, primarily trademarks and brands in various parts of the world. None of these trademarks and brands was considered individually significant. Additionally, the Company acquired certain brands and related contractual rights from Panamco valued at $54 million in the Latin America operating segment with an estimated useful life of 10 years.

NOTE 5: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

December 31,	**2004**	2003
Trade accounts payable and other accrued expenses	**$ 2,238**	$ 2,014
Accrued marketing	**1,194**	1,046
Accrued compensation	**389**	311
Sales, payroll and other taxes	**222**	225
Container deposits	**199**	256
Accrued streamlining costs (refer to Note 17)	**41**	206
	$ 4,283	$ 4,058

NOTE 6: SHORT-TERM BORROWINGS AND CREDIT ARRANGEMENTS

Loans and notes payable consist primarily of commercial paper issued in the United States. At December 31, 2004 and 2003, we had approximately $4,235 million and $2,234 million, respectively, outstanding in commercial paper borrowings. Our weighted-average interest rates for commercial paper outstanding were approximately 2.2 percent and 1.1 percent per year at December 31, 2004 and 2003, respectively. In addition, we

NOTE 6: SHORT-TERM BORROWINGS AND CREDIT ARRANGEMENTS (Continued)

had $1,614 million in lines of credit and other short-term credit facilities available as of December 31, 2004, of which approximately $296 million was outstanding. This entire amount related to our international operations. Included in the available credit facilities discussed above, the Company had $1,150 million in lines of credit for general corporate purposes, including commercial paper back-up. There were no borrowings under these lines of credit during 2004.

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

NOTE 7: LONG-TERM DEBT

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

December 31,	**2004**	2003
Variable rate euro notes due 2004[1]	**$ —**	$ 296
5⅞% euro notes due 2005	**663**	591
4% U.S. dollar notes due 2005	**750**	749
5¾% U.S. dollar notes due 2009	**399**	399
5¾% U.S. dollar notes due 2011	**499**	498
7⅜% U.S. dollar notes due 2093	**116**	116
Other, due through 2013[2]	**220**	191
	$ 2,647	$ 2,840
Less current portion	**1,490**	323
	$ 1,157	$ 2,517

[1] 2.4 percent at December 31, 2003.

[2] Includes $5 million and $27 million fair value adjustment related to interest rate swap agreements in 2004 and 2003, respectively. Refer to Note 10.

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

After giving effect to interest rate management instruments, the principal amount of our long-term debt that had fixed and variable interest rates, respectively, was $1,895 million and $752 million on December 31, 2004, and $1,742 million and $1,098 million on December 31, 2003. The weighted-average interest rate on our Company's long-term debt was 4.4 percent and 3.9 percent per annum for the years ended December 31, 2004 and 2003, respectively. Total interest paid was approximately $188 million, $180 million and $197 million in 2004, 2003 and 2002, respectively. For a more detailed discussion of interest rate management, refer to Note 10.

Maturities of long-term debt for the five years succeeding December 31, 2004 are as follows (in millions):

2005	2006	2007	2008	2009
$ 1,490	$ 43	$ 21	$ 7	$ 406

NOTE 8: COMPREHENSIVE INCOME

Accumulated other comprehensive income (loss), including our proportionate share of equity method investees' accumulated other comprehensive income (loss), consists of the following (in millions):

December 31,	**2004**	2003
Foreign currency translation adjustment	**$ (1,191)**	$ (1,856)
Accumulated derivative net losses	**(80)**	(77)
Unrealized gain on available-for-sale securities	**91**	52
Minimum pension liability	**(168)**	(114)
	$ (1,348)	$ (1,995)

A summary of the components of accumulated other comprehensive income (loss), including our proportionate share of equity method investees' other comprehensive income, for the years ended December 31, 2004, 2003 and 2002 is as follows (in millions):

	Before-Tax Amount	Income Tax	After-Tax Amount
2004			
Net foreign currency translation adjustment	**$ 766**	**$ (101)**	**$ 665**
Net loss on derivatives	**(4)**	**1**	**(3)**
Net change in unrealized gain on available-for-sale securities	**48**	**(9)**	**39**
Net change in minimum pension liability	**(81)**	**27**	**(54)**
Other comprehensive income (loss)	**$ 729**	**$ (82)**	**$ 647**

	Before-Tax Amount	Income Tax	After-Tax Amount
2003			
Net foreign currency translation adjustment	$ 913	$ 8	$ 921
Net loss on derivatives	(63)	30	(33)
Net change in unrealized gain on available-for-sale securities	65	(25)	40
Net change in minimum pension liability	181	(57)	124
Other comprehensive income (loss)	$ 1,096	$ (44)	$ 1,052

	Before-Tax Amount	Income Tax	After-Tax Amount
2002			
Net foreign currency translation adjustment	$ (51)	$ (44)	$ (95)
Net loss on derivatives	(284)	98	(186)
Net change in unrealized gain on available-for-sale securities	104	(37)	67
Net change in minimum pension liability	(299)	104	(195)
Other comprehensive income (loss)	$ (530)	$ 121	$ (409)

NOTE 9: FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The carrying amounts reflected in our consolidated balance sheets for cash and cash equivalents, non-marketable cost method investments, trade accounts receivable and loans and notes payable approximate their respective fair values. The carrying amount and the fair value of our long-term debt, including the current portion, as of December 31, 2004 was approximately $2,647 million and $2,736 million, respectively. As of December 31, 2003, the carrying amount and the fair value of our long-term debt, including the current portion, was approximately $2,840 million and $2,942 million, respectively. For additional details about our long-term debt, refer to Note 7.

Fair values are based primarily on quoted prices for those or similar instruments. Fair values for our derivative financial instruments are included in Note 10.

Credit Risk

With respect to our cash and cash equivalents balances, we manage our exposure to counterparty credit risk through specific minimum credit standards, diversification of counterparties and procedures to monitor concentration of credit risk. Based on these factors, we consider the risk of counterparty default to be minimal.

Certain Debt and Marketable Equity Securities

Investments in debt and marketable equity securities, other than investments accounted for by the equity method, are required to be categorized as either trading, available-for-sale or held-to-maturity. On December 31, 2004 and 2003, we had no trading securities. Securities categorized as available-for-sale are stated at fair value, with unrealized gains and losses, net of deferred income taxes, reported as a component of Accumulated Other Comprehensive Income (Loss) ("AOCI"). Debt securities, primarily time deposits, categorized as held-to-maturity are stated at amortized cost.

NOTE 9: FINANCIAL INSTRUMENTS (Continued)

On December 31, 2004 and 2003, available-for-sale and held-to-maturity securities consisted of the following (in millions):

December 31,	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2004				
Available-for-sale securities:				
Equity securities	**$ 144**	**$ 146**	**$ (2)**	**$ 288**
Other debt securities	**5**	**—**	**(1)**	**4**
	$ 149	**$ 146**	**$ (3)**	**$ 292**
Held-to-maturity securities:				
Bank and corporate debt	**$ 4,479**	**$ —**	**$ —**	**$ 4,479**
Other debt securities	**107**	**—**	**—**	**107**
	$ 4,586	**$ —**	**$ —**	**$ 4,586**

December 31,	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
2003				
Available-for-sale securities:				
Bank and corporate debt	$ 118	$ —	$ —	$ 118
Equity securities	147	97	(12)	232
Other debt securities	76	—	—	76
	$ 341	$ 97	$ (12)	$ 426
Held-to-maturity securities:				
Bank and corporate debt	$ 2,162	$ —	$ —	$ 2,162
Other debt securities	1	—	—	1
	$ 2,163	$ —	$ —	$ 2,163

NOTE 9: FINANCIAL INSTRUMENTS (Continued)

On December 31, 2004 and 2003, these investments were included in the following captions (in millions):

December 31,	Available-for-Sale Securities	Held-to-Maturity Securities
2004		
Cash and cash equivalents	**$ —**	**$ 4,586**
Current marketable securities	**61**	**—**
Cost method investments, principally bottling companies	**229**	**—**
Other assets	**2**	**—**
	$ 292	**$ 4,586**

December 31,	Available-for-Sale Securities	Held-to-Maturity Securities
2003		
Cash and cash equivalents	$ 118	$ 2,162
Current marketable securities	120	—
Cost method investments, principally bottling companies	185	—
Other assets	3	1
	$ 426	$ 2,163

The contractual maturities of these investments as of December 31, 2004 were as follows (in millions):

	Available-for-Sale Securities		Held-to-Maturity Securities	
	Cost	Fair Value	Amortized Cost	Fair Value
2005	$ —	$ —	$ 4,586	$ 4,586
2006-2009	—	—	—	—
2010-2014	—	—	—	—
After 2014	5	4	—	—
Equity securities	144	288	—	—
	$ 149	$ 292	$ 4,586	$ 4,586

For the years ended December 31, 2004, 2003 and 2002, gross realized gains and losses on sales of available-for-sale securities were not material. The cost of securities sold is based on the specific identification method.

NOTE 10: HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS

Our Company uses derivative financial instruments primarily to reduce our exposure to adverse fluctuations in interest rates and foreign exchange rates and, to a lesser extent, in commodity prices and other market risks. When entered into, the Company formally designates and documents the financial instrument as a hedge of a specific underlying exposure, as well as the risk management objectives and strategies for undertaking the hedge

NOTE 10: HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

transactions. The Company formally assesses, both at the inception and at least quarterly thereafter, whether the financial instruments that are used in hedging transactions are effective at offsetting changes in either the fair value or cash flows of the related underlying exposure. Because of the high degree of effectiveness between the hedging instrument and the underlying exposure being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the fair values or cash flows of the underlying exposures being hedged. Any ineffective portion of a financial instrument's change in fair value is immediately recognized in earnings. Virtually all of our derivatives are straightforward over-the-counter instruments with liquid markets. Our Company does not enter into derivative financial instruments for trading purposes.

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

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

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

Interest Rate Management

Our Company monitors our mix of fixed rate and variable rate debt, as well as our mix of term debt versus non-term debt. This monitoring includes a review of business and other financial risks. We also enter into interest rate swap agreements to manage these risks. These contracts had maturities of less than one year on December 31, 2004. Interest rate swap agreements that meet certain conditions required under SFAS No. 133 for fair value hedges are accounted for as such, with the offset recorded to adjust the fair value of the underlying exposure being hedged. During 2004, 2003 and 2002, there has been no ineffectiveness related to fair value hedges. The fair values of our Company's interest rate swap agreements were approximately $6 million and $28 million at December 31, 2004 and 2003, respectively. The Company estimates the fair value of its interest rate management derivatives based on quoted market prices.

NOTE 10: HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Foreign Currency Management

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

We enter into forward exchange contracts and purchase currency options (principally euro and Japanese yen) and collars to hedge certain portions of forecasted cash flows denominated in foreign currencies. The effective portion of the changes in fair value for these contracts, which have been designated as cash flow hedges, are reported in AOCI and reclassified into earnings in the same financial statement line item and in the same period or periods during which the hedged transaction affects earnings. Any ineffective portion (which was not significant in 2004, 2003 or 2002) of the change in fair value of these instruments is immediately recognized in earnings. These contracts had maturities up to one year on December 31, 2004.

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

The Company also enters into forward exchange contracts to hedge its net investment position in certain major currencies. Under SFAS No. 133, changes in the fair value of these instruments are recognized in foreign currency translation adjustment, a component of AOCI, to offset the change in the value of the net investment being hedged. For the years ended December 31, 2004, 2003 and 2002, approximately $8 million, $29 million and $26 million, respectively, of losses relating to derivative financial instruments were recorded in foreign currency translation adjustment.

For the years ended December 31, 2004, 2003 and 2002, we recorded an increase (decrease) to AOCI of approximately $6 million, $(31) million and $(151) million, respectively, net of both income taxes and reclassifications to earnings, primarily related to gains and losses on foreign currency cash flow hedges. These items will generally offset cash flow gains and losses relating to the underlying exposures being hedged in future periods. The Company estimates that it will reclassify into earnings during the next 12 months losses of approximately $35 million from the after-tax amount recorded in AOCI as of December 31, 2004 as the anticipated foreign currency cash flows occur.

The Company did not discontinue any cash flow hedge relationships during the years ended December 31, 2004, 2003 and 2002.

NOTE 10: HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

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

Year Ended December 31,	Before-Tax Amount	Income Tax	After-Tax Amount
2003			
Accumulated derivative net losses as of January 1, 2003	$ (15)	$ 6	$ (9)
Net changes in fair value of derivatives	(165)	65	(100)
Net losses reclassified from AOCI into earnings	114	(45)	69
Accumulated derivative net losses as of December 31, 2003	$ (66)	$ 26	$ (40)

Year Ended December 31,	Before-Tax Amount	Income Tax	After-Tax Amount
2002			
Accumulated derivative net gains as of January 1, 2002	$ 234	$ (92)	$ 142
Net changes in fair value of derivatives	(129)	51	(78)
Net gains reclassified from AOCI into earnings	(120)	47	(73)
Accumulated derivative net losses as of December 31, 2002	$ (15)	$ 6	$ (9)

NOTE 10: HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

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

December 31,	Carrying Values Assets	Fair Values	Maturity
2004			
Forward contracts	**$ 27**	**$ 27**	**2005**
Options and collars	**12**	**12**	**2005**
	$ 39	**$ 39**	

December 31,	Carrying Values Assets (Liabilities)	Fair Values	Maturity
2003			
Forward contracts	$ (25)	$ (25)	2004
Options and collars	3	3	2004
	$ (22)	$ (22)	

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

NOTE 11: COMMITMENTS AND CONTINGENCIES

On December 31, 2004 we were contingently liable for guarantees of indebtedness owed by third parties in the amount of $257 million. These guarantees 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 is 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.

Additionally, in December 2003, we granted a $250 million standby line of credit to Coca-Cola FEMSA with normal market terms. As of December 31, 2004 and 2003, no amounts have been drawn against this line of credit. This standby letter of credit expires in December 2006.

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

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

NOTE 11: COMMITMENTS AND CONTINGENCIES (Continued)

In 2003, the Securities and Exchange Commission ("SEC") began conducting an investigation into whether the Company or certain persons associated with the Company violated federal securities laws in connection with the conduct alleged by a former employee of the Company. Additionally, in 2003 the United States Attorney's Office for the Northern District of Georgia commenced a criminal investigation of the allegations raised by the same former employee. The Company is continuing to cooperate with the United States Attorney's office and the SEC.

During the period from 1970 to 1981, our Company owned Aqua-Chem, Inc. ("Aqua-Chem"). A division of Aqua-Chem manufactured certain boilers that contained gaskets that Aqua-Chem purchased from outside suppliers. Several years after our Company sold this entity, Aqua-Chem received its first lawsuit relating to asbestos, a component of some of the gaskets. In September 2002, Aqua-Chem notified our Company that it believes we are obligated to them for certain costs and expenses associated with the litigation. Aqua-Chem demanded that our Company reimburse it for approximately $10 million for out-of-pocket litigation-related expenses incurred over the last 18 years. Aqua-Chem has also demanded that the Company acknowledge a continuing obligation to Aqua-Chem for any future liabilities and expenses that are excluded from coverage under the applicable insurance or for which there is no insurance. Our Company disputes Aqua-Chem's claims, and we believe we have no obligation to Aqua-Chem for any of its past, present or future liabilities, costs or expenses. Furthermore, we believe we have substantial legal and factual defenses to Aqua-Chem's claims. The parties entered into litigation to resolve this dispute, which was stayed by agreement of the parties pending the outcome of litigation filed by certain insurers of Aqua-Chem. In that case, five plaintiff insurance companies filed a declaratory judgment action against Aqua-Chem, the Company and 16 defendant insurance companies seeking a determination of the parties' rights and liabilities under policies issued by the insurers. That litigation remains pending, and the Company believes it has substantial legal and factual defenses to the insurers' claims. Aqua-Chem and the Company have reached an agreement in principle to settle with five of the insurers in the Wisconsin insurance coverage litigation, and those insurers will pay funds into an escrow account for payment of costs arising from the asbestos claims against Aqua-Chem. Aqua-Chem and the Company will continue to litigate their claims for coverage against the 16 other insurers that are parties to the Wisconsin insurance coverage case. The Company also believes Aqua-Chem has substantial insurance coverage to pay Aqua-Chem's asbestos claimants. An estimate of possible losses, if any, cannot be made at this time.

Since 1999, the Competition Directorate of the European Commission (the "Commission") has been conducting an investigation of various commercial and market practices of the Company and its bottlers in Austria, Belgium, Denmark, Germany and Great Britain. On October 19, 2004, our Company and certain of our bottlers submitted a formal Undertaking to the Commission, and the Commission accepted the Undertaking. The Undertaking will potentially apply in 27 countries and in all channels of distribution where our carbonated soft drinks account for over 40 percent of national sales and twice the nearest competitor's share. It will take more than 12 months to fully implement the Undertaking and for the market to react to any resulting changes. The commitments we 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 will also apply 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 will be applicable to commercial arrangements concerning the installation and use of technical equipment (such as coolers, fountain equipment and vending machines). The commitments set forth in the Undertaking have been published for third-party comments. Following the comment period, the Commission presented to the Company certain comments it had received

NOTE 11: COMMITMENTS AND CONTINGENCIES (Continued)

from third parties, as well as certain additional comments from the Commission's legal staff. The Company is in the process of addressing these comments with the Commission. The Company anticipates that the formal Undertaking will form the basis of a Commission decision pursuant to Article 9, paragraph 1 of Council Regulation 1/2003 to be issued in the second quarter of 2005, bringing an end to the investigation. The submission of the Undertaking does not imply any recognition on the Company's or the bottlers' part of any infringement of Commission competition rules. We believe that the Undertaking, while imposing restrictions, clarifies the application of competition rules to our practices in Europe and will allow our system to be able to compete vigorously while adhering to the Undertaking's provisions.

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

The Spanish competition service made unannounced visits to our offices and those of certain bottlers in Spain in 2000. In December 2003, the Spanish competition service suspended its investigation until the Commission notifies the service of how the Commission will proceed in its aforementioned investigation.

The French Competition Directorate has also initiated an inquiry into commercial practices related to the soft drink sector in France. This inquiry has been conducted through visits to the offices of the Company; however, no conclusions have been communicated to the Company by the Directorate.

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

The Company is involved in various tax matters. We establish reserves at the time that we determine that it is probable that we will be liable to pay additional taxes related to certain matters. We adjust these reserves, including any impact on the related interest and penalties, in light of changing facts and circumstances, such as the progress of a tax audit.

A number of years may elapse before a particular matter, for which we may have established a reserve, is audited and finally resolved or when a tax assessment is raised. The number of years with open tax audits varies depending on the tax jurisdiction. While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, we record a reserve when we determine the likelihood of loss is probable and the amount of loss is reasonably estimable. Such liabilities are recorded in the line item accrued income taxes in the Company's consolidated balance sheets. Favorable resolution of tax matters that had been previously reserved would be recognized as a reduction to our income tax expense, when known.

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

The Company is a party to various legal proceedings in which we are seeking to be reimbursed for costs that we have incurred in the past. Although none of these reimbursements has been realized at this time, the

NOTE 11: COMMITMENTS AND CONTINGENCIES (Continued)

Company expects final resolution of certain matters in 2005. Management believes that any gains to the Company that may arise as a result of the final resolutions of these matters will not have a material effect on the financial condition of the Company taken as a whole.

NOTE 12: NET CHANGE IN OPERATING ASSETS AND LIABILITIES

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

	2004	2003	2002
Decrease (increase) in trade accounts receivable	**$ (5)**	$ 80	$ (83)
Decrease (increase) in inventories	**(57)**	111	(49)
Decrease (increase) in prepaid expenses and other assets	**(397)**	(276)	74
Increase (decrease) in accounts payable and accrued expenses	**45**	(164)	(442)
Increase (decrease) in accrued taxes	**(194)**	53	20
Increase (decrease) in other liabilities	**(9)**	28	73
	$ (617)	$ (168)	$ (407)

NOTE 13: RESTRICTED STOCK, STOCK OPTIONS AND OTHER STOCK PLANS

Prior to 2002, our Company accounted for our stock option plans and restricted stock plans under the recognition and measurement provisions of APB Opinion No. 25 and related interpretations. Effective January 1, 2002, our Company adopted the preferable fair value recognition provisions of SFAS No. 123. Our Company selected the modified prospective method of adoption described in SFAS No. 148. Compensation cost recognized in 2002 was the same as that which would have been recognized had the fair value method of SFAS No. 123 been applied from its original effective date. Refer to Note 1.

In accordance with the provisions of SFAS No. 123 and SFAS No. 148, $345 million, $422 million and $365 million were recorded for total stock-based compensation expense in 2004, 2003 and 2002, respectively. The $345 million and $365 million recorded in 2004 and 2002, respectively, were recorded in selling, general and administrative expenses. Of the $422 million recorded in 2003, $407 million was recorded in selling, general and administrative expenses and $15 million was recorded in other operating charges. Refer to Note 17.

Stock Option Plans

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

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

NOTE 13: RESTRICTED STOCK, STOCK OPTIONS AND OTHER STOCK PLANS (Continued)

The 2002 Stock Option Plan (the "2002 Option Plan") was approved by shareowners in April 2002. Under the 2002 Option Plan, a maximum of 120 million shares of our common stock was approved to be issued or transferred to certain officers and employees pursuant to stock options and stock appreciation rights granted under the 2002 Option Plan. The stock appreciation rights permit the holder, upon surrendering all or part of the related stock option, to receive common stock in an amount up to 100 percent of the difference between the market price and the option price. No stock appreciation rights have been issued under the 2002 Stock Option Plan as of December 31, 2004. Options to purchase common stock under the 2002 Option Plan have been granted to Company employees at fair market value at the date of grant.

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

The following table sets forth information about the fair value of each option grant on the date of grant using the Black-Scholes-Merton option-pricing model and the weighted-average assumptions used for such grants:

	2004	2003	2002
Weighted-average fair value of options granted	**$ 8.84**	$ 13.49	$ 13.10
Dividend yields	**2.5%**	1.9%	1.7%
Expected volatility	**23.0%**	28.1%	30.2%
Risk-free interest rates	**3.8%**	3.5%	3.4%
Expected lives	**6 years**	6 years	6 years

To ensure the best market-based assumptions were used to determine the estimated fair value of stock options granted in 2004, 2003 and 2002, we obtained two independent market quotes. Our Black-Scholes-Merton option-pricing model value was not materially different from the independent quotes.

A summary of stock option activity under all plans is as follows (shares in millions):

	2004		2003		2002	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding on January 1	**167**	**$ 50.56**	159	$ 50.24	141	$ 51.16
Granted[1]	**31**	**41.63**	24	49.67	29	44.69
Exercised	**(5)**	**35.54**	(4)	26.96	(3)	31.09
Forfeited/expired[2]	**(10)**	**51.64**	(12)	51.45	(8)	54.21
Outstanding on December 31	**183**	**$ 49.41**	167	$ 50.56	159	$ 50.24
Exercisable on December 31	**116**	**$ 52.02**	102	$ 51.97	80	$ 51.72
Shares available on December 31 for options that may be granted	**85**		108		122	

[1] No grants were made from the 1991 Option Plan during 2004, 2003 or 2002.

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

NOTE 13: RESTRICTED STOCK, STOCK OPTIONS AND OTHER STOCK PLANS (Continued)

The following table summarizes information about stock options at December 31, 2004 (shares in millions):

	Outstanding Stock Options			Exercisable Stock Options	
Range of Exercise Prices	Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
$ 30.00 to $ 40.00	6	0.8 years	$ 35.63	6	$ 35.63
$ 40.01 to $ 50.00	119	10.3 years	$ 46.03	53	$ 47.57
$ 50.01 to $ 60.00	48	9.1 years	$ 56.25	47	$ 56.30
$ 60.01 to $ 86.75	10	3.8 years	$ 65.85	10	$ 65.85
$ 30.00 to $ 86.75	183	9.3 years	$ 49.41	116	$ 52.02

Restricted Stock Award Plans

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

On December 31, 2004, 31 million shares remain available for grant under the Restricted Stock Award Plans. Participants are entitled to vote and receive dividends on the shares and, under the 1983 Restricted Stock Award Plan, participants are reimbursed by our Company for income taxes imposed on the award, but not for taxes generated by the reimbursement payment. The shares are subject to certain transfer restrictions and may be forfeited if a participant leaves our Company for reasons other than retirement, disability or death, absent a change in control of our Company.

The following awards were outstanding as of December 31, 2004:

- 513,700 shares of restricted stock in which the restrictions lapse upon the achievement of continued employment over a specified period of time (time-based restricted stock awards);
- 713,000 shares of performance-based restricted stock in which restrictions lapse upon the achievement of specific performance goals over a specified performance period. An additional 125,000 shares were promised, based upon achievement of relevant performance criteria, for employees based outside of the United States; and
- 1,583,447 performance share unit awards which could result in a future grant of restricted stock after the achievement of specific performance goals over a specified performance period. Such awards are subject to adjustment based on the final performance relative to the goals, resulting in a minimum grant of no shares and a maximum grant of 2,339,171 shares.

NOTE 13: RESTRICTED STOCK, STOCK OPTIONS AND OTHER STOCK PLANS (Continued)

Time-Based Restricted Stock Awards

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

	Number of Shares		
	2004	2003	2002
Outstanding on January 1,	**1,224,900**	1,506,485	1,492,985
Granted[1]	**140,000**	—	30,000
Released	**(296,800)**	(254,585)	(14,000)
Cancelled/Forfeited	**(554,400)**	(27,000)	(2,500)
Outstanding on December 31,	**513,700**	1,224,900	1,506,485

[1] In 2004 and 2002, the Company granted time-based restricted stock awards with average per share fair values of $48.97 and $50.99, respectively.

Performance-Based Restricted Stock Awards

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

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

	Number of Shares		
	2004	2003	2002
Outstanding on January 1,	**2,507,720**	2,655,000	2,605,000
Granted[1]	**—**	52,720	50,000
Released	**(110,000)**	—	—
Cancelled/Forfeited	**(1,684,720)**	(200,000)	—
Outstanding on December 31,	**713,000**[2]	2,507,720[2]	2,655,000[2]

[1] In 2003, 52,720 shares of three-year performance-based restricted stock were granted at an average fair value of $42.91 per share. In 2002, 50,000 shares of four-year performance-based restricted stock were granted at an average fair value of $46.88 per share.

[2] In 2002, the Company promised to grant an additional 50,000 shares at the end of three years and an additional 75,000 shares at the end of four years, at an average value of $46.88, if the Company achieved predefined performance targets over the respective measurement periods. These awards are similar to the performance-based restricted stock, including the payment of dividend equivalents, but were granted in this manner because the employees were situated outside of the United States. As of December 31, 2004, these grants were still outstanding.

The Company did not recognize compensation expense for the majority of these awards, as it is not probable the performance targets will be achieved.

NOTE 13: RESTRICTED STOCK, STOCK OPTIONS AND OTHER STOCK PLANS (Continued)

Performance Share Unit Awards

In 2003, the Company modified its use of performance-based awards and established a program to grant performance share unit awards under the 1989 Restricted Stock Award Plan to executives. The number of performance share units earned shall be determined at the end of each performance period, generally three years, based on performance measurements determined by the Board of Directors and may result in an award of restricted stock for U.S. participants and certain international participants at that time. The restricted stock may be granted to other international participants shortly before the fifth anniversary of the original award. Restrictions on such stock lapse generally on the fifth anniversary of the original award date. Generally, performance share unit awards are subject to the performance criteria of compound annual growth in earnings per share over the performance period, as adjusted for certain items approved by the Compensation Committee of the Board of Directors (“adjusted EPS”). The purpose of these adjustments is to ensure a consistent year to year comparison of the specified performance measure.

Performance share unit Target Awards for the 2004-2006 and 2005-2007 performance periods require adjusted EPS growth in line with our Company’s internal projections over the performance period. In the event adjusted EPS exceeds the target projection, additional shares up to the Maximum Award may be granted. In the event adjusted EPS falls below the target projection, a reduced number of shares as few as the Threshold Award may be granted. If adjusted EPS falls below the Threshold Award performance level, no shares will be granted. Of the outstanding granted performance share unit awards as of December 31, 2004, 741,985 and 769,462 awards are for the 2004-2006 and 2005-2007 performance periods, respectively. In addition, 72,000 performance share unit awards, with predefined qualitative performance measures other than adjusted EPS and other release criteria that differ from the program described above, are included in the performance share units granted in 2004.

The following table summarizes information about performance share unit awards:

	Number of Share Units	
	2004	2003
Outstanding on January 1,	**798,931**	—
Granted[1]	**953,196**	798,931
Cancelled/Forfeited	**(168,680)**	—
Outstanding on December 31,	**1,583,447**	798,931
Threshold Award	**950,837**	399,466
Target Award	**1,583,447**	798,931
Maximum Award	**2,339,171**	1,198,397

[1] In 2004 and 2003, the Company granted performance share unit awards with average fair values of $38.71 and $46.78, respectively.

The Company did not recognize any compensation expense in 2004 for awards from the 2004-2006 performance period, as it is not probable the Threshold Award performance level will be achieved.

NOTE 14: PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

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

Obligations and Funded Status

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

	Pension Benefits		Other Benefits	
December 31,	**2004**	2003	**2004**	2003
Benefit obligation at beginning of year[1]	**$ 2,495**	$ 2,182	**$ 761**	$ 651
Service cost	**85**	76	**27**	25
Interest cost	**147**	140	**44**	44
Foreign currency exchange rate changes	**71**	90	**1**	1
Amendments	**—**	(2)	**—**	(25)
Actuarial (gain) loss[2]	**124**	142	**(11)**	86
Benefits paid[3]	**(125)**	(122)	**(25)**	(22)
Curtailments	**3**	(23)	**—**	(6)
Special termination benefits	**—**	12	**—**	5
Other	**—**	—	**4**	2
Benefit obligation at end of year[1]	**$ 2,800**	$ 2,495	**$ 801**	$ 761

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

[2] During 2004, our accumulated postretirement benefit obligation was reduced by $67 million due to the adoption of FSP 106-2. Refer to Note 1.

[3] Benefits paid from pension benefit plans during 2004 and 2003 included $25 million and $27 million, respectively, in payments related to unfunded pension plans that were paid from Company assets. All of the benefits paid from other benefit plans during 2004 and 2003 were paid from Company assets.

The accumulated benefit obligation for our pension plans was $2,440 million and $2,145 million at December 31, 2004 and 2003, respectively.

The total projected benefit obligation and fair value of plan assets for the pension plans with projected benefit obligations in excess of plan assets were $1,112 million and $388 million, respectively, as of December 31, 2004 and $941 million and $311 million, respectively, as of December 31, 2003. The total accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $916 million and $341 million, respectively, as of December 31, 2004 and $770 million and $274 million, respectively, as of December 31, 2003.

NOTE 14: PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

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

	Pension Benefits		Other Benefits	
December 31,	**2004**	2003	**2004**	2003
Fair value of plan assets at beginning of year[1]	**$ 2,024**	$ 1,452	**$ —**	$ —
Actual return on plan assets	**243**	405	**1**	—
Employer contributions	**179**	208	**9**	—
Foreign currency exchange rate changes	**51**	54	**—**	—
Benefits paid	**(100)**	(95)	**—**	—
Fair value of plan assets at end of year[1]	**$ 2,397**	$ 2,024	**$ 10**	$ —

[1] Plan assets include 1.6 million shares of common stock of our Company with a fair value of $67 million and $82 million as of December 31, 2004 and 2003, respectively. Dividends received on common stock of our Company during 2004 and 2003 were $1.6 million and $1.4 million, respectively.

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

	Pension Benefits		Other Benefits	
December 31,	**2004**	2003	**2004**	2003
Funded status—plan assets less than benefit obligations	**$ (403)**	$ (471)	**$ (791)**	$ (761)
Unrecognized net actuarial loss	**447**	429	**187**	203
Unrecognized prior service cost (benefit)	**47**	55	**(6)**	(7)
Net prepaid asset (liability) recognized	**$ 91**	$ 13	**$ (610)**	$ (565)
Prepaid benefit cost	**$ 527**	$ 407	**$ —**	$ —
Accrued benefit liability	**(595)**	(519)	**(610)**	(565)
Intangible asset	**15**	16	**—**	—
Accumulated other comprehensive income	**144**	109	**—**	—
Net prepaid asset (liability) recognized	**$ 91**	$ 13	**$ (610)**	$ (565)

NOTE 14: PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

Components of Net Periodic Benefit Cost

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

	Pension Benefits			Other Benefits		
Year Ended December 31,	**2004**	2003	2002	**2004**	2003	2002
Service cost	**$ 85**	$ 76	$ 63	**$ 27**	$ 25	$ 18
Interest cost	**147**	140	132	**44**	44	38
Expected return on plan assets	**(153)**	(130)	(137)	**—**	—	—
Amortization of prior service cost (benefit)	**8**	7	6	**(1)**	—	2
Recognized net actuarial loss	**35**	27	8	**3**	6	—
Net periodic benefit cost[1]	**$ 122**	$ 120	$ 72	**$ 73**	$ 75	$ 58

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

In 2003, the Company recorded a charge of $23 million for special retirement benefits and curtailment costs as part of the streamlining costs discussed in Note 17.

Assumptions

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

	Pension Benefits		Other Benefits	
December 31,	**2004**	2003	**2004**	2003
Discount rate	**5½%**	6%	**6%**	6¼%
Rate of increase in compensation levels	**4%**	4¼%	**4½%**	4½%

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

	Pension Benefits			Other Benefits		
Year Ended December 31,	**2004**	2003	2002	**2004**	2003	2002
Discount rate[1]	**6%**	6%	6½%	**6¼%**	6½%	7¼%
Rate of increase in compensation levels	**4¼%**	4¼%	4¼%	**4½%**	4½%	4½%
Expected long-term rate of return on plan assets	**7¾%**	7¾%	8¼%	**8½%**	—	—

[1] On March 27, 2003, the primary qualified and nonqualified U.S. pension plans, as well as the U.S. postretirement health care plan, were remeasured to reflect the effect of the curtailment resulting from the Company's streamlining initiatives. Refer to Note 17. The discount rate assumption used to determine 2003 net periodic benefit cost for these U.S. plans was 6¾ percent prior to the remeasurement and 6½ percent subsequent to the remeasurement. This change in the discount rate is reflected in the 2003 weighted-average discount rate of 6 percent for all pension benefit plans and 6½ percent for other benefit plans.

NOTE 14: PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

The assumed health care cost trend rates are as follows:

December 31,	**2004**	2003
Health care cost trend rate assumed for next year	**9½%**	10%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	**5¼%**	5¼%
Year that the rate reaches the ultimate trend rate	**2010**	2009

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

	One Percentage Point Increase	One Percentage Point Decrease
Effect on accumulated postretirement benefit obligation as of December 31, 2004	$ 128	$ (111)
Effect on total of service cost and interest cost in 2004	$ 13	$ (11)

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

Plan Assets

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

December 31,	**2004**	2003	Target Asset Allocation
Equity securities[1]	**60%**	60%	56%
Debt securities	**31%**	32%	35%
Real estate and other[2]	**9%**	8%	9%
Total	**100%**	100%	100%

[1] As of December 31, 2004 and 2003, 3 percent and 4 percent, respectively, of total pension plan assets were invested in common stock of our Company.

[2] As of December 31, 2004 and 2003, 4 percent of total pension plan assets were invested in real estate.

Investment objectives for the Company's U.S. pension plan assets, which comprise 72 percent of total pension plan assets as of December 31, 2004, are to:

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

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

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

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

NOTE 14: PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

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

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

As of December 31, 2004, no investment manager was responsible for more than 10 percent of total U.S. plan assets. In addition, diversification requirements for each investment manager prevent a single security or other investment from exceeding 10 percent, at historical cost, of the total U.S. plan assets.

The expected long-term rate of return assumption on U.S. plan assets is based upon the target asset allocation and is determined using forward-looking assumptions in the context of historical returns and volatilities for each asset class, as well as correlations among asset classes. We evaluate the rate of return assumption on an annual basis. The expected long-term rate of return assumption used in computing 2004 net periodic pension cost for the U.S. plans was 8.5 percent. As of December 2004, the 10 year annualized return on U.S. plan assets was 11.8 percent, the 15 year annualized return was 11.0 percent, and the annualized return since inception was 12.9 percent.

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

Cash Flows

Information about the expected cash flow for our pension and other postretirement benefit plans is as follows:

	Pension Benefits	Other Benefits
Expected employer contributions:		
2005	$ 114	$ 9
Expected benefit payments[1]:		
2005	130	30
2006	121	32
2007	126	35
2008	128	37
2009	129	40
2010-2014	706	236

[1] The expected benefit payments for our other postretirement benefit plans do not reflect any estimated federal subsidies expected to be received under the Medicare Prescription Drug, Improvement and Modernization Act of 2003. Federal subsidies are estimated to range from $2.1 million in 2005 to $2.8 million in 2009 and are estimated to be $18.5 million for the period 2010-2014.

NOTE 14: PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS (Continued)

Defined Contribution Plans

Our Company sponsors a qualified defined contribution plan covering substantially all U.S. employees. Under this plan, we match 100 percent of participants' contributions up to a maximum of 3 percent of compensation. Company contributions to the U.S. plan were $18 million, $20 million and $20 million in 2004, 2003 and 2002, respectively. We also sponsor defined contribution plans in certain locations outside the United States. Company contributions to these plans were $8 million, $7 million and $6 million in 2004, 2003 and 2002, respectively.

NOTE 15: INCOME TAXES

Income before income taxes and cumulative effect of accounting change consists of the following (in millions):

Year Ended December 31,	**2004**	2003	2002
United States	**$ 2,535**	$ 2,029	$ 2,062
International	**3,687**	3,466	3,437
	$ 6,222	$ 5,495	$ 5,499

Income tax expense (benefit) consists of the following (in millions):

Year Ended December 31,	United States	State and Local	International	Total
2004				
Current	**$ 350**	**$ 64**	**$ 799**	**$ 1,213**
Deferred	**209**	**29**	**(76)**	**162**
2003				
Current	$ 426	$ 84	$ 826	$ 1,336
Deferred	(145)	(11)	(32)	(188)
2002				
Current	$ 455	$ 55	$ 973	$ 1,483
Deferred	2	23	15	40

We made income tax payments of approximately $1,500 million, $1,325 million and $1,508 million in 2004, 2003 and 2002, respectively.

NOTE 15: INCOME TAXES (Continued)

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

Year Ended December 31,	**2004**	2003	2002
Statutory U.S. federal rate	**35.0 %**	35.0 %	35.0 %
State income taxes—net of federal benefit	**1.0**	0.9	0.9
Earnings in jurisdictions taxed at rates different from the statutory U.S. federal rate	**(9.4)**[1,2]	(10.6)[7]	(6.0)
Equity income or loss	**(3.1)**[3,4]	(2.4)[8]	(2.0)[10]
Other operating charges	**(0.9)**[5]	(1.1)[9]	—
Write-down/sale of certain bottling investments	**—**	—	0.7 [11]
Other—net	**(0.5)**[6]	(0.9)	(0.9)
Effective rates	**22.1 %**	20.9 %	27.7 %

[1] Includes approximately $92 million (or 1.4 percent) tax benefit related to the favorable resolution of various tax issues and settlements.

[2] Includes tax charge of approximately $75 million (or 1.2 percent) related to recording of valuation allowance on various deferred tax assets recorded in Germany.

[3] Includes approximately $50 million (or 0.8 percent) tax benefit related to the realization of certain foreign tax credits per provisions of the Jobs Creation Act.

[4] Includes approximately $13 million (or 0.1 percent) tax charge on our proportionate share of the favorable tax settlement related to Coca-Cola FEMSA.

[5] Primarily related to impairment of franchise rights at CCEAG and certain manufacturing investments. Refer to Note 16.

[6] Includes approximately $36 million (or 0.6 percent) tax benefit related to the favorable resolution of various tax issues and settlements.

[7] Includes approximately $50 million (or 0.8 percent) tax benefit for the release of tax reserves due primarily to the resolution of various tax matters.

[8] Includes the tax effect of the write-down of certain intangible assets held by bottling investments in Latin America. Refer to Note 2.

[9] Includes the tax effect of the charges for streamlining initiatives. Refer to Note 17.

[10] Includes the tax effect of the charges by equity investees in 2002. Refer to Note 16.

[11] Includes gains on the sale of Cervejarias Kaiser Brazil, Ltda and the write-down of certain bottling investments, primarily in Latin America. Refer to Note 16.

Our effective tax rate reflects the tax benefits from having significant operations outside the United States that are taxed at rates lower than the statutory U.S. rate of 35 percent. In 2003, our effective tax rate reflects further benefit from realization of tax benefits on charges related to streamlining initiatives recorded in locations with tax rates higher than our effective tax rate.

In 2003, management concluded that it was more likely than not that tax benefits would not be realized on Coca-Cola FEMSA's write-down of intangible assets in Latin America in connection with its merger with Panamco. Refer to Note 2. In 2002, management concluded that it was more likely than not that tax benefits would not be realized with respect to principally all of the items disclosed in Note 16. Accordingly, valuation

NOTE 15: INCOME TAXES (Continued)

allowances were recorded to offset the future tax benefit of these items, resulting in an increase in our effective tax rate.

Undistributed earnings of the Company's foreign subsidiaries amounted to approximately $9.8 billion at December 31, 2004. Those earnings are considered to be indefinitely reinvested and, accordingly, no U.S. federal and state income taxes have been provided thereon. Upon distribution of those earnings in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practical because of the complexities associated with its hypothetical calculation; however, unrecognized foreign tax credits would be available to reduce a portion of the U.S. liability.

As discussed in Note 1, the Jobs Creation Act was enacted in October 2004. One of the provisions provides a one time benefit related to foreign tax credits generated by equity investments in prior years. The Company recorded an income tax benefit of approximately $50 million as a result of this law change in 2004. The Jobs Creation Act also includes a temporary incentive for U.S. multinationals to repatriate foreign earnings at an effective 5.25 percent tax rate. As of December 31, 2004, management had not decided whether, and to what extent, we might repatriate foreign earnings under the Jobs Creation Act, and accordingly, the consolidated financial statements do not reflect any provision for taxes on the unremitted foreign earnings that might be remitted under the Jobs Creation Act. Based on our analysis to date, however, it is reasonably possible that we may repatriate some amount between $0 and $6.1 billion, with the respective tax liability ranging from $0 to $400 million. We expect to be in a position to finalize our assessment by December 31, 2005.

NOTE 15: INCOME TAXES (Continued)

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

December 31,	2004	2003
Deferred tax assets:		
Property, plant and equipment	**$ 71**	$ 87
Trademarks and other intangible assets	**65**	68
Equity method investments (including translation adjustment)	**530**	485
Other liabilities	**149**	242
Benefit plans	**594**	669
Net operating/capital loss carryforwards	**856**	711
Other	**257**	195
Gross deferred tax assets	**2,522**	2,457
Valuation allowance	**(854)**	(630)
Total deferred tax assets[1]	**$ 1,668**	$ 1,827
Deferred tax liabilities:		
Property, plant and equipment	**$ (684)**	$ (737)
Trademarks and other intangible assets	**(247)**	(247)
Equity method investments (including translation adjustment)	**(612)**	(468)
Other liabilities	**(71)**	(55)
Other	**(180)**	(211)
Total deferred tax liabilities	**$ (1,794)**	$ (1,718)
Net deferred tax assets (liabilities)	**$ (126)**	$ 109

[1] Deferred tax assets of $324 million and $446 million were included in the consolidated balance sheet line item other assets at December 31, 2004 and 2003, respectively.

On December 31, 2004 and 2003, we had approximately $194 million and $160 million, respectively, of net deferred tax assets located in countries outside the United States.

On December 31, 2004, we had $3,258 million of loss carryforwards available to reduce future taxable income. Loss carryforwards of $861 million must be utilized within the next five years; $550 million must be utilized within the next 10 years and the remainder can be utilized over a period greater than 10 years.

NOTE 16: SIGNIFICANT OPERATING AND NONOPERATING ITEMS

Operating income in 2004 reflected the impact of $480 million of expenses primarily related to impairment charges for franchise rights and certain manufacturing investments. These impairment charges were recorded in the consolidated statement of income line item other operating charges.

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

NOTE 16: SIGNIFICANT OPERATING AND NONOPERATING ITEMS (Continued)

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

In the third quarter of 2004, we recorded impairment charges of approximately $392 million, which were primarily related to the impairment of franchise rights at CCEAG. The CCEAG impairment was the result of our revised outlook for the German market, which has been unfavorably impacted by volume declines resulting from market shifts related to the deposit law on nonreturnable beverage packages and the corresponding lack of availability of our products in the discount retail channel. Refer to Note 4.

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

In the first quarter of 2003, the Company reached a settlement with certain defendants in a vitamin antitrust litigation matter. In that litigation, the Company alleged that certain vitamin manufacturers participated in a global conspiracy to fix the price of some vitamins, including vitamins used in the manufacture of some of the Company's products. During the first quarter of 2003, the Company received a settlement relating to this litigation of approximately $52 million on a pretax basis, or $0.01 per share on an after-tax basis. The amount was recorded as a reduction to cost of goods sold.

Refer to Note 2 for disclosure regarding the merger of Coca-Cola FEMSA and Panamco in 2003 and the recording of a $102 million noncash pretax charge to the consolidated statement of income line item equity income—net.

In the third quarter of 2002, our Company recorded a noncash pretax charge of approximately $33 million related to our share of impairment and restructuring charges taken by certain equity method investees in Latin America. This charge was recorded in the consolidated statement of income line item equity income—net.

Our Company had direct and indirect ownership interests totaling approximately 18 percent in Cervejarias Kaiser S.A. ("Kaiser S.A."). In March 2002, Kaiser S.A. sold its investment in Cervejarias Kaiser Brazil, Ltda to Molson Inc. ("Molson") for cash of approximately $485 million and shares of Molson valued at approximately $150 million. Our Company's pretax share of the gain related to this sale was approximately $43 million, of which approximately $21 million was recorded in the consolidated statement of income line item equity income—net, and approximately $22 million was recorded in the consolidated statement of income line item other income (loss)—net.

In the first quarter of 2002, our Company recorded a noncash pretax charge of approximately $157 million (recorded in the consolidated statement of income line item other income (loss)—net), primarily related to the write-down of certain investments in Latin America. This write-down reduced the carrying value of these investments in Latin America to fair value. The charge was primarily the result of the economic developments in Argentina during the first quarter of 2002, including the devaluation of the Argentine peso and the severity of the unfavorable economic outlook.

NOTE 17: STREAMLINING COSTS

During 2003, the Company took steps to streamline and simplify its operations, primarily in North America and Germany. In North America, the Company integrated the operations of three formerly separate North American business units—Coca-Cola North America, The Minute Maid Company and Coca-Cola Fountain. In Germany, CCEAG took steps to improve its efficiency in sales, distribution and manufacturing, and our German

NOTE 17: STREAMLINING COSTS (Continued)

Division office also implemented streamlining initiatives. Selected other operations also took steps to streamline their operations to improve overall efficiency and effectiveness. As disclosed in Note 1, under SFAS No. 146, a liability is accrued only when certain criteria are met. All of the Company's streamlining initiatives met the criteria of SFAS No. 146 as of December 31, 2003, and all related costs have been incurred as of December 31, 2003.

Employees separated from the Company as a result of these streamlining initiatives were offered severance or early retirement packages, as appropriate, which included both financial and nonfinancial components. The expenses recorded during the year ended December 31, 2003 included costs associated with involuntary terminations and other direct costs associated with implementing these initiatives. As of December 31, 2003, approximately 3,700 associates had been separated pursuant to these streamlining initiatives. Other direct costs included the relocation of employees; contract termination costs; costs associated with the development, communication and administration of these initiatives; and asset write-offs. During 2003, the Company incurred total pretax expenses related to these streamlining initiatives of approximately $561 million, or $0.15 per share after-tax. These expenses were recorded in the line item other operating charges.

The table below summarizes the costs incurred to date, the balances of accrued streamlining expenses and the movement in those balances as of and for the years ended December 31, 2003 and 2004 (in millions):

Cost Summary	Costs Incurred in 2003	Payments	Noncash and Exchange	Accrued Balance December 31, 2003	Payments	Noncash and Exchange	Accrued Balance December 31, 2004
Severance pay and benefits	$ 248	$ (113)	$ 3	$ 138	$ (118)	$ (2)	$ 18
Retirement related benefits	43	—	(14)	29	—	(29)	—
Outside services—legal, outplacement, consulting	36	(25)	—	11	(10)	(1)	—
Other direct costs	133	(81)	(1)	51	(29)	1	23
Total[1]	$ 460	$ (219)	$ (12)	$ 229	$ (157)	$ (31)	$ 41
Asset impairments	$ 101						
Total costs incurred	$ 561						

[1] As of December 31, 2003 and 2004, $206 million and $41 million, respectively, was included in our consolidated balance sheet line item accounts payable and accrued expenses. As of December 31, 2003, approximately $23 million was included in our consolidated balance sheet line item other liabilities. As of December 31, 2004, this amount was reclassified to the pension and postretirement benefit accounts as such amounts will be paid out in accordance with the Company's defined benefit and postretirement benefit plans over a number of years.

NOTE 17: STREAMLINING COSTS (Continued)

The total streamlining initiative costs incurred for the year ended December 31, 2003 by operating segment were as follows (in millions):

North America	$ 273
Africa	12
Asia	18
Europe, Eurasia and Middle East	183
Latin America	8
Corporate	67
Total	$ 561

NOTE 18: ACQUISITIONS AND INVESTMENTS

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

During 2003, our Company's acquisition and investment activity totaled approximately $359 million. These acquisitions included purchases of trademarks, brands and related contractual rights of approximately $142 million, none of which was individually significant. Refer to Note 4. Other acquisition and investing activity totaled approximately $217 million, and with the exception of the acquisition of Truesdale, none was individually significant. In March 2003, our Company acquired a 100 percent ownership interest in Truesdale from CCE for cash consideration of approximately $58 million. Truesdale owns a noncarbonated beverage production facility. The purchase price was allocated primarily to property, plant and equipment acquired. No amount was allocated to intangible assets. Truesdale is included in our North America operating segment.

During 2002, our Company's acquisition and investment activity totaled approximately $1,144 million. Included in this $1,144 million, our Company paid $544 million in cash and recorded a note payable of approximately $600 million to finance the CCEAG acquisition described below.

In November 2001, we entered into the Control and Profit and Loss Transfer Agreement ("CPL") with CCEAG. Under the terms of the CPL, our Company acquired management control of CCEAG. In November 2001, we also entered into a Pooling Agreement with certain shareowners of CCEAG that provided our Company with voting control of CCEAG. Both agreements became effective in February 2002, when our Company acquired control of CCEAG for a term ending no later than December 31, 2006. CCEAG is included in our Europe, Eurasia and Middle East operating segment. As a result of acquiring control of CCEAG, our Company is working to help focus its sales and marketing programs and assist in developing the business. This transaction was accounted for as a business combination, and the results of CCEAG's operations have been included in the Company's consolidated financial statements since February 2002. Prior to February 2002, our Company accounted for CCEAG under the equity method of accounting. As of December 31, 2002, our Company had approximately a 41 percent ownership interest in the outstanding shares of CCEAG. In return for control of CCEAG, pursuant to the CPL we guaranteed annual payments, in lieu of dividends by CCEAG, to all other CCEAG shareowners. These guaranteed annual payments equal 0.76 euro for each CCEAG share outstanding. Additionally, all other CCEAG shareowners entered into either a put or a put/call option agreement with the Company, exercisable at any time up to the December 31, 2006 expiration date. In 2003, one of the other shareowners exercised its put option which represented approximately 29 percent of the outstanding

NOTE 18: ACQUISITIONS AND INVESTMENTS (Continued)

shares of CCEAG. All payments related to the exercise of the put options will be made in 2006. Our Company entered into either put or put/call agreements for shares representing approximately a 59 percent interest in CCEAG. The spread in the strike prices of the put and call options is approximately 3 percent.

As of the date of the transaction, the Company concluded that the exercise of the put and/or call agreements was a virtual certainty based on the minimal differences in the strike prices. We concluded that either the holder of the put option would require the Company to purchase the shares at the agreed-upon put strike price, or the Company would exercise its call option and require the shareowner to tender its shares at the agreed-upon call strike price. If these puts or calls are exercised, the actual transfer of shares would not occur until the end of the term of the CPL. Coupled with the guaranteed payments in lieu of dividends for the term of the CPL, these instruments represented the financing vehicle for the transaction. As such, the Company determined that the economic substance of the transaction resulted in the acquisition of the remaining outstanding shares of CCEAG and required the Company to account for the transaction as a business combination. Furthermore, the terms of the CPL transferred control and all of the economic risks and rewards of CCEAG to the Company immediately.

The present value of the total amount likely to be paid by our Company to all other CCEAG shareowners, including the put or put/call payments and the guaranteed annual payments in lieu of dividends, was approximately $1,041 million at December 31, 2004. This amount increased from the initial liability of approximately $600 million due to the accretion of the discounted value to the ultimate maturity of the liability, as well as approximately $350 million of translation adjustment related to this liability. This liability is included in the line item other liabilities. The accretion of the discounted value to its ultimate maturity value is recorded in the line item other income (loss)—net, and this amount was approximately $58 million, $51 million and $38 million, respectively, for the years ended December 31, 2004, 2003 and 2002.

In July 2002, our Company and Danone Waters of North America, Inc. ("DWNA") formed a new limited liability company, CCDA Waters, L.L.C. ("CCDA"), for the production, marketing and distribution of DWNA's bottled spring and source water business in the United States. In forming CCDA, DWNA contributed assets of its retail bottled spring and source water business in the United States. These assets included five production facilities, a license for the use of the Dannon and Sparkletts brands, as well as ownership of several value brands. Our Company made a cash payment to acquire a controlling 51 percent equity interest in CCDA and is also providing marketing, distribution and management expertise. This transaction was accounted for as a business combination, and the consolidated results of CCDA's operations have been included in the Company's consolidated financial statements since July 2002. This business combination expanded our water brands to include a national offering in all sectors of the water category with purified, spring and source waters. CCDA is included in our North America operating segment.

In January 2002, our Company and Coca-Cola Bottlers Philippines, Inc. ("CCBPI") finalized the purchase of RFM Corp.'s ("RFM") approximate 83 percent interest in Cosmos Bottling Corporation ("CBC"), a publicly traded Philippine beverage company. CBC is an established carbonated soft-drink business in the Philippines and is included in our Asia operating segment. The original sale and purchase agreement with RFM was entered into in November 2001. As of the date of this sale and purchase agreement, the Company began supplying concentrate for this operation. The purchase of RFM's interest was finalized on January 3, 2002. In March 2002, a tender offer was completed with our Company and CCBPI acquiring all shares of the remaining minority shareowners except for shares representing a 1 percent interest in CBC. This transaction was accounted for as a business combination, and the results of CBC's operations were included in the Company's consolidated financial statements from January 2002 to March 2003.

NOTE 18: ACQUISITIONS AND INVESTMENTS (Continued)

The Company and CCBPI agreed to restructure the ownership of the operations of CBC, and this transaction was completed in April 2003. This transaction resulted in the Company acquiring all the trademarks of CBC, and CCBPI owning approximately 99 percent of the outstanding shares of CBC. Accordingly, CBC was deconsolidated by the Company. No gain or loss was recorded by our Company upon completion of the transaction, as the fair value of the assets exchanged was approximately equal. Additionally, there was no impact on our cash flows related to this transaction.

Our Company acquired controlling interests in CCDA and CBC for a total combined consideration of approximately $328 million. As of December 31, 2003, the Company allocated approximately $56 million of the purchase price for these acquisitions to goodwill and $208 million to other indefinite-lived intangible assets, primarily trademarks, brands and licenses. This goodwill is all related to the CCDA acquisition and is allocated to our North America operating segment.

The combined 2002 net operating revenues of CCEAG, CBC and CCDA were approximately $1.3 billion.

The acquisitions and investments have been accounted for by the purchase method of accounting. Their results have been included in our consolidated financial statements from their respective dates of acquisition. Assuming the results of these businesses had been included in operations commencing with 2002, pro forma financial data would not be required due to immateriality.

NOTE 19: OPERATING SEGMENTS

Our Company's operating structure includes the following operating segments: North America; Africa; Asia; Europe, Eurasia and Middle East; Latin America; and Corporate. North America includes the United States, Canada and Puerto Rico. Prior-period amounts have been reclassified to conform to the current-period presentation.

Segment Products and Services

The business of our Company is nonalcoholic beverages. Our operating segments derive a majority of their revenues from the manufacture and sale of beverage concentrates and syrups and, in some cases, the sale of finished beverages. The following table summarizes the contribution to net operating revenues from Company operations (in millions):

Year Ended December 31,	**2004**	2003	2002
Company operations, excluding bottling operations	**$ 18,871**	$ 18,177	$ 17,123
Company-owned bottling operations	**3,091**	2,867	2,441
Consolidated net operating revenues	**$ 21,962**	$ 21,044	$ 19,564

Method of Determining Segment Profit or Loss

Management evaluates the performance of our operating segments separately to individually monitor the different factors affecting financial performance. Segment profit or loss includes substantially all the segment's costs of production, distribution and administration. Our Company typically manages and evaluates equity investments and related income on a segment level. However, we manage certain significant investments, such as our equity interests in CCE, within the Corporate operating segment. Our Company manages income taxes on a global basis. We manage financial costs, such as interest income and expense, on a global basis within the Corporate operating segment. Thus, we evaluate segment performance based on profit or loss before income taxes and cumulative effect of accounting change.

NOTE 19: OPERATING SEGMENTS (Continued)

Information about our Company's operations by operating segment is as follows (in millions):

	North America	Africa	Asia	Europe, Eurasia and Middle East	Latin America	Corporate	Consolidated
2004							
Net operating revenues	**$ 6,643**	**$ 1,067**	**$ 4,691**[1]	**$ 7,195**	**$ 2,123**	**$ 243**	**$ 21,962**
Operating income (loss)[2]	**1,606**	**340**	**1,758**	**1,898**	**1,069**	**(973)**[3]	**5,698**
Interest income						**157**	**157**
Interest expense						**196**	**196**
Depreciation and amortization	**345**	**28**	**133**	**245**	**42**	**100**	**893**
Equity income (loss)—net	**11**	**12**	**83**	**85**	**185** [4]	**245**	**621**
Income (loss) before income taxes and cumulative effect of accounting change[2]	**1,629**	**337**	**1,841**	**1,916**	**1,270** [4]	**(771)**[3,5]	**6,222**
Identifiable operating assets	**4,731**	**789**	**1,722**	**5,373** [6]	**1,405**	**11,055** [7]	**25,075**
Investments[8]	**116**	**162**	**1,401**	**1,323**	**1,580**	**1,670**	**6,252**
Capital expenditures	**247**	**28**	**92**	**233**	**38**	**117**	**755**
2003							
Net operating revenues	$ 6,344	$ 827	$ 5,052[1]	$ 6,556	$ 2,042	$ 223	$ 21,044
Operating income (loss)[9]	1,282	249	1,690	1,908	970	(878)[10]	5,221
Interest income						176	176
Interest expense						178	178
Depreciation and amortization	305	27	124	230	52	112	850
Equity income (loss)—net	13	13	65	78	(5)[11]	242	406
Income (loss) before income taxes and cumulative effect of accounting change[9]	1,326	249	1,740	1,921	975 [11]	(716)[10]	5,495
Identifiable operating assets	4,953	721	1,923	5,222 [6]	1,440	7,545 [7]	21,804
Investments[8]	109	156	1,345	1,229	1,348	1,351	5,538
Capital expenditures	309	13	148	198	35	109	812
2002							
Net operating revenues	$ 6,264	$ 684	$ 5,054[1]	$ 5,262	$ 2,089	$ 211	$ 19,564
Operating income (loss)	1,531	224	1,820	1,612	1,033	(762)	5,458
Interest income						209	209
Interest expense						199	199
Depreciation and amortization	266	37	133	193	57	120	806
Equity income (loss)—net	15	(25)	60	(18)	131	221	384
Income (loss) before income taxes and cumulative effect of accounting change	1,552	187	1,848	1,540	1,081	(709)	5,499
Identifiable operating assets	4,999	565	2,370	4,481 [6]	1,205	5,795 [7]	19,415
Investments[8]	142	115	1,150	1,211	1,352	1,021	4,991
Capital expenditures	334	18	209	162	37	91	851

Intercompany transfers between operating segments are not material.

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

[1] Net operating revenues in Japan represented approximately 61 percent of total Asia operating segment net operating revenues in 2004, 67 percent in 2003 and 69 percent in 2002.

[2] Operating income (loss) and income (loss) before income taxes and cumulative effect of accounting change were reduced by approximately $18 million for North America, $15 million for Asia, $377 million for Europe, Eurasia and Middle East, $6 million for Latin America and $64 million for Corporate as a result of other operating charges recorded for asset impairments. Refer to Note 16.

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

[4] Equity income (loss)—net and income (loss) before income taxes and cumulative effect of accounting change for Latin America were increased by approximately $37 million as a result of a favorable tax settlement related to Coca-Cola FEMSA, one of our equity method investees. Refer to Note 2.

[5] Income (loss) before income taxes and cumulative effect of accounting change was increased by approximately $24 million for Corporate due to noncash pre-tax gains that were recognized on the issuances of stock by CCE, one of our equity investees. Refer to Note 3.

[6] Identifiable operating assets in Germany represent approximately 46 percent of total Europe, Eurasia and Middle East identifiable operating assets in 2004 and 50 percent in 2003 and 2002.

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

[8] Principally equity investments in bottling companies.

[9] Operating income (loss) and income (loss) before income taxes and cumulative effect of accounting change were reduced by approximately $273 million for North America, $12 million for Africa, $18 million for Asia, $183 million for Europe, Eurasia and Middle East, $8 million for Latin America and $67 million for Corporate as a result of streamlining charges. Refer to Note 17.

[10] Operating income (loss) and income (loss) before income taxes and cumulative effect of accounting change were increased by approximately $52 million for Corporate as a result of the Company's receipt of a settlement related to a vitamin antitrust litigation matter. Refer to Note 16.

[11] Equity income (loss)—net and income (loss) before income taxes and cumulative effect of accounting change for Latin America were reduced by $102 million primarily for a charge related to one of our equity method investees. Refer to Note 2.

NOTE 19: OPERATING SEGMENTS (Continued)

Compound Growth Rate Ended December 31, 2004	North America	Africa	Asia	Europe, Eurasia and Middle East	Latin America	Corporate	Consolidated
Net operating revenues							
5 years	4.2%	9.3%	0.5%	11.8%	3.2%	8.0%	5.5%
10 years	5.0%	6.5%	4.1%	4.1%	1.0%	19.2%	4.2%
Operating income							
5 years	2.1%	9.3%	8.0%	15.9%	5.2%	*	7.4%
10 years	5.7%	5.1%	4.2%	4.3%	3.4%	*	4.6%

* Calculation is not meaningful.

REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
The Coca-Cola Company and Subsidiaries

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

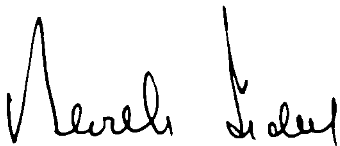
Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rules 13a-15(f) under the Securities Exchange Act of 1934 ("Exchange Act"). The Company's internal control over financial reporting is designed to provide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

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

The Audit Committee of our Company's Board of Directors, composed solely of Directors who are independent in accordance with the requirements of the New York Stock Exchange listing standards, the Exchange Act and the Company's Corporate Governance Guidelines, meets with the independent auditors, management and internal auditors periodically to discuss internal control over financial reporting and auditing and financial reporting matters. The Committee reviews with the independent auditors the scope and results of the audit effort. The Committee also meets periodically with the independent auditors and the chief internal auditor without management present to ensure that the independent auditors and the chief internal auditor have free access to the Committee. Our Audit Committee's Report can be found in the Company's 2005 proxy statement.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2004. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control—Integrated Framework*. Based on our assessment, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2004.

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

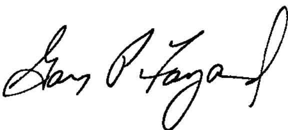


E. Neville Isdell
Chairman, Board of Directors,
and Chief Executive Officer

February 25, 2005

Connie D. McDaniel
Vice President
and Controller

February 25, 2005



Gary P. Fayard
Executive Vice President
and Chief Financial Officer

February 25, 2005

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareowners
The Coca-Cola Company

We have audited the accompanying consolidated balance sheets of The Coca-Cola Company and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, shareowners' equity, and cash flows for each of the three years in the period ended December 31, 2004. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Coca-Cola Company and subsidiaries at December 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, in 2004 the Company adopted the provisions of FASB Interpretation No. 46 (revised December 2003) regarding the consolidation of variable interest entities. As discussed in Notes 1 and 4 to the consolidated financial statements, in 2002 the Company changed its method of accounting for goodwill and other intangible assets.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of The Coca-Cola Company and subsidiaries' internal control over financial reporting as of December 31, 2004, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2005, expressed an unqualified opinion thereon.

Ernst & Young LLP

Atlanta, Georgia
February 25, 2005

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

Board of Directors and Shareowners
The Coca-Cola Company

We have audited management's assessment, included in the accompanying Report of Management on Internal Control Over Financial Reporting, that The Coca-Cola Company and subsidiaries maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Coca-Cola Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, management's assessment that The Coca-Cola Company and subsidiaries maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, The Coca-Cola Company and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of The Coca-Cola Company and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, shareowners' equity, and cash flows for each of the three years in the period ended December 31, 2004, and our report dated February 25, 2005, expressed an unqualified opinion thereon.

Ernst & Young LLP

Atlanta, Georgia
February 25, 2005

Quarterly Data (Unaudited)

Year Ended December 31,	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
(In millions, except per share data)					
2004					
Net operating revenues	**$ 5,078**	**$ 5,965**	**$ 5,662**	**$ 5,257**	**$ 21,962**
Gross profit	**3,325**	**3,935**	**3,610**	**3,454**	**14,324**
Net income	**1,127**	**1,584**	**935**	**1,201**	**4,847**
Basic net income per share:	**$ 0.46**	**$ 0.65**	**$ 0.39**	**$ 0.50**	**$ 2.00**
Diluted net income per share:	**$ 0.46**	**$ 0.65**	**$ 0.39**	**$ 0.50**	**$ 2.00**
2003					
Net operating revenues	$ 4,502	$ 5,695	$ 5,671	$ 5,176	$ 21,044
Gross profit	2,885	3,568	3,503	3,326	13,282
Net income	835	1,362	1,223	927	4,347
Basic net income per share:	$ 0.34	$ 0.55	$ 0.50	$ 0.38	$ 1.77
Diluted net income per share:	$ 0.34	$ 0.55	$ 0.50	$ 0.38	$ 1.77

In the first quarter of 2004 as compared to the first quarter of 2003, the results were impacted by four additional shipping days. The increase in shipping days in the first quarter were largely offset in the fourth quarter of 2004.

In the second quarter of 2004, our Company's equity income benefited by approximately $37 million for our proportionate share of a favorable tax settlement related to Coca-Cola FEMSA. Refer to Note 2.

In the second quarter of 2004, our Company recorded impairment charges totaling approximately $88 million primarily related to write-downs of certain manufacturing investments and an intangible asset. Refer to Note 16.

In the second quarter of 2004, our Company recorded approximately $49 million of noncash pretax gains on issuances of stock by CCE. Refer to Note 3.

In the second quarter of 2004, our Company recorded an income tax benefit of approximately $41 million related to the reversal of previously accrued taxes resulting from a favorable agreement with authorities. Refer to Note 15.

In the third quarter of 2004, our Company recorded an income tax benefit of approximately $39 million related to the reversal of previously accrued taxes resulting from favorable resolution of tax matters. Refer to Note 15.

In the third quarter of 2004, our Company recorded an income tax expense of approximately $75 million related to the recognition of a valuation allowance on certain deferred taxes of CCEAG. Refer to Note 15.

In the third quarter of 2004, our Company recorded impairment charges totaling approximately $392 million primarily related to franchise rights at CCEAG. Refer to Note 16.

In the fourth quarter of 2004, our Company received a $75 million insurance settlement related to the class-action lawsuit that was settled in 2000. Also in the fourth quarter of 2004, the Company donated $75 million to the Coca-Cola Foundation. Refer to Note 16.

In the fourth quarter of 2004, our Company recorded an income tax benefit of approximately $48 million related to the reversal of previously accrued taxes resulting from favorable resolution of tax matters. Refer to Note 15.

In the fourth quarter of 2004, our Company recorded an income tax benefit of approximately $50 million related to the realization of certain foreign tax credits per provisions of the Jobs Creation Act. Refer to Note 15.

In the fourth quarter of 2004, our Company recorded approximately $25 million of noncash pretax losses to adjust the amount of the gain recognized in the second quarter of 2004 on issuances of stock by CCE. Refer to Note 3.

Certain amounts previously reported in our 2003 Quarterly Reports on Form 10-Q were reclassified to conform to our year-end 2003 presentation.

In the first quarter of 2003, the Company reached a settlement with certain defendants in a vitamin antitrust litigation matter. The Company received a settlement relating to this litigation of approximately $52 million on a pretax basis. Refer to Note 16.

In 2003, the Company took steps to streamline and simplify its operations, primarily in North America and Germany. Selected other operations also took steps to streamline their operations to improve overall efficiency and effectiveness. The pretax expense of these streamlining initiatives for the three months ended March 31, 2003, June 30, 2003, September 30, 2003 and December 31, 2003 was $159 million, $70 million, $43 million and $289 million, respectively. Refer to Note 17.

Effective May 6, 2003, Coca-Cola FEMSA consummated a merger with another of the Company's equity method investees, Panamerican Beverages, Inc. During the third quarter of 2003, our Company recorded a pretax noncash charge to equity income—net of $95 million primarily related to Coca-Cola FEMSA streamlining initiatives and impairment of certain intangible assets. During the fourth quarter of 2003, our Company recorded a pretax noncash charge of $7 million related solely to the streamlining and integration of these operations. Refer to Note 2.

In the fourth quarter of 2003, we favorably resolved various tax matters (approximately $50 million), partially offset by additional taxes primarily related to the repatriation of funds.

GLOSSARY

As used in this report, the following terms have the meanings indicated.

Bottling Partner or Bottler: businesses that buy concentrates (sometimes referred to as beverage bases) or syrups from the Company, convert them into finished packaged products and sell them to customers.

Carbonated Soft Drink: nonalcoholic carbonated beverage (sometimes referred to as soft drinks) containing flavorings and sweeteners. Excludes, among others, waters and flavored waters, juices and juice drinks, sports drinks, and teas and coffees.

The Coca-Cola System: the Company and its bottling partners.

Coca-Cola Trademark Beverages: cola-flavored Company Trademark Beverages.

Company: The Coca-Cola Company together with its subsidiaries.

Company Trademark Beverages: beverages bearing our trademarks and certain other beverage products licensed to our Company or owned by our bottling partners and distributors, for which our Company provides marketing support and derives profits from the sales.

Concentrate: material manufactured from Company-defined ingredients and sold to bottlers to prepare finished beverages through the addition of water and, depending on the product, sweeteners and/or carbonated water marketed under trademarks of the Company.

Consumer: person who drinks Company products.

Cost of Capital: after-tax blended cost of equity and borrowed funds used to invest in operating capital required for business.

Customer: retail outlet, restaurant or other operation that sells or serves Company products directly to consumers.

Derivatives: contracts or agreements, the value of which may change based on changes in interest rates, exchange rates, prices of securities, or financial or commodity indices. The Company uses derivatives to reduce our exposure to adverse fluctuations in interest and exchange rates and other market risks.

Fountain: system used by retail outlets to dispense product into cups or glasses for immediate consumption.

Gallons: unit of measurement for concentrates, syrups, beverage bases, finished beverages and powders (in all cases, expressed in equivalent gallons of syrup) for all beverage products which are reportable as unit case volume.

Gross Profit Margin: gross profit divided by net operating revenues.

Market: when used in reference to geographic areas, territory in which the Company and its bottling partners do business, often defined by national boundaries.

Net Capital: shareowners' equity added to net debt.

Net Debt: total debt less the sum of cash, cash equivalents and current marketable securities.

Noncarbonated Beverages: nonalcoholic beverages without carbonation including, but not limited to, waters and flavored waters, juices and juice drinks, sports drinks, and teas and coffees.

Operating Margin: operating income divided by net operating revenues.

Per Capita Consumption: average number of servings consumed per person, per year in a specific market. Per capita consumption of Company beverage products is calculated by multiplying our unit case volume by 24, and dividing by the population.

Return on Average Total Capital: net income before cumulative effect of accounting change (adding back interest expense, net of related taxes) divided by average total capital.

Return on Average Shareowners' Equity: net income before cumulative effect of accounting change divided by average shareowners' equity.

Serving: eight U.S. fluid ounces of a finished beverage.

Syrup: concentrate mixed with sweetener and water, sold to bottlers and customers who add carbonated water to produce finished carbonated soft drinks.

Total Capital: shareowners' equity plus total debt.

Total Debt: loans and notes payable, current maturities of long-term debt and long-term debt.

Total Market Value of Common Stock: stock price as of a date multiplied by the number of shares outstanding as of the same date.

Unit Case: unit of measurement equal to 192 U.S. fluid ounces of finished beverage (24 eight-ounce servings).

Unit Case Volume, or Volume: the number of unit cases (or unit case equivalents) of Company trademark or licensed beverage products directly or indirectly sold by the Coca-Cola system to customers. Volume primarily consists of beverage products bearing Company trademarks. Also included in volume are certain beverage products licensed to our Company or owned by our bottling partners and distributors, for which our Company provides marketing support and derives income from the sales. Such beverage products licensed to our Company or owned by our bottling partners account for a minimal portion of total unit case volume. Unit case volume is derived based on estimates received by the Company from its bottling partners and distributors.