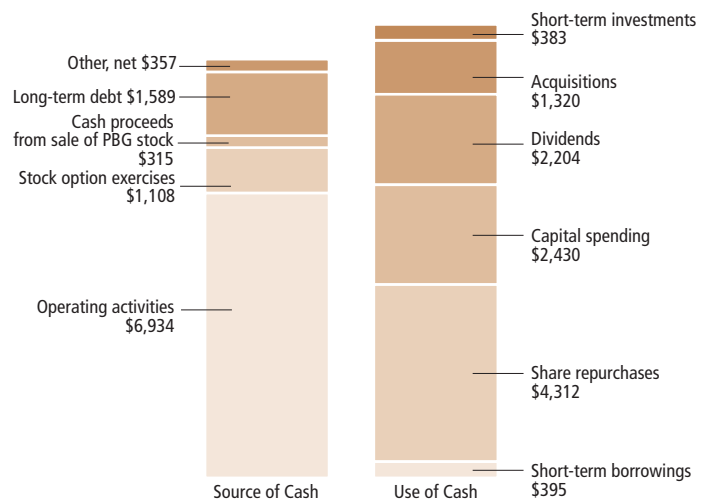


Our Liquidity and Capital Resources

Our strong cash-generating capability and financial condition give us ready access to capital markets throughout the world. Our principal source of liquidity is our operating cash flow. This cash-generating capability is one of our fundamental strengths and provides us with substantial financial flexibility in meeting operating, investing and financing needs. In addition, we have revolving credit facilities that are further discussed in Note 9. Our cash provided from operating activities is somewhat impacted by seasonality. Working capital needs are impacted by weekly sales, which are generally highest in the third quarter due to seasonal and holiday-related sales patterns, and generally lowest in the first quarter.

2007 Cash Utilization



Operating Activities

In 2007, our operations provided \$6.9 billion of cash, compared to \$6.1 billion in the prior year, primarily reflecting our solid business results. Our operating cash flow in 2006 also reflects a tax payment of \$420 million related to our repatriation of international cash in connection with the AJCA.

Investing Activities

In 2007, we used \$3.7 billion for our investing activities primarily reflecting capital spending of \$2.4 billion and acquisitions of \$1.3 billion. Acquisitions primarily included the remaining interest in a snacks joint venture in Latin America, Naked Juice Company and Bluebird Foods, and the acquisition of a minority interest in a juice company in the Ukraine through a joint venture with PAS. Proceeds from our sale of PBG stock of \$315 million were offset by net purchases of short-term investments of \$383 million. In 2006, capital spending of \$2.1 billion and acquisitions of \$522 million were mostly offset by net sales of short-term investments of \$2.0 billion and proceeds from our sale of PBG stock of \$318 million.

We anticipate net capital spending of approximately \$2.7 billion in 2008, which is expected to be within our net capital spending target of approximately 5% to 7% of net revenue. Planned capital spending in 2008 includes investments to increase capacity in our snack and beverage businesses to support growth in developing and emerging markets, investments in North America to support growth in key trademarks, and investments in our ongoing business transformation initiative. New capital projects are evaluated on a case-by-case basis and must meet certain payback and internal rate of return targets.

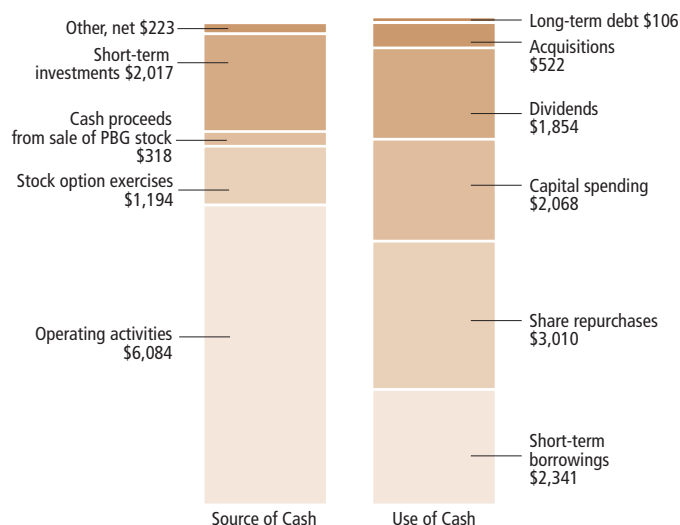
Financing Activities

In 2007, we used \$4.0 billion for our financing activities, primarily reflecting the return of operating cash flow to our shareholders through common share repurchases of \$4.3 billion and dividend payments of \$2.2 billion, as well as net repayments of short-term borrowings of \$395 million. The use of cash was partially offset by stock option proceeds of \$1.1 billion and net proceeds from issuances of long-term debt of \$1.6 billion.

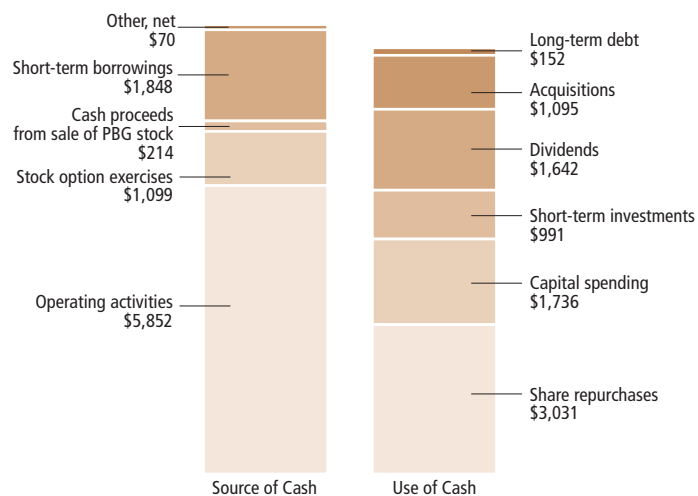
In 2006, we used \$6.0 billion for our financing activities, primarily reflecting the return of operating cash flow to our shareholders through common share repurchases of \$3.0 billion and dividend payments of \$1.9 billion. Net repayments of short-term borrowings of \$2.3 billion were partially offset by stock option proceeds of \$1.2 billion.

We annually review our capital structure with our Board, including our dividend policy and share repurchase activity. In the second quarter of 2007, our Board of Directors approved an increase in our targeted dividend payout rate from 45% to 50% of prior year's earnings, excluding certain items. The Board of Directors also authorized stock repurchases of up to an additional \$8 billion through June 30, 2010, once the current share repurchase authorization is complete. The current \$8.5 billion authorization began in 2006 and has approximately \$3.1 billion remaining. We have historically repurchased significantly more shares each year than we have issued under our stock-based compensation plans, with average net annual repurchases of 1.4% of outstanding shares for the last five years.

2006 Cash Utilization



2005 Cash Utilization



	2007	2006	2005
Net cash provided by operating activities	\$ 6,934	\$ 6,084	\$ 5,852
Capital spending	(2,430)	(2,068)	(1,736)
Sales of property, plant and equipment	47	49	88
Management operating cash flow	\$ 4,551	\$ 4,065	\$ 4,204

Management Operating Cash Flow

We focus on management operating cash flow as a key element in achieving maximum shareholder value, and it is the primary measure we use to monitor cash flow performance. However, it is not a measure provided by accounting principles generally accepted in the U.S. Since net capital spending is essential to our product innovation initiatives and maintaining our operational capabilities, we believe that it is a recurring and necessary use of cash. As such, we believe investors should also consider net capital spending when evaluating our cash from operating activities. The table above reconciles the net cash provided by operating activities, as reflected in our cash flow statement, to our management operating cash flow.

Management operating cash flow was used primarily to repurchase shares and pay dividends. We expect to continue to return approximately all of our management operating cash flow to our shareholders through dividends and share repurchases. However, see "Our Business Risks" for certain factors that may impact our operating cash flows.

Credit Ratings

Our debt ratings of Aa2 from Moody's and A+ from Standard & Poor's contribute to our ability to access global capital markets. We have maintained strong investment grade ratings for over a decade. Each rating is considered strong investment grade and is in the first quartile of their respective ranking systems. These ratings also reflect the impact of our anchor bottlers' cash flows and debt.

Credit Facilities and Long-Term Contractual Commitments

See Note 9 for a description of our credit facilities and long-term contractual commitments.

Off-Balance-Sheet Arrangements

It is not our business practice to enter into off-balance-sheet arrangements, other than in the normal course of business. However, certain guarantees were necessary to facilitate the separation of our bottling and restaurant operations from us. At year-end 2007, we believe it is remote that these guarantees would require any cash payment. We do not enter into off-balance-sheet transactions specifically structured to provide income or tax benefits or to avoid recognizing or disclosing assets or liabilities. See Note 9 for a description of our off-balance-sheet arrangements.