now & always


Coca-Cola®

# now

## is why we're confident about always

**Even amid uncertain economic times, we refreshed more thirsty people with more of our products in 1998 than ever before. Nearly a billion unit cases more.**

The Coca-Cola Company

1998 Annual Report

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## Financial Highlights

| Year Ended December 31, | 1998 | 1997 | Percent Change |
|---|---|---|---|
| (In millions except per share data and ratios, as reported) | | | |
| **Total Return** (share price appreciation plus dividends) | **1.4** % | 27.8 % | |
| Closing Market Price Per Share | $ **67.00** | $ 66.69 | — |
| Total Market Value of Common Stock | $ **165,190** | $ 164,766 | — |
| Net Operating Revenues | $ **18,813** | $ 18,868 | — |
| Operating Income | $ **4,967** | $ 5,001 | (1)% |
| Net Income | $ **3,533** | $ 4,129 | (14)% |
| Basic Net Income Per Share* | $ **1.43** | $ 1.67 | (14)% |
| Diluted Net Income Per Share* | $ **1.42** | $ 1.64 | (13)% |
| Cash Dividends Per Share | $ **0.60** | $ 0.56 | 7 % |
| Average Shares Outstanding | **2,467** | 2,477 | — |
| Average Shares Outstanding Assuming Dilution | **2,496** | 2,515 | (1)% |
| Share-Owners' Equity at Year End | $ **8,403** | $ 7,274 | 16 % |
| Return on Capital | **30.2** % | 39.5 % | |

***1998 basic and diluted net income per share includes $0.02 per share of net after-tax gains driven primarily by bottling transactions, while 1997 basic and diluted net income per share includes $0.22 per share of net after-tax gains driven primarily by bottling transactions.**


**M. DOUGLAS IVESTER,** *Chairman of the Board and Chief Executive Officer, at a noodle shop in Tokyo, one of numerous customer visits he made last year.*

## Dear Fellow Share Owners,

"Now and always":That, in three words, is how we view this business.

That dual vision, simultaneously nearsighted and farsighted, is only natural for a Company with our history and our future. And I can't think of another year when it was more useful or more appropriate.

Last year, as our stock slid from its July high, pundits were quick to pronounce us and other multinational companies passé. Exposed to the world's economic woes, we were deemed to be — get this — too global.

We are, in fact, "global." We do operate in nearly 200 countries. It was a strength last year, and it still is. We've worked very hard to become one of the few companies that can reach literally billions of consumers. We're reaching more of them every day. And in case anyone wonders, we're not about to turn back now.

We take the label "global" as a compliment. I say that because the worldwide position of leadership that makes us subject to global economic turbulence — and make no mistake, 1998 was a turbulent year — only boosts our confidence for the future.

The economic conditions we saw in a number of markets in 1998 — such as Japan, Germany, Thailand and Brazil — certainly dampened our short-term results. But they remind us why we manage this business with a view to the long term. Global economic worries are new to some companies, but in a sense, we have seen this movie before. In 113 years,there is scarcely a place where we have not weathered economic storms.

Our unparalleled business system was built by decades of investment, commitment and faith. Businesses fixated on the short term could have easily shunned the United States in the 1930s, Europe in the '40s, Latin America in the '70s, Africa in the '80s. This Company did not, and our success today demonstrates the virtues of taking the long view. It is ingrained in our culture: This Company has invested and grown during world wars, hyperinflation and depression. In 113 years, volume has declined only 12 times, the last time 44 years ago.

For us, "always" is more than an advertising slogan; it's a business plan. As we manage through the day-to-day concerns of our business, we work to stay mindful of the long term.

Certainly, we are subject to the ebb and flow of the world's economies — and we have seen quite a bit of ebb in the past year. We know firsthand what happened as economies from Asia to Russia to Latin America ran into trouble. It had a dramatic cumulative impact, even on a Company that sells a simple moment of refreshment for mere pocket change.

In essence, we did business in two arenas last year. In most countries, including such markets as the United States, Mexico and Spain, we continued to grow very nicely. But the second arena consisted of about a dozen countries where economic turmoil and other factors (devastating floods, steps to restructure our system, etc.) made "business as usual" next to impossible.

***We know that the global economy is here to stay. Troubled markets will improve. And people will still get thirsty.***

Still, even in the most difficult year in my memory, your Company logged another record year of volume — 15.8 billion unit cases, up 900 million cases, or 6 percent, from 1997's record. Importantly, the fundamentals of this business — our underlying financials, our vast bottling system, our network of 14 million plus customers, our information systems, our world-renowned brands — emerged from 1998 stronger than ever.

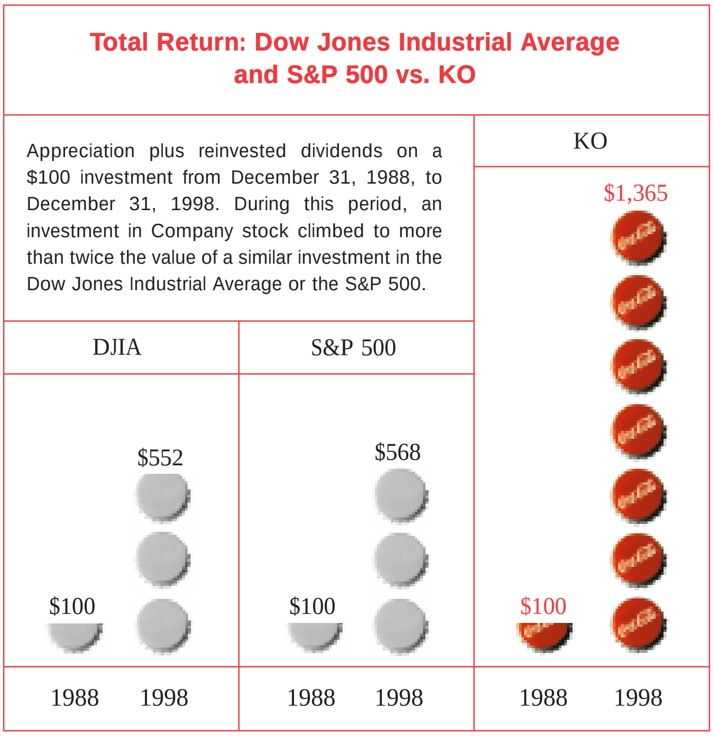
Our operating income was $4.97 billion, off 1 percent from 1997. Net income was $3.53 billion, off 14 percent; earnings per share were $1.42, off 13 percent. (As you may recall, our '97 earnings included some $1 billion in gains from one-time transactions, such as the sale of our stakes in certain bottling businesses.) The weakened currencies we continued to see around the world also had an impact; without currency factors and transactions pertaining to bottling system changes, our 1998 operating income would have increased nearly 10 percent over 1997.

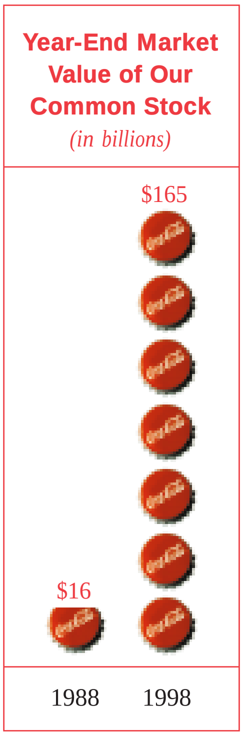
The result, frankly, was a mediocre year for our stock. At the end of our roller coaster ride — up 33 percent by July, down 40 percent, back up, back down — KO stock finished the year up 0.5 percent, for a 1.4 percent total return on your investment, including dividends.

A sub-par year is something we take seriously. At the same time, I have urged our people, many of whom have spent their entire professional lives in this business, not to take personally what we cannot control. We cannot prop up the ruble. We cannot fix Asia's economy. Of course, we hope that those who can, will — the sooner the better. What we can do is continue to strengthen our ability to grow this business long-term. We can continue to serve our share owners by serving our customers and our consumers.

I am proud of our people, who saw storms, changed sails and kept going with the spirit of Churchill: "Carry on, and dread naught." All over the world, the Coca-Cola system has made adjustments not just for now, but for always. We have kept our products pervasive and consistently priced for value. We have focused on our "core four," our strongest core brands, Coca-Cola, diet Coke, Sprite and Fanta.

And most importantly, we have continued to build for the



long haul. We increased our share worldwide and built or maintained our share of soft-drink sales in every operating group.

Currency rates and the current economic environment do not change our confidence in our global business model — built around refreshing more of the world's consumers in more places, working with our increasingly efficient, far-reaching system of bottlers, serving a growing family of more than 14 million retailer customers. We know that the global economy is here to stay. Troubled markets will improve. And people will still get thirsty.

The way we see it, we would much rather *manage* a business in nearly 200 countries than try to *build* a business in nearly 200 countries. We have demonstrated our system's capability for growing a soft-drink business. What's more, we enjoy the tangible capacity for doing it, right now, in every corner of the world. For us, the long-term opportunities remain tremendous, and more within reach than ever.

We are working now to make sure that we emerge fast from the crises in Asia and elsewhere, in an even stronger position of leadership than before. For example, in Indonesia, our analysis showed that we could break even last year in two ways: by selling 100 million cases, or by shutting the business down. The former would position us for future growth; the latter would destroy 30 years of effort. Our people got busy selling, emphasizing affordability in smaller packages and availability in small, accessible neighborhood shops. We did not quite make 100 million cases — but we cemented our leadership and built our presence in an emerging country of 200 million plus people. And we stuck by our thousands of customers, who badly needed the revenue Coca-Cola sales can bring.

The worldwide strength and resources of the Coca-Cola system enable us to stay and invest where other companies do not. Our system has invested heavily in marketing and infrastructure: for example, more than $500 million over the last five years in India, and more than $400 million in the past three in the Philippines; in Brazil, we'll invest nearly $1 billion in the next three years.

Starting on the next page of this report, you will read a lot more about the steps we are taking *now* for *always* — to build our brands and prosper for decades to come.

We've signed a deal to acquire the beverage brands of Cadbury Schweppes outside the United States, France and South Africa — strong brands such as Schweppes, Canada Dry and Dr Pepper. These brands will be a welcome addition to our international brand portfolio, and we look forward to welcoming some 450 associated Cadbury Schweppes people into the Coca-Cola family.

We joined in the creation of our first anchor bottler in Japan, Coca-Cola West Japan Co. Ltd., to better capture growth opportunities in that important market. We're building a new concentrate plant in Ireland to serve four continents. This month, we're announcing the upcoming launch of Dasani, our new purified bottled water brand in the United States. These steps and many, many more are designed to fulfill our mission of creating long-term value for you.

I certainly expect 1999 to be another challenging year, especially the first half. The year has begun with continued weakness in some key economies, and we expect currency rates will again dampen results somewhat. But over the last five years — or 10 years or 50 years — we have increased volume in line with our long-term target of 7-8 percent; going forward, we still expect more of the same. And we still will manage this business for the long term — as most investors, I believe, manage their investments.

***These steps and many, many more are designed to fulfill our mission of creating long-term value for you.***

Just think back to the start of this century. Hardly anyone would have predicted that the world's top companies at the close of the 20th century would include a little soft-drink maker in Atlanta, Georgia. They couldn't envision the airlines or software companies. Why in the world would they have bet on Coca-Cola? Today, we *can* see the future for Coca-Cola. I have no doubt that the Coca-Cola system will be here 100 years from now.

As this still-growing Company builds for the future, I am grateful for the support and counsel of the men and women of our Board of Directors. And I am especially thankful for the experience, dedication and hard work of my colleagues around the world. In these times, I cannot imagine a better business to be in. And I certainly cannot imagine a more talented, devoted cadre of people with whom I could work.

On behalf of those nearly 29,000 Coca-Cola people, and in partnership with the hundreds of thousands more who work in our worldwide bottling system, we appreciate your continued confidence and support.

We are working for you — now and always.

M. Douglas Ivester
Chairman, Board of Directors,
and Chief Executive Officer
February 18, 1999