

The year 2000 was one of significant results and accomplishments in reshaping The Coca-Cola Company to capitalize upon the opportunities we see in virtually every market around the world. After a period of clearing distractions from our path, our people are focused upon building on the Company's core strengths and we believe we are now clearly positioned for profitable growth for years to come.

Hard-working and talented Coca-Cola people embraced a new approach to a changed world with the commitment that has long distinguished our Company.

- Our entrepreneurial spirit helped us build on the popularity of brand Coca-Cola and our other global brands while introducing exciting new beverage choices in virtually every nonalcoholic ready-to-drink category.
- By thinking and acting as a local business in every market where our products are sold, we're shaping our products and marketing initiatives to local needs and giving our people greater opportunity for success. At the same time we are demanding accountability for performance and rewarding outstanding results.
- We've raised the importance of relationships in all of our actions, recognizing that building strong relationships with people throughout the world is an essential part of our business.

I am excited about the opportunities for growth that we see ahead by working closely with our bottlers, our customers, our communities and our new and long-time strategic partners. We are solidly positioned to enhance the performance of our total business system while bringing value to all those who touch our brands and our Company.



A handwritten signature in black ink that reads "Jack Stahl".

Jack L. Stahl
President and Chief Operating Officer

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NORTH AMERICA GROUP

Population: 310 million

Average consumer: enjoys at least one serving of our products every day.*

Throughout the United States and Canada, we see excellent opportunities for increased unit case volume following 1 percent growth in 2000. New advertising will debut for Coca-Cola classic, Sprite and diet Coke. Upcoming marketing initiatives include expansion of our successful summer “pop top” promotion, selection of torchbearers for the 2002 Winter Olympic Games in Salt Lake City and new activities added to Sprite.com.

Our system is strongly committed to expanding availability of Dasani, the fastest growing water brand in the U.S., and to supporting our sports drink, POWERāDE. New products including KMX, a new energy drink; Planet Java ready-to-drink coffees; health and nutrition beverages from The Minute Maid Company; and the reintroduction of Fanta will broaden our portfolio. Coca-Cola Fountain continues to expand its capabilities in service, quality and marketing as part of its commitment to customers.

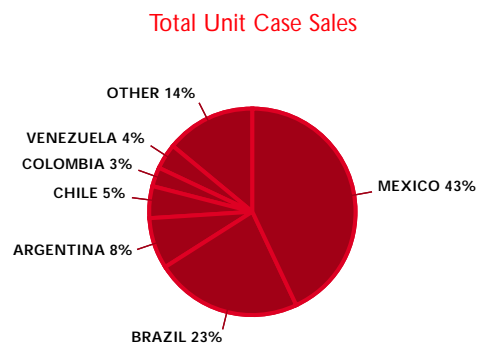
LATIN AMERICA GROUP

Population: 519 million

Average consumer: enjoys just under four servings of our products each week.*

The widespread popularity of our core brands continued to promote solid growth trends and a 6 percent unit case volume increase in 2000. Brand Coca-Cola, Fanta and Coca-Cola light remain key engines for growth and pave the way for expansion into other beverage categories. In Mexico, for example, our water brand, Ciel, is gaining widespread popularity.

In Brazil, strong unit case volume growth for brand Coca-Cola and our other carbonated soft drinks is being supplemented by incremental growth from new products such as Bonaqua water, guarana-based flavors and energy drinks. In Chile and Argentina, we continue to provide smaller, affordable packages and value-added promotions to build a stronger bond with consumers.



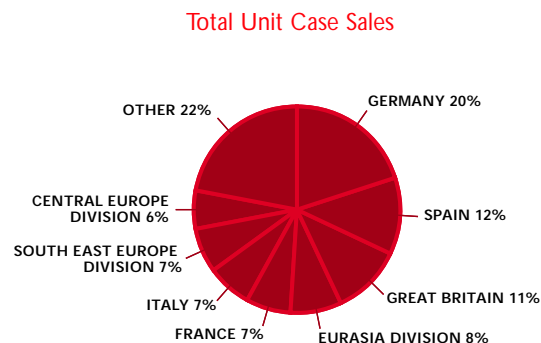
EUROPE & EURASIA GROUP

Population: 868 million

Average consumer: enjoys just under two servings of our products each week.*

Results from the past year which included unit case volume growth of 6 percent, reflect improving economic conditions, innovative marketing programs and an intense focus on understanding consumer needs and preferences. In parts of Eastern Europe, strong emphasis on brand Coca-Cola and core brands as well as initiatives surrounding Lift are fueling new growth. In the U.K., Ireland and Spain, consumer promotions, expanded distribution and brand-building programs are showing positive results.

In Germany, our new local management team and bottlers are working to build on the success of Coca-Cola and expand consumers' choices with products such as caffeine free Coca-Cola and Fanta Sunny Melon.



* Based on group average per capita consumption.

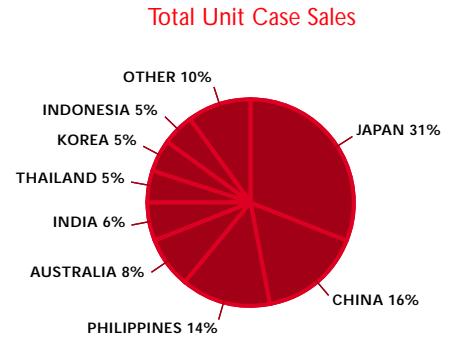
ASIA PACIFIC GROUP

Population: 3.2 billion

Average consumer: enjoys one serving of our products less than twice a month.*

By meeting the needs of consumers through a broad and dynamic range of brands, the Group achieved unit case volume growth of 8 percent in 2000. Steady growth continues for carbonated and noncarbonated drinks, and our ability to respond quickly to consumers' changing tastes led to 19 brand introductions across all nonalcoholic beverage categories. In 2001, we anticipate launching as many as 35 new brands in the region.

We will also continue to benefit from innovative and integrated marketing programs supporting our core brands, including brand Coca-Cola and Georgia Coffee in Japan's competitive market. Our system's local flexibility and strong consumer insights were showcased in a number of countries, including Australia, where we implemented a number of marketing programs that helped fans experience the spirit of the Sydney 2000 Olympic Games.



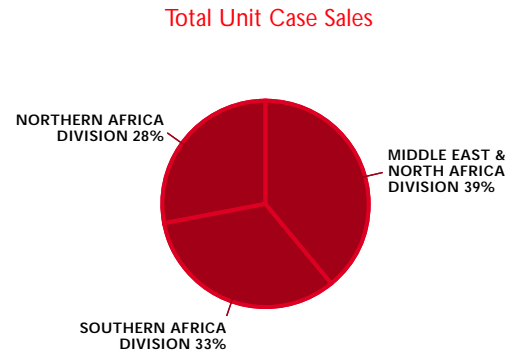
AFRICA & MIDDLE EAST GROUP

Population: 1.2 billion

Average consumer: enjoys just over two servings of our products each month.*

The long-term potential of this region continues to support our confidence and encourages our ongoing commitment to more efficient bottling operations and increased opportunities at the retail level. A challenging political and economic environment, along with devastating floods in portions of the continent, limited unit case volume growth to 3 percent last year.

Nonetheless, strong preference for our core brands has given us the opportunity to expand our range of products and introduce new beverages designed to appeal to local tastes. We are experiencing significant growth in markets where new product introductions have included brands acquired from Cadbury Schweppes in 1999, plus flavors such as Fanta Strawberry and Fanta Apple, lemon-flavored Limca, and Hi-C juices.



2000 WORLDWIDE UNIT CASE VOLUME BY REGION

Worldwide Total: 17.1 billion

Region	Percentage
North America Group	30%
Latin America Group	26%
Europe & Eurasia Group	21%
Asia Pacific Group	16%
Africa & Middle East Group	7%

* Based on group average per capita consumption.

SELECTED MARKET RESULTS: ESTIMATED 2000 VOLUME

	UNIT CASE ¹ GROWTH						NONALCOHOLIC READY-TO-DRINK BEVERAGES	ALL COMMERCIAL BEVERAGES ²	
	10-Year Compound Annual Growth		5-Year Compound Annual Growth		2000 Annual Growth		2000	2000	
	Company ³	Industry ⁴	Company ³	Industry ⁴	Company ³	Industry ⁴	Company Share	Company Share	Company Per Capita Consumption
Worldwide	6 %	5 %	6 %	4 %	4 %	3 %	19 %	9 %	68
North America Group ⁵	4	5	4	3	1	1	22	15	404
United States	4	5	4	3	1	1	23	16	424
Latin America Group	7	6	7	5	6	5	25	15	203
Argentina	9	6	6	2	1	4	19	10	224
Brazil	5	5	4	2	7	5	22	13	142
Chile	10	4	8	8	5	6	52	22	346
Colombia	—	—	(1)	(2)	2	(2)	19	9	83
Mexico	7	9	9	9	8	7	23	17	459
Europe & Eurasia Group	7	3	6	2	6	3	14	6	98
Eurasia	19	10	21	9	3	5	26	7	46
Italy	2	4	3	3	4	1	9	6	102
France	9	2	8	3	4	4	9	5	103
Germany	3	2	1	1	—	1	14	7	204
Great Britain	6	2	9	1	14	2	15	6	171
Spain	6	4	7	4	7	6	17	12	255
Asia Pacific Group	7	8	6	7	8	6	16	5	21
Australia	4	4	4	4	2	4	24	11	292
China	29	14	19	13	14	10	10	3	8
Japan	4	3	4	2	4	—	19	9	163
Korea	1	4	—	2	8	4	14	8	68
Philippines	5	11	6	17	(1)	13	39	18	122
Africa & Middle East Group	7	7	7	5	3	4	21	7	25
Middle East & North Africa	12	8	9	4	7	5	13	4	23
Northern Africa	6	6	6	9	(3)	1	28	11	16
Southern Africa	5	2	6	3	4	1	50	11	89

¹ Unit case equals 24 8-ounce servings.

² Consists of commercially sold beverages, as estimated by the Company based on available industry sources.

³ Derived from the Company's unit case volume (see Glossary on page 73).

⁴ Includes nonalcoholic ready-to-drink beverages only, as estimated by the Company based on available industry sources.

⁵ Consists of the United States and Canada.

Financial Review Incorporating Management’s Discussion and Analysis

The Coca-Cola Company and Subsidiaries

The Coca-Cola Company exists to benefit and refresh everyone who is touched by our business. We believe that our success ultimately depends on our ability to build and nurture relationships with constituents that are essential to our business: consumers, customers, bottlers, partners, government authorities, communities, employees and share owners. To this end, our Company has adopted an overriding strategy of “Think local, act local,” applicable to virtually all aspects of our business. This strategy is designed to put the responsibility and accountability for ensuring local relevance and maximizing business performance in the hands of those closest to the market. This enables us to achieve our objectives of increasing volume, expanding our share of worldwide nonalcoholic ready-to-drink beverage sales, maximizing our long-term cash flows and creating economic value added by improving economic profit. We pursue these objectives by strategically investing in the high-return beverage business and by optimizing our cost of capital through appropriate financial strategies.

There are over 6 billion people in the world who decide every day whether or not to buy our products. Each of these people represents a potential consumer of our Company’s products. As we increase consumer demand for our portfolio of brands, we produce growth throughout the Coca-Cola system. This growth typically comes in the form of increased finished product purchases by our consumers, increased finished product sales by our customers, increased case sales by our bottling partners and increased gallon sales by our Company.

The Coca-Cola system has millions of customers around the world who sell or serve our products directly to consumers. We keenly focus on enhancing value for these customers and providing solutions to grow their beverage businesses. Our approach includes understanding each customer’s business and needs, whether that customer is a sophisticated retailer in a developed market or a kiosk owner in an emerging market.

INVESTMENTS

With a business system that operates locally in nearly 200 countries and generates superior cash flows, we consider our Company to be uniquely positioned to capitalize on profitable investment opportunities. Our criteria for investment are simple: New investments must directly enhance our existing operations and must be expected to provide cash returns that exceed our long-term, after-tax, weighted-average cost of capital, currently estimated at approximately 11 percent.

Because it consistently generates high returns, the beverage business is a particularly attractive investment for us. In highly developed markets, our expenditures focus primarily on marketing our Company’s brands. In emerging and developing markets, our objective is to increase the penetration of our products. In these markets, we allocate most of our investments to enhancing our brands and infrastructure such as production facilities, distribution networks, sales equipment and technology. We make these

investments by forming strategic business alliances with local bottlers and by matching local expertise with our experience, resources and focus. Our investment strategy focuses on four fundamental components of our business: people, marketing, brands and our bottling system.

People

To meet our long-term growth objectives, we recruit and actively cultivate a diverse workforce and establish a culture that fosters learning, innovation and value creation on a daily basis. This means maintaining and refining a corporate culture that encourages our people to develop to their fullest potential, assuring enjoyment and satisfaction in the Coca-Cola work environment. Our Company values the uniqueness of all employees and the contributions they make.

Marketing

We make significant investments in marketing to support our brands. Marketing investments enhance consumer awareness and increase consumer preference for our brands. This produces long-term growth in volume, per capita consumption and our share of worldwide nonalcoholic ready-to-drink beverage sales.

We heighten consumer awareness and product appeal for our brands using integrated marketing programs. Through our relationships with bottling partners and those who sell our products in the marketplace, we create and implement these programs locally. In developing a strategy for a Company brand, we conduct product and packaging research, establish brand positioning, develop precise consumer communications and solicit consumer feedback. Our integrated global and local marketing programs include activities such as advertising, point-of-sale merchandising and sales promotions.

Brands

We compete in the nonalcoholic ready-to-drink beverage business. Our offerings in this category include some of the world’s most valuable brands — 239 in all. These include soft drinks and noncarbonated beverages such as sports drinks, juice and juice drinks, water products, teas and coffees. Ultimately, consumer demand determines the Company’s optimal brand portfolio. Employing the “Think local, act local” business strategy with a special focus on brand Coca-Cola, the Company seeks to build its existing brands and, at the same time, to broaden its historical portfolio of brands. As discussed earlier, to meet our long-term growth objectives, we make significant investments to support our brands. This involves investments to support existing brands, to develop new global or local brands, and to acquire global or local brands, when appropriate.

Financial Review Incorporating Management's Discussion and Analysis

The Coca-Cola Company and Subsidiaries

Bottling System

Our Company has business relationships with three types of bottlers: (1) independently owned bottlers, in which we have no ownership interest; (2) bottlers in which we have invested and have a noncontrolling ownership interest; and (3) bottlers in which we have invested and have a controlling ownership interest.

During 2000, independently owned bottling operations produced and distributed approximately 25 percent of our worldwide unit case volume. Bottlers in which we own a noncontrolling ownership interest produced and distributed approximately 59 percent of our 2000 worldwide unit case volume. Controlled bottling and fountain operations produced and distributed approximately 16 percent.

We view certain bottling operations in which we have a noncontrolling ownership interest as key or anchor bottlers due to their level of responsibility and performance. The strong commitment of both key and anchor bottlers to their own profitable volume growth helps us meet our strategic goals and furthers the interests of our worldwide production, distribution and marketing systems. These bottlers tend to be large and geographically diverse, with strong financial resources for long-term investment and strong management resources. These bottlers give us strategic business partners on every major continent.

In 1998, Coca-Cola Amatil Limited (Coca-Cola Amatil) completed a spin-off of its European operations into a new, publicly traded European anchor bottler, Coca-Cola Beverages plc (Coca-Cola Beverages). On December 31, 1999, we owned approximately 50.5 percent of Coca-Cola Beverages. In July 2000, a merger of Coca-Cola Beverages and Hellenic Bottling Company S.A. was completed to create Coca-Cola HBC S.A. (CCHBC). This merger resulted in a decrease of our Company's equity ownership interest from approximately 50.5 percent of Coca-Cola Beverages to approximately 24 percent of the combined entity, CCHBC. This change in ownership resulted in the Company recognizing a \$118 million tax-free noncash gain in the third quarter of 2000.

In January 1999, two Japanese bottlers, Kita Kyushu Coca-Cola Bottling Company Ltd. and Sanyo Coca-Cola Bottling Company Ltd., announced plans for a merger to become a new, publicly traded bottling company, Coca-Cola West Japan Company Ltd. The transaction, which was completed in July 1999, created our first anchor bottler in Japan. We currently own approximately 5 percent of this bottler.

Historically, in certain situations, we have viewed it to be advantageous for our Company to acquire a controlling interest in a bottling operation. Owning such a controlling interest has allowed us to compensate for limited local resources and has enabled us to help focus the bottler's sales and marketing programs, assist in developing its business and information systems, and establish appropriate capital structures.

In separate transactions during the first half of 2000, our Company purchased two bottlers in Brazil, Companhia Mineira de Refrescos, S.A., and Refrigerantes Minas Gerais Ltda. In October

2000, the Company purchased a 58 percent interest in Paraguay Refrescos S.A. (Paresa), a bottler located in Paraguay. In December 2000, the Company made a tender offer for the remaining 42 percent of the shares in Paresa. In January 2001, we completed the tender offer. We currently own approximately 95 percent of Paresa.

In July 1999, our Company acquired from Fraser and Neave Limited its 75 percent ownership interest in F&N Coca-Cola Pte Limited (F&N Coca-Cola). Prior to the acquisition, our Company held a 25 percent equity interest in F&N Coca-Cola. Acquisition of Fraser and Neave Limited's 75 percent stake gave our Company full ownership of F&N Coca-Cola. F&N Coca-Cola holds a majority ownership in bottling operations in Brunei, Cambodia, Nepal, Pakistan, Sri Lanka, Singapore and Vietnam.

In line with our long-term bottling strategy, we periodically consider options for reducing our ownership interest in a bottler. One option is to combine our bottling interests with the bottling interests of others to form strategic business alliances. Another option is to sell our interest in a bottling operation to one of our equity investee bottlers. In both of these situations, we continue participating in the bottler's earnings through our portion of the equity investee's income.

As stated earlier, our investments in a bottler can represent either a noncontrolling or a controlling interest. Through noncontrolling investments in bottling companies, we provide expertise and resources to strengthen those businesses. During 2000, the Company entered into a joint venture in China with China National Oils and Foodstuffs Imports/Exports Corporation (COFCO), completion of which is subject to satisfaction of certain conditions. COFCO is contributing to the joint venture its minority equity interests in 11 Chinese bottlers. Our Company is contributing its equity interests in two Chinese bottlers plus cash in exchange for a 35 percent equity interest in the venture.

In 1999, we increased our interest in Embotelladora Arica S.A. (since renamed Coca-Cola Embonor S.A.), a bottler headquartered in Chile, from approximately 17 percent to approximately 45 percent.

Bottlers in which we have a noncontrolling ownership interest are accounted for under the cost or equity method as appropriate. Equity income or loss, included in our consolidated net income, represents our share of the net earnings or losses of our investee companies. In 2000, our Company's share of losses from equity method investments totaled \$289 million.

Financial Review Incorporating Management's Discussion and Analysis

The Coca-Cola Company and Subsidiaries

The following table illustrates the difference in calculated fair values, based on quoted closing prices of publicly traded shares, and our Company's carrying values for selected equity method investees (in millions):

December 31,	Fair Value	Carrying Value	Difference ¹
2000			
Coca-Cola Enterprises Inc.	\$ 3,210	\$ 707	\$ 2,503
Coca-Cola Amatil Limited	965	617	348
Coca-Cola FEMSA, S.A. de C.V.	957	152	805
Coca-Cola HBC S.A. Panamerican Beverages, Inc.	851	758	93
Grupo Continental, S.A.	435	487	(52)
Embotelladoras Argos S.A.	176	139	37
Coca-Cola Bottling Company Consolidated	97	113	(16)
Coca-Cola Embonor S.A.	94	66	28
Embotelladoras Polar S.A.	90	227	(137)
	27	54	(27)
			\$ 3,582

¹ In instances where carrying value exceeds fair value, the decline in value is considered to be temporary.

FINANCIAL STRATEGIES

The following strategies allow us to optimize our cost of capital, increasing our ability to maximize share-owner value.

Debt Financing

Our Company maintains debt levels we consider prudent based on our cash flow, interest coverage and percentage of debt to capital. We use debt financing to lower our overall cost of capital, which increases our return on share-owners' equity.

Our capital structure and financial policies have earned long-term credit ratings of "A+" from Standard & Poor's and "Aa3" from Moody's, and a credit rating of "A-1" and "P-1" for our commercial paper programs from Standard & Poor's and Moody's, respectively.

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

In managing our use of debt capital, we consider the following financial measurements and ratios:

Year Ended December 31,	2000	1999	1998
Net debt (in billions)	\$ 3.9	\$ 4.5	\$ 3.3
Net debt-to-net capital	29%	32%	28%
Free cash flow to net debt	72%	52%	57%
Interest coverage	12x	14x	19x
Ratio of earnings to fixed charges	8.7x	11.6x	17.3x

Share Repurchases

In October 1996, our Board of Directors authorized a plan to repurchase up to 206 million shares of our Company's common stock through the year 2006. In 2000, we did not repurchase any shares under the 1996 plan. This was due to our utilization of cash for an organizational Realignment (the Realignment), as discussed under the heading "Other Operating Charges," and the impact on cash from the reduction in concentrate inventory levels by certain bottlers, as discussed under the heading "Volume." In December 2000, we announced our intention to reinstate share repurchases in 2001 under the 1996 plan.

In 1999, we did not repurchase any shares under the 1996 plan due primarily to our utilization of cash for brand and bottler acquisitions. Since the inception of our initial share repurchase program in 1984 through our current program as of December 31, 2000, we have repurchased more than 1 billion shares. This represents 32 percent of the shares outstanding as of January 1, 1984, at an average price per share of \$12.46.

Dividend Policy

At its February 2001 meeting, our Board of Directors again increased our quarterly dividend, raising it to \$.18 per share. This is equivalent to a full-year dividend of \$.72 in 2001, our 39th consecutive annual increase. Our annual common stock dividend was \$.68 per share, \$.64 per share and \$.60 per share in 2000, 1999 and 1998, respectively.

In 2000, our dividend payout ratio was approximately 77 percent of our net income, reflecting the impact of other operating charges and nonrecurring items recorded in 2000 as well as the impact of the reduction in concentrate inventory levels by certain bottlers during 2000. Detailed discussions of these other operating charges and nonrecurring items follow under the heading "Other Operating Charges" and in Note 15, respectively. A discussion of the inventory reduction appears under the heading "Volume." Our dividend payout ratio would have been approximately 45 percent excluding these items. To free up additional cash for reinvestment in our high-return beverage business, our Board of Directors intends to gradually reduce our dividend payout ratio to 30 percent over time.

Financial Review Incorporating Management's Discussion and Analysis

The Coca-Cola Company and Subsidiaries

FINANCIAL RISK MANAGEMENT

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, adverse fluctuations in commodity prices and other market risks. We do not enter into derivative financial instruments for trading purposes. As a matter of policy, all our derivative positions are used to reduce risk by hedging an underlying economic exposure. Because of the high correlation between the hedging instrument and the underlying exposure, fluctuations in the value of the instruments are generally offset by reciprocal changes in the value of the underlying exposure. The derivatives we use are straightforward instruments with liquid markets.

Our Company monitors our exposure to financial market risks using several objective measurement systems, including value-at-risk models. For the value-at-risk calculations discussed below, we used a historical simulation model to estimate potential future losses our Company could incur as a result of adverse movements in foreign currency and interest rates. We have not considered the potential impact of favorable movements in foreign currency and interest rates on our calculations. We examined historical weekly returns over the previous 10 years to calculate our value at risk. Our value-at-risk calculations do not represent actual losses that our Company expects to incur.

Foreign Currency

We manage most of our foreign currency exposures on a consolidated basis, which allows us to net certain exposures and take advantage of any natural offsets. With approximately 72 percent of 2000 operating income generated outside the United States, weakness in one particular currency is often offset by strengths in others over time. We use derivative financial instruments to further reduce our net exposure to currency fluctuations.

Our Company enters into forward exchange contracts and purchases currency options (principally Euro and Japanese yen) to hedge firm sale commitments denominated in foreign currencies. We also purchase currency options (principally Euro and Japanese yen) to hedge certain anticipated sales. Premiums paid and realized gains and losses, including those on any terminated contracts, are included in prepaid expenses and other assets. These are recognized in income, along with unrealized gains and losses, in the same period we realize the hedged transactions. Gains and losses on derivative financial instruments that are designated and effective as hedges of net investments in international operations are included in share-owners' equity as a foreign currency translation adjustment, a component of other comprehensive income.

Our value-at-risk calculation estimates foreign currency risk on our derivatives and other financial instruments. The average value at risk represents the simple average of quarterly amounts for the past year. We have not included in our calculation the effects of currency movements on anticipated foreign currency denominated sales and other hedged transactions. We performed calculations to estimate the

impact to the fair values of our derivatives and other financial instruments over a one-week period resulting from an adverse movement in foreign currency exchange rates. As a result of our calculations, we estimate with 95 percent confidence that the fair values would decline by less than \$45 million using 2000 average fair values and by less than \$37 million using December 31, 2000, fair values. On December 31, 1999, we estimated the fair value would decline by less than \$56 million. However, we would expect that any loss in the fair value of our derivatives and other financial instruments would generally be offset by an increase in the fair value of our underlying exposures.

Interest Rates

Our Company maintains our percentage of fixed and variable rate debt within defined parameters. We enter into interest rate swap agreements that maintain the fixed-to-variable mix within these parameters. We recognize any differences paid or received on interest rate swap agreements as adjustments to interest expense over the life of each swap. Our Company also enters into interest rate cap agreements that may entitle us to receive from a financial institution the amount, if any, by which our interest payments on our variable rate debt exceed prespecified interest rates through 2004.

Our value-at-risk calculation estimates interest rate risk on our derivatives and other financial instruments. The average value at risk represents the simple average of quarterly amounts for the past year. According to our calculations, we estimate with 95 percent confidence that any increase in our net interest expense due to an adverse move in our 2000 average or in our December 31, 2000, interest rates over a one-week period would not have a material impact on our Consolidated Financial Statements. Our December 31, 1999, estimate also was not material to our Consolidated Financial Statements.

PERFORMANCE TOOLS

Economic profit provides a framework by which we measure the value of our actions. We define economic profit as income from continuing operations, after giving effect to taxes and excluding the effects of interest, in excess of a computed capital charge for average operating capital employed. We seek to maximize economic profit by strategically investing in the high-return beverage business and by optimizing our cost of capital through appropriate financial strategies.

TOTAL RETURN TO SHARE OWNERS

Our Company has provided share owners with an excellent return on their investments over the past decade. A \$100 investment in our Company's common stock on December 31, 1990, together with reinvested dividends, grew in pretax value to approximately \$588 on December 31, 2000, an average annual compound return of 19 percent.

Financial Review Incorporating Management's Discussion and Analysis

The Coca-Cola Company and Subsidiaries

MANAGEMENT'S DISCUSSION AND ANALYSIS

OUR BUSINESS

We are the world's leading manufacturer, marketer and distributor of nonalcoholic beverage concentrates and syrups. Our Company manufactures beverage concentrates and syrups and, in certain instances, finished beverages, which we sell to bottling and canning operations, authorized fountain wholesalers and some fountain retailers. We also market and distribute juice and juice-drink products. In addition, we have ownership interests in numerous bottling and canning operations.

VOLUME

We measure our sales volume in two ways: (1) gallon sales and (2) unit cases of finished products. Gallon sales represent our primary business and measure the volume of concentrates and syrups we sell to our bottling partners or customers, plus the gallon sales equivalent of the juice and juice-drink products sold by The Minute Maid Company. Most of our revenues are based on this measure of "wholesale" activity. We also measure volume in unit cases, which represent the amount of finished products we and our bottling system sell to customers. We believe unit case volume more accurately measures the underlying strength of our business system because it measures trends at the retail level. In both measures we include fountain syrups sold by the Company to customers directly or through wholesalers or distributors.

Our worldwide unit case volume increased 4 percent in 2000, on top of a 2 percent increase in 1999. The increase in unit case volume reflects improving global economic conditions and successful implementation of local marketing programs. Our business system sold 17.1 billion unit cases in 2000.

In 2000, certain bottlers reduced their concentrate inventory levels. This was based on a joint review performed by the Company and our bottlers around the world in order to determine the optimum level of bottler concentrate inventories. The joint review established that opportunities existed to reduce the level of concentrate inventory carried by bottlers in various regions of the world. During the first half of 2000, bottlers in these regions reduced concentrate inventory levels, the majority of which occurred during the first three months of 2000.

OPERATIONS

Net Operating Revenues and Gross Margin

In 2000, on a consolidated basis, our net operating revenues and our gross profit each grew 3 percent. The growth in net operating revenues was primarily due to improved business conditions and price increases in selected countries. This growth was partially offset by the negative impact of a stronger U.S. dollar and the inventory reduction by certain bottlers. Our gross profit margin of 69.7 percent remained unchanged in 2000 compared to 1999.

In 1999, on a consolidated basis, our net operating revenues and our gross profit grew 5 percent and 4 percent, respectively. The growth in net operating revenues was primarily due to price increases in certain markets, the consolidation in 1999 of our bottling operations in India and our vending operations in Japan, partially offset by the impact of a stronger U.S. dollar, and the sale of our previously consolidated bottling and canning operations in Italy in June 1998.

Our gross profit margin in 1999 decreased slightly to 69.7 percent from 70.4 percent in 1998. This was primarily due to the consolidation in 1999 of our bottling operations in India and our vending operations in Japan. Generally, the consolidation of bottling and vending operations shifts a greater portion of our net revenues to the higher-revenue, but lower-margin, bottling and vending operations.

Selling, Administrative and General Expenses

Selling expenses totaled \$7,432 million in 2000, \$7,266 million in 1999 and \$6,552 million in 1998. The increase in 2000 was primarily due to higher marketing expenditures in line with the Company's unit case volume growth and the consolidation in 2000 of F&N Coca-Cola. Additionally, as a result of the gain recognized in the third quarter of 2000 from the merger of Coca-Cola Beverages and Hellenic Bottling Company S.A., discussed in "Other Income-Net," the Company invested approximately \$30 million in incremental marketing initiatives in CCHBC regions. The increase in 1999 was primarily due to the temporary product withdrawal in Belgium and France and marketing expenditures associated with brand-building activities.

Administrative and general expenses totaled \$1,688 million in 2000, \$1,735 million in 1999 and \$1,659 million in 1998. The decrease in 2000 was primarily a result of savings realized from the Realignment initiated in 2000, offset by the consolidation in 2000 of F&N Coca-Cola. See discussion under the heading "Other Operating Charges" for a more complete description of the Realignment. The increase in 1999 was primarily related to the consolidation in 1999 of our bottling operations in India and our vending operations in Japan.

Administrative and general expenses, as a percentage of net operating revenues, totaled approximately 8 percent in 2000, 9 percent in 1999 and 9 percent in 1998.

Other Operating Charges

During 2000, we recorded total nonrecurring charges of approximately \$1,443 million. Of this \$1,443 million, approximately \$405 million related to the impairment of certain bottling, manufacturing and intangible assets; approximately \$850 million related to the Realignment; and approximately \$188 million related to the settlement terms of a class action discrimination lawsuit and a donation to The Coca-Cola Foundation.

Financial Review Incorporating Management's Discussion and Analysis

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In the first quarter of 2000, we recorded charges of approximately \$405 million related to the impairment of certain bottling, manufacturing and intangible assets, primarily within our Indian bottling operations. These impairment charges were recorded to reduce the carrying value of the identified assets to fair value. Fair value was derived using cash flow analysis. The assumptions used in the cash flow analysis were consistent with those used in our internal planning process. The assumptions included estimates of future growth in unit cases, estimates of gross margins, estimates of the impact of exchange rates and estimates of tax rates and tax incentives. The charge was primarily the result of our revised outlook for the Indian beverage market including the future expected tax environment. The remaining carrying value of long-lived assets within our Indian bottling operations, immediately after recording the impairment charge, was approximately \$300 million.

In the first quarter of 2000, the Company initiated the Realignment, which reduced our workforce around the world and transferred responsibilities from our corporate headquarters to local revenue-generating operating units. The intent of the Realignment was to effectively align our corporate resources, support systems and business culture to fully leverage the local capabilities of our system.

Employees have been separated from almost all functional areas of the Company's operations, and certain activities have been outsourced to third parties. The total number of employees separated as of December 31, 2000, was approximately 5,200. Employees separated from the Company as a result of the Realignment were offered severance or early retirement packages, as appropriate, which included both financial and nonfinancial components. The Realignment expenses included costs associated with involuntary terminations, voluntary retirements and other direct costs associated with implementing the Realignment. Other direct costs included repatriating and relocating employees to local markets; asset write-downs; lease cancellation costs; and costs associated with the development, communication and administration of the Realignment. We recorded total charges of approximately \$850 million related to the Realignment. During the year, the Company achieved approximately \$150 million in savings from the Realignment. For a more complete description of the costs related to the Realignment, refer to Note 16 in our Consolidated Financial Statements.

In the fourth quarter of 2000, we recorded charges of approximately \$188 million related to the settlement terms of, and direct costs related to, a class action discrimination lawsuit. The monetary settlement includes cash payments to fund back pay, compensatory damages, a promotional achievement fund and attorneys' fees. In addition, the Company introduced a wide range of training, monitoring and mentoring programs. Of the \$188 million, \$50 million was donated to The Coca-Cola Foundation to continue its broad range of community support programs. Under the terms of the settlement agreement, the Company has the option to rescind the agreement if more than 200 potential class members opt out of the settlement.

In the fourth quarter of 1999, we recorded charges of approximately \$813 million. Of this \$813 million, approximately \$543 million related to the impairment of certain bottling, manufacturing and intangible assets, primarily within our Russian and Caribbean bottlers and in the Middle and Far East and in North America. These impairment charges were recorded to reduce the carrying value of the identified assets to fair value. Fair values were derived using a variety of methodologies, including cash flow analysis, estimates of sales proceeds and independent appraisals. Where cash flow analyses were used to estimate fair values, key assumptions employed, consistent with those used in our internal planning process, included our estimates of future growth in unit case sales, estimates of gross margins and estimates of the impact of inflation and foreign currency fluctuations. The charges were primarily the result of our revised outlook in certain markets due to the prolonged severe economic downturns. The remaining carrying value of these impaired long-lived assets, immediately after recording the impairment charge, was approximately \$140 million.

Of the \$813 million, approximately \$196 million related to charges associated with the impairment of the distribution and bottling assets of our vending operations in Japan and our bottling operations in the Baltics. The charges reduced the carrying value of these assets to their fair value less the cost to sell. Consistent with our long-term bottling investment strategy, management has committed to a plan to sell our ownership interest in these operations to one of our strategic business partners. The remaining carrying value of long-lived assets within these operations and the income from operations on an after-tax basis as of and for the 12-month period ending December 31, 2000, were approximately \$143 million and \$21 million, respectively.

On December 22, 2000, the Company signed a definitive agreement to sell the assets of our vending operations in Japan. The expected proceeds from the sale of the assets are equal to the current carrying value of the long-lived assets less the cost to sell. The sale transaction is expected to close in early 2001.

Management had intended to sell the assets of our bottling operations in the Baltics to one of our strategic business partners. That partner is currently in the process of an internal restructuring and no longer plans to purchase the Baltics bottling operations. At this time another suitable buyer has not been identified. Therefore, the Company will continue to operate the Baltics bottlers as consolidated operations until a new buyer is identified.

The remainder of the \$813 million charges, approximately \$74 million, primarily related to the change in senior management and charges related to organizational changes within the Europe and Eurasia, Latin America and Corporate segments. These charges were incurred during the fourth quarter of 1999.

In the second quarter of 1998, we recorded nonrecurring provisions primarily related to the impairment of certain assets in North America of \$25 million and Corporate of \$48 million.

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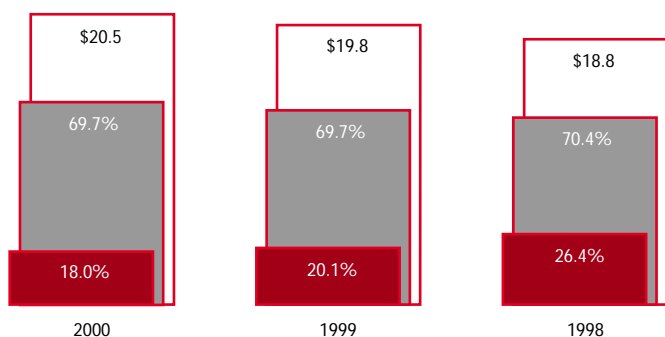
Operating Income and Operating Margin

On a consolidated basis, our operating income declined 7 percent in 2000 to \$3,691 million. This follows a decline of 20 percent in 1999 to \$3,982 million. The 2000 results reflect the recording of nonrecurring charges, as previously discussed under the heading "Other Operating Charges," the impact of the stronger U.S. dollar, the consolidation of F&N Coca-Cola and the effect of the previously discussed reduction of concentrate inventory by certain bottlers within the Coca-Cola system, which was completed in the first half of 2000.

The 1999 results reflect the recording of nonrecurring provisions, as previously discussed under the heading "Other Operating Charges"; the difficult economic conditions in many markets throughout the world; the temporary product withdrawal in Belgium and France; the impact of the stronger U.S. dollar; and the consolidation in 1999 of our bottling operations in India and vending operations in Japan. Our consolidated operating margin was 18.0 percent in 2000, 20.1 percent in 1999 and 26.4 percent in 1998.

MARGIN ANALYSIS

- Net Operating Revenues (in billions)
- Gross Margin
- Operating Margin



Interest Income and Interest Expense

In 2000, our interest income increased 33 percent due primarily to higher average cash balances and higher interest rates. In 1999, our interest income increased 19 percent primarily due to cash held in locations outside the United States earning higher interest rates, on a comparative basis. Interest expense increased 33 percent in 2000 due to both an increase in average commercial paper balances and higher interest rates throughout the period. Average 2000 debt balances increased from 1999 primarily due to our utilization of cash for the Realignment, as discussed under the heading "Other Operating Charges," and the impact on cash from the reduction in concentrate inventory levels by certain bottlers, as discussed under the heading "Volume." Interest expense increased 22 percent in 1999 due to higher total borrowings throughout the period. Average

1999 debt balances increased from 1998 primarily due to brand and bottler acquisitions during the period.

Equity Income (Loss)

In 2000, our Company's share of losses from equity method investments totaled \$289 million. This includes a nonrecurring charge of approximately \$306 million, which represents the Company's portion of a charge recorded by Coca-Cola Amatil to reduce the carrying value of its investment in the Philippines. In addition, Panamerican Beverages, Inc. (Panamco) wrote down selected assets, including the impairment of the value of its Venezuelan operating unit. The Company's portion of this charge was approximately \$124 million. Also contributing to the equity losses were nonrecurring charges recorded by investees in Eurasia and the Middle East.

These nonrecurring charges were partially offset by overall improvement in operating performance by our portfolio of bottlers and the positive impact of lower tax rates on current and deferred taxes at Coca-Cola Erfrischungsgetränke AG (CCEAG), a bottler in Germany.

In 1999, our Company's share of losses from equity method investments totaled \$184 million, reflecting the negative impact of difficult economic conditions in many worldwide markets, continued structural change in the bottling system, the impact of the temporary product withdrawal in Belgium and France, and one-time charges taken by certain equity investees. Our Company's share of the charges taken by certain equity investees in countries such as Venezuela and the Philippines was approximately \$22 million. Our Company's share of Coca-Cola Enterprises Inc.'s (Coca-Cola Enterprises) nonrecurring product recall costs resulting from the product withdrawal was approximately \$28 million.

Other Income-Net

In 2000, other income-net was \$99 million, primarily reflecting the impact of a gain related to the merger of Coca-Cola Beverages and Hellenic Bottling Company S.A. during the third quarter of 2000. This merger resulted in a decrease of our Company's equity ownership interest from approximately 50.5 percent of Coca-Cola Beverages to approximately 24 percent of the combined entity, CCHBC. As a result of our Company's decreased equity ownership, a tax-free noncash gain of approximately \$118 million was recognized. This was partially offset by exchange losses recognized in 2000 versus exchange gains in 1999 attributable to the hedging of our resources in Brazil.

In 1999, other income-net decreased 57 percent to \$98 million, primarily reflecting the impact of the gains recorded on the sales of our bottling and canning operations in Italy in June 1998, partially offset by an increase in exchange gains in 1999.

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Gains on Issuances of Stock by Equity Investees

At the time an equity investee sells its stock to third parties at a price in excess of our book value, our Company's equity in the underlying net assets of that investee increases. We generally record an increase to our investment account and a corresponding gain in these transactions. No gains on issuances of stock by equity investees were recorded to the income statement during 2000 or 1999, and pretax gains of approximately \$27 million were recorded in 1998. This gain represents the increase in our Company's equity in the underlying net assets of the related investee. For a more complete description of these transactions, refer to Note 3 in our Consolidated Financial Statements.

Income Taxes

Our effective tax rates were 36.0 percent in 2000, 36.3 percent in 1999 and 32.0 percent in 1998. The change in our effective tax rate in 2000 was primarily the result of our current inability to realize a tax benefit associated with the impairment charges taken in 2000, as previously discussed under the headings "Other Operating Charges" and "Equity Income (Loss)," partially offset by the tax-free gain of approximately \$118 million, as previously discussed under the heading "Other Income-Net." Our effective tax rates reflect tax benefits derived from significant operations outside the United States, which are taxed at rates lower than the U.S. statutory rate of 35 percent. For a more complete description of our income taxes, refer to Note 14 in our Consolidated Financial Statements.

During the first quarter of 2000, the United States and Japan taxing authorities entered into an Advance Pricing Agreement (APA) whereby the level of royalties paid by Coca-Cola (Japan) Company, Ltd. (our Subsidiary) to our Company has been established for the years 1993 through 2001. Pursuant to the terms of the APA, our Subsidiary has filed amended returns for the applicable periods reflecting the negotiated royalty rate. These amended returns resulted in the payment during the first and second quarters of 2000 of additional Japanese taxes, the effect of which on both our financial performance and our effective tax rate was not material, due primarily to offsetting tax credits on our U.S. income tax return. The majority of the offsetting tax credits are expected to be realized within the next 12 months.

Income Per Share

Our basic net income per share decreased by 10 percent in 2000, compared to a 31 percent decline in 1999. Diluted net income per share decreased by 10 percent in 2000, compared to a 31 percent decline in 1999.

Recent Developments

In January 2001, we announced plans to further develop our existing partnership with Nestlé S.A., Coca-Cola Nestlé Refreshments. Under the proposed restructuring, which is subject to

approval by regulatory authorities, the partnership will be renamed Beverage Partners Worldwide (BPW) and will function as an entrepreneurial unit dedicated to tapping the growth potential of emerging beverage segments, particularly ready-to-drink coffees, teas and beverages with a healthful positioning.

In February 2001, our Company and San Miguel Corporation (SMC) announced an agreement in principle with Coca-Cola Amatil to purchase Coca-Cola Bottlers Philippines, Inc. (CCBPI). The consideration for this transaction, comprised of Coca-Cola Amatil shares, cash and the assumption of debt, is valued at approximately \$1.2 billion. SMC will manage day-to-day operations and own 65 percent of the common equity of CCBPI and our Company will own the remaining 35 percent. The completion of this transaction is subject to Coca-Cola Amatil share-owner approval and certain other conditions.

LIQUIDITY AND CAPITAL RESOURCES

We believe our ability to generate cash from operations to reinvest in our business is one of our fundamental financial strengths. We anticipate that our operating activities in 2001 will continue to provide us with cash flows to assist in our business expansion and to meet our financial commitments.

Free Cash Flow

Free cash flow is the cash remaining from operations after we have satisfied our business reinvestment opportunities. We focus on increasing free cash flow to achieve our objective of maximizing share-owner value over time. We use free cash flow along with borrowings to pay dividends, make share repurchases and make acquisitions.

The consolidated statements of our cash flows are summarized as follows (in millions):

Year Ended December 31,	2000	1999	1998
Cash flows provided by			
(used in):			
Operations	\$ 3,585	\$ 3,883	\$ 3,433
Business reinvestment	(779)	(1,551)	(1,557)
Free Cash Flow	2,806	2,332	1,876
Cash flows (used in)			
provided by:			
Acquisitions,			
net of disposals	(386)	(1,870)	(604)
Share repurchases	(133)	(15)	(1,563)
Dividends	(1,685)	(1,580)	(1,480)
Other financing activities	(254)	1,124	1,710
Exchange	(140)	(28)	(28)
Increase (decrease) in cash	\$ 208	\$ (37)	\$ (89)

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Cash provided by operations in 2000 amounted to \$3.6 billion, an 8 percent decrease from 1999 due to the utilization of cash for the Realignment, as discussed under the heading "Other Operating Charges," and the impact on cash from the reduction in concentrate inventory levels by certain bottlers as discussed under the heading "Volume." In 1999, cash provided by operations amounted to \$3.9 billion, a 13 percent increase from 1998.

In 2000, net cash used in investing activities decreased by \$2.3 billion compared to 1999. The decrease was primarily the result of brand and bottler acquisitions during 1999. For a more complete description of these transactions, refer to Note 17 in our Consolidated Financial Statements.

In 1999, net cash used in investing activities increased by \$1.3 billion compared to 1998. The increase was primarily the result of brand and bottler acquisitions during 1999 and a decrease in proceeds from disposal of investments and other assets.

Total capital expenditures for property, plant and equipment (including our investments in information technology) and the percentage distribution by operating segment for 2000, 1999 and 1998 are as follows (in millions):

Year Ended December 31,	2000	1999	1998
Capital expenditures	\$ 733	\$ 1,069	\$ 863
North America ¹	35%	25%	32%
Africa and Middle East	2%	2%	3%
Europe and Eurasia	26%	20%	25%
Latin America	2%	6%	8%
Asia Pacific	18%	30%	12%
Corporate	17%	17%	20%

¹ Includes The Minute Maid Company

Financing Activities

Our financing activities include net borrowings, dividend payments and share issuances and repurchases. Net cash used in financing activities totaled \$2.1 billion in 2000, \$5 billion in 1999 and \$1.3 billion in 1998. The change between 2000 and 1999 was primarily due to the use of excess cash to pay down outstanding loans. The change between 1999 and 1998 was primarily due to a decrease in treasury stock repurchases due to our utilization of cash for our brand and bottler acquisitions during 1999.

Cash used to purchase common stock for treasury under the 1996 share repurchase plan and employee stock award programs totaled \$133 million in 2000, \$15 million in 1999 and \$1.6 billion in 1998. In 2000 and in 1999, we did not repurchase any shares under the 1996 share repurchase plan.

Commercial paper is our primary source of short-term financing. On December 31, 2000, we had \$4.5 billion outstanding in commercial paper borrowings compared to \$4.9 billion outstanding at the end of 1999, a \$.4 billion decrease in borrowings. The 2000 decrease in loans and notes payable was due to the use of excess cash to pay down outstanding loans. The Company's commercial paper

borrowings normally mature less than three months from the date of issuance. In 1999, as part of our Year 2000 plan, we increased the amount of commercial paper borrowings with maturity dates greater than three months. The gross payments and receipts of borrowings greater than three months from the date of issuance have been included in the Consolidated Statements of Cash Flows. In addition, on December 31, 2000, we had \$3.0 billion in lines of credit and other short-term credit facilities available, of which approximately \$246 million was outstanding.

On December 31, 2000, we had \$835 million outstanding in long-term debt, compared to \$854 million outstanding at the end of 1999, a \$19 million decrease in borrowings.

Exchange

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

We use approximately 65 functional currencies. Due to our global operations, weaknesses in some of these currencies are often offset by strengths in others. In 2000, 1999 and 1998, the weighted-average exchange rates for foreign currencies, and for certain individual currencies, strengthened (weakened) against the U.S. dollar as follows:

Year Ended December 31,	2000	1999	1998
All currencies	(5)%	Even	(9)%
Australian dollar	(8)%	3 %	(16)%
British pound	(7)%	(2)%	2 %
Canadian dollar	Even	Even	(7)%
French franc	(14)%	(2)%	(3)%
German mark	(14)%	(2)%	(3)%
Japanese yen	4 %	15 %	(6)%

These percentages do not include the effects of our hedging activities and, therefore, do not reflect the actual impact of fluctuations in exchange on our operating results. Our foreign currency management program mitigates over time a portion of the impact of exchange on net income and earnings per share. The impact of a stronger U.S. dollar reduced our operating income by approximately 4 percent in 2000 and 1999.

Exchange gains (losses)-net amounted to \$(12) million in 2000, \$87 million in 1999 and \$(34) million in 1998, and were recorded in other income-net. Exchange gains (losses)-net includes the remeasurement of certain currencies into functional currencies and the costs of hedging certain exposures of our balance sheet.

Additional information concerning our hedging activities is presented in Note 9 in our Consolidated Financial Statements.

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FINANCIAL POSITION

In 2000, the carrying value of our investment in Coca-Cola Amatil decreased, primarily as a result of a nonrecurring charge recorded by Coca-Cola Amatil to reduce the carrying value of its investment in the Philippines. The Company's portion of this charge was \$306 million. The carrying value of our investment in CCHBC decreased due to the impact of foreign currency exchange partially offset by a gain of approximately \$118 million related to the merger of Coca-Cola Beverages and Hellenic Bottling Company S.A. during the third quarter of 2000. The carrying value of other investments, principally bottling companies, decreased primarily due to a nonrecurring charge recorded by Panamco to write down selected assets, including the impairment of the value of the Venezuelan operating unit. The decrease in the carrying value of other equity investments was also impacted by the consolidation in 2000 of F&N Coca-Cola, which was previously recorded as an equity investment. The increase in marketable securities and other assets is primarily due to an increase in marketing prepayments. The increase in accounts payable and accrued expenses is due primarily to the accrual for the Realignment expenses.

The carrying value of our investment in Coca-Cola Enterprises increased in 1999, primarily as a result of Coca-Cola Enterprises' issuance of stock in its acquisitions of various bottling operations. The carrying value of our investment in Coca-Cola Amatil decreased, primarily due to the transfer of approximately 57 million shares of Coca-Cola Amatil to Fraser and Neave Limited in conjunction with our acquisition of its 75 percent interest in F&N Coca-Cola. The increase in our property, plant and equipment was primarily due to the consolidation in 1999 of our bottling operations in India and our vending operations in Japan. The increase in our goodwill and other intangible assets was primarily due to our brand and bottler acquisitions during 1999.

EURO CONVERSION

In January 1999, certain member countries of the European Union established irrevocable, fixed conversion rates between their existing currencies and the European Union's common currency (the Euro).

The introduction of the Euro is scheduled to be phased in over a period ending January 1, 2002, when Euro notes and coins will come into circulation. The existing currencies are due to be completely removed from circulation on February 28, 2002. Our Company has been preparing for the introduction of the Euro for several years. The timing of our phasing out all uses of the existing currencies will comply with the legal requirements and also be scheduled to facilitate optimal coordination with the plans of our vendors, distributors and customers. Our work related to the introduction of the Euro and the phasing out of the other currencies includes converting information technology systems; recalculating currency risk; recalibrating derivatives and other financial instruments; evaluating and taking action, if needed, regarding the

continuity of contracts; and modifying our processes for preparing tax, accounting, payroll and customer records.

Based on our work to date, we believe the Euro replacing the other currencies will not have a material impact on our operations or our Consolidated Financial Statements.

IMPACT OF INFLATION AND CHANGING PRICES

Inflation affects the way we operate in many markets around the world. In general, we are able to increase prices to counteract the inflationary effects of increasing costs and to generate sufficient cash flows to maintain our productive capability.

NEW ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by Statements 137 and 138 in June 1999 and June 2000, respectively. These statements, which were required to be adopted for fiscal years beginning after June 15, 2000, require the Company to recognize all derivatives on the balance sheet at fair value. The statements also established new accounting rules for hedging instruments which, depending on the nature of the hedge, require that changes in the fair value of derivatives either be offset against the change in fair value of assets, liabilities or firm commitments through earnings, or be recognized in other comprehensive income until the hedged item is recognized in earnings. Any ineffective portion of a derivative's change in fair value must be immediately recognized in earnings.

We adopted the provisions of SFAS No. 133, as amended, on January 1, 2001, which resulted in an immaterial impact on our consolidated results of operations and financial position. Although these statements will not have a material impact on our consolidated financial results, the requirements of these statements may result in slightly increased volatility in the Company's future quarterly consolidated financial results. The Company implemented new information systems to ensure that we were in compliance with these statements upon adoption.

OUTLOOK

While we cannot predict future performance, we believe considerable opportunities exist for sustained, profitable growth, not only in the developing population centers of the world, but also in our most established markets.

We firmly believe that the strength of our brands, our unparalleled distribution system, our global presence, our strong financial condition and the diversity and skills of our people give us the flexibility to capitalize on growth opportunities as we continue to pursue our goal of increasing share-owner value over time.

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FORWARD-LOOKING STATEMENTS

Certain written and oral statements made by our Company and subsidiaries or with the approval of an authorized executive officer of our Company may constitute “forward-looking statements” as defined under the Private Securities Litigation Reform Act of 1995, including statements made in this report and other filings with the Securities and Exchange Commission. Generally, the words “believe,” “expect,” “intend,” “estimate,” “anticipate,” “project,” “will” and similar expressions identify forward-looking statements, which generally are not historical in nature. All statements which address operating performance, events or developments that we expect or anticipate will occur in the future — including statements relating to volume growth, share of sales and earnings per share growth and statements expressing general optimism about future operating results — are forward-looking statements. Forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our Company's historical experience and our present expectations or projections. As and when made, management believes that these forward-looking statements are reasonable. However, caution should be taken not to place undue reliance on any such forward-looking statements since such statements speak only as of the date when made. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The following are some of the factors that could cause our Company's actual results to differ materially from the expected results described in or underlying our Company's forward-looking statements:

- Our ability to generate sufficient cash flows to support capital expansion plans, share repurchase programs and general operating activities.
- Changes in the nonalcoholic beverages business environment. These include, without limitation, competitive product and pricing pressures and our ability to gain or maintain share of sales in the global market as a result of actions by competitors. While we believe our opportunities for sustained, profitable growth are considerable, factors such as these could impact our earnings, share of sales and volume growth.
- Changes in laws and regulations, including changes in accounting standards, taxation requirements (including tax rate changes, new tax laws and revised tax law interpretations) and environmental laws in domestic or foreign jurisdictions.
- Fluctuations in the cost and availability of raw materials and the ability to maintain favorable supplier arrangements and relationships.
- Our ability to achieve earnings forecasts, which are generated based on projected volumes and sales of many product types, some of which are more profitable than others. There can be

no assurance that we will achieve the projected level or mix of product sales.

- Interest rate fluctuations and other capital market conditions, including foreign currency rate fluctuations. Most of our exposures to capital markets, including interest and foreign currency, are managed on a consolidated basis, which allows us to net certain exposures and, thus, take advantage of any natural offsets. We use derivative financial instruments to reduce our net exposure to financial risks. There can be no assurance, however, that our financial risk management program will be successful in reducing foreign currency exposures.
- Economic and political conditions, especially in international markets, including civil unrest, governmental changes and restrictions on the ability to transfer capital across borders.
- Our ability to penetrate developing and emerging markets, which also depends on economic and political conditions, and how well we are able to acquire or form strategic business alliances with local bottlers and make necessary infrastructure enhancements to production facilities, distribution networks, sales equipment and technology. Moreover, the supply of products in developing markets must match the customers' demand for those products, and due to product price and cultural differences, there can be no assurance of product acceptance in any particular market.
- The effectiveness of our advertising, marketing and promotional programs.
- The uncertainties of litigation, as well as other risks and uncertainties detailed from time to time in our Company's Securities and Exchange Commission filings.
- Adverse weather conditions, which could reduce demand for Company products.

The foregoing list of important factors is not exclusive.

ADDITIONAL INFORMATION

For additional information about our operations, cash flows, liquidity and capital resources, please refer to the information on pages 46 through 68 of this report. Additional information concerning our operating segments is presented on pages 65 through 67.

Selected Financial Data

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(In millions except per share data, ratios and growth rates)	Compound Growth Rates		Year Ended December 31,	
	5 Years	10 Years	2000	1999
SUMMARY OF OPERATIONS				
Net operating revenues	2.4 %	7.1 %	\$ 20,458	\$ 19,805
Cost of goods sold	(2.2)%	4.0 %	6,204	6,009
Gross profit	5.0 %	8.9%	14,254	13,796
Selling, administrative and general expenses	5.2 %	8.4 %	9,120	9,001
Other operating charges			1,443	813
Operating income	(1.7)%	6.6%	3,691	3,982
Interest income			345	260
Interest expense			447	337
Equity income (loss)			(289)	(184)
Other income (deductions)-net			99	98
Gains on issuances of stock by equity investees			—	—
Income from continuing operations before income taxes and changes in accounting principles	(4.7)%	5.4 %	3,399	3,819
Income taxes	(1.9)%	6.8 %	1,222	1,388
Income from continuing operations before changes in accounting principles	(6.1)%	4.6 %	\$ 2,177	\$ 2,431
Net income	(6.1)%	4.6 %	\$ 2,177	\$ 2,431
Preferred stock dividends			—	—
Net income available to common share owners	(6.1)%	4.8 %	\$ 2,177	\$ 2,431
Average common shares outstanding			2,477	2,469
Average common shares outstanding assuming dilution			2,487	2,487
PER COMMON SHARE DATA				
Income from continuing operations before changes in accounting principles — basic	(5.7)%	5.6 %	\$.88	\$.98
Income from continuing operations before changes in accounting principles — diluted	(5.5)%	5.8 %	.88	.98
Basic net income	(5.7)%	5.6 %	.88	.98
Diluted net income	(5.5)%	5.8 %	.88	.98
Cash dividends	9.1 %	13.0%	.68	.64
Market price on December 31,	10.4 %	18.0%	60.94	58.25
TOTAL MARKET VALUE OF COMMON STOCK¹	10.2 %	17.2 %	\$ 151,421	\$ 143,969
BALANCE SHEET DATA				
Cash, cash equivalents and current marketable securities			\$ 1,892	\$ 1,812
Property, plant and equipment-net			4,168	4,267
Depreciation			465	438
Capital expenditures			733	1,069
Total assets			20,834	21,623
Long-term debt			835	854
Total debt			5,651	6,227
Share-owners' equity			9,316	9,513
Total capital ¹			14,967	15,740
OTHER KEY FINANCIAL MEASURES¹				
Total debt-to-total capital			37.8%	39.6%
Net debt-to-net capital			29.4%	32.2%
Return on common equity			23.1%	27.1%
Return on capital			16.2%	18.2%
Dividend payout ratio			77.4%	65.0%
Free cash flow ⁷			\$ 2,806	\$ 2,332
Economic profit			\$ 861	\$ 1,128

¹ See Glossary on page 73.

² In 1998, we adopted SFAS No. 132 "Employers' Disclosures about Pensions and Other Postretirement Benefits."

³ In 1994, we adopted SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities."

⁴ In 1993, we adopted SFAS No. 112 "Employers' Accounting for Postemployment Benefits."

1998 ²	1997 ²	1996 ²	1995 ²	1994 ^{2,3}	1993 ^{2,4}	1992 ^{2,5,6}	1991 ^{2,6}	1990 ^{2,6}
\$ 18,813	\$ 18,868	\$ 18,673	\$ 18,127	\$ 16,264	\$ 14,030	\$ 13,119	\$ 11,599	\$ 10,261
5,562	6,015	6,738	6,940	6,168	5,160	5,055	4,649	4,208
13,251	12,853	11,935	11,187	10,096	8,870	8,064	6,950	6,053
8,211	7,792	7,635	7,075	6,459	5,721	5,317	4,628	4,054
73	60	385	86	—	50	—	13	49
4,967	5,001	3,915	4,026	3,637	3,099	2,747	2,309	1,950
219	211	238	245	181	144	164	175	170
277	258	286	272	199	168	171	192	231
32	155	211	169	134	91	65	40	110
230	583	87	86	(25)	7	(59)	51	15
27	363	431	74	—	12	—	—	—
5,198	6,055	4,596	4,328	3,728	3,185	2,746	2,383	2,014
1,665	1,926	1,104	1,342	1,174	997	863	765	632
\$ 3,533	\$ 4,129	\$ 3,492	\$ 2,986	\$ 2,554	\$ 2,188	\$ 1,883	\$ 1,618	\$ 1,382
\$ 3,533	\$ 4,129	\$ 3,492	\$ 2,986	\$ 2,554	\$ 2,176	\$ 1,664	\$ 1,618	\$ 1,382
—	—	—	—	—	—	—	1	18
\$ 3,533	\$ 4,129	\$ 3,492	\$ 2,986	\$ 2,554	\$ 2,176	\$ 1,664	\$ 1,617	\$ 1,364
2,467	2,477	2,494	2,525	2,580	2,603	2,634	2,666	2,674
2,496	2,515	2,523	2,549	2,599	2,626	2,668	2,695	2,706
\$ 1.43	\$ 1.67	\$ 1.40	\$ 1.18	\$.99	\$.84	\$.72	\$.61	\$.51
1.42	1.64	1.38	1.17	.98	.83	.71	.60	.50
1.43	1.67	1.40	1.18	.99	.84	.63	.61	.51
1.42	1.64	1.38	1.17	.98	.83	.62	.60	.50
.60	.56	.50	.44	.39	.34	.28	.24	.20
67.00	66.69	52.63	37.13	25.75	22.31	20.94	20.06	11.63
\$ 165,190	\$ 164,766	\$ 130,575	\$ 92,983	\$ 65,711	\$ 57,905	\$ 54,728	\$ 53,325	\$ 31,073
\$ 1,807	\$ 1,843	\$ 1,658	\$ 1,315	\$ 1,531	\$ 1,078	\$ 1,063	\$ 1,117	\$ 1,492
3,669	3,743	3,550	4,336	4,080	3,729	3,526	2,890	2,386
381	384	442	421	382	333	310	254	236
863	1,093	990	937	878	800	1,083	792	593
19,145	16,881	16,112	15,004	13,863	11,998	11,040	10,185	9,245
687	801	1,116	1,141	1,426	1,428	1,120	985	536
5,149	3,875	4,513	4,064	3,509	3,100	3,207	2,288	2,537
8,403	7,274	6,125	5,369	5,228	4,570	3,881	4,236	3,662
13,552	11,149	10,638	9,433	8,737	7,670	7,088	6,524	6,199
38.0%	34.8%	42.4%	43.1%	40.2%	40.4%	45.2%	35.1%	40.9%
28.1%	22.0%	31.6%	32.3%	25.5%	29.0%	33.1%	24.2%	24.6%
45.1%	61.6%	60.8%	56.4%	52.1%	51.8%	46.4%	41.3%	41.4%
30.2%	39.5%	36.8%	34.9%	32.8%	31.2%	29.4%	27.5%	26.8%
41.9%	33.6%	35.7%	37.2%	39.4%	40.6%	44.3%	39.5%	39.2%
\$ 1,876	\$ 2,951	\$ 2,215	\$ 2,460	\$ 2,356	\$ 1,857	\$ 875	\$ 881	\$ 844
\$ 2,480	\$ 3,325	\$ 2,718	\$ 2,291	\$ 1,896	\$ 1,549	\$ 1,300	\$ 1,073	\$ 920

⁵ In 1992, we adopted SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions."

⁶ In 1992, we adopted SFAS No. 109 "Accounting for Income Taxes," by restating financial statements beginning in 1989.

⁷ All years presented have been restated to exclude net cash flows related to acquisitions.

Consolidated Balance Sheets

The Coca-Cola Company and Subsidiaries

December 31,	2000	1999
(In millions except share data)		
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 1,819	\$ 1,611
Marketable securities	73	201
	1,892	1,812
Trade accounts receivable, less allowances of \$62 in 2000 and \$26 in 1999	1,757	1,798
Inventories	1,066	1,076
Prepaid expenses and other assets	1,905	1,794
TOTAL CURRENT ASSETS	6,620	6,480
INVESTMENTS AND OTHER ASSETS		
Equity method investments		
Coca-Cola Enterprises Inc.	707	728
Coca-Cola Amatil Limited	617	1,133
Coca-Cola HBC S.A.	758	788
Other, principally bottling companies	3,164	3,793
Cost method investments, principally bottling companies	519	350
Marketable securities and other assets	2,364	2,124
	8,129	8,916
PROPERTY, PLANT AND EQUIPMENT		
Land	225	215
Buildings and improvements	1,642	1,528
Machinery and equipment	4,547	4,527
Containers	200	201
	6,614	6,471
Less allowances for depreciation	2,446	2,204
	4,168	4,267
GOODWILL AND OTHER INTANGIBLE ASSETS		
	1,917	1,960
	\$ 20,834	\$ 21,623

December 31,	2000	1999
LIABILITIES AND SHARE-OWNERS' EQUITY		
CURRENT		
Accounts payable and accrued expenses	\$ 3,905	\$ 3,714
Loans and notes payable	4,795	5,112
Current maturities of long-term debt	21	261
Accrued income taxes	600	769
TOTAL CURRENT LIABILITIES	9,321	9,856
LONG-TERM DEBT	835	854
OTHER LIABILITIES	1,004	902
DEFERRED INCOME TAXES	358	498
SHARE-OWNERS' EQUITY		
Common stock, \$.25 par value		
Authorized: 5,600,000,000 shares		
Issued: 3,481,882,834 shares in 2000; 3,466,371,904 shares in 1999	870	867
Capital surplus	3,196	2,584
Reinvested earnings	21,265	20,773
Accumulated other comprehensive income and unearned compensation on restricted stock	(2,722)	(1,551)
	22,609	22,673
Less treasury stock, at cost (997,121,427 shares in 2000; 994,796,786 shares in 1999)	13,293	13,160
	9,316	9,513
	\$ 20,834	\$ 21,623

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income

The Coca-Cola Company and Subsidiaries

Year Ended December 31,	2000	1999	1998
(In millions except per share data)			
NET OPERATING REVENUES	\$ 20,458	\$ 19,805	\$ 18,813
Cost of goods sold	6,204	6,009	5,562
GROSS PROFIT	14,254	13,796	13,251
Selling, administrative and general expenses	9,120	9,001	8,211
Other operating charges	1,443	813	73
OPERATING INCOME	3,691	3,982	4,967
Interest income	345	260	219
Interest expense	447	337	277
Equity income (loss)	(289)	(184)	32
Other income-net	99	98	230
Gains on issuances of stock by equity investees	—	—	27
INCOME BEFORE INCOME TAXES	3,399	3,819	5,198
Income taxes	1,222	1,388	1,665
NET INCOME	\$ 2,177	\$ 2,431	\$ 3,533
BASIC NET INCOME PER SHARE	\$.88	\$.98	\$ 1.43
DILUTED NET INCOME PER SHARE	\$.88	\$.98	\$ 1.42
AVERAGE SHARES OUTSTANDING	2,477	2,469	2,467
Dilutive effect of stock options	10	18	29
AVERAGE SHARES OUTSTANDING ASSUMING DILUTION	2,487	2,487	2,496

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

The Coca-Cola Company and Subsidiaries

Year Ended December 31, (In millions)	2000	1999	1998
OPERATING ACTIVITIES			
Net income	\$ 2,177	\$ 2,431	\$ 3,533
Depreciation and amortization	773	792	645
Deferred income taxes	3	97	(38)
Equity income or loss, net of dividends	380	292	31
Foreign currency adjustments	196	(41)	21
Gains on issuances of stock by equity investees	—	—	(27)
Gains on sales of assets, including bottling interests	(127)	(49)	(306)
Other operating charges	916	799	73
Other items	119	119	51
Net change in operating assets and liabilities	(852)	(557)	(550)
Net cash provided by operating activities	3,585	3,883	3,433
INVESTING ACTIVITIES			
Acquisitions and investments, principally trademarks and bottling companies	(397)	(1,876)	(1,428)
Purchases of investments and other assets	(508)	(518)	(610)
Proceeds from disposals of investments and other assets	290	176	1,036
Purchases of property, plant and equipment	(733)	(1,069)	(863)
Proceeds from disposals of property, plant and equipment	45	45	54
Other investing activities	138	(179)	(350)
Net cash used in investing activities	(1,165)	(3,421)	(2,161)
FINANCING ACTIVITIES			
Issuances of debt	3,671	3,411	1,818
Payments of debt	(4,256)	(2,455)	(410)
Issuances of stock	331	168	302
Purchases of stock for treasury	(133)	(15)	(1,563)
Dividends	(1,685)	(1,580)	(1,480)
Net cash used in financing activities	(2,072)	(471)	(1,333)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	(140)	(28)	(28)
CASH AND CASH EQUIVALENTS			
Net increase (decrease) during the year	208	(37)	(89)
Balance at beginning of the year	1,611	1,648	1,737
Balance at end of year	\$ 1,819	\$ 1,611	\$ 1,648

See Notes to Consolidated Financial Statements.

Consolidated Statements of Share-Owners' Equity

The Coca-Cola Company and Subsidiaries

Three Years Ended December 31, 2000 (In millions except per share data)	Number of Common Shares Outstanding	Common Stock	Capital Surplus	Reinvested Earnings	Outstanding Restricted Stock	Accumulated Other Comprehensive Income	Treasury Stock	Total
BALANCE DECEMBER 31, 1997	2,471	\$ 861	\$ 1,527	\$ 17,869	\$ (50)	\$ (1,351)	\$ (11,582)	\$ 7,274
Comprehensive income:								
Net income	—	—	—	3,533	—	—	—	3,533
Translation adjustments	—	—	—	—	—	52	—	52
Net change in unrealized gain on securities	—	—	—	—	—	(47)	—	(47)
Minimum pension liability	—	—	—	—	—	(4)	—	(4)
Comprehensive income								3,534
Stock issued to employees exercising stock options	16	4	298	—	—	—	—	302
Tax benefit from employees' stock option and restricted stock plans	—	—	97	—	—	—	—	97
Stock issued under restricted stock plans, less amortization of \$5	1	—	47	—	(34)	—	—	13
Stock issued by an equity investee	—	—	226	—	—	—	—	226
Purchases of stock for treasury	(22) ¹	—	—	—	—	—	(1,563)	(1,563)
Dividends (per share — \$.60)	—	—	—	(1,480)	—	—	—	(1,480)
BALANCE DECEMBER 31, 1998	2,466	865	2,195	19,922	(84)	(1,350)	(13,145)	8,403
Comprehensive income:								
Net income	—	—	—	2,431	—	—	—	2,431
Translation adjustments	—	—	—	—	—	(190)	—	(190)
Net change in unrealized gain on securities	—	—	—	—	—	23	—	23
Minimum pension liability	—	—	—	—	—	25	—	25
Comprehensive income								2,289
Stock issued to employees exercising stock options	6	2	166	—	—	—	—	168
Tax benefit from employees' stock option and restricted stock plans	—	—	72	—	—	—	—	72
Stock issued under restricted stock plans, less amortization of \$27	—	—	2	—	25	—	—	27
Stock issued by an equity investee	—	—	146	—	—	—	—	146
Stock issued under Directors' plan	—	—	3	—	—	—	—	3
Purchases of stock for treasury	—	—	—	—	—	—	(15)	(15)
Dividends (per share — \$.64)	—	—	—	(1,580)	—	—	—	(1,580)
BALANCE DECEMBER 31, 1999	2,472	867	2,584	20,773	(59)	(1,492)	(13,160)	9,513
Comprehensive income:								
Net income	—	—	—	2,177	—	—	—	2,177
Translation adjustments	—	—	—	—	—	(965)	—	(965)
Net change in unrealized gain on securities	—	—	—	—	—	(60)	—	(60)
Minimum pension liability	—	—	—	—	—	(10)	—	(10)
Comprehensive income								1,142
Stock issued to employees exercising stock options	12	2	329	—	—	—	—	331
Tax benefit from employees' stock option and restricted stock plans	—	—	116	—	—	—	—	116
Stock issued under restricted stock plans, less amortization of \$24	3	1	166	—	(136)	—	—	31
Stock issued under Directors' plan	—	—	1	—	—	—	—	1
Purchases of stock for treasury	(2) ¹	—	—	—	—	—	(133)	(133)
Dividends (per share — \$.68)	—	—	—	(1,685)	—	—	—	(1,685)
BALANCE DECEMBER 31, 2000	2,485	\$ 870	\$ 3,196	\$ 21,265	\$ (195)	\$ (2,527)	\$ (13,293)	\$ 9,316

¹ Common stock purchased from employees exercising stock options numbered 2.2 million, .3 million and 1.4 million shares for the years ended December 31, 2000, 1999 and 1998, respectively.

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

The Coca-Cola Company and Subsidiaries

NOTE 1: ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Coca-Cola Company and subsidiaries (our Company) is predominantly a manufacturer, marketer and distributor of nonalcoholic beverage concentrates and syrups. Operating in nearly 200 countries worldwide, we primarily sell our concentrates and syrups to bottling and canning operations, fountain wholesalers and fountain retailers. We also market and distribute juice and juice-drink products. We have significant markets for our products in all the world's geographic regions. We record revenue when title passes to our customers or our bottling partners.

Basis of Presentation

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

Consolidation

Our Consolidated Financial Statements include the accounts of The Coca-Cola Company and all subsidiaries except where control is temporary or does not rest with our Company. Our investments in companies in which we have the ability to exercise significant influence over operating and financial policies, including certain investments where there is a temporary majority interest, are accounted for by the equity method. Accordingly, our Company's share of the net earnings of these companies is included in consolidated net income. Our investments in other companies are carried at cost or fair value, as appropriate. All significant intercompany accounts and transactions are eliminated upon consolidation.

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 the accompanying Consolidated Balance Sheets. For specific transaction details, refer to Note 3.

Advertising Costs

Our Company expenses production costs of print, radio and television advertisements as of the first date the advertisements take place. Advertising expenses included in selling, administrative and general expenses were \$1,742 million in 2000, \$1,699 million in 1999 and \$1,597 million in 1998. As of December 31, 2000 and 1999, advertising costs of approximately \$818 million and \$523 million, respectively, were recorded primarily in prepaid expenses and other assets and in marketable securities and other assets in the accompanying Consolidated Balance Sheets.

Net Income Per Share

Basic net income per share is computed by dividing net income by the weighted-average number of shares outstanding. Diluted net income per share includes the dilutive effect of stock options.

Cash Equivalents

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

Inventories

Inventories consist primarily of raw materials and supplies and are valued at the lower of cost or market. In general, cost is determined on the basis of average cost or first-in, first-out methods.

Property, Plant and Equipment

Property, plant and equipment are stated at cost and are depreciated principally by the straight-line method over the estimated useful lives of the assets.

Other Assets

Our Company invests in infrastructure programs with our bottlers that are directed at strengthening our bottling system and increasing unit case sales. The costs of these programs are recorded in other assets and are subsequently amortized over the periods to be directly benefited.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets are stated on the basis of cost and are amortized, principally on a straight-line basis, over the estimated future periods to be benefited (not exceeding 40 years). Goodwill and other intangible assets are periodically reviewed for impairment to ensure they are appropriately valued. Conditions that may indicate an impairment issue exists include an economic downturn in a worldwide market or a change in the assessment of future operations. In the event that a condition is identified that may indicate an impairment issue exists, an assessment is performed using a variety of methodologies, including cash flow analysis, estimates of sales proceeds and independent appraisals. Where

Notes to Consolidated Financial Statements

The Coca-Cola Company and Subsidiaries

applicable, an appropriate interest rate is utilized, based on location-specific economic factors. Accumulated amortization was approximately \$192 million and \$154 million on December 31, 2000 and 1999, respectively.

Use of Estimates

In conformity with generally accepted accounting principles, the preparation of our financial statements requires our management to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes including our assessment of the carrying value of our investments in bottling operations. 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.

New Accounting Standards

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by Statements 137 and 138 in June 1999 and June 2000, respectively. These statements, which were required to be adopted for fiscal years beginning after June 15, 2000, require the Company to recognize all derivatives on the balance sheet at fair value. The statements also established new accounting rules for hedging instruments which, depending on the nature of the hedge, require that changes in the fair value of derivatives either be offset against the change in fair value of assets, liabilities or firm commitments through earnings, or be recognized in other comprehensive income until the hedged item is recognized in earnings. Any ineffective portion of a derivative's change in fair value must be immediately recognized in earnings.

We adopted the provisions of SFAS No. 133, as amended, on January 1, 2001, which resulted in an immaterial impact on our consolidated results of operations and financial position. Although these statements will not have a material impact in our annual consolidated financial results, the requirements of these statements may result in slightly increased volatility in the Company's future quarterly consolidated financial results. The Company implemented new information systems to ensure that we were in compliance with these statements upon adoption.

NOTE 2: BOTTLING INVESTMENTS

Coca-Cola Enterprises Inc.

Coca-Cola Enterprises is the largest soft-drink bottler in the world, operating in eight countries, and is one of our anchor bottlers. On December 31, 2000, our Company owned approximately 40 percent of the outstanding common stock of Coca-Cola Enterprises, and accordingly, we account for our investment by the equity method of accounting. The excess of our equity in the underlying net assets of Coca-Cola Enterprises over our investment is primarily amortized on

a straight-line basis over 40 years. The balance of this excess, net of amortization, was approximately \$438 million on December 31, 2000. A summary of financial information for Coca-Cola Enterprises is as follows (in millions):

December 31,	2000	1999
Current assets	\$ 2,631	\$ 2,581
Noncurrent assets	19,531	20,149
Total assets	\$ 22,162	\$ 22,730
Current liabilities	\$ 3,094	\$ 3,614
Noncurrent liabilities	16,234	16,192
Total liabilities	\$ 19,328	\$ 19,806
Share-owners' equity	\$ 2,834	\$ 2,924
Company equity investment	\$ 707	\$ 728

Year Ended December 31,	2000	1999	1998
Net operating revenues	\$ 14,750	\$ 14,406	\$ 13,414
Cost of goods sold	9,083	9,015	8,391
Gross profit	\$ 5,667	\$ 5,391	\$ 5,023
Operating income	\$ 1,126	\$ 839	\$ 869
Cash operating profit ¹	\$ 2,387	\$ 2,187	\$ 1,989
Net income	\$ 236	\$ 59	\$ 142
Net income available to common share owners	\$ 233	\$ 56	\$ 141

¹ Cash operating profit is defined as operating income plus depreciation expense, amortization expense and other noncash operating expenses.

Our net concentrate and syrup sales to Coca-Cola Enterprises were \$3.5 billion in 2000, \$3.3 billion in 1999 and \$3.1 billion in 1998, or approximately 17 percent, 17 percent and 16 percent of our 2000, 1999 and 1998 net operating revenues, respectively. Coca-Cola Enterprises purchases sweeteners through our Company; however, related collections from Coca-Cola Enterprises and payments to suppliers are not included in our Consolidated Statements of Income. These transactions amounted to \$298 million in 2000, \$308 million in 1999 and \$252 million in 1998. We also provide certain administrative and other services to Coca-Cola Enterprises under negotiated fee arrangements.

Our direct support for certain marketing activities of Coca-Cola Enterprises and participation with them in cooperative advertising and other marketing programs amounted to approximately \$766 million in 2000, \$767 million in 1999 and \$899 million in 1998. Pursuant to cooperative advertising and trade arrangements with Coca-Cola Enterprises, we received approximately \$195 million, \$243 million and \$173 million in 2000, 1999 and 1998, respectively, from Coca-Cola Enterprises for local media and marketing program expense reimbursements. Additionally, we committed approximately \$223 million in 2000, \$338 million in 1999 and \$324 million in 1998, respectively, to Coca-Cola Enterprises under a Company program that encourages bottlers to invest in building and supporting beverage infrastructure.

Notes to Consolidated Financial Statements

The Coca-Cola Company and Subsidiaries

If valued at the December 31, 2000, quoted closing price of publicly traded Coca-Cola Enterprises shares, the calculated value of our investment in Coca-Cola Enterprises would have exceeded its carrying value by approximately \$2.5 billion.

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 Coca-Cola Enterprises, is as follows (in millions):

December 31,	2000	1999	
Current assets	\$ 5,985	\$ 6,652	
Noncurrent assets	19,030	21,306	
Total assets	\$ 25,015	\$ 27,958	
Current liabilities	\$ 5,419	\$ 6,550	
Noncurrent liabilities	8,357	8,361	
Total liabilities	\$ 13,776	\$ 14,911	
Share-owners' equity	\$ 11,239	\$ 13,047	
Company equity investment	\$ 4,539	\$ 5,714	

Year Ended December 31,	2000	1999	1998
Net operating revenues	\$ 21,666	\$ 19,785	\$ 17,975
Cost of goods sold	13,014	12,085	11,122
Gross profit	\$ 8,652	\$ 7,700	\$ 6,853
Operating income (loss)	\$ (24)	\$ 809	\$ 905
Cash operating profit ¹	\$ 2,796	\$ 2,474	\$ 1,998
Net income (loss)	\$ (894)	\$ (134)	\$ 217

Equity investments include certain nonbottling investees.

¹ Cash operating profit is defined as operating income plus depreciation expense, amortization expense and other noncash operating expenses.

Net sales to equity investees other than Coca-Cola Enterprises were \$3.5 billion in 2000, \$3.2 billion in 1999 and \$2.6 billion in 1998. Our direct support for certain marketing activities with equity investees other than Coca-Cola Enterprises, the majority of which are located outside the United States, was approximately \$663 million, \$685 million and \$640 million for 2000, 1999 and 1998, respectively.

In July 1999, we acquired from Fraser and Neave Limited its ownership interest in F&N Coca-Cola as discussed in Note 17. In August 1998, we exchanged our Korean bottling operations with Coca-Cola Amatil for an additional ownership interest in Coca-Cola Amatil.

In June 1998, we sold our previously consolidated Italian bottling and canning operations to Coca-Cola Beverages. This transaction resulted in proceeds valued at approximately \$1.0 billion and an after-tax gain of approximately \$.03 per share (basic and diluted).

If valued at the December 31, 2000, quoted closing prices of shares actively traded on stock markets, the calculated value of our equity investments in publicly traded bottlers other than Coca-Cola Enterprises would have exceeded our carrying value by approximately \$1.0 billion.

NOTE 3: ISSUANCES OF STOCK BY EQUITY INVESTEES

No gains on issuances of stock by equity investees were recorded during 2000. In the first quarter of 1999, Coca-Cola Enterprises completed its acquisition of various bottlers. These transactions were funded primarily with shares of Coca-Cola Enterprises common stock. The Coca-Cola Enterprises common stock issued was valued in an amount greater than the book value per share of our investment in Coca-Cola Enterprises. As a result of these transactions, our equity in the underlying net assets of Coca-Cola Enterprises increased, and we recorded a \$241 million increase to our Company's investment basis in Coca-Cola Enterprises. Due to Coca-Cola Enterprises' share repurchase program, the increase in our investment in Coca-Cola Enterprises was recorded as an equity transaction, and no gain was recognized. We recorded a deferred tax liability of approximately \$95 million on this increase to our investment in Coca-Cola Enterprises. These transactions reduced our ownership in Coca-Cola Enterprises from approximately 42 percent to approximately 40 percent.

In December 1998, Coca-Cola Enterprises completed its acquisition of certain independent bottling operations operating in parts of Texas, New Mexico and Arizona (collectively known as the Wolslager Group). The transactions were funded primarily with the issuance of shares of Coca-Cola Enterprises common stock. The Coca-Cola Enterprises common stock issued in exchange for these bottlers was valued at an amount greater than the book value per share of our investment in Coca-Cola Enterprises. As a result of this transaction, our equity in the underlying net assets of Coca-Cola Enterprises increased, and we recorded a \$116 million increase to our Company's investment basis in Coca-Cola Enterprises. Due to Coca-Cola Enterprises' share repurchase program the increase in our investment in Coca-Cola Enterprises was recorded as an equity transaction, and no gain was recognized. We recorded a deferred tax liability of approximately \$46 million on this increase to our investment in Coca-Cola Enterprises. At the completion of this transaction, our ownership in Coca-Cola Enterprises was approximately 42 percent.

In September 1998, CCEAG, our bottler in Germany, issued new shares valued at approximately \$275 million to effect a merger with Nordwest Getränke GmbH & Co. KG, another German bottler. Approximately 7.5 million shares were issued, resulting in a one-time noncash pretax gain for our Company of approximately \$27 million. We provided deferred taxes of approximately \$10 million on this gain. This issuance reduced our ownership in CCEAG from approximately 45 percent to approximately 40 percent.

In June 1998, Coca-Cola Enterprises completed its acquisition of CCBG Corporation and Texas Bottling Group, Inc. (collectively known as Coke Southwest). The transaction was valued at approximately \$1.1 billion. Approximately 55 percent of the transaction was funded with the issuance of approximately 17.7 million shares of Coca-Cola Enterprises common stock, and the remaining portion was funded through debt and assumed debt. The

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Coca-Cola Enterprises common stock issued in exchange for Coke Southwest was valued at an amount greater than the book value per share of our investment in Coca-Cola Enterprises. As a result of this transaction, our equity in the underlying net assets of Coca-Cola Enterprises increased and we recorded a \$257 million increase to our Company's investment basis in Coca-Cola Enterprises. Due to Coca-Cola Enterprises' share repurchase program, the increase in our investment in Coca-Cola Enterprises was recorded as an equity transaction, and no gain was recognized. We recorded a deferred tax liability of approximately \$101 million on this increase to our investment in Coca-Cola Enterprises. At the completion of this transaction, our ownership in Coca-Cola Enterprises was approximately 42 percent.

NOTE 4: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

December 31,	2000	1999
Accrued marketing	\$ 1,163	\$ 1,056
Container deposits	58	53
Accrued compensation	141	164
Sales, payroll and other taxes	166	297
Accrued realignment expenses	254	—
Accounts payable and other accrued expenses	2,123	2,144
	\$ 3,905	\$ 3,714

NOTE 5: SHORT-TERM BORROWINGS AND CREDIT ARRANGEMENTS

Loans and notes payable consist primarily of commercial paper issued in the United States. On December 31, 2000, we had \$4.5 billion outstanding in commercial paper borrowings. In addition, we had \$3.0 billion in lines of credit and other short-term credit facilities available, of which approximately \$246 million was outstanding. Our weighted-average interest rates for commercial paper outstanding were approximately 6.7 percent and 6.0 percent at December 31, 2000 and 1999, respectively.

These 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 6: LONG-TERM DEBT

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

December 31,	2000	1999
6% U.S. dollar notes due 2000	\$ —	\$ 250
6 5/8% U.S. dollar notes due 2002	150	150
6% U.S. dollar notes due 2003	150	150
5 3/4% U.S. dollar notes due 2009	399	399
7 3/8% U.S. dollar notes due 2093	116	116
Other, due 2001 to 2013	41	50
	856	1,115
Less current portion	21	261
	\$ 835	\$ 854

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 \$706 million and \$150 million on December 31, 2000, and \$690 million and \$425 million on December 31, 1999. The weighted-average interest rate on our Company's long-term debt was 5.9 percent and 5.6 percent for the years ended December 31, 2000 and 1999, respectively. Total interest paid was approximately \$458 million, \$314 million and \$298 million in 2000, 1999 and 1998, respectively. For a more complete discussion of interest rate management, refer to Note 9.

Maturities of long-term debt for the five years succeeding December 31, 2000, are as follows (in millions):

2001	2002	2003	2004	2005
\$ 21	\$ 154	\$ 153	\$ 2	\$ 1

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

NOTE 7: COMPREHENSIVE INCOME

Accumulated other comprehensive income consists of the following (in millions):

December 31,	2000	1999
Foreign currency translation adjustment	\$ (2,475)	\$ (1,510)
Unrealized gain on available-for-sale securities	(26)	34
Minimum pension liability	(26)	(16)
	\$ (2,527)	\$ (1,492)

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A summary of the components of other comprehensive income for the years ended December 31, 2000, 1999 and 1998, is as follows (in millions):

December 31,	Before-Tax Amount	Income Tax	After-Tax Amount
2000			
Net foreign currency translation	\$ (1,074)	\$ 109	\$ (965)
Net change in unrealized gain (loss) on available-for-sale securities	(90)	30	(60)
Minimum pension liability	(17)	7	(10)
Other comprehensive income (loss)	\$ (1,181)	\$ 146	\$ (1,035)

December 31,	Before-Tax Amount	Income Tax	After-Tax Amount
1999			
Net foreign currency translation	\$ (249)	\$ 59	\$ (190)
Net change in unrealized gain (loss) on available-for-sale securities	37	(14)	23
Minimum pension liability	38	(13)	25
Other comprehensive income (loss)	\$ (174)	\$ 32	\$ (142)

December 31,	Before-Tax Amount	Income Tax	After-Tax Amount
1998			
Net foreign currency translation	\$ 52	\$ —	\$ 52
Net change in unrealized gain (loss) on available-for-sale securities	(70)	23	(47)
Minimum pension liability	(5)	1	(4)
Other comprehensive income (loss)	\$ (23)	\$ 24	\$ 1

NOTE 8: FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The carrying amounts reflected in our Consolidated Balance Sheets for cash, cash equivalents, marketable equity securities, cost method investments, receivables, loans and notes payable and long-term debt approximate their respective fair values. Fair values are based primarily on quoted prices for those or similar instruments. A comparison of the carrying value and fair value of our hedging instruments is included in Note 9.

Certain Debt and Marketable Equity Securities

Investments in debt and marketable equity securities, other than investments accounted for by the equity method, are categorized as either trading, available-for-sale or held-to-maturity. On December 31, 2000 and 1999, 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. Debt securities categorized as held-to-maturity are stated at amortized cost.

On December 31, 2000 and 1999, 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
2000				
Available-for-sale securities				
Equity securities	\$ 248	\$ 57	\$ (90)	\$ 215
Collateralized mortgage obligations	25	—	(2)	23
Other debt securities	15	—	—	15
	\$ 288	\$ 57	\$ (92)	\$ 253

Held-to-maturity securities

Bank and corporate debt	\$ 1,115	\$ —	\$ —	\$ 1,115
	\$ 1,115	\$ —	\$ —	\$ 1,115

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December 31,	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
1999				
Available-for-sale securities				
Equity securities	\$ 246	\$ 69	\$ (13)	\$ 302
Collateralized mortgage obligations	45	—	(1)	44
Other debt securities	8	—	—	8
	<u>\$ 299</u>	<u>\$ 69</u>	<u>\$ (14)</u>	<u>\$ 354</u>
Held-to-maturity securities				
Bank and corporate debt	\$ 1,137	\$ —	\$ —	\$ 1,137
Other debt securities	49	—	—	49
	<u>\$ 1,186</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,186</u>

On December 31, 2000 and 1999, these investments were included in the following captions in our Consolidated Balance Sheets (in millions):

December 31,	Available-for-Sale Securities	Held-to-Maturity Securities
2000		
Cash and cash equivalents	\$ —	\$ 1,113
Current marketable securities	71	2
Cost method investments, principally bottling companies	151	—
Marketable securities and other assets	31	—
	<u>\$ 253</u>	<u>\$ 1,115</u>
1999		
Cash and cash equivalents	\$ —	\$ 1,061
Current marketable securities	76	125
Cost method investments, principally bottling companies	227	—
Marketable securities and other assets	51	—
	<u>\$ 354</u>	<u>\$ 1,186</u>

The contractual maturities of these investments as of December 31, 2000, were as follows (in millions):

	Available-for-Sale Securities		Held-to-Maturity Securities	
	Cost	Fair Value	Amortized Cost	Fair Value
2001	\$ 7	\$ 7	\$ 1,115	\$ 1,115
2002–2005	8	8	—	—
Collateralized mortgage obligations	25	23	—	—
Equity securities	248	215	—	—
	<u>\$ 288</u>	<u>\$ 253</u>	<u>\$ 1,115</u>	<u>\$ 1,115</u>

For the years ended December 31, 2000 and 1999, 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 9: 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, to reduce our exposure to adverse fluctuations in commodity prices and other market risks. When entered into, these financial instruments are designated as hedges of underlying exposures. Because of the high correlation between the hedging instrument and the underlying exposure being hedged, fluctuations in the value of the instruments are generally offset by changes in the value of the underlying exposures. Virtually all our derivatives are “over-the-counter” instruments. Our Company does not enter into derivative financial instruments for trading purposes.

The estimated fair values of derivatives used to hedge or modify our risks fluctuate over time. These fair value amounts should not be viewed in isolation, but rather in relation to the fair values of the underlying hedging transactions and investments and to the overall reduction in our exposure to adverse fluctuations in interest rates, foreign exchange rates, commodity prices and other market risks.

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 from our use of derivatives. 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.

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

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collateral in the form of U.S. government securities for substantially all 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. As a result, we consider the risk of counterparty default to be minimal.

Interest Rate Management

Our Company maintains a percentage of fixed and variable rate debt within defined parameters. We enter into interest rate swap agreements that maintain the fixed-to-variable mix within these parameters. These contracts had maturities ranging from one to four years on December 31, 2000. Variable rates are predominantly linked to the London Interbank Offered Rate. Any differences paid or received on interest rate swap agreements are recognized as adjustments to interest expense over the life of each swap, thereby adjusting the effective interest rate on the underlying obligation. Additionally, our Company enters into interest rate cap agreements that may entitle us to receive from a financial institution the amount, if any, by which our interest payments on our variable rate debt exceed prespecified interest rates through 2004.

Foreign Currency Management

The purpose of our foreign currency hedging activities is to reduce the risk that our eventual 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) to hedge firm sale commitments denominated in foreign currencies. We also purchase currency options (principally Euro and Japanese yen) to hedge certain anticipated sales. Premiums paid and realized gains and losses, including those on any terminated contracts, are included in prepaid expenses and other assets. These are recognized in income, along with unrealized gains and losses in the same period the hedging transactions are realized. Approximately \$26 million of realized gains and \$85 million of realized losses on settled contracts entered into as hedges of firmly committed transactions that have not yet occurred were deferred on December 31, 2000 and 1999, respectively. Deferred gains/losses from hedging anticipated transactions were not material on December 31, 2000 or 1999. In the unlikely event that the underlying transaction terminates or becomes improbable, the deferred gains or losses on the associated derivative will be recorded in our income statement.

Gains and losses on derivative financial instruments that are designated and effective as hedges of net investments in international operations are included in share-owners' equity as a foreign currency translation adjustment, a component of accumulated other comprehensive income.

The following tables present the aggregate notional principal amounts, carrying values, fair values and maturities of our derivative financial instruments outstanding on December 31, 2000 and 1999 (in millions):

December 31,	Notional Principal Amounts	Carrying Values	Fair Values	Maturity
2000				
Interest rate management				
Swap agreements				
Assets	\$ 150	\$ 1	\$ 8	2003
Liabilities	25	(1)	(10)	2001-2003
Interest rate caps				
Assets	1,600	8	4	2004
Foreign currency management				
Forward contracts				
Assets	1,812	49	74	2001
Swap agreements				
Assets	48	2	(3)	2001
Liabilities	359	(2)	(19)	2001-2002
Purchased options				
Assets	706	18	53	2001-2002
Other				
Assets	87	2	3	2001
	\$ 4,787	\$ 77	\$ 110	

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December 31, 1999	Notional Principal Amounts	Carrying Values	Fair Values	Maturity
Interest rate management				
Swap agreements				
Assets	\$ 250	\$ 2	\$ 6	2000-2003
Liabilities	200	(1)	(8)	2000-2003
Foreign currency management				
Forward contracts				
Assets	1,108	57	71	2000-2001
Liabilities	344	(6)	(3)	2000-2001
Swap agreements				
Assets	102	9	16	2000
Liabilities	412	—	(77)	2000-2002
Purchased options				
Assets	1,770	47	18	2000
Other				
Assets	185	—	2	2000
Liabilities	126	(8)	(8)	2000
	\$ 4,497	\$ 100	\$ 17	

Maturities of derivative financial instruments held on December 31, 2000, are as follows (in millions):

2001	2002	2003	2004
\$ 2,878	\$ 234	\$ 75	\$ 1,600

NOTE 10: COMMITMENTS AND CONTINGENCIES

On December 31, 2000, we were contingently liable for guarantees of indebtedness owed by third parties in the amount of \$397 million, of which \$7 million related to independent bottling licensees. We do not consider it probable that we will be required to satisfy these guarantees.

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

We have committed to make future marketing expenditures of \$772 million, of which the majority is payable over the next 12 years. Additionally, under certain circumstances, we have committed to make future investments in bottling companies. However, we do not consider any of these commitments to be individually significant.

NOTE 11: NET CHANGE IN OPERATING ASSETS AND LIABILITIES

The changes in operating assets and liabilities, net of effects of acquisitions and divestitures of businesses and unrealized exchange gains/losses, are as follows (in millions):

	2000	1999	1998
Increase in trade accounts receivable	\$ (39)	\$ (96)	\$ (237)
Increase in inventories	(2)	(163)	(12)
Increase in prepaid expenses and other assets	(618)	(547)	(318)
Increase (decrease) in accounts payable and accrued expenses	(84)	281	(70)
Increase (decrease) in accrued taxes	(96)	(36)	120
Increase (decrease) in other liabilities	(13)	4	(33)
	\$ (852)	\$ (557)	\$ (550)

NOTE 12: RESTRICTED STOCK, STOCK OPTIONS AND OTHER STOCK PLANS

Our Company currently sponsors restricted stock award plans and stock option plans. Our Company applies Accounting Principles Board Opinion No. 25 and related Interpretations in accounting for our plans. Accordingly, no compensation cost has been recognized for our stock option plans. The compensation cost charged against income for our restricted stock award plans was \$6 million in 2000, \$39 million in 1999 and \$14 million in 1998. In addition, the Company recorded a charge of \$37 million for special termination benefits as part of the Realignment discussed in Note 16. Had compensation cost for the stock option plans been determined based on the fair value at the grant dates for awards under the plans, our Company's net income and net income per share (basic and diluted) would have been as presented in the following table.

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The pro forma amounts are indicated below (in millions, except per share amounts):

Year Ended December 31,	2000	1999	1998
Net income			
As reported	\$ 2,177	\$ 2,431	\$ 3,533
Pro forma	\$ 1,995	\$ 2,271	\$ 3,405
Basic net income per share			
As reported	\$.88	\$.98	\$ 1.43
Pro forma	\$.81	\$.92	\$ 1.38
Diluted net income per share			
As reported	\$.88	\$.98	\$ 1.42
Pro forma	\$.80	\$.91	\$ 1.36

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, may be granted to certain officers and key employees of our Company.

On December 31, 2000, 30 million shares were available for grant under the Restricted Stock Award Plans. In 2000, there were 546,585 shares of restricted stock granted at an average price of \$58.20. In 1999, there were 32,100 shares of restricted stock granted at an average price of \$53.86. In 1998, 707,300 shares of restricted stock were granted at an average price of \$67.03. 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.

In addition, 270,000 shares of three-year performance-based and 2,025,000 shares of five-year performance-based restricted stock were granted in 2000. The release of these shares is contingent upon the Company achieving certain predefined performance targets over the three-year or five-year measurement periods, respectively. Participants are entitled to vote and receive dividends on these shares during the measurement period. The Company also promised to grant 180,000 shares of stock at the end of three years and 200,000 shares of stock at the end of five years to certain employees if the Company achieves predefined performance targets over the three-year or five-year periods, respectively. The Company did not grant any performance-based stock awards in 1999 or 1998.

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 and stock appreciation rights granted under the 1991 Option Plan. The stock appreciation rights permit the holder, upon surrendering all or part of the related stock option,

to receive cash, common stock or a combination thereof, in an amount up to 100 percent of the difference between the market price and the option price. 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.

Our stock option plan (the 1999 Option Plan) was approved by share owners in April of 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.

Generally, stock options become exercisable over a four-year vesting period and expire 15 years from the date of grant. Prior to 1999, generally, stock options became exercisable over a three-year vesting period and expired 10 years from the date of grant.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in 2000, 1999 and 1998, respectively: dividend yields of 1.2, 1.2 and 0.9 percent; expected volatility of 31.7, 27.1 and 24.1 percent; risk-free interest rates of 5.8, 6.2 and 4.0 percent; and expected lives of five years for 2000 and four years for 1999 and 1998. The weighted-average fair value of options granted was \$19.85, \$15.77 and \$15.41 for the years ended December 31, 2000, 1999 and 1998, respectively.

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

	2000		1999		1998	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding on January 1,	101	\$ 46.66	80	\$ 42.77	80	\$ 33.22
Granted ¹	32	57.35	28	53.53	17	65.91
Exercised	(12)	26.00	(6)	26.12	(16)	18.93
Forfeited/Expired ²	(9)	57.51	(1)	60.40	(1)	55.48
Outstanding on December 31,	112	\$ 51.23	101	\$ 46.66	80	\$ 42.77
Exercisable on December 31,	60	\$ 46.57	59	\$ 39.40	52	\$ 32.41
Shares available on December 31, for options that may be granted	65		92		18	

¹ No grants were made from the 1991 Option Plan during 1999 or 2000.

² Shares Forfeited/Expired relate to the 1991 and 1999 Option Plans.

The following table summarizes information about stock options at December 31, 2000 (shares in millions):

Range of Exercise Prices	Outstanding Stock Options			Exercisable Stock Options	
	Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
\$ 10.00 to \$ 20.00	2	0.8 years	\$ 15.37	2	\$ 15.37
\$ 20.01 to \$ 30.00	11	3.1 years	\$ 23.41	11	\$ 23.41
\$ 30.01 to \$ 40.00	10	4.8 years	\$ 35.63	10	\$ 35.63
\$ 40.01 to \$ 50.00	10	5.8 years	\$ 48.86	9	\$ 48.86
\$ 50.01 to \$ 60.00	65	8.9 years	\$ 56.31	17	\$ 57.06
\$ 60.01 to \$ 86.75	14	7.8 years	\$ 65.87	11	\$ 65.90
\$ 10.00 to \$ 86.75	112	7.4 years	\$ 51.23	60	\$ 46.57

NOTE 13: 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 and certain employees in international locations. We also sponsor nonqualified, unfunded defined benefit pension plans for certain officers and other employees. In addition, our Company and its subsidiaries have various pension plans and other forms of postretirement arrangements outside the United States.

Total expense for all benefit plans, including defined benefit pension plans, defined contribution pension plans, and postretirement health care and life insurance benefit plans, amounted to approximately \$116 million in 2000, \$108 million in 1999 and \$119 million in 1998. In addition, the Company recorded a charge of \$124 million for special retirement benefits as part of the Realignment discussed in Note 16. Net periodic cost for our pension and other benefit plans consists of the following (in millions):

Year Ended December 31,	Pension Benefits		
	2000	1999	1998
Service cost	\$ 54	\$ 67	\$ 56
Interest cost	119	111	105
Expected return on plan assets	(132)	(119)	(105)
Amortization of prior service cost	4	6	3
Recognized net actuarial (gain) loss	(7)	7	9
Settlements and curtailments	1	—	—
Net periodic pension cost	\$ 39	\$ 72	\$ 68

Year Ended December 31,	Other Benefits		
	2000	1999	1998
Service cost	\$ 12	\$ 14	\$ 14
Interest cost	29	22	25
Expected return on plan assets	(1)	(1)	(1)
Amortization of prior service cost	1	—	—
Recognized net actuarial (gain) loss	(1)	—	—
Net periodic cost	\$ 40	\$ 35	\$ 38

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

December 31,	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
Benefit obligation at beginning of year	\$1,670	\$ 1,717	\$ 303	\$ 381
Service cost	54	67	12	14
Interest cost	119	111	29	22
Foreign currency exchange rate changes	(55)	(13)	—	—
Amendments	57	4	21	—
Actuarial (gain) loss	77	(137)	25	(101)
Benefits paid	(146)	(84)	(17)	(14)
Settlements and curtailments	(67)	—	13	—
Special retirement benefits	104	—	20	—
Other	6	5	1	1
Benefit obligation at end of year	\$1,819	\$ 1,670	\$ 407	\$ 303

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

December 31,	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
Fair value of plan assets at beginning of year ¹	\$1,722	\$ 1,516	\$ 29	\$ 36
Actual return on plan assets	4	259	2	1
Employer contribution	31	34	—	5
Foreign currency exchange rate changes	(57)	(20)	—	—
Benefits paid	(120)	(69)	(14)	(14)
Settlements	(38)	—	—	—
Other	13	2	—	1
Fair value of plan assets at end of year ¹	\$1,555	\$ 1,722	\$ 17	\$ 29

¹ Pension benefit plan assets primarily consist of listed stocks including 1,621,050 and 1,584,000 shares of common stock of our Company with a fair value of \$99 million and \$92 million as of December 31, 2000 and 1999, respectively.

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with benefit obligations in excess of plan assets were \$570 million, \$480 million and \$152 million, respectively, as of December 31, 2000, and \$556 million, \$434 million and \$161 million, respectively, as of December 31, 1999.

The accrued pension and other benefit costs recognized in our accompanying Consolidated Balance Sheets are computed as follows (in millions):

December 31,	Pension Benefits		Other Benefits	
	2000	1999	2000	1999
Funded status	\$ (264)	\$ 52	\$ (390)	\$ (274)
Unrecognized net (asset) liability at transition	(6)	4	—	—
Unrecognized prior service cost	90	54	23	4
Unrecognized net gain	(89)	(285)	(51)	(91)
Net liability recognized	\$ (269)	\$ (175)	\$ (418)	\$ (361)
Prepaid benefit cost	\$ 39	\$ 73	\$ —	\$ —
Accrued benefit liability	(374)	(305)	(418)	(361)
Accumulated other comprehensive income	43	26	—	—
Intangible asset	23	31	—	—
Net liability recognized	\$ (269)	\$ (175)	\$ (418)	\$ (361)

The weighted-average assumptions used in computing the preceding information are as follows:

December 31,	Pension Benefits		
	2000	1999	1998
Discount rate	7%	7%	6 1/2%
Rate of increase in compensation levels	4 1/2%	4 1/2%	4 1/2%
Expected long-term rate of return on plan assets	8 1/2%	8 1/2%	8 3/4%
December 31,	Other Benefits		
	2000	1999	1998
Discount rate	7 1/2%	8%	6 3/4%
Rate of increase in compensation levels	4 3/4%	5%	4 1/2%
Expected long-term rate of return on plan assets	3%	3%	3%

The rate of increase in per capita costs of covered health care benefits is assumed to be 7 percent in 2001, decreasing gradually to 5 1/4 percent by the year 2005.

Notes to Consolidated Financial Statements

The Coca-Cola Company and Subsidiaries

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, 2000	\$ 55	\$ (45)
Effect on net periodic postretirement benefit cost in 2000	\$ 8	\$ (6)

NOTE 14: INCOME TAXES

Income before income taxes consists of the following (in millions):

Year Ended December 31,	2000	1999	1998
United States	\$ 1,497	\$ 1,504	\$ 1,979
International	1,902	2,315	3,219
	\$ 3,399	\$ 3,819	\$ 5,198

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

Year Ended December 31,	United States	State & Local	International	Total
2000				
Current	\$ 48	\$ 16	\$ 1,155	\$ 1,219
Deferred	(9)	46	(34)	3
1999				
Current	\$ 395	\$ 67	\$ 829	\$ 1,291
Deferred	182	11	(96)	97
1998				
Current	\$ 683	\$ 91	\$ 929	\$ 1,703
Deferred	(73)	28	7	(38)

We made income tax payments of approximately \$1,327 million, \$1,404 million and \$1,559 million in 2000, 1999 and 1998, respectively. During the first quarter of 2000, the United States and Japan taxing authorities entered into an Advance Pricing Agreement (APA) whereby the level of royalties paid by Coca-Cola (Japan) Company, Ltd. (our Subsidiary) to our Company has been established for the years 1993 through 2001. Pursuant to the terms of the APA, our Subsidiary has filed amended returns for the applicable periods reflecting the negotiated royalty rate. These amended returns resulted in the payment during the first and second quarters of 2000 of additional Japanese taxes, the effect of which on both our financial performance and our effective tax rate was not material, due primarily to offsetting tax credits on our U.S. income tax return.

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

Year Ended December 31,	2000	1999	1998
Statutory U.S. federal rate	35.0 %	35.0 %	35.0 %
State income taxes-net of federal benefit	.8	1.0	1.0
Earnings in jurisdictions taxed at rates different from the statutory U.S. federal rate	(4.0)	(6.0)	(4.3)
Equity income or loss ¹	2.9	1.6	—
Other operating charges ²	1.9	5.3	—
Other-net	(.6)	(.6)	.3
	36.0 %	36.3 %	32.0 %

¹ Includes charges by equity investees. See Note 15.

² Includes charges related to certain bottling, manufacturing and intangible assets. See Note 15.

Our effective tax rate reflects the tax benefit derived from having significant operations outside the United States that are taxed at rates lower than the U.S. statutory rate of 35 percent.

In 2000, management concluded that it was more likely than not that local tax benefits would not be realized with respect to principally all of the items discussed in Note 15, with the exception of approximately \$188 million of charges related to the settlement terms of a class action discrimination lawsuit. Accordingly, valuation allowances were recorded to offset the future tax benefit of these nonrecurring items resulting in an increase in our effective tax rate. Excluding the impact of these nonrecurring items, the effective tax rate on operations for the year was slightly more than 30 percent.

In 1999, the Company recorded a charge of \$813 million, primarily reflecting the impairment of certain bottling, manufacturing and intangible assets. For some locations with impaired assets, management concluded that it was more likely than not that no local tax benefit would be realized. Accordingly, a valuation allowance was recorded offsetting the future tax benefits for such locations. This resulted in an increase in our effective tax rate for 1999. Excluding the impact, the Company's effective tax rate for 1999 would have been 31.0 percent.

We have provided appropriate U.S. and international taxes for earnings of subsidiary companies that are expected to be remitted to the parent company. Exclusive of amounts that would result in little or no tax if remitted, the cumulative amount of unremitted earnings from our international subsidiaries that is expected to be indefinitely reinvested was approximately \$3.7 billion on December 31, 2000. The taxes that would be paid upon remittance of these indefinitely reinvested earnings are approximately \$1.3 billion, based on current tax laws.

Notes to Consolidated Financial Statements

The Coca-Cola Company and Subsidiaries

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,	2000	1999
Deferred tax assets:		
Benefit plans	\$ 261	\$ 311
Liabilities and reserves	456	169
Net operating loss carryforwards	375	196
Other operating charges	321	254
Other	126	272
Gross deferred tax assets	1,539	1,202
Valuation allowance	(641)	(443)
	\$ 898	\$ 759
Deferred tax liabilities:		
Property, plant and equipment	\$ 425	\$ 320
Equity investments	228	397
Intangible assets	224	197
Other	129	99
	\$ 1,006	\$ 1,013
Net deferred tax asset (liability)¹	\$ (108)	\$ (254)

¹ Deferred tax assets of \$250 million and \$244 million have been included in the consolidated balance sheet caption "Marketable securities and other assets" at December 31, 2000 and 1999, respectively.

On December 31, 2000 and 1999, we had approximately \$143 million and \$233 million, respectively, of gross deferred tax assets, net of valuation allowances, located in countries outside the United States.

On December 31, 2000, we had \$968 million of operating loss carryforwards available to reduce future taxable income of certain international subsidiaries. Loss carryforwards of \$635 million must be utilized within the next five years; \$333 million can be utilized over an indefinite period. A valuation allowance has been provided for a portion of the deferred tax assets related to these loss carryforwards.

NOTE 15: NONRECURRING ITEMS

In the first quarter of 2000, we recorded charges of approximately \$405 million related to the impairment of certain bottling, manufacturing and intangible assets, primarily within our Indian bottling operations. These impairment charges were recorded to reduce the carrying value of the identified assets to fair value. Fair value was derived using cash flow analysis. The assumptions used in the cash flow analysis were consistent with those used in our internal planning process. The assumptions included estimates of future growth in unit cases, estimates of gross margins, estimates of the impact of exchange rates and estimates of tax rates and tax incentives. The charge was primarily the result of our revised outlook for the Indian beverage market including the future expected tax environment. The remaining carrying value of long-lived assets

within our Indian bottling operations, immediately after recording the impairment charge, was approximately \$300 million.

In the third quarter of 2000, we recorded a gain related to the merger of Coca-Cola Beverages and Hellenic Bottling Company. This merger resulted in a decrease of our Company's equity ownership interest from approximately 50.5 percent of Coca-Cola Beverages to approximately 24 percent of the combined entity, CCHBC. As a result of our Company's decreased equity ownership, a tax-free noncash gain of approximately \$118 million was recognized.

In the fourth quarter of 2000, we recorded charges of approximately \$188 million related to the settlement terms of, and direct costs related to, a class action discrimination lawsuit. The monetary settlement includes cash payments to fund back pay, compensatory damages, a promotional achievement fund and attorneys' fees. In addition, the Company introduced a wide range of training, monitoring and mentoring programs. Of the \$188 million, \$50 million was donated to The Coca-Cola Foundation to continue its broad range of community support programs. Under the terms of the settlement agreement, the Company has the option to rescind the agreement if more than 200 potential class members opt out of the settlement.

In 2000, the Company also recorded a nonrecurring charge of approximately \$306 million, which represents the Company's portion of a charge recorded by Coca-Cola Amatil to reduce the carrying value of its investment in the Philippines. In addition, Panamco wrote down selected assets, including the impairment of the value of its Venezuelan operating unit. The Company's portion of this charge was approximately \$124 million. Also contributing to the equity losses were nonrecurring charges recorded by investees in Eurasia and the Middle East. These nonrecurring charges were partially offset by the impact of lower tax rates related to current and deferred taxes at CCEAG.

In the fourth quarter of 1999, we recorded charges of approximately \$813 million. Of this \$813 million, approximately \$543 million related to the impairment of certain bottling, manufacturing and intangible assets, primarily within our Russian and Caribbean bottlers and in the Middle and Far East and in North America. These impairment charges were recorded to reduce the carrying value of the identified assets to fair value. Fair values were derived using a variety of methodologies, including cash flow analysis, estimates of sales proceeds and independent appraisals. Where cash flow analyses were used to estimate fair values, key assumptions employed, consistent with those used in our internal planning process included our estimates of future growth in unit case sales, estimates of gross margins and estimates of the impact of inflation and foreign currency fluctuations. The charges were primarily the result of our revised outlook in certain markets due to the prolonged severe economic downturns. The remaining carrying value of these impaired long-lived assets, immediately after recording the impairment charge, was approximately \$140 million.

Notes to Consolidated Financial Statements

The Coca-Cola Company and Subsidiaries

Of the \$813 million, approximately \$196 million related to charges associated with the impairment of the distribution and bottling assets of our vending operations in Japan and our bottling operations in the Baltics. The charges reduced the carrying value of these assets to their fair value less the cost to sell. Consistent with our long-term bottling investment strategy, management has committed to a plan to sell our ownership interest in these operations to one of our strategic business partners. The remaining carrying value of long-lived assets within these operations and the income from operations on an after-tax basis as of and for the 12-month period ending December 31, 2000, were approximately \$143 million and \$21 million, respectively.

On December 22, 2000, the Company signed a definitive agreement to sell the assets of our vending operations in Japan. The expected proceeds from the sale of the assets are equal to the current carrying value of the long-lived assets less the cost to sell. The sale transaction is expected to close in early 2001.

Management had intended to sell the assets of our bottling operations in the Baltics to one of our strategic business partners. That partner is currently in the process of an internal restructuring and no longer plans to purchase the Baltics bottling operations. At this time another suitable buyer has not been identified. Therefore, the Company will continue to operate the Baltics bottlers as consolidated operations until a new buyer is identified.

The remainder of the \$813 million charges, approximately \$74 million, primarily related to the change in senior management and charges related to organizational changes within the Europe and Eurasia, Latin America and Corporate segments. These charges were incurred during the fourth quarter of 1999.

In the second quarter of 1998, we recorded a nonrecurring charge primarily related to the impairment of certain assets in North America of \$25 million and Corporate of \$48 million.

NOTE 16: REALIGNMENT COSTS

In January 2000, our Company initiated a major organizational Realignment intended to put more responsibility, accountability and resources in the hands of local business units of the Company so as to fully leverage the local capabilities of our system.

Under the Realignment, employees were separated from almost all functional areas of the Company's operations, and certain activities have been outsourced to third parties. The total number of employees separated as of December 31, 2000, was approximately 5,200. Employees separated from the Company as a result of the Realignment were offered severance or early retirement packages, as appropriate, which included both financial and nonfinancial components. The Realignment expenses included costs associated with involuntary terminations, voluntary retirements and other direct costs associated with implementing the Realignment. Other direct costs included repatriating and relocating employees to local markets; asset write-downs; lease cancellation costs; and costs associated with the development, communication and administration of the Realignment.

The table below summarizes accrued Realignment expenses and amounts charged against the accrual as of and for the year ended December 31, 2000 (in millions):

Realignment Summary	Expenses	Payments	Noncash and Exchange	Accrued Balance December 31
Employees involuntarily separated				
Severance pay and benefits	\$ 216	\$ (123)	\$ (2)	\$ 91
Outside services — legal, outplacement, consulting	33	(25)	—	8
Other — including asset write-downs	81	(37)	(7)	37
	\$ 330	\$ (185)	\$ (9)	\$ 136
Employees voluntarily separated				
Special retirement pay and benefits	\$ 353	\$ (174)	\$ —	\$ 179
Outside services — legal, outplacement, consulting	6	(3)	—	3
	\$ 359	\$ (177)	\$ —	\$ 182
Other direct costs	\$ 161	\$ (92)	\$ (9)	\$ 60
Total Realignment	\$ 850	\$ (454)	\$ (18)	\$ 378¹

¹ Accrued realignment expenses of approximately \$254 million and \$124 million have been included in the consolidated balance sheet captions "Accounts payable and accrued expenses" and "Other liabilities," respectively.

Notes to Consolidated Financial Statements

The Coca-Cola Company and Subsidiaries

NOTE 17: ACQUISITIONS AND INVESTMENTS

In separate transactions during the first half of 2000, our Company purchased two bottlers in Brazil, Companhia Mineira de Refrescos, S.A., and Refrigerantes Minas Gerais Ltda. In October 2000, the Company purchased a 58 percent interest in Paresa, a bottler located in Paraguay. In December 2000, the Company made a tender offer for the remaining 42 percent of the shares in Paresa. In January 2001, we completed the tender offer. We currently own approximately 95 percent of Paresa. During 2000, our Company's acquisition and investment activity totaled approximately \$400 million.

During 1999, the Company's acquisition and investment activity, which included the acquisition of beverage brands from Cadbury Schweppes plc and investments in the bottling operations of Coca-Cola Embonor S.A., F&N Coca-Cola, and Coca-Cola West Japan Company, Ltd., totaled \$1.9 billion. During 1998, the Company's acquisition and investment activity totaled \$1.4 billion. None of the acquisitions and investment activity in 1998 was individually significant.

In July 1999, we completed the acquisition of Cadbury Schweppes plc beverage brands in 155 countries for approximately \$700 million. These brands included Schweppes, Canada Dry, Dr Pepper, Crush and certain regional brands. Among the countries excluded from this transaction were the United States, South Africa, Norway, Switzerland and the European Union member nations (other than the United Kingdom, Ireland and Greece). In September 1999, we completed the acquisition of Cadbury Schweppes beverage brands in New Zealand for approximately \$20 million. Also in September 1999, in a separate transaction valued at approximately \$250 million, we acquired the carbonated soft-drink business of Cadbury Schweppes (South Africa) Limited in South Africa, Botswana, Namibia, Lesotho and Swaziland.

The acquisitions and investments have been accounted for by either the purchase, equity or cost method of accounting, as appropriate. Their results have been included in the Consolidated Financial Statements from their respective dates of acquisition using the appropriate method of accounting. Had the results of these businesses been included in operations commencing with 1998, the reported results would not have been materially affected.

NOTE 18: OPERATING SEGMENTS

Effective January 1, 2000, two of our Company's operating segments were geographically reconfigured and renamed. The Middle East and North Africa Division was added to the Africa Group, which changed its name to the Africa and Middle East Group. At the same time the Middle and Far East Group, less the relocated Middle East and North Africa Division, changed its name to the Asia Pacific Group. In the fourth quarter of 2000, the Greater Europe Group was renamed the Europe and Eurasia Group. Prior period amounts have been reclassified to conform to the current period presentation.

Our Company's operating structure includes the following operating segments: the North America Group (including The Minute Maid Company); the Africa and Middle East Group; the Europe and Eurasia Group; the Latin America Group; the Asia Pacific Group; and Corporate. The North America Group includes the United States and Canada.

Segment Products and Services

The business of our Company is nonalcoholic ready-to-drink beverages, principally soft drinks, but also a variety of noncarbonated beverages. Our operating segments derive substantially all their revenues from the manufacture and sale of beverage concentrates and syrups with the exception of Corporate, which derives its revenues primarily from the licensing of our brands in connection with merchandise.

Method of Determining Segment Profit or Loss

Management evaluates the performance of its 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 manages income taxes on a global basis. Thus, we evaluate segment performance based on profit or loss before income taxes, exclusive of any significant gains or losses on the disposition of investments or other assets. 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 Coca-Cola Enterprises, at the Corporate segment. We manage financial costs, such as exchange gains and losses and interest income and expense, on a global basis at the Corporate segment.

Notes to Consolidated Financial Statements

The Coca-Cola Company and Subsidiaries

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

	North America	Africa & Middle East	Europe & Eurasia	Latin America	Asia Pacific	Corporate	Consolidated
2000							
Net operating revenues	\$ 7,870	\$ 729	\$ 4,377	\$ 2,174	\$ 5,159 ¹	\$ 149	\$ 20,458
Operating income ²	1,406	80	1,415 ³	916	956	(1,082) ⁴	3,691
Interest income						345	345
Interest expense						447	447
Equity income (loss) ⁵	3	(73)	35	(75)	(290)	111	(289)
Identifiable operating assets	4,271	622	1,408	1,545	1,953	5,270 ⁶	15,069
Investments ⁷	141	338	1,757	1,767	993	769	5,765
Capital expenditures	259	11	194	16	132	121	733
Depreciation and amortization	244	54	64	96	211	104	773
Income before income taxes	1,410	(6)	1,568 ⁸	866	651	(1,090)	3,399
1999							
Net operating revenues	\$ 7,519	\$ 792	\$ 4,540	\$ 1,961	\$ 4,828 ¹	\$ 165	\$ 19,805
Operating income ⁹	1,436	67	1,068	840	1,194	(623)	3,982
Interest income						260	260
Interest expense						337	337
Equity income (loss)	(5)	(29)	(73)	(5)	(37)	(35)	(184)
Identifiable operating assets	3,591	672	1,624	1,653	2,439	4,852 ⁶	14,831
Investments ⁷	139	333	1,870	1,833	1,837	780	6,792
Capital expenditures	269	22	218	67	317	176	1,069
Depreciation and amortization	263	47	80	96	184	122	792
Income before income taxes	1,432	24	984	846	1,143	(610)	3,819
1998							
Net operating revenues	\$ 6,934	\$ 780	\$ 4,827	\$ 2,240	\$ 3,856 ¹	\$ 176	\$ 18,813
Operating income	1,383 ¹⁰	223	1,655	1,056	1,343	(693) ¹⁰	4,967
Interest income						219	219
Interest expense						277	277
Equity income (loss)	(1)	(21)	(47)	68	(38)	71	32
Identifiable operating assets	3,467	541	1,711	1,364	1,595	3,781 ⁶	12,459
Investments ⁷	141	312	2,010	1,629	1,979	615	6,686
Capital expenditures	274	22	216	72	104	175	863
Depreciation and amortization	231	40	92	93	101	88	645
Income before income taxes	1,392	192	1,577	1,132	1,289	(384)	5,198

Intercompany transfers between operating segments are not material.

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

¹ Japan revenues represent approximately 75 percent of total Asia Pacific operating segment revenues related to 2000, and 80 percent related to 1999 and 1998.

² Operating income was reduced by \$3 million for North America, \$397 million for Asia Pacific and \$5 million for Corporate related to the other operating charges recorded for asset impairments in the first quarter of 2000. Operating income was also reduced by \$128 million for North America, \$64 million for Africa and Middle East, \$174 million for Europe and Eurasia, \$63 million for Latin America, \$127 million for Asia Pacific and \$294 million for Corporate as a result of other operating charges associated with the Realignment.

³ Operating income was reduced by \$30 million for Europe and Eurasia due to incremental marketing expenses in Central Europe.

⁴ Operating income was reduced by \$188 million for Corporate related to the settlement terms of a discrimination lawsuit and a donation to The Coca-Cola Foundation.

⁵ Equity income (loss) was reduced by \$9 million for Africa and Middle East, \$26 million for Europe and Eurasia, \$124 million for Latin America and \$306 million for Asia Pacific, as a result of our Company's portion of nonrecurring charges recorded by equity investees.

⁶ Corporate identifiable operating assets are composed principally of marketable securities, finance subsidiary receivables, goodwill and other intangible assets and fixed assets.

⁷ Principally equity investments in bottling companies.

⁸ Income before taxes was increased by \$118 million for Europe and Eurasia as a result of a gain related to the merger of Coca-Cola Beverages plc and Hellenic Bottling Company S.A.

⁹ Operating income was reduced by \$34 million for North America, \$79 million for Africa and Middle East, \$430 million for Europe and Eurasia, \$35 million for Latin America, \$176 million for Asia Pacific and \$59 million for Corporate related to the other operating charges recorded in the fourth quarter of 1999.

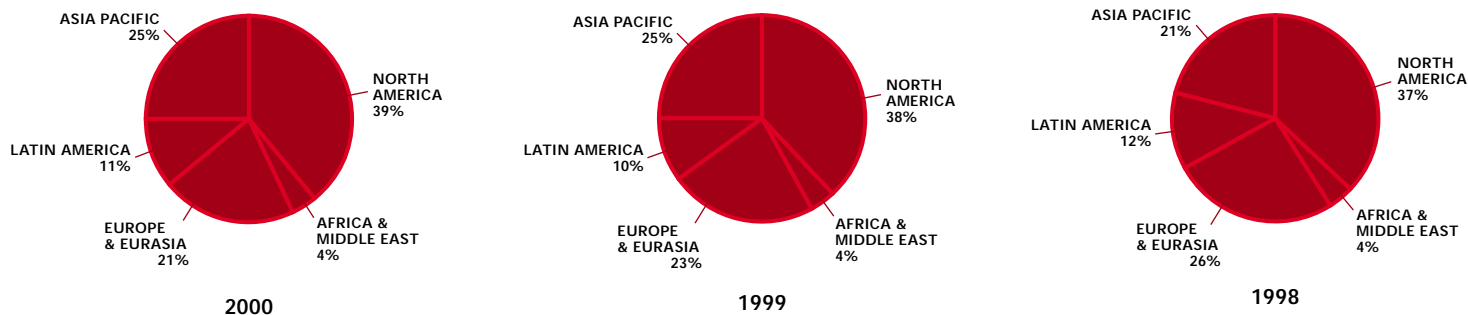
¹⁰ Operating income was reduced by \$25 million for North America and \$48 million for Corporate for provisions related to the impairment of certain assets.

Compound Growth Rates Ending 2000	North America	Africa & Middle East	Europe & Eurasia	Latin America	Asia Pacific	Consolidated
Net operating revenues						
5 years	7.3%	.1 %	(6.1)%	2.2 %	6.9%	2.4 %
10 years	6.4%	11.6 %	3.5 %	10.2 %	11.1%	7.1 %
Operating income						
5 years	10.6%	(19.4)%	.3 %	1.6 %	(5.4)%	(1.7)%
10 years	11.4%	(3.0)%	6.1 %	11.9 %	4.2 %	6.6 %

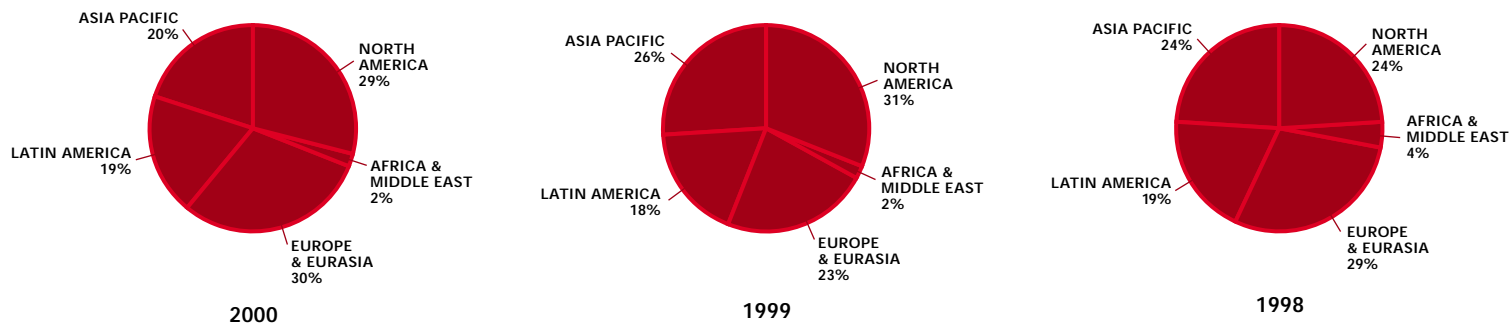
Notes to Consolidated Financial Statements

The Coca-Cola Company and Subsidiaries

NET OPERATING REVENUES BY OPERATING SEGMENT¹



OPERATING INCOME BY OPERATING SEGMENT¹



¹ Charts and percentages are calculated excluding Corporate.

Report of Independent Auditors

BOARD OF DIRECTORS AND SHARE OWNERS

The Coca-Cola Company

We have audited the accompanying consolidated balance sheets of The Coca-Cola Company and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, share-owners' equity, and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the 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, 2000 and 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst + Young LLP

Atlanta, Georgia
January 26, 2001

Report of Management

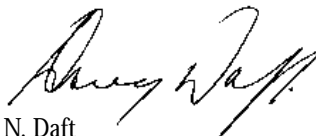
The Coca-Cola Company and Subsidiaries

We are responsible for the preparation and integrity of the Consolidated Financial Statements appearing in our Annual Report. 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 is consistent with that in the financial statements.

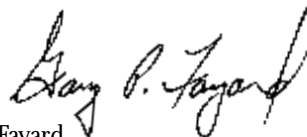
We are responsible for maintaining a system of internal accounting controls and procedures to provide reasonable assurance, at an appropriate cost/benefit relationship, that assets are safeguarded and that transactions are authorized, recorded and reported properly. The internal accounting control system is augmented 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 employees of our Company and our subsidiaries. In our opinion, our Company's internal accounting controls provide reasonable assurance that assets are safeguarded against material loss from unauthorized use or disposition and that the financial records are reliable for preparing financial statements and other data and for maintaining accountability of assets.

The Audit Committee of our Company's Board of Directors, composed solely of Directors who are not officers of our Company, meets with the independent auditors, management and internal auditors periodically to discuss internal accounting controls 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.

The independent auditors, Ernst & Young LLP, are recommended by the Audit Committee of the Board of Directors, selected by the Board of Directors and ratified by our Company's share owners. Ernst & Young LLP is engaged to audit the Consolidated Financial Statements of The Coca-Cola Company and subsidiaries and conduct such tests and related procedures as it deems necessary in conformity with generally accepted auditing standards. The opinion of the independent auditors, based upon their audits of the Consolidated Financial Statements, is contained in this Annual Report.



Douglas N. Daft
Chairman, Board of Directors,
and Chief Executive Officer



Gary P. Fayard
Senior Vice President
and Chief Financial Officer



Connie D. McDaniel
Vice President
and Controller

February 15, 2001

QUARTERLY DATA (UNAUDITED)

(In millions except per share data) Year Ended December 31,	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
2000					
Net operating revenues	\$ 4,391	\$ 5,621	\$ 5,543	\$ 4,903	\$ 20,458
Gross profit	2,993	3,944	3,807	3,510	14,254
Net income (loss)	(58)	926	1,067	242	2,177
Basic net income (loss) per share	(.02)	.37	.43	.10	.88
Diluted net income (loss) per share	(.02)	.37	.43	.10	.88
1999					
Net operating revenues	\$ 4,400	\$ 5,335	\$ 5,139	\$ 4,931	\$ 19,805
Gross profit	3,097	3,743	3,489	3,467	13,796
Net income (loss)	747	942	787	(45)	2,431
Basic net income (loss) per share	.30	.38	.32	(.02)	.98
Diluted net income (loss) per share	.30	.38	.32	(.02)	.98

The first quarter of 2000 includes other operating charges of approximately \$405 million (\$.16 per share after income taxes, basic and diluted) primarily related to the impairment of certain bottling, manufacturing and intangible assets. The first quarter of 2000 also includes other operating charges of approximately \$275 million (\$.08 per share after income taxes, basic and diluted) related to costs associated with the Realignment.

The second quarter of 2000 includes other operating charges of approximately \$191 million (\$.05 per share after income taxes, basic and diluted) related to costs associated with the Realignment.

The third quarter of 2000 includes a gain of \$118 million (\$.05 per share after income taxes, basic and diluted) related to the merger of Coca-Cola Beverages plc and Hellenic Bottling Company S.A. This gain was partially offset by other operating charges of approximately \$94 million (\$.03 per share after income taxes, basic and diluted) related to costs associated with the Realignment and \$30 million (\$.01 per share after income taxes, basic and diluted) for incremental marketing expense in Central Europe.

The fourth quarter of 2000 includes other operating charges of approximately \$290 million (\$.08 per share after income taxes, basic and diluted) related to costs associated with the Realignment. The fourth quarter of 2000 also includes other operating charges of approximately \$188 million (\$.05 per share after income taxes, basic and diluted) related to the settlement terms of a class action discrimination lawsuit and a donation to The Coca-Cola Foundation. The fourth quarter of 2000 also includes the Company's share of charges recorded by investees of approximately \$463 million (\$.19 per share after income taxes, basic and diluted).

The fourth quarter of 1999 includes provisions of \$813 million (\$.31 per share after income taxes, basic and diluted) recorded in other operating charges, primarily related to the impairment of certain bottling, manufacturing and intangible assets.

STOCK PRICES

Below are the New York Stock Exchange high, low and closing prices of The Coca-Cola Company's stock for each quarter of 2000 and 1999.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2000				
High	\$ 66.88	\$ 60.88	\$ 64.00	\$ 63.38
Low	42.88	44.75	49.19	53.50
Close	46.94	57.44	55.13	60.94
1999				
High	\$ 70.38	\$ 70.88	\$ 65.50	\$ 69.00
Low	59.56	57.63	47.94	47.31
Close	61.38	62.00	48.25	58.25



Our Board

seated from left to right

James B. Williams ^{2,3}
Chairman of the Executive Committee,
former Chairman of the Board
and Chief Executive Officer
SunTrust Banks, Inc.

Herbert A. Allen ^{2,3,4}
President and Chief Executive Officer
Allen & Company Incorporated
(a privately-held investment banking firm)

Douglas N. Daft ³
Chairman, Board of Directors,
and Chief Executive Officer
The Coca-Cola Company

Warren E. Buffett ^{1,2}
Chairman of the Board and
Chief Executive Officer
The diversified holding company
Berkshire Hathaway Inc.

standing from left to right

Ronald W. Allen ^{1,3,5}
Consultant to, Advisory Director,
and former Chairman of the Board,
President, and Chief Executive Officer
Delta Air Lines, Inc.

Sam Nunn ^{2,3}
Partner in the law firm of
King & Spalding

Susan B. King ^{4,6}
President, The Leadership Initiative
(nonprofit consultants for leadership education)
Duke University

Donald F. McHenry ^{3,5,6}
Distinguished Professor in the
Practice of Diplomacy and International Affairs
at the School of Foreign Service
Georgetown University

Paul F. Orefice ^{2,4,5}
Former Chairman of the Board
and Chief Executive Officer
The Dow Chemical Company

Cathleen P. Black ^{1,6}
President
Hearst Magazines

James D. Robinson III ^{5,6}
Chairman and
Chief Executive Officer
RRE Investors, LLC
(a private information technology
venture investment firm)
Chairman
Violy, Byorum & Partners Holdings, LLC
(an investment banking firm)

Peter V. Ueberroth ^{1,4}
Chairman
Contrarian Group, Inc.
Co-Chairman
Pebble Beach Company

¹ Audit Committee

² Finance Committee

³ Executive Committee

⁴ Compensation Committee

⁵ Committee on Directors

⁶ Public Issues Review Committee

Our Management

CORPORATE OFFICERS

Executive Committee

Douglas N. Daft¹
Chairman, Board of Directors,
and Chief Executive Officer

Jack L. Stahl¹
President and Chief Operating Officer

James E. Chestnut¹
Executive Vice President
Operations Support

Charles S. Frenette¹
Executive Vice President
Europe and Eurasia

Joseph R. Gladden, Jr.¹
Executive Vice President
and General Counsel

Carl Ware¹
Executive Vice President
Global Public Affairs and Administration

Senior Vice Presidents

A.R.C. "Sandy" Allan

Jeffrey T. Dunn

Gary P. Fayard¹

Charles B. Holleran

Ingrid S. Jones

Stephen C. Jones¹

Patricia V. Powell

Coretha M. Rushing

Vice Presidents

Vinita Bali

Jack A. Bergstrand

Rudy M. Beserra

Carlton L. Curtis

Daniel B. Dennison

Charles B. Fruit

Robert Harland

Eddie R. Hayes

Janet A. Howard

James A. Hush

Juan D. Johnson

Geoffrey J. Kelly

Donald R. Knauss

Carl K. Kooyoomjian

Connie D. McDaniel¹

William R. Newton

Mark M. O'Shaughnessy

Mary M.G. Riddle

Linda Peek Schacht

Donald W. Short

Connell Stafford, Jr.

David M. Taggart

Clyde C. Tuggle

Steve M. Whaley

Bonnie Wurzbacher

Gary P. Fayard¹
Chief Financial Officer

David M. Taggart
Treasurer

Connie D. McDaniel¹
Controller

Susan E. Shaw
Secretary

¹ Officers subject to the reporting requirements of Section 16 of the Securities Exchange Act of 1934.

OPERATIONS

Africa & Middle East Group

Donald W. Short
President

John M. Guarino
Middle East & North Africa Division

Alex Cummings
Northern Africa Division

Douglas A. Jackson
Southern Africa Division

Asia Pacific Group

A.R.C. "Sandy" Allan
President

Steve K.W. Chan
Kerry Anastassiadis
China Division

James Adams
Southeast & West Asia Division

Mary E. Minnick
Japan Division

James G. Harting
Philippines Division

Michael A. Clarke
South Pacific Division

Alex von Behr
India Division

Europe & Eurasia Group

West Europe Group

Jose Nunez Cervera
President

Marc Mathieu
Benelux & France Division

Christoph Jacobi
German Division

Marcos de Quinto
Iberian Division

Javier Benito
Nordic & Baltic Division

Thompson Long
United Kingdom & Ireland Division

Central Europe & Eurasia Group

Cem M. Kozlu
President

Hans Savonije
Central European Division

Ahmet C. Bozer
Eurasia Division

Brendan Harris
Italy & Alpine Division

Deryck J. van Rensburg
South East Europe Division

J. André Teixeira
Russia & Ukraine Region

Latin America Group

Stuart F. Cross
Brazil Division

Glenn G. Jordan
South Latin America Division

José Octavio Reyes
North Latin America Division

North America Group

Jeffrey T. Dunn
President

J. Alexander M. Douglas, Jr.
North America Group Operations

Tom Moore
Coca-Cola Fountain

The Minute Maid Company

Donald R. Knauss
President

Share-Owner Information

COMMON STOCK

Ticker symbol: KO

The Coca-Cola Company is one of 30 companies in the Dow Jones Industrial Average.

Share owners of record at year end: 380,581

Shares outstanding at year end: 2.48 billion

STOCK EXCHANGES

Inside the United States:

Common stock listed and traded: New York Stock Exchange, the principal market for our common stock.

Common stock traded: Boston, Chicago, Cincinnati, Pacific and Philadelphia stock exchanges.

Outside the United States:

Common stock listed and traded: The German exchange in Frankfurt and the Swiss exchange in Zurich.

DIVIDENDS

At its February 2001 meeting, our Board increased our quarterly dividend to 18 cents per share, equivalent to an annual dividend of 72 cents per share. The Company has increased dividends each of the last 39 years.

The Coca-Cola Company normally pays dividends four times a year, usually on April 1, July 1, October 1 and December 15. The Company has paid 319 consecutive quarterly dividends, beginning in 1920.

SHARE-OWNER ACCOUNT ASSISTANCE

For address changes, dividend checks, direct deposit of dividends, account consolidation, registration changes, lost stock certificates, stock holdings and the Dividend and Cash Investment Plan, please contact:

Registrar and Transfer Agent
First Chicago Trust Company, a division of EquiServe
P.O. Box 2500
Jersey City, NJ 07303-2500
Toll-free: (888) COKESHR (265-3747)
For hearing impaired: (201) 222-4955
E-mail: fctc_cocacola@equiserve.com
Internet: www.equiserve.com

DIVIDEND AND CASH INVESTMENT PLAN

The Dividend and Cash Investment Plan permits share owners of record to reinvest dividends from Company stock in shares of The Coca-Cola Company. The Plan provides a convenient, economical and systematic method of acquiring additional shares of our common stock. All share owners of record are eligible to participate. Share owners also may purchase Company stock through voluntary cash investments of up to \$125,000 per year.

At year end, 75 percent of the Company's share owners of record were participants in the Plan. In 2000, share owners invested \$37 million in dividends and \$42 million in cash in the Plan.

If your shares are held in street name by your broker and you are interested in participating in the Dividend and Cash Investment Plan, you may have your broker transfer the shares to First Chicago Trust Company, a division of EquiServe, electronically through the Direct Registration System.

For more details on the Dividend and Cash Investment Plan, please contact the Plan Administrator, First Chicago Trust Company, or visit the investor section of our Company's Web site, www.coca-cola.com, for more information.

SHARE-OWNER INTERNET ACCOUNT ACCESS

Share owners of record may access their accounts via the Internet to obtain share balance, conduct secure transactions, request printable forms and view current market value of their investment as well as historical stock prices.

To log on to this secure site and request your initial password, go to www.equiserve.com and click on "Account Access."

ANNUAL MEETING OF SHARE OWNERS

April 18, 2001, 9:00 a.m., local time

The Playhouse Theatre
Du Pont Building
10th and Market Streets
Wilmington, Delaware

CORPORATE OFFICES

The Coca-Cola Company
One Coca-Cola Plaza
Atlanta, Georgia 30313

INSTITUTIONAL INVESTOR INQUIRIES

(404) 676-5766

INFORMATION RESOURCES

Internet Site

Our Web site, www.coca-cola.com, offers information about our financial performance, news about the Company, and brand experiences.

Publications

The Company's Annual Report, Proxy Statement, Form 10-K and Form 10-Q reports are available free of charge upon request from our Industry & Consumer Affairs Department at the Company's corporate address, listed above.

Hotline

The Company's hotline, (800) INVSTKO (468-7856), offers taped highlights from the most recent quarter and may be used to request the most up-to-date quarterly results news release.

Audio Annual Report

An audiocassette version of this report is available without charge as a service to the visually impaired. To receive a copy, please contact our Industry & Consumer Affairs Department at (800) 571-2653.

Duplicate Mailings

If you are receiving duplicate or unwanted copies of our Annual Report, please contact First Chicago Trust Company at (888) COKESHR (265-3747).

Glossary

Bottling Partner or Bottler: Businesses — generally, but not always, independently owned — that buy concentrates or syrups from the Company, convert them into finished packaged products and sell them to customers.

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

Concentrate or Beverage Base: Material manufactured from Company-defined ingredients and sold to bottlers for use in the preparation of finished beverages through the addition of sweetener and/or water.

Consolidated Bottling Operation (CBO): Bottler in which the Company holds a controlling interest. The bottler's financial results are consolidated into the Company's financial statements.

Consumer: Person who consumes Company products.

Cost of Capital: 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 is linked to interest rates, exchange rates, prices of securities, or financial or commodity indices. The Company uses derivatives to reduce its exposure to adverse fluctuations in interest and exchange rates and other market risks.

Dividend Payout Ratio: Calculated by dividing cash dividends on common stock by net income available to common share owners.

Economic Profit: Income from continuing operations, after giving effect to taxes and excluding the effects of interest, in excess of a computed capital charge for average operating capital employed.

Economic Value Added: Growth in economic profit from year to year.

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

Free Cash Flow: Cash provided by operations less cash used in business reinvestment. The Company uses free cash flow along with borrowings to pay dividends, make share repurchases and make acquisitions.

Gallon Sales: Unit of measurement for concentrates (expressed in equivalent gallons of syrup) and syrups sold by the Company to its bottling partners or customers.

Gross Margin: Calculated by dividing gross profit by net operating revenues.

Interest Coverage Ratio: Income before taxes (excluding unusual items) plus interest expense, divided by the sum of interest expense and capitalized interest.

KO: The ticker symbol for common stock of The Coca-Cola Company.

Market: Geographic area in which the Company and its bottling partners do business, often defined by national boundaries.

Net Capital: Calculated by adding share-owners' equity to net debt.

Net Debt: Calculated by subtracting from debt the sum of cash, cash equivalents, marketable securities and certain temporary bottling investments, less the amount of cash determined to be necessary for operations.

Operating Margin: Calculated by dividing operating income by net operating revenues.

Per Capita Consumption: Average number of 8-ounce servings consumed per person, per year in a specific market. Per capita consumption of Company products is calculated by multiplying our unit case volume by 24, and dividing by the population.

Return on Capital: Calculated by dividing income from continuing operations — before changes in accounting principles, adding back interest expense — by average total capital.

Return on Common Equity: Calculated by dividing income from continuing operations — before changes in accounting principles, less preferred stock dividends — by average common share-owners' equity.

Serving: Eight U.S. fluid ounces of a beverage.

Soft Drink: Nonalcoholic carbonated beverage containing flavorings and sweeteners. Excludes flavored waters and carbonated or noncarbonated teas, coffees and sports drinks.

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

Total Capital: Equals share-owners' equity plus interest-bearing 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 24 8-U.S.-fluid-ounce servings.

Unit Case Volume: The sum of (i) the number of unit cases sold by the Coca-Cola bottling system and by the Company to customers, including fountain syrups sold by the Company to customers directly or through wholesalers or distributors, and (ii) the volume of juice and juice-drink products (expressed in equivalent unit cases) distributed by The Minute Maid Company. Component (i) above primarily includes unit case equivalents of products reported as gallon sales and other key products owned by our bottlers.

Environmental Statement: Our Company's approach to environmental issues is guided by a simple principle: We will conduct our business in ways that protect and preserve the environment. Throughout our organization, our employees at all levels are determined to integrate our Company's environmental management system, eKOsystem, throughout all business units worldwide. We use the results of research and new technology to minimize the environmental impact of our operations, products and packages. And, we seek to cooperate with public, private and governmental organizations in pursuing solutions to environmental challenges, directing our Company's skills, energies and resources to activities and issues where we can make a positive and effective contribution.

Equal Opportunity Policy: The Coca-Cola Company and its subsidiaries employed approximately 37,000 employees as of December 31, 2000, relatively flat compared to the end of 1999. During 2000, approximately 5,200 employees were separated from the Company as a result of the organizational Realignment, offset by acquisition of bottlers in Latin America and the final consolidation of our bottler in Southeast Asia. We maintain a long-standing commitment to equal opportunity, affirmative action and valuing the diversity of our employees, share owners, customers and consumers. The Company strives to create a working environment free of discrimination and harassment with respect to race, sex, color, national origin, religion, age, sexual orientation, disability, being a special disabled veteran or being a veteran of the Vietnam era, as well as to make reasonable accommodations in the employment of qualified individuals with disabilities. The Company maintains ongoing contact with labor and employee associations to develop relationships that foster responsive and mutually beneficial discussions pertaining to labor issues. These associations have provided a mechanism for positive industrial relations. In addition, we provide fair marketing opportunities to all suppliers and maintain programs to increase transactions with firms that are owned and operated by minorities and women.

