

## NEW VALUE IS TAKING SHAPE



**DEAR SHARE OWNERS:** Last year, I made a simple assertion: When the brands, employees and bottling partners of The Coca-Cola Company are working together, we are an unbeatable team. We were successful in doing just that in 2002, as evidenced by our financial and operational performance.

The Coca-Cola Company in 2002 achieved worldwide unit case volume growth of 5 percent, nearly 950 million incremental unit cases. Excluding volume associated with the brands acquired during 2002, our growth rate was 4.5 percent. Cash from operations was a record \$4.7 billion, a 15 percent increase over 2001. After investing activities, we generated \$3.6 billion of cash flow in 2002, a 22 percent increase. Reported earnings per share were \$1.23 after a reduction of \$0.54 resulting from accounting changes and several other items, including \$0.11 per share impact from stock option expense. Throughout the year, we outpaced the rest of the industry in each of the major beverage categories in nearly every key global market.

Our results this past year were very encouraging, and were achieved in spite of a challenging global economic and political environment. However, one of the hallmarks of The Coca-Cola Company throughout its 117-year history is the belief that we can never be satisfied with our performance, and that we must always aspire to what we have yet to achieve.

To better realize opportunities for growth in 2002, I focused the Company on: 1) profitable diversification and

expansion of our range of products while advancing our core brands; 2) improving working relationships with our bottling partners around the world; 3) building an integrated team operating with heightened focus on corporate governance and financial transparency.

I can report steady progress in all three areas. Further, there are countless opportunities to expand our current brands and to create new ways to connect with even more consumers. Our challenge is to ensure that we do so, by building on our accomplishments, and executing our strategy.

#### **BUILDING BRANDS, EXPANDING OUR FAMILY OF BRANDS**

In 2002, Coca-Cola—the world's most popular brand—regained its marketplace momentum in North America. Now, that same excitement is building around the globe. Supported by strategic investment and innovation, brand Coca-Cola products achieved 3 percent volume growth in North America, led by the introduction of Vanilla Coke and the continued rollout of diet Coke with lemon. Vanilla Coke brought in eight million new consumers who were not drinking Coca-Cola; in addition, diet Coke with lemon attracted over three million consumers to diet Coke.

Such a pace of innovation around the Coca-Cola brand is unprecedented. It was nearly 100 years before we launched the first extension of Coca-Cola—diet Coke, in 1982. It took another ten years to build diet Coke into a worldwide brand. It's now the number-three soft drink in the world, and number-two in some markets.

Responsibility for the world's most beloved and valuable brand requires extreme care in how, when, and why we extend it. We don't risk consumer loyalty to the brand or seek an artificial bump in volume by spinning out product after product to chase the latest fad. But we do ask ourselves continually how we can bring more people to Coca-Cola. By staying close to the brand's identity, we have created—in Vanilla Coke, diet Vanilla Coke, and diet Coke with lemon—new products with lasting appeal that we expect to generate equally lasting value for share owners.

Historically, the carbonated beverage segment has been the primary driver of our business performance and it still accounts for 85 percent of our worldwide sales volume. The quality and reliability of our products, our unparalleled brand appeal and distribution, combined with valuable consumer insights and strong customer relationships have generated sustained profitability for Coca-Cola, Fanta, Sprite and our other carbonated soft drinks for many years.

As we expand our range of noncarbonated beverages we are applying the same formula to achieve growth and profitability characteristics that match or even exceed those of our carbonated business. By continuing to build successful noncarbonated brands and by optimizing our scale and distribution system, we expect to further improve total profitability. That is why we are so encouraged by our noncarbonated beverage growth this year: a rate of 28 percent which was driven by strong performance in all key categories.

Over the past three years, we have grown internally and through strategic acquisitions to become the world's largest producer of ready-to-drink juices and juice drinks. Outside the United States, our share of sales for the sports-drink category is one of the largest in the world. Across 70 countries, POWERADE grew 25 percent and increased its share of the category.

We have also been successful in strategically building a water business that enhances our offerings to our customers. The acquisitions and licensing agreements we completed in 2002—principally with Groupe Danone and their brands,

including Evian—give us a family of products in the United States with multiple price points and packaging choices. Together with Dasani, which grew volume 40 percent last year as the number-two bottled water brand, we have become one of the leading players in the water category in North America, both in terms of share of sales and dollar value.

I am pleased with our accomplishments. They build on the solid base we have established over the past few years, and provide an even stronger foundation for 2003. We have put in place a strategy that will position our simple business—providing moments of refreshment to people everywhere—to succeed in this complex world. We have a clearly defined strategy, and we are determined to execute against it this coming year.

#### IMPROVING THE SYSTEM TO GROW VALUE

We must intelligently focus our resources—talent, time, dollars and business relationships—on those opportunities with the greatest potential to create new value.

I am committed to building a best-in-class collaborative management team at the top of The Coca-Cola Company. As part of this effort, I recommended the election of Steve Heyer as President and Chief Operating Officer to help drive the focused, team effort that will intensify the execution of our strategy. To build on the success of reshaping the Company in these past few years, we remain open to new opportunities and are better equipped to capitalize on them. Our organization will draw its strength from the core competencies that drive our business: unparalleled brand-building experience, unique geographic knowledge, marketing excellence and a commitment to innovation.

The closest possible coordination with our bottling partners is also critical to our success. Our partnership with them is a decisive advantage in enabling us to drive innovation and roll out initiatives worldwide. As we put our scale to work, the Coca-Cola system is becoming more effective and more profitable. In North America, we lent our support to our bottlers as they formed the Coca-Cola Bottlers' Sales & Services Company to generate significant savings from system-wide programs for procurement, route-to-market optimization and account management. We believe this new organization, together with our other initiatives, will result in enhanced efficiency. As bottler returns increase, our equity income reflects that fact, steadily improving to \$384 million in 2002.

YEAR-END MARKET VALUE OF COMMON STOCK (IN BILLIONS)\*

2002  
\$108.3

1992  
\$54.7

1982  
\$7.1



\* Bottle sizes shown above are not necessarily proportionate to indicated year-end market values.

### VALUE FOR THE LONG TERM

All these efforts are focused on delivering real value to Coca-Cola employees, customers, consumers and share owners through sustainable growth over the years and decades ahead. Consistent with this focus, in December we announced we would no longer provide quarterly or annual earnings per share guidance. This change enhances our ability to make decisions based on how best to build our business for the long term. Going forward, we will measure progress as we achieve it, without focusing on results for the sake of public forecasts.

At the same time, we have made it clear that we will provide you with even more information on what we view as our value drivers, strategic initiatives, and those factors critical to understanding and evaluating our business and operating environment. Our decision last summer to become one of the first public companies to account for employee stock options as an expense was intended to give you a clearer picture of our actual performance. Our commitment to this sort of transparency will continue as we evaluate our communications with you.

### THE VALUE OF VALUES

The values that underpin our success are integrity, quality, accountability, diversity, relationships based on our respect for each other, for the communities where we do business and for the environment. People know what to expect from The Coca-Cola Company precisely because we have always lived by our values. When a consumer enjoys a bottle of Coke, when people invest in us, when partners do business with us, or when we operate in a community, we keep our promise to benefit and refresh them. We create value—economic and social—reliably and predictably.

Today more than ever, these values are essential for long-term business success. We understand this, and are committed to achieving our business goals in combination with ethical management, the health of our communities, and the responsible use of natural resources.

### SEIZING OPPORTUNITY

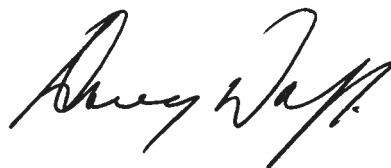
Living our values and effectively executing our strategy—this is how we intend to seize the opportunities before us. And these opportunities are remarkable. For example, over the next five years, more than 80 percent of the growth in nonalcoholic beverages is expected to come from outside the United States.

If we make the most of our growth drivers and live our values, The Coca-Cola Company is well positioned to realize exceptional growth from this expanding marketplace. We have the global systems in place to reach the most productive markets—offering consumers the best products delivered through the most effective sales channels—and in the process, building a deep and lasting relationship of trust with all our stakeholders each and every day.

The appeal of Coca-Cola remains as fresh today as when the Company was founded. The potential is worldwide. Our responsibility is to ensure that our investors, customers and consumers can continue to rely on our commitment to integrity, quality and reliability.

I want to thank the members of our Company's Board of Directors for their continued wisdom and guidance, our employees for their commitment and dedication, and our bottling partners and customers for our valued relationships. Finally, I appreciate the trust and support you continue to place in us. My team and I will work every day to be worthy of it.

SINCERELY,



DOUGLAS N. DAFT

CHAIRMAN, BOARD OF DIRECTORS, AND  
CHIEF EXECUTIVE OFFICER