

**OUR BUSINESS**

The Coca-Cola Company is the largest manufacturer, distributor and marketer of nonalcoholic beverage concentrates and syrups in the world. When used in this report, the terms "Company," "we," "us" or "our" mean The Coca-Cola Company and its divisions and subsidiaries. Our Company manufactures beverage concentrates and syrups as well as some finished beverages, which we sell to bottling and canning operations, distributors, fountain wholesalers and some fountain retailers. We are also the largest producer of ready-to-drink juices and juice drinks in the world. In addition, we have ownership interests in numerous bottling and canning operations.

Our Company exists to benefit and refresh everyone who is touched by our business. We believe our success ultimately depends on our ability to build and nurture relationships

with constituents essential to our business: consumers, customers, bottlers, business partners, government agencies, communities, employees and share owners. In order to serve and create value for these constituents, our Company executes a business strategy to drive profitable volume growth focused on the following strategic priorities:

- (1) accelerate carbonated soft-drink growth, led by Coca-Cola;
- (2) selectively broaden our family of beverage brands to drive profitable growth;
- (3) grow system profitability and capability together with our bottling partners;
- (4) serve customers with creativity and consistency to generate growth across all channels;
- (5) direct investments to highest-potential areas across markets;
- (6) drive efficiency and cost effectiveness everywhere.

*Significant Growth Opportunities*

The following table illustrates how we view various markets for our Company's products and reflects information as of and for the year ended December 31, 2002, as applicable:

	Emerging Markets	Developing Markets	Developed Markets	Leading-Edge Markets
Sample countries <sup>1</sup>	China, India, Russia, Indonesia, Nigeria	Korea, Brazil, Italy, Turkey	Japan, Great Britain, South Africa	Mexico, Spain, U.S., Australia
Annual per capita consumption of our Company's products	Less than 50 servings	50–149 servings	150–249 servings	250+ servings
Population	4.3 billion	800 million	600 million	500 million
Percentage of the world's population	69%	13%	10%	8%
Percentage of Company's unit case volume	11%	17%	25%	47%

<sup>1</sup> Includes selected countries within each of the identified markets and is not intended to include all countries within the given markets.

Leading-edge markets generated 47 percent of the Company's unit case volume in 2002. Annual per capita consumption of our Company's beverages in these leading-edge markets is 250 or more servings. However, even in our highest per capita consumption market, Mexico, less than one-third of the population drinks brand Coca-Cola on a daily basis. Emerging markets, where annual per capita consumption is less than 50 servings, contributed only 11 percent of the Company's unit case volume in 2002. More than 4 billion people live in these emerging markets.

In emerging and developing markets, our focus is on availability of affordable products for consumers and building brand preference. In developed and leading-edge markets, our approach to consumers is more sophisticated. Along with ensuring our products are affordable and building brand preference, we must activate points of purchase so that consumers have greater connections with our brands.

*The Coca-Cola Company and Subsidiaries*

2000 <sup>4</sup>	1999 <sup>4</sup>	1998 <sup>4,6</sup>	1997 <sup>4,6</sup>	1996 <sup>4,6</sup>	1995 <sup>4,6</sup>	1994 <sup>4,6,7</sup>	1993 <sup>4,6,8</sup>	1992 <sup>4,6,9,10</sup>
\$ 17,354	\$ 16,767	\$ 16,301	\$ 16,611	\$ 16,635	\$ 16,283	\$ 14,570	\$ 12,527	\$ 11,820
6,204	6,009	5,562	6,015	6,738	6,940	6,168	5,160	5,055
11,150	10,758	10,739	10,596	9,897	9,343	8,402	7,367	6,765
6,016	5,963	5,699	5,535	5,597	5,231	4,765	4,218	4,018
1,443	813	73	60	385	86	—	50	—
3,691	3,982	4,967	5,001	3,915	4,026	3,637	3,099	2,747
345	260	219	211	238	245	181	144	164
447	337	277	258	286	272	199	168	171
(289)	(184)	32	155	211	169	134	91	65
99	98	230	583	87	86	(25)	7	(59)
—	—	27	363	431	74	—	12	—
3,399	3,819	5,198	6,055	4,596	4,328	3,728	3,185	2,746
1,222	1,388	1,665	1,926	1,104	1,342	1,174	997	863
\$ 2,177	\$ 2,431	\$ 3,533	\$ 4,129	\$ 3,492	\$ 2,986	\$ 2,554	\$ 2,188	\$ 1,883
\$ 2,177	\$ 2,431	\$ 3,533	\$ 4,129	\$ 3,492	\$ 2,986	\$ 2,554	\$ 2,176	\$ 1,664
2,477	2,469	2,467	2,477	2,494	2,525	2,580	2,603	2,634
2,487	2,487	2,496	2,515	2,523	2,549	2,599	2,626	2,668
\$ .88	\$ .98	\$ 1.43	\$ 1.67	\$ 1.40	\$ 1.18	\$ .99	\$ .84	\$ .72
.88	.98	1.42	1.64	1.38	1.17	.98	.83	.71
.88	.98	1.43	1.67	1.40	1.18	.99	.84	.63
.88	.98	1.42	1.64	1.38	1.17	.98	.83	.62
.68	.64	.60	.56	.50	.44	.39	.34	.28
60.94	58.25	67.00	66.69	52.63	37.13	25.75	22.31	20.94
\$ 151,421	\$ 143,969	\$ 165,190	\$ 164,766	\$ 130,575	\$ 92,983	\$ 65,711	\$ 57,905	\$ 54,728
\$ 1,892	\$ 1,812	\$ 1,807	\$ 1,843	\$ 1,658	\$ 1,315	\$ 1,531	\$ 1,078	\$ 1,063
4,168	4,267	3,669	3,743	3,550	4,336	4,080	3,729	3,526
465	438	381	384	442	421	382	333	310
733	1,069	863	1,093	990	937	878	800	1,083
20,834	21,623	19,145	16,881	16,112	15,004	13,863	11,998	11,040
835	854	687	801	1,116	1,141	1,426	1,428	1,120
5,651	6,227	5,149	3,875	4,513	4,064	3,509	3,100	3,207
9,316	9,513	8,403	7,274	6,125	5,369	5,228	4,570	3,881
14,967	15,740	13,552	11,149	10,638	9,433	8,737	7,670	7,088
37.8%	39.6%	38.0%	34.8%	42.4%	43.1%	40.2%	40.4%	45.2%
29.4%	32.2%	28.1%	22.0%	31.6%	32.3%	25.5%	29.0%	33.1%
23.1%	27.1%	45.1%	61.6%	60.8%	56.4%	52.1%	51.8%	46.4%
16.2%	18.2%	30.2%	39.5%	36.8%	34.9%	32.8%	31.2%	29.4%
77.4%	65.0%	41.9%	33.6%	35.7%	37.2%	39.4%	40.6%	44.3%
\$ 3,585	\$ 3,883	\$ 3,433	\$ 4,033	\$ 3,463	\$ 3,328	\$ 3,361	\$ 2,508	\$ 2,232
\$ 861	\$ 1,128	\$ 2,480	\$ 3,325	\$ 2,718	\$ 2,291	\$ 1,896	\$ 1,549	\$ 1,300

<sup>7</sup> In 1994, we adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

<sup>8</sup> In 1993, we adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits."

<sup>9</sup> In 1992, we adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions."

<sup>10</sup> In 1992, we adopted SFAS No. 109, "Accounting for Income Taxes."

In all markets, we need a consistent approach to always:

- provide quality products and superior customer service;
- strive to manage our brand/price/package/channel strategy to meet consumer needs in a way that maximizes value for our system and leverages the unique and unparalleled strengths of our bottlers and our system infrastructure.

We believe significant growth potential exists for our family of brands.

#### *Profitable Growth*

To add value to our Company, our growth must be profitable. Carbonated soft drinks have attractive historical margins, and we expect these attractive margins to continue in the future. As a result, we intend to accelerate carbonated soft-drink growth, led by Coca-Cola. Additionally, our Company is continuing to profitably broaden our family of brands. In particular, we are expanding and growing our noncarbonated offerings to provide more alternatives to consumers. We plan to introduce and/or expand both carbonated soft drinks and noncarbonated beverages as profitable introduction and/or expansion is warranted in identified markets. Increasing consumption of our entire family of beverages on more occasions is a key success factor in all markets.

#### *System Economics*

For our Company to be successful, the bottler system must be successful. Bottler returns have been improving, and equity income from our bottlers is also steadily improving. The following are examples of joint initiatives to drive profitability:

- We established a process for top management level meetings with our bottling partners.
- We established a bottler Information Technology Advisory Board whose mission is to prioritize, recommend and enable execution of the highest impact system-wide information technology initiatives.
- In North America, we supported our bottlers as they formed Coca-Cola Bottlers' Sales & Services Company to generate significant system-wide savings in procurement, route to market optimization and account management.

#### *Corporate Governance*

Corporate governance received significant attention in 2002. While strategic priorities and execution are critical to our business, we have always been and will continue to be committed to the highest standards of corporate governance. The following two examples demonstrate our commitment.

First, in July 2002, our Company announced that we would expense the cost of all forms of stock-based compensation, including stock options granted by the Company. We concluded that stock options are a form of employee compensation expense, and it would therefore be appropriate to reflect these costs in our financial results. Voluntarily changing to this preferable method of accounting for employee stock options and other forms of stock-based compensation ensures that our earnings more clearly reflect economic reality when all compensation costs are recorded in the financial statements. Refer to the heading "Application of Critical Accounting Policies—Stock-Based Compensation" and to Notes 1 and 13. (Throughout this report, references to "Notes" refer to the Notes to Consolidated Financial Statements included as part of this report.)

Second, in December 2002, our Company changed our policy of providing future earnings guidance. Our Company will no longer provide quarterly or annual earnings per share guidance. We will continue to provide investors with perspective on our value drivers, our strategic initiatives and those factors critical to understanding our business and operating environment. Our Company, with the support of the Board of Directors, concluded that establishing short-term guidance can impede a more meaningful investor focus on the strategic initiatives that companies are taking to build businesses and succeed over the long run.

Our Company's Board of Directors is composed of qualified directors providing appropriate oversight. Various committees of our Board of Directors review and approve Company transactions, as appropriate. Our Audit Committee members are all independent directors. Furthermore, we defined new guiding principles for how our suppliers conduct business and reaffirmed a code of ethics for our own employees and directors.

**INVESTMENTS**

With a business system that operates locally in more than 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 should directly enhance our existing operations and generally be expected to provide cash returns that exceed our long-term, after-tax, weighted-average cost of capital (calculated on a book basis), currently estimated at between 8 and 10 percent.

Because the beverage business has consistently generated high returns, we consider it to be a particularly attractive investment for us. Our expenditures in developed and leading-edge markets 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 strategy.

We pursue our strategic investment priorities in a way that capitalizes on the combination of our most fundamental and enduring attributes—our brands, our people and our bottling partners. The more than 6 billion people in the world represent current and potential consumers of our Company's products. As we increase and meet consumer demand for our family of brands, we produce growth throughout the Coca-Cola system.

*Our Brands*

Our offerings in the nonalcoholic beverages business include some of the world's most valuable brands—more than 300 in all. These include carbonated soft drinks and noncarbonated beverages such as juices and juice drinks, sports drinks, water products, teas and coffees. Ultimately, consumer demand determines the Company's optimal brand offerings. To meet our long-term growth objectives, we make significant expenditures to support our brands. This process involves investments to support existing brands, to develop new global or local brands, and to acquire global or local brands when appropriate.

In 2002, our Company introduced a variety of new brands and products including Vanilla Coke and diet Vanilla Coke.

Our existing brands such as diet Coke with lemon, Fanta, Qoo and POWERADE were introduced into new markets. Our Company acquired brands during 2002 such as Risco water in Mexico, Dorna water and Valser water in Europe, and Rio Beverages in New Zealand. Along with Danone Waters of North America, Inc., we established a joint venture, of which our Company owns 51 percent, with the rights to the Dannon, Sparkletts and Alhambra brands in the United States. Our Company acquired long-term global license rights for Seagram's nonalcoholic carbonated soft drinks and certain assets related to the Seagram's mixer business. We entered into a master license agreement for the Evian water brand in the United States and Canada. Also during 2002, our Company continued our collaboration with The Walt Disney Company to market noncarbonated children's beverages.

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 profitable volume, per capita consumption and our share of worldwide nonalcoholic beverage sales.

*Our People*

Our people—the 56,000 employees of our Company who work with our bottling partners and other key constituents—are essential to our success. 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, which enhances enjoyment and satisfaction in the Company's work environment. Our Company values the uniqueness of all employees and the contributions they make. We put the responsibility and accountability for ensuring local relevance and maximizing business performance in the hands of those closest to the market. Additionally, we have made innovation an explicit priority for all our associates. Our associates work together with bottling partners to understand markets and what consumers want. Then we meet that need by delivering products through our unparalleled system.

The increase in the number of employees from 38,000 as of December 31, 2001 to 56,000 as of December 31, 2002 is primarily due to 2002 acquisitions. For a description of these acquisitions, refer to Note 18.

*Our Bottling Partners*

The financial health and success of our bottling partners are critical components of the Company's ability to deliver leading brands. Our people work with our bottling partners to continuously look for ways to improve system economics. 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;
- (3) bottlers in which we have invested and have a controlling ownership interest.

During 2002, independently owned bottling operations produced and distributed approximately 23 percent of our worldwide unit case volume. Bottlers in which we own a noncontrolling ownership interest produced and distributed approximately 59 percent of our worldwide unit case volume in 2002. Controlled bottling operations accounted for 8 percent of 2002 volume. Fountain operations and The Minute Maid Company produced and distributed approximately 10 percent of 2002 volume.

The independently owned bottling operations and the bottlers in which we have a noncontrolling interest generally have significant funding from majority owners and other financing sources that are otherwise unrelated to our Company.

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 equity method investees. In 2002, our Company's share of income from equity method investments totaled \$384 million.

In July 2001, our Company and San Miguel Corporation (San Miguel) acquired Coca-Cola Bottlers Philippines, Inc. (CCBPI) from Coca-Cola Amatil Limited (Coca-Cola Amatil). Upon completion of this transaction, our Company owned 35 percent of the common shares and 100 percent of the Preferred B shares, and San Miguel owned 65 percent of the common shares of CCBPI. Additionally, as a result of this transaction, our Company's interest in Coca-Cola Amatil was reduced from approximately 38 percent to approximately 35 percent.

During 2000, the Company entered into a joint venture in China with China National Oils and Foodstuffs Imports/Exports Corporation (COFCO), completion of which occurred in 2001. COFCO contributed to the joint venture its minority equity interests in 11 Chinese bottlers. Our Company contributed its equity interests in two Chinese bottlers plus cash in exchange for a 35 percent equity interest in the venture.

On December 31, 1999, we owned approximately 51 percent of Coca-Cola Beverages plc (Coca-Cola Beverages). In July 2000, a merger of Coca-Cola Beverages and Hellenic Bottling Company S.A. was completed to create Coca-Cola Hellenic Bottling Company S.A. (CCHBC). This merger resulted in a decrease of our Company's equity ownership interest from approximately 51 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.

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

DECEMBER 31, 2002	Fair Value	Carrying Value	Difference <sup>1</sup>
Coca-Cola Enterprises Inc.	\$ 3,670	\$ 972	<b>\$ 2,698</b>
Coca-Cola FEMSA, S.A. de C.V.	785	347	<b>438</b>
Coca-Cola Hellenic Bottling Company S.A.	745	872	<b>(127)</b>
Coca-Cola Amatil Limited	711	492	<b>219</b>
Panamerican Beverages, Inc.	636	441	<b>195</b>
Grupo Continental, S.A.	264	164	<b>100</b>
Coca-Cola Bottling Company Consolidated	160	63	<b>97</b>
Coca-Cola Embonor S.A.	63	100	<b>(37)</b>
Coca-Cola West Japan Company Ltd.	59	107	<b>(48)</b>
Embotelladoras Polar S.A.	20	37	<b>(17)</b>
	<b>\$ 7,113</b>	<b>\$ 3,595</b>	<b>\$ 3,518</b>

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

Historically, in certain situations, we have viewed it to be advantageous for our Company to acquire a controlling interest in a bottling operation, often on a temporary basis. 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 long-term capital structures.

Effective February 2002, our Company acquired control of Coca-Cola Erfrischungsgetraenke AG (CCEAG), the largest bottler in Germany. This transaction was accounted for as a business combination, and the results of CCEAG's operations have been included in the Company's financial statements since February 2002. Prior to February 2002, CCEAG was accounted for by our Company under the equity method of accounting. As of December 31, 2002, our Company had an approximate 41 percent ownership interest in the outstanding shares of CCEAG. In accordance with the terms of a Control and Profit and Loss Transfer Agreement (CPL) with CCEAG, our Company obtained control of CCEAG for a period of up to five years. In return for the control of CCEAG, the Company guaranteed annual payments, in lieu of dividends by CCEAG, to all other CCEAG share owners. Additionally, all other CCEAG share owners entered into either a put or put/call option agreement with the Company, exercisable at the end of the term of the CPL at agreed prices. Our Company entered into either put or put/call agreements for shares representing an approximate 59 percent interest in CCEAG.

In January 2002, our Company and CCBPI finalized the purchase of RFM Corp.'s (RFM) approximate 83 percent interest in Cosmos Bottling Corporation (CBC), a publicly traded Philippine beverage company. The original sale and purchase agreement with RFM was entered into in November 2001. As of the date of this sale and purchase agreement, the Company began supplying concentrate for this operation. In March 2002, a tender offer was completed with our Company and CCBPI acquiring all shares of the remaining minority share owners except for shares representing a 1 percent interest in CBC. As of December 31, 2002, our Company's direct ownership interest in CBC was approximately 61 percent, and our indirect ownership interest in CBC was approximately 13 percent. This transaction was accounted for as a business combination, and the results of CBC's operations have been included in the Company's financial statements since January 2002. CBC is an established carbonated soft-drink business in the Philippines. Our Company's goal is to leverage our partnership with San Miguel in the Philippines, as well as leverage our sales, marketing and system resources, to expand CBC

volume and profit over time. The Company and CCBPI have agreed to restructure the operations of CBC, and this restructuring will result in the Company owning all acquired trademarks and CCBPI owning all acquired bottling assets. Upon expected completion of the restructuring in 2003, our Company does not expect a significant gain or loss.

In February 2001, our Company reached agreement with Carlsberg A/S (Carlsberg) for the dissolution of Coca-Cola Nordic Beverages A/S (CCNB), a joint venture in which our Company had a 49 percent ownership interest. At that time, CCNB had bottling operations in Sweden, Norway, Denmark, Finland and Iceland. Under this agreement with Carlsberg, our Company acquired CCNB's Sweden and Norway bottling operations in June 2001, increasing our Company's ownership in those bottlers to 100 percent. Carlsberg acquired CCNB's Denmark and Finland bottling operations, increasing Carlsberg's ownership in those bottlers to 100 percent. Pursuant to the agreement, CCNB sold its Iceland bottling operations to a third-party group of investors in May 2001.

During the first half of 2001, in separate transactions, our Company purchased two bottlers in Brazil: Refrescos Guararapes Ltda. and Sucovale Sucos e Concentrados do Vale S.A. In separate transactions during the first half of 2000, our Company purchased two other 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 in Paraguay. In December 2000, the Company made a tender offer for the remaining 42 percent of the shares in Paresa. In January 2001, following the completion of the tender offer, we owned approximately 95 percent of Paresa.

In line with our long-term bottling strategy, we consider alternatives for reducing our ownership interests in bottlers in which we have controlling ownership interests. One alternative is to combine our bottling interests with the bottling interests of others to form strategic business alliances. Another alternative is to sell our interest in a bottling operation to one of our equity investee bottlers. In both of these situations, we continue to participate in the bottler's results of operations through our share of the equity investee's earnings or losses.

In the first quarter of 2002, our Company sold our Baltics bottling operations to CCHBC. The proceeds from the sale

of the Baltics bottlers were approximately equal to the carrying value of the investment.

In November 2001, our Company sold nearly all of its ownership interests in various Russian bottling operations to CCHBC for approximately \$170 million in cash and notes receivable, of which \$146 million in notes receivable remained outstanding as of December 31, 2001. This amount was fully collected in 2002. These interests consisted of the Company's 40 percent ownership interest in a joint venture with CCHBC that operated bottling territories in Siberia and parts of western Russia, together with our Company's nearly 100 percent interests in bottling operations with territories covering the remainder of Russia.

Refer to Notes 2 and 18 for further discussion of the above bottler transactions.

#### FINANCIAL STRATEGIES

The following strategies are intended 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.

As of December 31, 2002, our long-term debt was rated "A+" by Standard & Poor's and "Aa3" by Moody's, and our commercial paper program was rated "A-1" and "P-1" by Standard & Poor's and Moody's, respectively. In assessing our credit strength, both Standard & Poor's and Moody's consider our capital structure and financial policies as well as aggregated balance sheet and other financial information for the Company and certain bottlers including Coca-Cola Enterprises Inc. (Coca-Cola Enterprises) and CCHBC. While the Company has no legal obligation for the debt of these bottlers, the rating agencies believe the strategic importance of the bottlers to the Company's business model provides the Company with an incentive to keep these bottlers viable. If our credit ratings were reduced by the rating agencies, our interest expense could increase. Additionally, if certain bottlers' credit ratings were to decline, the Company's share of equity income could be reduced as a result of the potential increase in interest expense for these bottlers.

The interest coverage ratio is a key item monitored by rating agencies. Generally, this ratio is computed as income before taxes (excluding unusual items) plus interest expense, divided by the sum of interest expense and capitalized interest. In accordance with this definition, our Company's interest coverage ratio on a stand-alone basis was 29x, 20x and 12x, respectively, for the years ended December 31, 2002, 2001 and 2000. If the unusual items were included in the calculation, the interest coverage ratio would have been 28x, 20x and 8x, respectively, for the years ended December 31, 2002, 2001 and 2000.

The interest coverage ratio is monitored by our Company for trends and is one measurement generally used by rating agencies in assessing debt ratings for companies. However, as described above, the rating agencies aggregate financial data for certain bottlers with our Company when assessing our debt rating. As such, the key measure is the aggregate interest coverage ratio of the Company and these bottlers. Both Standard & Poor's and Moody's employ different aggregation methodologies and have different thresholds for the aggregate interest coverage ratio. These thresholds are not necessarily permanent nor are they fully disclosed to our Company.

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 active management of our percentage 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, can result in current liabilities exceeding current assets.

In managing our use of debt, we also monitor the following financial measurements and ratios:

DECEMBER 31,	2002	2001	2000
Net debt (in billions)	\$ 3.2	\$ 3.3	\$ 3.9
Net debt-to-net capital	21%	23%	29%
Ratio of earnings to fixed charges	23.2x	18.1x	8.7x

Our Company monitors the financial measurements and ratios discussed above in conjunction with our percentage mix of fixed-rate and variable-rate debt and other business and financial risks. The above financial measurements and

ratios trended positively in 2002 and 2001, reflecting improved business results and effective capital management strategies. Additionally, the 2000 ratio of earnings to fixed charges was negatively impacted by items discussed under the heading "Other Operating Charges."

#### *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 2006. In 2002 and 2001, we repurchased approximately 14 million shares at an average price of \$48.42 and 5 million shares at an average price of \$48.53, respectively, under the 1996 plan.

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 headings "Net Operating Revenues and Gross Profit" and "Operating Income and Operating Margin."

Since the inception of our initial share repurchase program in 1984 through our current program as of December 31, 2002, we have purchased more than 1 billion shares of our Company's common stock. This represents 32 percent of the shares outstanding as of January 1, 1984 at an average price per share of \$13.13.

Our Company expects to make share repurchases of approximately \$1.5 billion in 2003. As cash flows are expected to increase in subsequent years, our subsequent share repurchases are also expected to increase.

#### *Dividend Policy*

At its February 2003 meeting, our Board of Directors again increased our quarterly dividend, raising it to \$.22 per share, equivalent to a full-year dividend of \$.88 per share in 2003. This is our 41st consecutive annual increase. Our annual common stock dividend was \$.80 per share, \$.72 per share and \$.68 per share in 2002, 2001 and 2000, respectively.

In 2002, our dividend payout ratio was approximately 65 percent of our net income. 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 over time.

#### **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. Virtually all of our derivatives are straightforward, over-the-counter instruments with liquid markets.

#### *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 77 percent of 2002 Operating Income, excluding Corporate, 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 collars and purchases currency options (principally euro and Japanese yen) to hedge certain portions of forecasted cash flows denominated in foreign currencies. Additionally, the Company enters into forward exchange contracts to offset the earnings impact relating to exchange rate fluctuations on certain monetary assets and liabilities. The Company also enters into forward exchange contracts as hedges of net investments in international operations.



*Interest Rates*

Our Company monitors our percentage mix of fixed-rate and variable-rate debt, as well as our percentage mix of term debt versus nonterm debt. This monitoring includes a review of business and other financial risks as noted above. We also enter into interest rate swap agreements to manage these risks.

*Value at Risk*

Our Company monitors our exposure to financial market risks using several objective measurement systems, including value-at-risk models. Our value-at-risk calculations use a historical simulation model to estimate potential future losses in the fair value of our derivatives and other financial instruments that could occur 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. The average value at risk represents the simple average of quarterly amounts over the past year. As a result of our foreign currency value-at-risk calculations, we estimate with 95 percent confidence that the fair values of our foreign currency derivatives and other financial instruments, over a one-week period, would decline by less than \$34 million, \$43 million and \$37 million, respectively, using 2002, 2001 or 2000 average fair values and by less than \$31 million and \$37 million, respectively, using December 31, 2002 and 2001 fair values. According to our interest rate value-at-risk calculations, we estimate with 95 percent confidence that any increase in our net interest expense due to an adverse move in our 2002 average or in our December 31, 2002 interest rates over a one-week period would not have a material impact on our financial statements. Our December 31, 2001 and 2000 estimates also were not material to our financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**VOLUME**

We measure our sales volume in two ways: (1) gallons and (2) unit cases of finished products. "Gallons" represent our primary business and measure the volume of concentrates, syrups, beverage bases, finished beverages and powders (in all cases, expressed in equivalent gallons of syrup) for all beverage products which are reportable as unit case volume. Most of our revenues are based on this measure of primarily wholesale activity, which consists mainly of our sales to bottlers and customers.

We also measure volume in unit cases. "Unit case" means a unit of measurement equal to 192 U.S. fluid ounces of finished beverage (24 eight-ounce servings). "Unit case volume" means the number of unit cases (or unit case equivalents) of Company trademark or licensed beverage products directly or indirectly sold by the Coca-Cola system to customers. Volume primarily consists of beverage products bearing Company trademarks. Also included in volume are certain products licensed to our Company or owned by our bottling partners, for which our Company provides marketing support and derives profit from the sales. Such products licensed to our Company or owned by our bottling partners account for a minimal portion of total unit case volume. Although most of our Company's revenue is not based directly on unit case volume, we believe unit case volume is one of the measures of the underlying strength of the Coca-Cola system because it measures trends at the consumer level.

Our worldwide unit case volume increased 5 percent in 2002, on top of a 4 percent increase in 2001. The increase reflects acquisitions (refer to Note 18) and consistent performance across certain key operations despite difficult global economic conditions. The Coca-Cola system sold 18.7 billion unit cases in 2002.

**APPLICATION OF CRITICAL ACCOUNTING POLICIES**

Management has discussed with our Audit Committee the development, selection and disclosure of our critical accounting policies and estimates and the application of these policies and estimates.

*Consolidation and Basis of Presentation*

Our financial statements include the accounts of The Coca-Cola Company and all subsidiaries. We consolidate all entities that our Company controls, and we do not have any unconsolidated "special purpose" entities. Under current accounting guidance, our Company is not permitted to consolidate companies we do not control. For investments in companies in which we have the ability to exercise significant influence over operating and financial policies, such entities are accounted for by the equity method. Our judgments regarding the level of influence of each equity method investment include considering key factors such as our ownership interest, representation on the board of directors, participation in policy making decisions and material intercompany transactions. Consolidated net income includes our Company's share of the net earnings of these companies. The difference between consolidation and the equity method impacts certain financial ratios because of the presentation of the detailed line items reported in the financial statements. However, our consolidated net income for the period and our share-owners' equity at the end of the period are the same whether the investment in the company is accounted for under the equity method or the company is consolidated. We record our investments in other companies that we do not control and for which we do not have the ability to exercise significant influence under the cost method. In accordance with the cost method, the assets are recorded at cost or fair value, as appropriate. Our Company eliminates from our financial results all significant intercompany transactions, including transactions with equity method investees.

The table below presents Equity Income (Loss) and Income Before Income Taxes and Cumulative Effect of Accounting Change, of which Equity Income (Loss) is a component. The purpose of the table is to present the relative significance of Equity Income (Loss) to Income Before Income Taxes and Cumulative Effect of Accounting Change.

YEAR ENDED DECEMBER 31, (In millions)	2002	2001	2000
Equity income (loss)	\$ 384	\$ 152	\$ (289)
Income before income taxes and cumulative effect of accounting change	\$ 5,499	\$ 5,670	\$ 3,399

The table below presents our Equity Method Investments, Cost Method Investments, Principally Bottling Companies and Total Assets. The purpose of the table is to present the relative significance of our equity and cost method investments to Total Assets.

DECEMBER 31, (In millions)	2002	2001
Equity method investments	\$ 4,737	\$ 5,128
Cost method investments, principally bottling companies	\$ 254	\$ 294
Total assets	\$ 24,501	\$ 22,417

Our CCEAG business combination represents a good example related to consolidation and management's consideration regarding control. We concluded that CCEAG should be consolidated with our Company based on the following.

Prior to February 2002, our Company accounted for CCEAG under the equity method of accounting. Our Company has an approximate 41 percent ownership interest in the outstanding shares of CCEAG. In accordance with the terms of the CPL, our Company obtained control of CCEAG for a period of up to five years. In return for control of CCEAG, the Company guaranteed annual payments, in lieu of dividends by CCEAG, to all other CCEAG share owners. Additionally, all other CCEAG share owners entered into either a put or put/call option agreement with the Company, exercisable at the end of the term of the CPL at agreed prices. Our Company entered into either put or put/call agreements for shares representing an approximate 59 percent interest in CCEAG. The spread in the strike prices of the put and call options is only approximately 3 percent.

Since the terms of the CPL transfer control and all of the economic risks and rewards of CCEAG to the Company immediately, we determined consolidation was appropriate. Refer to Note 18.

*Recoverability of Noncurrent Assets*

Management's assessment of the recoverability of noncurrent assets involves critical accounting estimates. The relevant factors for assessing recoverability for each classification of noncurrent assets are discussed below. For the following assets, tests of impairment are performed if certain conditions exist that may indicate the carrying value may not be recoverable.

	December 31, 2002	Percentage of Total Assets
<i>(In millions except percentages)</i>		
Equity method investments	\$ 4,737	19
Cost method investments, principally bottling companies	\$ 254	1
Other assets	\$ 2,694	11
Property, plant and equipment, net	\$ 5,911	24
Amortized intangible assets, net (various, principally trademarks)	\$ 100	Less than 1

For the year ended December 31, 2002, depreciation expense for Property, Plant and Equipment was \$614 million, and amortization expense, primarily related to infrastructure programs (recorded in Other Assets) and amortized intangible assets, was \$192 million.

For the following assets, tests of impairment are performed at least annually. Impairment tests would be performed more frequently if events or circumstances indicate that an asset may be impaired.

	December 31, 2002	Percentage of Total Assets
<i>(In millions except percentages)</i>		
Trademarks with indefinite lives	\$ 1,724	7
Bottlers' franchise rights	\$ 846	3
Goodwill	\$ 726	3
Other intangible assets not subject to amortization	\$ 157	1

Operating in more than 200 countries subjects our Company to many uncertainties and potential changes in various economic, political and regulatory environments. As a result, many assumptions about the recoverability of noncurrent assets must be made by management. Two examples of such economic, political and regulatory changes are as follows. First, Germany recently enacted changes in the

deposit laws on nonreturnable packages. Many retailers significantly lowered their inventory level on selected package types. Looking forward, the Coca-Cola system is well positioned to manage trends in both returnable and nonreturnable packages. Second, if the political and economic situation in the Middle East results in a continued deterioration of the business environment, our business results and the valuation of our noncurrent assets could be impacted. Currently, these items have not required a charge; however, we will continue to monitor these situations as they develop.

*Equity Method and Cost Method Investments*

The most significant judgment in management's recoverability assessments is the determination of the fair value of our equity method and cost method investments. For most publicly traded investments, the fair value of our Company's investment is often readily available based on quoted market prices. For non-publicly traded investments, management's assessment of fair value is based on valuation methodologies including discounted cash flows, estimates of sales proceeds and external appraisals, as appropriate. The ability to accurately predict future cash flows, especially in markets such as the Middle East, Africa and Latin America, may impact the determination of fair value. The current unstable economic and political conditions and civil unrest in the Middle East, northern Africa and Venezuela could have an adverse impact on our Company's business results and valuation of assets in those regions.

In the event a decline in fair value of an investment occurs, management may be required to determine if the decline in market value is other than temporary. Management's assessments as to the nature of a decline in fair value are based on the valuation methodologies discussed above and our ability and intent to hold the investment. If the fair value is less than the carrying value and the decline in value is considered to be other than temporary, an appropriate write-down is recorded.

Management's assessments of fair value in accordance with these valuation methodologies represent our best estimates as of the time of the impairment review and are consistent with our internal planning. The estimates used by management can change over time as such amounts are influenced by future events and factors. If different fair values were estimated, this could have a material impact on the

financial statements. Furthermore, conditions in markets around the world change, and thus our accounting estimates may change from period to period. External factors outside the control of management can be elements in determining estimates related to these investments. Factors that management must estimate when performing impairment tests include, among other items, sales volume, prices, inflation, marketing spending, exchange rates and capital spending.

An example of management's assessment and recognition of impairment of an investment is as follows. In the first quarter of 2002, our Company recorded a noncash pre-tax charge of approximately \$157 million (recorded in the caption Other Income (Loss)—Net) primarily related to the write-down of our investments in Latin America. This write-down reduced the carrying value of the investments in Latin America to fair value. The charge was primarily the result of the economic developments in Argentina during the first quarter of 2002, including the devaluation of the Argentine peso and the severity of the unfavorable economic outlook.

#### *Other Assets*

Our Company invests in infrastructure programs with our bottlers that are directed at strengthening our bottling system and increasing unit case volume. Additionally, our Company advances payments to certain customers to fund marketing activities intended to generate profitable volume. Advance payments are also made to certain customers for distribution rights. Payments under these programs are generally capitalized as Other Assets on our balance sheets. Management periodically evaluates the recoverability of these assets by preparing estimates of sales volume, the resulting gross profit, cash flows and other factors. Accuracy of our recoverability assessments is based on management's ability to accurately predict certain key variables such as sales volume, prices, inflation, marketing spending, exchange rates and capital spending. Predicting these key variables involves uncertainty about future events; however, the assumptions used are consistent with our internal planning. If the assets are assessed to be recoverable, they are amortized over the periods benefited. If the carrying value of these assets is considered to be not recoverable, such assets are written down as appropriate.

The assumptions and conditions for Other Assets reflect management's best assumptions and estimates. However, these items involve inherent uncertainties, as described

above, which may or may not be controllable by management. An example of a variable we can influence is increasing marketing spending in a particular market. Bankruptcy or economic challenges of a particular customer represent uncertainties that are not controllable by management. As a result, if other assumptions and estimates had been used in the current period, the balances for Other Assets could have been materially impacted. Furthermore, if management uses different assumptions or if different conditions occur in future periods, future operating results could be materially impacted.

During each quarter in 2002, management considered and analyzed impairment indicators related to Other Assets. Based on our analysis, we concluded that no material items recorded in Other Assets required an impairment charge.

#### *Property, Plant and Equipment*

Certain events or changes in circumstances may indicate that the recoverability of the carrying amount of Property, Plant and Equipment should be assessed. Such events or changes may include a significant decrease in market value, a significant change in the business climate in a particular market, or a current-period operating or cash flow loss combined with historical losses or projected future losses. If an event occurs or changes in circumstances are present, we estimate the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount, we recognize an impairment loss. The impairment loss recognized is the amount by which the carrying amount exceeds the fair value.

The ability to accurately predict future cash flows, especially in emerging and developing markets such as the Middle East, Africa and Latin America, may impact the determination of fair value. Management's assessments of cash flows represent our best estimate as of the time of the impairment review and are consistent with our internal planning. If different cash flows had been estimated in the current period, the Property, Plant and Equipment balances could have been materially impacted. Furthermore, our accounting estimates may change from period to period as conditions in markets around the world change, and this could materially impact our results in future periods. Factors that management must estimate when performing impairment tests include, among other items, sales volume,

prices, inflation, marketing spending, exchange rates and capital spending.

During each quarter in 2002, management considered and analyzed impairment indicators related to Property, Plant and Equipment. Based on our analysis, we concluded that no material items recorded in Property, Plant and Equipment required an impairment charge.

#### *Goodwill, Trademarks and Other Intangible Assets*

Effective January 1, 2002, our Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets." The adoption of SFAS No. 142 was required in accordance with accounting principles generally accepted in the United States, and no adoption alternatives are allowed. Such statement required an initial impairment assessment involving a comparison of the fair value of goodwill, trademarks and other intangible assets to current carrying value. Upon adoption, we recorded a loss for the cumulative effect of accounting change for SFAS No. 142, net of income taxes, of \$367 million for Company operations and \$559 million for equity investees. As required by the standard, we did not restate prior periods. The adoption of SFAS No. 142 resulted in a pretax reduction in 2002 amortization expense of approximately \$60 million, and 2002 equity income increased by approximately \$150 million.

SFAS No. 142 classifies intangible assets into three categories: (1) intangible assets with definite lives subject to amortization; (2) intangible assets with indefinite lives not subject to amortization; and (3) goodwill. For intangible assets with definite lives, tests for impairment must be performed if conditions exist that indicate the carrying value may not be recoverable. For intangible assets with indefinite lives and goodwill, tests for impairment must be performed at least annually. Such tests for impairment are also required for intangible assets recorded by our equity method investees.

Our trademarks and other intangible assets determined to have definite lives are amortized over their useful lives. In accordance with SFAS No. 142, if conditions exist that indicate the carrying value may not be recoverable, we review such trademarks and other intangible assets with definite lives for impairment to ensure they are appropriately valued. Such conditions may include an economic downturn in a market or a change in the assessment of future operations. Trademarks and other intangible assets determined to have

an indefinite useful life are not amortized. We test such trademarks and other intangible assets with indefinite useful lives for impairment annually or more frequently if events or circumstances indicate that assets might be impaired. Goodwill is not amortized. We perform tests for impairment of goodwill annually or more frequently if events or circumstances indicate it might be impaired. Such tests include comparing the fair value of a reporting unit with its carrying value, including goodwill. Impairment assessments are performed using a variety of methodologies, including cash flow analysis, estimates of sales proceeds and independent appraisals. Where applicable, an appropriate discount rate is used, based on the Company's cost of capital rate or location-specific economic factors. In 2002, we tested goodwill for impairment. Based on these assessments, we concluded that such assets did not require an impairment charge.

Management estimates the future cash flows expected to result from the use and, if applicable, the eventual disposition of the assets. The key variables that management must estimate include, among other items, sales volume, prices, inflation, marketing spending, exchange rates and capital spending. Significant management judgment is involved in estimating these variables, and they include inherent uncertainties; however, the assumptions used are consistent with our internal planning. Management periodically evaluates and updates the estimates based on the conditions that influence these variables. If such assets are considered impaired, they are written down to fair value as appropriate.

The assumptions and conditions for goodwill, trademarks and other intangible assets reflect management's best assumptions and estimates. However, these items involve inherent uncertainties, as described above, that may or may not be controllable by management. An example of a variable we can influence is increasing marketing spending in a particular market. Economic and political conditions, such as civil unrest in the Middle East, represent uncertainties that are not controllable by management. As a result, if other assumptions and conditions had been used in the current period, the balances for goodwill, trademarks and other intangible assets could have been materially impacted. Furthermore, if management uses different assumptions or if different conditions occur in future periods, future operating results could be materially impacted.



*Contingencies*

Our Company is involved in various legal proceedings. Refer to Note 11. Due to their nature, such legal proceedings involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties and governmental intervention. Management assesses the probability of loss for such contingencies and accrues a liability and/or discloses the relevant circumstances, as appropriate. Management believes that any liability to the Company that may arise as a result of currently pending legal proceedings will not have a material adverse effect on the financial condition of the Company taken as a whole.

*Adoption of New Accounting Policy—Stock-Based Compensation*

Our Company currently sponsors stock option plans and restricted stock award plans. Prior to 2002, our Company accounted for those plans under the recognition and measurement provisions of APB Opinion No. 25, "Accounting for Stock Issued to Employees" (APB No. 25) and related interpretations. No stock-based employee compensation expense for stock options was reflected in Net Income for the years ended December 31, 2001 and 2000, as all stock options granted under those plans had an exercise price equal to the fair market value of the underlying common stock on the date of grant. Effective January 1, 2002, our Company adopted the preferable fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." Under the modified prospective transition method selected by our Company as described in SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure," compensation cost recognized in 2002 of approximately \$365 million is the same as that which would have been recognized had the fair value method of SFAS No. 123 been applied from its original effective date. The 2002 expense was recorded in the caption Selling, General and Administrative Expenses. In accordance with the modified prospective method of adoption, results for prior years have not been restated.

Our Company voluntarily made a choice to change to the preferable method of accounting for employee stock options in accordance with SFAS No. 123. We concluded that stock options are a form of employee compensation expense, and therefore it is appropriate that these costs be recorded in our financial results to more clearly reflect economic reality. Refer to the heading "Corporate Governance."

Our Company uses the Black-Scholes option-pricing model to determine the fair value of each option grant. To ensure the best market-based assumptions were used to determine the estimated fair value of stock options granted in 2002, we obtained two independent market quotes. Our Black-Scholes value was not materially different from the independent quotes. The Black-Scholes model includes assumptions regarding dividend yields, expected volatility, expected lives and risk-free interest rates. These assumptions reflect management's best estimates, but these items involve inherent uncertainties based on market conditions generally outside of the control of our Company. As a result, if other assumptions had been used in the current period, stock-based compensation expense could have been materially impacted. Furthermore, if management uses different assumptions in future periods, stock-based compensation expense could be materially impacted in future years.

Refer to Notes 1 and 13.

# FINANCIAL REVIEW INCORPORATING MANAGEMENT'S DISCUSSION AND ANALYSIS

*The Coca-Cola Company and Subsidiaries*

## OPERATIONS

### Analysis of Consolidated Statements of Income

YEAR ENDED DECEMBER 31, (In millions except per share data and percentages)	2002	2001	2000	Percent Change	
				02 vs. 01	01 vs. 00
<b>NET OPERATING REVENUES</b>	<b>\$ 19,564</b>	\$ 17,545	\$ 17,354	12	1
Cost of goods sold	<b>7,105</b>	6,044	6,204	18	(3)
<b>GROSS PROFIT</b>	<b>12,459</b>	11,501	11,150	8	3
<b>GROSS PROFIT MARGIN</b>	<b>63.7%</b>	65.6%	64.3%		
Selling, general and administrative expenses	<b>7,001</b>	6,149	6,016	14	2
Other operating charges	—	—	1,443	*	*
<b>OPERATING INCOME</b>	<b>5,458</b>	5,352	3,691	2	45
<b>OPERATING MARGIN</b>	<b>27.9%</b>	30.5%	21.3%		
Interest income	<b>209</b>	325	345	(36)	(6)
Interest expense	<b>199</b>	289	447	(31)	(35)
Equity income (loss)	<b>384</b>	152	(289)	153	*
Other income (loss)—net	<b>(353)</b>	39	99	*	(61)
Gains on issuances of stock by equity investee	—	91	—	*	*
<b>INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE</b>	<b>5,499</b>	5,670	3,399	(3)	67
Income taxes	<b>1,523</b>	1,691	1,222	(10)	38
Effective tax rate	<b>27.7%</b>	29.8%	36.0%		
<b>NET INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE</b>	<b>3,976</b>	3,979	2,177	—	83
Cumulative effect of accounting change for SFAS No. 142, net of income taxes:					
Company operations	<b>(367)</b>	—	—	*	*
Equity investees	<b>(559)</b>	—	—	*	*
Cumulative effect of accounting change for SFAS No. 133, net of income taxes	—	(10)	—	*	*
<b>NET INCOME</b>	<b>\$ 3,050</b>	\$ 3,969	\$ 2,177	(23)	82
<b>PERCENTAGE OF NET OPERATING REVENUES</b>	<b>15.6%</b>	22.6%	12.5%		
<b>NET INCOME PER SHARE:</b>					
Basic	<b>\$ 1.23</b>	\$ 1.60	\$ .88	(23)	82
Diluted	<b>\$ 1.23</b>	\$ 1.60	\$ .88	(23)	82

\* Calculation is not meaningful.

Refer to the above Analysis of Consolidated Statements of Income in condensed form while reading the operations review below.

*Net Operating Revenues and Gross Profit*

Net Operating Revenues increased by \$2,019 million in 2002 versus 2001. The 2001 increase compared to 2000 was \$191 million.

The following table indicates, on a percentage basis, the estimated impact of key factors resulting in significant increases (decreases) in Net Operating Revenues:

YEAR ENDED DECEMBER 31,	2002 vs. 2001	2001 vs. 2000
Increase in gallon shipments, including acquisitions	5%	5%
Price and product/geographic mix	3	—
Structural changes	6	—
Negative impact of the stronger U.S. dollar	(2)	(4)
Total percentage increase	12%	1%

Increases in gallon shipments, price increases and product/geographic mix in selected countries positively impacted our 2002 Net Operating Revenues. The improvements in these core business factors reflected a positive trend in 2002. Furthermore, the acquisitions of our interests in Odwalla, Inc. (Odwalla), CCDA Waters, L.L.C. (CCDA) and CBC also contributed to the increased 2002 Net Operating Revenues.

The most significant structural change (defined by the Company as purchasing and disposing of bottling and canning operations) in 2002 was the consolidation of CCEAG. This consolidation was partially offset by the sale and resulting deconsolidation of our Russian and Baltics bottling operations.

The combined 2002 Net Operating Revenues for the structural change of CCEAG and the acquisitions of our interests in Odwalla, CCDA and CBC were approximately \$1.5 billion. The Russian and Baltics bottling operations accounted for approximately \$150 million of 2001 Net Operating Revenues.

The continued strength of the U.S. dollar in 2002 relative to most major currencies had a negative impact on Net Operating Revenues. The stronger U.S. dollar compared to the Japanese yen, the Argentine peso, the Mexican peso, the Brazilian real, the Venezuelan bolivar and the South African rand was partially offset by strength in the euro. For further discussion of the impact of exchange and expected trends, refer to the heading "Exchange."

In 2001, gallon shipments and price increases in selected countries positively impacted Net Operating Revenues, offset by a negative impact for product/geographic mix.

Consolidation of the Nordic and Brazilian bottling operations in 2001 represented structural changes increasing Net Operating Revenues. The sale of our previously owned vending operations in Japan and canning operations in Germany offset these increases.

Again, a stronger U.S. dollar in 2001 relative to most major currencies had a negative impact on Net Operating Revenues.

Our Cost of Goods Sold increased in 2002 compared to 2001 primarily as a result of the acquisitions of our interests in Odwalla, CCDA and CBC and the structural change of CCEAG. Total combined 2002 Cost of Goods Sold for these entities was \$844 million.

Our decrease in 2002 Gross Profit margin was due primarily to the consolidation of lower-margin operations, primarily the CCEAG structural change and the acquisitions of our interests in Odwalla, CCDA and CBC. These decreases were partially offset by the sale and resulting deconsolidation of our Russian and Baltics bottling operations. Our Gross Profit margin increase in 2001 compared to 2000 was primarily due to the sale in 2001 of our Japan vending and German canning operations, partially offset by the consolidation in 2001 of the Nordic and Brazilian bottling operations. Generally, bottling, canning and vending operations produce higher net revenues but lower gross margins compared to concentrate and syrup operations.

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. This reduction in bottler concentrate inventory levels negatively impacted our Company's concentrate sales, thereby reducing Net Operating Revenues, Cost of Goods Sold and Gross Profit.

Information about our Net Operating Revenues by operating segment on a percentage basis is as follows:

YEAR ENDED DECEMBER 31,	2002	2001	2000
North America	<b>32.0%</b>	32.7%	32.7%
Africa	<b>3.5</b>	3.6	3.6
Europe, Eurasia & Middle East	<b>26.9</b>	22.6	22.6
Latin America	<b>10.7</b>	12.4	11.7
Asia	<b>25.8</b>	27.7	28.5
Corporate	<b>1.1</b>	1.0	0.9
Net Operating Revenues	<b>100.0%</b>	100.0%	100.0%

The 2002 Net Operating Revenues for Europe, Eurasia and Middle East increased primarily due to the consolidation of CCEAG. Net Operating Revenues in 2002 for Latin America were negatively impacted by exchange fluctuations and challenging economic conditions, primarily in Argentina, Venezuela and Brazil. As indicated by the table, changes from 2000 to 2001 were not significant.

#### *Selling, General and Administrative Expenses*

The following table includes the significant components of Selling, General and Administrative Expenses (in millions):

YEAR ENDED DECEMBER 31,	2002	2001	2000
Selling expenses	<b>\$ 4,690</b>	\$ 4,365	\$ 4,315
General and administrative expenses	<b>1,946</b>	1,743	1,658
Stock-based compensation expense	<b>365</b>	41	43
Selling, General and Administrative Expenses	<b>\$ 7,001</b>	\$ 6,149	\$ 6,016

Acquisitions of our interests in Odwalla, CCDA and CBC and the structural change of CCEAG increased selling expenses by \$430 million and general and administrative expenses by \$136 million in 2002. These increases were partially offset by the sale and resulting deconsolidation of our Russian and Baltics bottling operations.

The adoption of SFAS No. 142 and its related impact is discussed under "Application of Critical Accounting Policies" and in Notes 1 and 4. Upon adoption of SFAS No. 142, intangible assets that have indefinite lives and goodwill previously amortized are no longer amortized. Due to the adoption of SFAS No. 142, amortization expense for 2002 was reduced by

approximately \$60 million, and future years will be reduced by approximately \$60 million annually. Substantially all such amortization expense was included in the general and administrative expenses line item.

As discussed under "Application of Critical Accounting Policies" and in Notes 1 and 13, effective January 1, 2002, our Company adopted the preferable fair value recognition provisions of SFAS No. 123 and selected the modified prospective transition method under the provisions of SFAS No. 148. Prior to 2002, our Company accounted for stock-based compensation under the recognition and measurement provisions of APB No. 25 and related interpretations. No stock-based employee compensation expense for stock options was reflected in Net Income for the years ended December 31, 2001 and 2000. In 2002, compensation expense was recognized as if the fair value method of SFAS No. 123 had been applied from its original effective date.

Acquisitions and structural changes increased Selling, General and Administrative Expenses by approximately \$45 million in 2001 compared to 2000. The consolidation in 2001 of the Nordic and Brazilian bottling operations accounted for a majority of the increase. The sale in 2001 of our Japan vending and German canning operations partially offset this increase.

A stronger U.S. dollar relative to most major currencies decreased Selling, General and Administrative Expenses in 2002 compared to 2001 and also in 2001 compared to 2000.

#### *Pension Benefits*

Net periodic cost for our defined benefit pension plans was \$72 million, \$62 million and \$39 million, respectively, for the years ended December 31, 2002, 2001 and 2000. These expenses are included in general and administrative expenses.

To develop our expected long-term rate of return assumption on our pension plan assets, our Company uses long-term historical actual return experience, the expected investment mix of the plans' assets and estimates of future long-term investment returns. The expected long-term rate of return assumption is used in the net periodic pension cost calculation. This assumption is reviewed and set annually. For 2003, our weighted-average expected long-term rate of return assumption will be approximately 7 1/4 percent compared to 8 1/4 percent in 2002. The discount rate assumption used for pension accounting reflects rates available on high-quality, fixed-income debt instruments on December 31 of each year.

The rate of compensation increase is another assumption used for pension accounting and is determined by the Company based upon annual reviews.

The decrease in our expected weighted-average, long-term rate of return assumption, a decrease in our discount rate assumption and increased amortization of actuarial losses is expected to increase our net periodic pension cost by \$30 million to \$40 million in 2003 compared to 2002.

Our Company funds the U.S. qualified pension plans in accordance with Employee Retirement Income Security Act (ERISA) regulations for the minimum annual contribution and with Internal Revenue Service (IRS) regulations for the maximum annual contribution allowable as a tax deduction. International pension plans are funded in accordance with local laws and income tax regulations.

As of December 31, 2002, the projected benefit obligation of the primary qualified U.S. pension plan was \$1,205 million, and the fair value of plan assets was \$1,028 million. In 2002, we made a contribution to this plan of \$124 million, which was the maximum tax-deductible contribution allowed by the IRS. In January 2003, we made a contribution to the plan of \$145 million.

As of December 31, 2002, the projected benefit obligation of all other pension plans was \$977 million, and the fair value of all other pension plan assets was \$424 million. The majority of this difference is attributable to an international pension plan for certain non-U.S. employees that is unfunded due to tax law restrictions, as well as our unfunded U.S. nonqualified pension plans. These U.S. nonqualified pension plans provide benefits for certain members of management that are not permitted to be funded through a qualified plan because of limits imposed by the Internal Revenue Code.

Refer to Note 14.

#### *Other Operating Charges*

During 2000, we recorded total Other Operating 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.

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. The assumptions included estimates of future growth in unit cases, gross margins, the impact of exchange rates and tax rates and 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 were separated from almost all functional areas of the Company's operations, and certain activities were 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 2000, the Company achieved approximately \$150 million in savings from the Realignment. Refer to Note 17.

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 included 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. In 2001, our Company paid out substantially all of this settlement.

#### *Operating Income and Operating Margin*

Information about our Operating Income by operating segment on a percentage basis is as follows:

YEAR ENDED DECEMBER 31,	2002	2001	2000
North America	27.4%	27.7%	38.2%
Africa	4.1	5.2	4.4
Europe, Eurasia & Middle East	29.5	27.3	35.5
Latin America	19.0	20.4	24.6
Asia	33.3	32.9	25.9
Corporate	(13.3)	(13.5)	(28.6)
Operating Income	100.0%	100.0%	100.0%

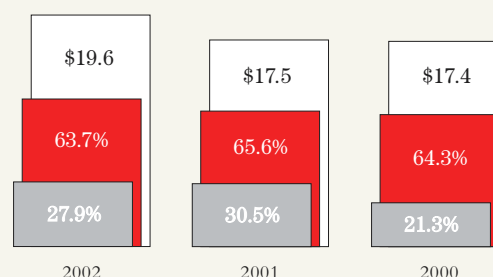
As demonstrated by the table above, the percentage contribution by each operating segment to Operating Income fluctuated from year to year. Operating Income was influenced by a variety of factors and events, primarily the following items:

- In 2002, Latin America was negatively impacted by exchange fluctuations and challenging economic conditions, primarily in Argentina, Venezuela and Brazil.
- In 2002, Operating Income was reduced by \$119 million for North America, \$24 million for Africa, \$51 million for Europe, Eurasia and the Middle East, \$22 million for Latin America, \$51 million for Asia and \$106 million for Corporate to include the impact of adopting the fair value method of accounting for stock-based compensation under SFAS No. 123.
- In the first quarter of 2000, Operating Income was reduced by \$3 million for North America, \$397 million for Asia and \$5 million for Corporate related to the other operating charges recorded for asset impairments.
- The Realignment in 2000 accounted for operating charges of \$132 million for North America, \$40 million for Africa, \$198 million for Europe, Eurasia and Middle East, \$59 million for Latin America, \$127 million for Asia and \$294 million for Corporate.
- In 2000, a \$188 million charge was recorded by Corporate related to the settlement terms of a discrimination lawsuit, including a donation to The Coca-Cola Foundation.

- As previously discussed, certain bottlers reduced their concentrate inventory levels in 2000. This reduction negatively impacted 2000 Operating Income and Operating Margin.

#### MARGIN ANALYSIS

□ NET OPERATING REVENUES (IN BILLIONS)  
 ■ GROSS MARGIN  
 ■ OPERATING MARGIN



#### *Interest Income and Interest Expense*

A majority of the 2002 decrease of \$116 million in Interest Income compared to 2001 was due to lower interest rates earned on short-term investments during 2002. Nevertheless, the Company continues to benefit from cash invested in locations outside the United States earning higher interest rates than could be obtained within the United States. Conversely, a majority of our Interest Expense is incurred on borrowings in the United States. The 2002 decrease in interest expense of \$90 million versus 2001 was due mainly to both a decrease in average commercial paper borrowings and lower interest rates for commercial paper borrowings. The decrease in interest expense for commercial paper borrowings was partially offset by increased interest expense on long-term debt related to the consolidation of CCEAG (refer to Note 18) and the issuance during 2002 of \$750 million of notes due June 1, 2005. The proceeds from this \$750 million long-term debt issuance were used to reduce current debt (refer to Note 7).

In 2001, our Interest Income decreased by \$20 million primarily due to lower interest rates. Interest Expense decreased in 2001 by \$158 million due to both a decrease in average commercial paper borrowings and lower interest rates. In 2001, the Company used cash flow from operations after capital expenditures to reduce commercial paper borrowings.

*Equity Income (Loss)*

A \$232 million increase in 2002 Equity Income (Loss), as compared to 2001, was due to the overall improving health of the Coca-Cola bottling system around the world and the favorable impact of reduced amortization resulting from the adoption of SFAS No. 142. Specific items with a positive impact to Equity Income (Loss) were the increase in equity income for Coca-Cola Enterprises of approximately \$209 million due to improving trends in operating and financial performance (which included a \$90 million favorable impact resulting from the adoption of SFAS No. 142) and the reduction in amortization expenses of approximately \$60 million for investments other than Coca-Cola Enterprises resulting from the implementation of SFAS No. 142. Due to the adoption of SFAS No. 142, Equity Income (Loss) for 2002 was increased by approximately \$150 million, and future years will be increased by approximately \$150 million annually as a result of reduced amortization expense. These increases were offset by selected equity method investments in Latin America that have been adversely impacted by ongoing economic difficulties, as well as our Company's share of impairment and restructuring charges taken by certain equity method investees in Latin America during the third quarter of 2002. The Company's share of these charges was approximately \$33 million.

For 2002, our Company's share of income from equity method investees was also favorably impacted by a benefit related to our share of the gain on the sale by Cervejarias Kaiser S.A. (Kaiser S.A.) of its interests in Cervejarias Kaiser Brazil, Ltda to Molson Inc. (refer to Note 16). Approximately \$21 million of our share of the pretax gain from the sale by Kaiser S.A. was recorded in Equity Income (Loss) with the remaining portion, \$22 million, recorded in the caption Other Income (Loss)—Net.

Our Company's share of income from equity method investments in 2001, versus a loss in 2000, was due primarily to an improvement in operating performance by the majority of our equity investees and the impact of impairment charges on equity investees in 2000 as discussed below.

As of January 1, 2001, Coca-Cola Enterprises changed its method of accounting for infrastructure development payments received from the Company. Prior to this change, Coca-Cola Enterprises recognized these payments as offsets to incremental expenses of the programs in the periods in which they were incurred. Coca-Cola Enterprises

now recognizes the infrastructure development payments received from the Company as income when obligations are performed under the contracts. Because we eliminate the financial effect of significant intercompany transactions (including transactions with equity method investees), this change in accounting method by Coca-Cola Enterprises had no impact on the results of our operations. Refer to Note 2.

In 2000, our Company's share of losses from equity method investments totaled \$289 million. This included a charge of approximately \$306 million for 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 charges recorded by investees in Eurasia and the Middle East. These charges were partially offset by an overall improvement in operating performance by our investee bottlers and the positive impact of lower tax rates on current and deferred taxes at CCEAG.

*Other Income (Loss)—Net*

Other Income (Loss)—Net in 2002 was principally composed of foreign currency exchange losses of approximately \$118 million, the accretion of the discounted value of the CCEAG liability of approximately \$38 million (refer to Note 18), the items discussed in this section below and minority interest accruals. The losses on currency exchange primarily occurred in Latin America and Africa, which experienced significant devaluation of currencies. The increase in the minority interest accruals primarily related to the acquisitions of our interests in CBC and CCDA. Refer to Note 18.

In the first quarter of 2002, our Company recorded a non-cash pretax charge of approximately \$157 million, primarily related to the write-down of certain investments in Latin America. This write-down reduced the carrying value of the investments to fair value. The charge was primarily the result of the economic developments in Argentina during the first quarter of 2002, including the devaluation of the Argentine peso and the severity of the unfavorable economic conditions. The Company expects to realize a minimal tax benefit from this write-down. The impact on 2002 diluted earnings per share was an after-tax reduction of approximately \$0.06 per share.

As previously noted, \$22 million of our share of the pre-tax gain from the sale by Kaiser S.A. was recorded in Other Income (Loss)—Net in 2002.

In 2001, Other Income (Loss)—Net declined to \$39 million from \$99 million in 2000, 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 51 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.

#### *Gains on Issuances of Stock by Equity Investee*

If and when an equity investee issues 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 for these transactions. In July 2001, Coca-Cola Enterprises completed its acquisition of Hondo Incorporated and Herbco Enterprises, Inc., collectively known as Herb Coca-Cola. The transaction was valued at approximately \$1.4 billion, with approximately 30 percent of the transaction funded with the issuance of approximately 25 million shares of Coca-Cola Enterprises common stock, and the remaining portion funded through debt and assumed debt. The issuance of shares resulted in a noncash pretax gain for our Company of approximately \$91 million. This gain represents the increase in our Company's equity in the underlying net assets of the related investee. No gains on issuances of stock by equity investees were recorded to our statements of income during 2002 or 2000. Refer to Note 3.

#### *Income Taxes*

Our effective tax rate reflects tax benefits derived from significant operations outside the United States, which are generally taxed at rates lower than the U.S. statutory rate of 35 percent.

The effective tax rate for 2002 of 27.7 percent was impacted by two significant items: our share of the gain on the sale of Kaiser S.A. interests and the write-down of certain investments, primarily in Latin America. Excluding the impact of these items, our effective tax rate would have been approximately 27 percent for 2002. For 2003, the Company expects the ongoing effective tax rate to be approximately 27 percent.

The decrease in our effective tax rate in 2001 was primarily due to effective tax planning and the impact that the impairment charges recorded in 2000 had on the 2000 effective tax rate. The 2000 effective tax rate was primarily the result of our inability to realize a tax benefit associated with the impairment charges recorded 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 related to the merger of Coca-Cola Beverages and Hellenic Bottling Company S.A., previously discussed under the heading "Other Income (Loss)—Net." Refer to Note 16.

During the first quarter of 2000, the U.S. 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 was established for the years 1993 through 2001. Pursuant to the terms of the APA, our Subsidiary 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 on our financial performance and our effective tax rate was not material, due primarily to offsetting tax credits utilized on our U.S. income tax returns. The majority of the offsetting tax credits were realized in the first quarter of 2002.

*Cumulative Effect of Accounting Change for SFAS No. 142, Net of Income Taxes*

The adoption of SFAS No. 142 is a required change in accounting principle, and the cumulative effect of adopting this standard as of January 1, 2002 resulted in a noncash, after-tax decrease to net income of \$367 million for Company operations and \$559 million for the Company's proportionate share of its equity method investees. As noted above, the adoption of this accounting standard resulted in a pretax reduction in 2002 amortization expense of approximately \$60 million, and 2002 equity income increased by approximately \$150 million. Due to the adoption of SFAS No. 142, future years' amortization expense will also be reduced by approximately \$60 million annually, and equity income will increase by approximately \$150 million annually as a result of reduced amortization for equity method investees. Refer to the heading "Application of Critical Accounting Policies" and Notes 1 and 4.

*Recent Developments*

During the first quarter of 2003, the Company initiated steps to streamline and simplify its operations, primarily in North America and Germany.

In North America, the Company is integrating the operations of our three separate North American business units—Coca-Cola North America (including our interest in CCDA), The Minute Maid Company (including our Odwalla business) and Fountain. The integration is expected to result in a headcount reduction of approximately 1,000 people, with the identification of the individuals expected to be completed by the end of the first quarter of 2003.

In Germany, CCEAG has taken steps to improve efficiency in sales and distribution, including the closure of three bottling plants in 2003. The streamlining initiative is expected to affect approximately 900 employees in Germany.

The above initiatives are expected to result in a full-year 2003 charge to earnings of approximately \$400 million on a pretax basis. The charge will be recorded primarily in the first and second quarters of 2003, with certain amounts impacting the second half of 2003.

As a result of the above initiatives, the Company's financial results are expected to benefit by at least \$50 million (pretax) in 2003 and at least \$100 million (pretax) on an annualized basis beginning in 2004.

**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 expect cash flows from operations to be strong in 2003 and in future years. For the five-year period from 2003 through 2007, we estimate that cumulative cash flows from operations will be approximately \$31 billion to \$33 billion. Accordingly, our Company expects to meet all our financial commitments and operating needs during this time frame. Cash will be used for marketing commitments and other operating commitments, as well as investing and financing activities, including capital expenditures, dividends, share repurchases, acquisitions and debt repayment.

*Cash Flows from Operating Activities and Investing Activities*

Our statements of cash flows are summarized as follows (in millions):

YEAR ENDED DECEMBER 31,	2002	2001	2000
Net cash provided by operating activities	\$ 4,742	\$ 4,110	\$ 3,585
Cash flows (used in) provided by investing activities:			
Acquisitions and investments	(544)	(651)	(397)
Purchases of investments and other assets	(156)	(456)	(508)
Proceeds from disposals of investments and other assets	243	455	290
Purchases of property, plant and equipment	(851)	(769)	(733)
Other	121	233	183
Net cash used in investing activities	\$ (1,187)	\$ (1,188)	\$ (1,165)

Cash flows from operating activities increased by 15 percent for 2002 compared to 2001 primarily as a result of improved worldwide business operating results. Additionally, collection of tax receivables in 2002 of approximately \$280 million in connection with the APA (refer to Note 15) increased our cash flows. These increases were partially offset by the following:

- pension plan contributions of approximately \$124 million made during the second quarter of 2002;
- a stronger U.S. dollar.

Cash provided by operating activities in 2001 increased 15 percent from 2000. Solid 2001 business results primarily contributed to this increase. Additionally, 2000 operating cash flows were unfavorably impacted by the previously mentioned planned inventory reduction by certain bottlers as discussed under the heading "Net Operating Revenues," cash used in 2000 related to Realignment payments (refer to Note 17), and tax payments made pursuant to the terms of the APA. Refer to Note 15. These items were partially offset by a stronger U.S. dollar in 2001.

During 2002, cash outlays for investing activities included purchases of property, plant and equipment of \$851 million and the acquisitions of our interests in CBC and CCDA for total combined consideration of approximately \$328 million (refer to Note 18). These items were partially offset by the receipt of approximately \$146 million in 2002 related to the 2001 sale of our Company's ownership interests in various Russian bottling operations.

The acquisitions of the Brazilian and Nordic bottling operations and Odwalla, together with the increased purchases of property, plant and equipment, primarily caused a \$23 million increase in cash flows used in investing activities in 2001 versus 2000. Proceeds received from the sale of our Japan vending operations partially offset this increase.

Total capital expenditures for property, plant and equipment (including our investments in information technology) and the percentage of such totals by operating segment for 2002, 2001 and 2000 are as follows:

YEAR ENDED DECEMBER 31,	2002	2001	2000
Capital expenditures (in millions)	<b>\$ 851</b>	\$ 769	\$ 733
North America	<b>39%</b>	44%	35%
Africa	<b>2%</b>	1%	1%
Europe, Eurasia & Middle East	<b>19%</b>	14%	27%
Latin America	<b>4%</b>	5%	2%
Asia	<b>25%</b>	14%	18%
Corporate	<b>11%</b>	22%	17%

Our Company currently estimates that purchases of property, plant and equipment are not expected to exceed \$1 billion for 2003.

#### *Financing Activities*

Our cash flows used in financing activities are as follows (in millions):

YEAR ENDED DECEMBER 31,	2002	2001	2000
Cash flows (used in) provided			
by financing activities:			
Issuances of debt	<b>\$ 1,622</b>	\$ 3,011	\$ 3,671
Payments of debt	<b>(2,378)</b>	(3,937)	(4,256)
Issuances of stock	<b>107</b>	164	331
Purchases of stock			
for treasury	<b>(691)</b>	(277)	(133)
Dividends	<b>(1,987)</b>	(1,791)	(1,685)
Net cash used in			
financing activities	<b>\$ (3,327)</b>	\$ (2,830)	\$ (2,072)

Issuances and payments of debt included both short-term and long-term financing activities. The Company's commercial paper borrowings normally mature in less than three months from the date of issuance. On December 31, 2002, we had \$2,331 million in lines of credit and other short-term credit facilities available, of which approximately \$353 million was outstanding. All of this \$353 million relates to our international subsidiaries.

The issuances of debt in 2002 primarily included \$832 million of issuances of commercial paper with maturities over 90 days and \$750 million in issuances of long-term notes due June 1, 2005. The payments of debt in 2002 primarily included \$816 million related to commercial paper with maturities over 90 days, net payments of \$1,280 million related to commercial paper with maturities less than 90 days and the \$150 million redemption of 6 5/8 percent U.S. dollar notes.

The issuances of debt in 2001 and 2000 primarily included \$2,383 million and \$3,576 million, respectively, of issuances of commercial paper with maturities over 90 days. In 2001, we also had a \$500 million issuance of long-term debt. The payments of debt in 2001 and 2000 primarily included \$3,864 million and \$3,624 million, respectively, related to commercial paper with maturities over 90 days. Net issuances related to commercial paper with maturities less than 90 days were \$40 million in 2001. Net payments related to commercial paper with maturities less than 90 days were \$317 million in 2000.



During 2002 and 2001, the Company repurchased common stock under the share repurchase plan authorized by our Board of Directors in October 1996. Our Company expects to make share repurchases of approximately \$1.5 billion in 2003. As cash flows are expected to increase in subsequent years, our subsequent share repurchases are also expected to increase.

Dividends have increased every year for each of the last 41 years, and we expect these increases to continue in the future.

*Off-Balance Sheet Arrangements and Aggregate Contractual Obligations*

*Off-Balance Sheet Arrangements*—In accordance with the definition under new Securities and Exchange Commission rules, the following qualify as off-balance sheet arrangements:

- any obligation under certain guarantees or contracts;
- a retained or contingent interest in assets transferred to an unconsolidated entity or similar entity or similar arrangement that serves as credit, liquidity or market risk support to that entity for such assets;
- any obligation under certain derivative instruments;
- any obligation under a material variable interest held by the registrant in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the registrant, or engages in leasing, hedging or research and development services with the registrant.

The discussion below addresses each of the above items for our Company.

On December 31, 2002, our Company was contingently liable for guarantees of indebtedness owed by third parties in the amount of \$494 million. Management concluded that the likelihood of any material amounts being paid by our Company is not probable. We do not provide any other guarantees. As of December 31, 2002, we are not liable for the debt of any unconsolidated entity, and we do not have any retained or contingent interest in assets as defined above. Additionally, all of our derivative instruments are recorded in our balance sheets. Refer to Notes 10 and 11.

Our Company has equity ownership interests in bottlers that we currently account for under the equity method of accounting. For certain bottlers, our Company holds variable interests such as providing financing and guarantees, in addition to our equity investments. As a result, these bottlers may be considered variable interest entities, and it is reasonably possible that the Company may be required to consolidate such variable interest entities when Financial Accounting Standards Board (FASB) Interpretation No. 46 becomes effective on July 1, 2003. The difference between consolidation and the equity method impacts certain financial ratios because of the presentation of the detailed line items reported in the financial statements. However, consolidated net income for the period and our share-owners' equity at the end of the period are the same whether the investment is accounted for under the equity method or is consolidated. We do not expect this interpretation to have a material impact on our financial statements.

*Aggregate Contractual Obligations*—As of December 31, 2002, the Company's contractual obligations, including payments due by period, are as follows (in millions):

	Payments Due by Period				
	Total	2003	2004–2005	2006–2007	2008 and Thereafter
Short-term loans and notes payable:					
Commercial paper borrowings	\$ 2,122	\$ 2,122	\$ —	\$ —	\$ —
Lines of credit and other short-term borrowings	353	353	—	—	—
Current maturities of long-term debt	180	180	—	—	—
Long-term debt	2,701	—	1,611	24	1,066
Marketing and other commitments	2,550	403	731	510	906
Purchase obligations	4,577	752	892	524	2,409
Present value of liability to CCEAG share owners	741	—	—	741	—
Total contractual obligations	\$ 13,224	\$ 3,810	\$ 3,234	\$ 1,799	\$ 4,381

As of December 31, 2002, the total other noncurrent liabilities included in our balance sheet not presented in the above table were \$1,918 million. Refer to Notes 6, 7, 11, 14, 15 and 18.

#### *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 53 functional currencies. Due to our global operations, weaknesses in some of these currencies are often offset by strengths in others. In 2002, 2001 and 2000, the

weighted-average exchange rates for foreign currencies in which the Company conducts operations (all operating currencies), and for certain individual currencies, strengthened (weakened) against the U.S. dollar as follows:

YEAR ENDED DECEMBER 31,	2002	2001	2000
All operating currencies	(3)%	(8)%	(5)%
Australian dollar	5 %	(13)%	(8)%
British pound	5 %	(5)%	(7)%
Euro	5 %	(5)%	(14)%
Japanese yen	(3)%	(11)%	4 %
Mexican peso	(3)%	1 %	2 %
South African rand	(20)%	(17)%	(15)%

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 is designed to mitigate, over time, a portion of the impact of exchange on Net Income and earnings per share. Taking into account the effects of our hedging activities, the impact of a stronger U.S. dollar reduced our Operating Income by approximately 3 percent in 2002, approximately 5 percent in 2001 and approximately 4 percent in 2000. Based on forecasts as of December 31, 2002, the Company expects exchange to have a neutral to slightly positive impact on our 2003 operating results when compared to 2002.

Exchange gains (losses)—net amounted to \$(118) million in 2002, \$(9) million in 2001 and \$(12) million in 2000 and were recorded in Other Income (Loss)—Net in our statements of income. Exchange gains (losses)—net includes the remeasurement of monetary assets and liabilities from certain currencies into functional currencies and the costs of hedging certain exposures of our balance sheet.

Refer to Note 10.

#### FINANCIAL POSITION

Our balance sheet as of December 31, 2002, as compared to our balance sheet as of December 31, 2001, was significantly impacted by our Company's acquisition of CCEAG. Prior to consolidation, our investment in CCEAG was recorded as an equity method investment. Thus, the \$716 million decrease in Equity Method Investments—Other, Principally Bottling Companies was primarily driven by the consolidation of CCEAG. Upon consolidation of CCEAG, the individual balances were included in the Company's respective balance sheet line items. The consolidations of CCEAG, CCDA, CBC and Odwalla were the main reason for the following changes in the Company's balance sheet from December 31, 2001 to December 31, 2002:

- (1) \$215 million increase in Trade Accounts Receivable;
- (2) \$239 million increase in Inventories;
- (3) \$1,458 million increase in Property, Plant and Equipment;
- (4) \$974 million increase in goodwill, trademarks and other intangible assets;
- (5) \$1,299 million increase in Other Liabilities.

Additionally, the asset impairments recorded as a result of the adoption of SFAS No. 142, which was effective January 1, 2002, also impacted the December 31, 2002 balance sheet, by reducing the balances in both investments and Other Assets and goodwill, trademarks and other intangible assets. Refer to Notes 1 and 4.

The \$1,482 million increase in the Company's Long-Term Debt during 2002 was primarily due to two factors. The first factor was the consolidation of CCEAG, which had the effect of increasing debt by \$843 million as of December 31, 2002, of which approximately \$800 million is classified as long-term. The second factor was the issuance during 2002 of \$750 million of notes due June 1, 2005. The proceeds of this \$750 million long-term debt issuance were used to reduce current debt.

#### IMPACT OF INFLATION AND CHANGING PRICES

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

#### NEW ACCOUNTING STANDARDS

Effective January 1, 2002, our Company adopted the preferable fair value recognition provisions of SFAS No. 123 using the modified prospective transition method under the provisions of SFAS No. 148. Refer to the above heading "Application of Critical Accounting Policies—Stock-Based Compensation" and Notes 1 and 13.

Effective January 1, 2002, our Company adopted SFAS No. 142. Refer to the above heading "Application of Critical Accounting Policies—Goodwill, Trademarks and Other Intangible Assets" and Notes 1 and 4.

Effective January 1, 2002, our Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement requires the following three-step approach for assessing and recognizing the impairment of long-lived assets: (1) consider whether indicators of impairment of long-lived assets are present; (2) if indicators of impairment are present, determine whether the sum of the estimated undiscounted future cash flows attributable to the

assets in question is less than their carrying amount; and (3) if less, recognize an impairment loss based on the excess of the carrying amount of the assets over their respective fair values. In addition, SFAS No. 144 provides more guidance on estimating cash flows when performing a recoverability test, requires that a long-lived asset to be disposed of other than by sale (such as abandoned) be classified as "held and used" until it is disposed of, and establishes more restrictive criteria to classify an asset as "held for sale." The adoption of SFAS No. 144 did not have a material impact on our financial statements since it retained the fundamental provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," related to the recognition and measurement of the impairment of long-lived assets to be "held and used." However, we believe SFAS No. 144 is a statement impacting our critical accounting estimates for Other Assets and for Property, Plant and Equipment. For further discussion, refer to the heading "Application of Critical Accounting Policies—Recoverability of Noncurrent Assets."

Effective January 1, 2002, our Company adopted the provisions of Emerging Issues Task Force (EITF) Issue No. 01-9, "Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products." EITF Issue No. 01-9 codifies and reconciles the EITF consensus on all or specific aspects of EITF Issues No. 00-14, "Accounting for Certain Sales Incentives," No. 00-22, "Accounting for 'Points' and Certain Other Time-Based or Volume-Based Sales Incentives Offers, and Offers for Free Products or Services to be Delivered in the Future," and No. 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products," and identifies other related interpretive issues. The types of sales incentives provided by our Company to bottlers, resellers, vendors and customers of our Company's products principally include participation in sales promotion programs and volume-based incentives. Our Company adopted the provisions of EITF Issues No. 00-14 and No. 00-22 on January 1, 2001, resulting in the income statement reclassification of certain sales incentives. Upon adoption of EITF Issues No. 00-14 and No. 00-22, the Company reduced both Net Operating Revenues and Selling, General and Administrative Expenses by approximately \$580 million and \$569 million for the years ended December 31, 2001 and 2000, respectively. EITF Issue No. 01-9 required certain selling

expenses incurred by the Company, not previously reclassified, to be classified as deductions from revenue. The adoption of the remaining items included in EITF Issue No. 01-9 resulted in the Company reducing both Net Operating Revenues and Selling, General and Administrative Expenses by approximately \$2.5 billion in each of the years ended December 31, 2001 and 2000. These reclassifications had no impact on Operating Income. The aggregate amount of funds provided by our Company to bottlers, resellers, vendors and customers of our Company's products was approximately \$3.4 billion, \$3.1 billion and \$3.1 billion, respectively, for the years ended December 31, 2002, 2001 and 2000. The increase in 2002 compared to 2001 was primarily due to structural changes.

Our Company adopted the provisions of SFAS No. 141, "Business Combinations," for all business combinations initiated after June 30, 2001. SFAS No. 141 requires all business combinations to be accounted for by a single method—the purchase method. Furthermore, SFAS No. 141 requires recognition of intangible assets apart from goodwill if they arise from contractual or legal rights or if they are separable from goodwill. This statement did not have a material impact on our financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF Issue No. 94-3, a liability for an exit cost as defined was recognized at the date of an entity's commitment to an exit plan. SFAS No. 146 also establishes that fair value is the objective for initial measurement of the liability. SFAS No. 146 is effective for exit and disposal activities that are initiated after December 31, 2002. This statement will impact the timing of our recognition of liabilities for costs associated with exit or disposal activities.

Effective January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and SFAS No. 138. As discussed further in Note 10, the 2002 and 2001

financial statements were prepared in accordance with the provisions of SFAS No. 133. Prior years' financial statements have not been restated. The 2000 financial statements were prepared in accordance with the applicable professional literature for derivatives and hedging instruments in effect at that time.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This interpretation elaborates on the disclosures to be made by a guarantor in interim and annual financial statements about the obligations under certain guarantees. Our Company adopted the disclosure provisions of FASB Interpretation No. 45 as of December 31, 2002. FASB Interpretation No. 45 also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. We do not currently provide significant guarantees on a routine basis. As a result, we do not currently believe this interpretation will have a material impact on our financial statements. To the extent that our Company enters into any such guarantees after December 31, 2002, we will record the fair value as an expense.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities." This interpretation addresses the consolidation of business enterprises (variable interest entities) to which the usual condition of consolidation does not apply. This interpretation focuses on financial interests that indicate control. It concludes that in the absence of clear control through voting interests, a company's exposure (variable interest) to the economic risks and potential rewards from the variable interest entity's assets and activities are the best evidence of control. Variable interests are rights and obligations that convey economic gains or losses from changes in the values of the variable interest entity's assets and liabilities. Variable interests may arise from financial instruments, service contracts, nonvoting ownership interests and other arrangements. If an enterprise holds a

majority of the variable interests of an entity, it would be considered the primary beneficiary. The primary beneficiary would be required to include assets, liabilities and the results of operations of the variable interest entity in its consolidated financial statements. This interpretation applies immediately to variable interest entities which are created after or for which control is obtained after January 31, 2003. For variable interest entities created prior to February 1, 2003, the provisions would be applied effective July 1, 2003. Refer to the heading "Off-Balance Sheet Arrangements and Aggregate Contractual Obligations."

#### 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:

- Economic and political conditions, especially in international markets, including civil unrest, product boycotts, governmental changes and restrictions on the ability to transfer capital across borders. Without limiting the preceding sentence, the current unstable economic and political conditions and civil unrest in the Middle East and Venezuela, potential or actual conflicts in Iraq, North Korea or elsewhere, or the continuation or escalation of terrorism, could have adverse impacts on our Company's business results or financial condition.
- Changes in the nonalcoholic beverages business environment. These include, without limitation, changes in consumer preferences, 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. Factors such as these could impact our earnings, share of sales and volume growth.
- Foreign currency rate fluctuations, interest rate fluctuations and other capital market conditions. Most of our exposures to capital markets, including foreign currency and interest rates, 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 capital market exposures.
- Adverse weather conditions, which could reduce demand for Company products.
- The effectiveness of our advertising, marketing and promotional programs.
- 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.

- Changes in laws and regulations, including changes in accounting standards, taxation requirements (including tax rate changes, new tax laws and revised tax law interpretations), competition laws and environmental laws in domestic or foreign jurisdictions.
- 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 uncertainties of litigation, as well as other risks and uncertainties detailed from time to time in our Company's Securities and Exchange Commission filings.

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 73 through 107 of this report. Additional information concerning our operating segments is presented on pages 104 through 106.

CONSOLIDATED STATEMENTS OF INCOME  
*The Coca-Cola Company and Subsidiaries*

YEAR ENDED DECEMBER 31, (In millions except per share data)	2002	2001	2000
<b>NET OPERATING REVENUES</b>	<b>\$ 19,564</b>	<b>\$ 17,545</b>	<b>\$ 17,354</b>
Cost of goods sold	<b>7,105</b>	6,044	6,204
<b>GROSS PROFIT</b>	<b>12,459</b>	11,501	11,150
Selling, general and administrative expenses	<b>7,001</b>	6,149	6,016
Other operating charges	—	—	1,443
<b>OPERATING INCOME</b>	<b>5,458</b>	5,352	3,691
Interest income	<b>209</b>	325	345
Interest expense	<b>199</b>	289	447
Equity income (loss)	<b>384</b>	152	(289)
Other income (loss)—net	<b>(353)</b>	39	99
Gains on issuances of stock by equity investee	—	91	—
<b>INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE</b>	<b>5,499</b>	5,670	3,399
Income taxes	<b>1,523</b>	1,691	1,222
<b>NET INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE</b>	<b>3,976</b>	3,979	2,177
Cumulative effect of accounting change for SFAS No. 142, net of income taxes:			
Company operations	<b>(367)</b>	—	—
Equity investees	<b>(559)</b>	—	—
Cumulative effect of accounting change for SFAS No. 133, net of income taxes	—	(10)	—
<b>NET INCOME</b>	<b>\$ 3,050</b>	<b>\$ 3,969</b>	<b>\$ 2,177</b>
<b>BASIC NET INCOME PER SHARE</b>			
Before accounting change	<b>\$ 1.60</b>	\$ 1.60	\$ .88
Cumulative effect of accounting change	<b>(.37)</b>	—	—
	<b>\$ 1.23</b>	\$ 1.60	\$ .88
<b>DILUTED NET INCOME PER SHARE</b>			
Before accounting change	<b>\$ 1.60</b>	\$ 1.60	\$ .88
Cumulative effect of accounting change	<b>(.37)</b>	—	—
	<b>\$ 1.23</b>	\$ 1.60	\$ .88
<b>AVERAGE SHARES OUTSTANDING</b>	<b>2,478</b>	2,487	2,477
Effect of dilutive securities	<b>5</b>	—	10
<b>AVERAGE SHARES OUTSTANDING ASSUMING DILUTION</b>	<b>2,483</b>	2,487	2,487

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS  
The Coca-Cola Company and Subsidiaries

DECEMBER 31,	2002	2001
<i>(In millions except share data)</i>		
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 2,126	\$ 1,866
Marketable securities	219	68
	<b>2,345</b>	1,934
Trade accounts receivable, less allowances of \$55 in 2002 and \$59 in 2001	<b>2,097</b>	1,882
Inventories	<b>1,294</b>	1,055
Prepaid expenses and other assets	<b>1,616</b>	2,300
<b>TOTAL CURRENT ASSETS</b>	<b>7,352</b>	7,171
<b>INVESTMENTS AND OTHER ASSETS</b>		
Equity method investments:		
Coca-Cola Enterprises Inc.	972	788
Coca-Cola Hellenic Bottling Company S.A.	872	791
Coca-Cola Amatil Limited	492	432
Other, principally bottling companies	2,401	3,117
Cost method investments, principally bottling companies	254	294
Other assets	2,694	2,792
	<b>7,685</b>	8,214
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Land	385	217
Buildings and improvements	2,332	1,812
Machinery and equipment	5,888	4,881
Containers	396	195
	<b>9,001</b>	7,105
Less allowances for depreciation	<b>3,090</b>	2,652
	<b>5,911</b>	4,453
<b>TRADEMARKS WITH INDEFINITE LIVES</b>	<b>1,724</b>	1,697
<b>GOODWILL AND OTHER INTANGIBLE ASSETS</b>	<b>1,829</b>	882
<b>TOTAL ASSETS</b>	<b>\$ 24,501</b>	\$ 22,417
<b>LIABILITIES AND SHARE-OWNERS' EQUITY</b>		
<b>CURRENT</b>		
Accounts payable and accrued expenses	\$ 3,692	\$ 3,679
Loans and notes payable	2,475	3,743
Current maturities of long-term debt	180	156
Accrued income taxes	994	851
<b>TOTAL CURRENT LIABILITIES</b>	<b>7,341</b>	8,429
<b>LONG-TERM DEBT</b>	<b>2,701</b>	1,219
<b>OTHER LIABILITIES</b>	<b>2,260</b>	961
<b>DEFERRED INCOME TAXES</b>	<b>399</b>	442
<b>SHARE-OWNERS' EQUITY</b>		
Common stock, \$.25 par value		
Authorized: 5,600,000,000 shares; issued: 3,490,818,627 shares in 2002 and 3,491,465,016 shares in 2001	873	873
Capital surplus	3,857	3,520
Reinvested earnings	24,506	23,443
Accumulated other comprehensive income (loss) and unearned compensation on restricted stock	(3,047)	(2,788)
	<b>26,189</b>	25,048
Less treasury stock, at cost (1,019,839,490 shares in 2002; 1,005,237,693 shares in 2001)	<b>14,389</b>	13,682
	<b>11,800</b>	11,366
<b>TOTAL LIABILITIES AND SHARE-OWNERS' EQUITY</b>	<b>\$ 24,501</b>	\$ 22,417

See Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

*The Coca-Cola Company and Subsidiaries*

YEAR ENDED DECEMBER 31, (In millions)	2002	2001	2000
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 3,050	\$ 3,969	\$ 2,177
Depreciation and amortization	806	803	773
Stock-based compensation expense	365	41	43
Deferred income taxes	40	56	3
Equity income or loss, net of dividends	(256)	(54)	380
Foreign currency adjustments	(76)	(60)	196
Gain on issuances of stock by equity investee	—	(91)	—
(Gains) losses on sales of assets, including bottling interests	3	(85)	(127)
Cumulative effect of accounting changes	926	10	—
Other operating charges	—	—	916
Other items	291	(17)	76
Net change in operating assets and liabilities	(407)	(462)	(852)
Net cash provided by operating activities	4,742	4,110	3,585
<b>INVESTING ACTIVITIES</b>			
Acquisitions and investments, principally trademarks and bottling companies	(544)	(651)	(397)
Purchases of investments and other assets	(156)	(456)	(508)
Proceeds from disposals of investments and other assets	243	455	290
Purchases of property, plant and equipment	(851)	(769)	(733)
Proceeds from disposals of property, plant and equipment	69	91	45
Other investing activities	52	142	138
Net cash used in investing activities	(1,187)	(1,188)	(1,165)
<b>FINANCING ACTIVITIES</b>			
Issuances of debt	1,622	3,011	3,671
Payments of debt	(2,378)	(3,937)	(4,256)
Issuances of stock	107	164	331
Purchases of stock for treasury	(691)	(277)	(133)
Dividends	(1,987)	(1,791)	(1,685)
Net cash used in financing activities	(3,327)	(2,830)	(2,072)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	32	(45)	(140)
<b>CASH AND CASH EQUIVALENTS</b>			
Net increase during the year	260	47	208
Balance at beginning of year	1,866	1,819	1,611
Balance at end of year	\$ 2,126	\$ 1,866	\$ 1,819

See Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF SHARE-OWNERS' EQUITY

*The Coca-Cola Company and Subsidiaries*

YEAR ENDED DECEMBER 31,	2002	2001	2000
<i>(In millions except per share data)</i>			
<b>NUMBER OF COMMON SHARES OUTSTANDING</b>			
Balance at beginning of year	2,486	2,485	2,472
Stock issued to employees exercising stock options	3	7	12
Purchases of stock for treasury <sup>1</sup>	(14)	(6)	(2)
Restricted stock and other stock plans, less cancellations	—	—	3
Adoption of SFAS No. 123	(4)	—	—
Balance at end of year	2,471	2,486	2,485
<b>COMMON STOCK</b>			
Balance at beginning of year	\$ 873	\$ 870	\$ 867
Stock issued to employees exercising stock options	1	2	2
Restricted stock and other stock plans, less cancellations	—	1	1
Adoption of SFAS No. 123	(1)	—	—
Balance at end of year	873	873	870
<b>CAPITAL SURPLUS</b>			
Balance at beginning of year	3,520	3,196	2,584
Stock issued to employees exercising stock options	111	162	329
Tax benefit from employees' stock option and restricted stock plans	11	58	116
Stock-based compensation	365	—	—
Restricted stock and other stock plans, less amortization and cancellations	—	132	167
Unearned restricted stock adjustment	—	(28)	—
Adoption of SFAS No. 123	(150)	—	—
Balance at end of year	3,857	3,520	3,196
<b>REINVESTED EARNINGS</b>			
Balance at beginning of year	23,443	21,265	20,773
Net income	3,050	3,969	2,177
Dividends (per share—\$.80, \$.72 and \$.68 in 2002, 2001 and 2000, respectively)	(1,987)	(1,791)	(1,685)
Balance at end of year	24,506	23,443	21,265
<b>OUTSTANDING RESTRICTED STOCK</b>			
Balance at beginning of year	(150)	(195)	(59)
Adoption of SFAS No. 123	150	—	—
Restricted stock and other stock plans, less cancellations	—	(24)	(160)
Amortization of restricted stock	—	41	24
Unearned restricted stock adjustment	—	28	—
Balance at end of year	—	(150)	(195)
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)</b>			
Balance at beginning of year	(2,638)	(2,527)	(1,492)
Translation adjustments	(95)	(207)	(965)
Cumulative effect of adoption of SFAS No. 133	—	50	—
Net gain (loss) on derivatives	(186)	92	—
Net change in unrealized gain (loss) on available-for-sale securities	67	(29)	(60)
Net change in minimum pension liability	(195)	(17)	(10)
Net other comprehensive income adjustments	(409)	(111)	(1,035)
Balance at end of year	(3,047)	(2,638)	(2,527)
<b>TREASURY STOCK</b>			
Balance at beginning of year	(13,682)	(13,293)	(13,160)
Purchases of treasury stock	(707)	(277)	(133)
Restricted stock and other stock plans, less cancellations	—	(112)	—
Balance at end of year	(14,389)	(13,682)	(13,293)
<b>TOTAL SHARE-OWNERS' EQUITY</b>	<b>\$ 11,800</b>	<b>\$ 11,366</b>	<b>\$ 9,316</b>
<b>COMPREHENSIVE INCOME</b>			
Net income	\$ 3,050	\$ 3,969	\$ 2,177
Net other comprehensive income adjustments	(409)	(111)	(1,035)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$ 2,641</b>	<b>\$ 3,858</b>	<b>\$ 1,142</b>

<sup>1</sup> Common stock purchased from employees exercising stock options numbered .2 million, .3 million and 2.2 million shares for the years ended December 31, 2002, 2001 and 2000, 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 is predominantly a manufacturer, distributor and marketer of nonalcoholic beverage concentrates and syrups. When used in these notes, the terms “Company,” “we,” “us” or “our” mean The Coca-Cola Company and its divisions and subsidiaries. Operating in more than 200 countries worldwide, we primarily sell our concentrates and syrups, as well as some finished beverages, to bottling and canning operations, distributors, fountain wholesalers and fountain retailers. We also market and distribute juices and juice drinks and certain water products. Additionally, we have ownership interests in bottling and canning operations. We have significant markets for our products in all the world’s geographic regions.

*Consolidation and Basis of Presentation*

Our Consolidated Financial Statements include the accounts of our Company and all subsidiaries. We consolidate all entities that our Company controls. Under current accounting guidance, our Company is not permitted to consolidate companies we do not control. We use the equity method to account for our investments in companies in which we have the ability to exercise significant influence over operating and financial policies. Consolidated net income includes our Company’s share of the net earnings of these companies. The difference between consolidation and the equity method impacts certain financial ratios because of the presentation of the detailed line items reported in the financial statements. We account for our investments in other companies that we do not control and for which we do not have the ability to exercise significant influence under the cost method. In accordance with the cost method, the assets are recorded at cost or fair value, as appropriate. Our Company eliminates from our financial results all significant intercompany transactions, including transactions with equity method investees.

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

*Revenue Recognition*

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

*Advertising Costs*

Our Company expenses production costs of print, radio, television and other advertisements as of the first date the advertisements take place. Advertising expenses included in Selling, General and Administrative Expenses were \$1,775 million in 2002, \$1,970 million in 2001 and \$1,655 million in 2000. As of December 31, 2002 and 2001, advertising production costs of approximately \$170 million and \$142 million, respectively, were recorded primarily in Prepaid Expenses and Other Assets and noncurrent Other Assets in our balance sheets.

*Stock-Based Compensation*

Our Company currently sponsors stock option plans and restricted stock award plans. Refer to Note 13. Prior to 2002, our Company accounted for those plans under the recognition and measurement provisions of APB Opinion No. 25, “Accounting for Stock Issued to Employees” (APB No. 25) and related interpretations. No stock-based employee compensation expense for stock options was reflected in net income for the years ended December 31, 2001 and 2000, as all stock options granted under those plans had an exercise price equal to the fair market value of the underlying common stock on the date of grant. Effective January 1, 2002, our Company adopted the preferable fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, “Accounting for Stock-Based Compensation.” Our Company selected the modified prospective method of adoption described in SFAS No. 148, “Accounting for Stock-Based Compensation—Transition and Disclosure.” Compensation cost recognized in 2002 is the same as that which would have been recognized had the fair value method of SFAS No. 123 been applied from its original effective date. In accordance with the modified prospective method of adoption, results for prior years have not been restated.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*The Coca-Cola Company and Subsidiaries*

The following table illustrates the effect on net income and earnings per share as if the fair value method had been applied to all outstanding and unvested awards in each period (in millions, except per share amounts):

YEAR ENDED DECEMBER 31,	2002	2001	2000
Net income, as reported	\$ 3,050	\$ 3,969	\$ 2,177
Add: Stock-based compensation expense included in reported net income, net of related tax effects	267	29	28
Deduct: Total stock-based compensation expense determined under fair value method for all awards, net of related tax effects	(267)	(231)	(210)
Pro forma net income	\$ 3,050	\$ 3,767	\$ 1,995
Earnings per share:			
Basic—as reported	\$ 1.23	\$ 1.60	\$ .88
Basic—pro forma	\$ 1.23	\$ 1.51	\$ .81
Diluted—as reported	\$ 1.23	\$ 1.60	\$ .88
Diluted—pro forma	\$ 1.23	\$ 1.51	\$ .80

### *Issuances of Stock by Equity Investees*

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

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

### *Net Income Per Share*

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

### *Cash Equivalents*

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

### *Inventories*

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

### *Recoverability of Investments*

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

### *Other Assets*

Our Company advances payments to certain customers for marketing to fund activities intended to generate profitable volume. Advance payments are also made to certain customers for distribution rights. Additionally, our Company invests in infrastructure programs with our bottlers that are directed at strengthening our bottling system and increasing unit case volume. Management periodically evaluates the recoverability of these assets by preparing estimates of sales volume, the resulting gross profit, cash flows and other factors. The costs of these programs are recorded in Prepaid Expenses and Other Assets and noncurrent Other Assets and are subsequently amortized over the periods to be directly benefited. Amortization expense for infrastructure programs was \$176 million, \$222 million and \$275 million, respectively, for the years ended December 31, 2002, 2001 and 2000. Refer to Note 2.

*Property, Plant and Equipment*

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

*Goodwill, Trademarks and Other Intangible Assets*

Effective January 1, 2002, our Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets." The adoption of SFAS No. 142 required an initial impairment assessment involving a comparison of the fair value of goodwill, trademarks and other intangible assets to current carrying value. Upon adoption, we recorded a loss for the cumulative effect of accounting change for SFAS No. 142, net of income taxes, of \$367 million for Company operations and \$559 million for equity investees. We did not restate prior periods for the adoption of SFAS No. 142. Trademarks and other intangible assets determined to have indefinite useful lives are not amortized. We test such trademarks and other intangible assets with indefinite useful lives for impairment annually or more frequently if events or circumstances indicate that an asset might be impaired. Trademarks and other intangible assets determined to have definite lives are amortized over their useful lives. We review such trademarks and other intangible assets with definite lives for impairment to ensure they are appropriately valued if conditions exist that may indicate the carrying value may not be recoverable. Such conditions may include an economic downturn in a geographic market or a change in the assessment of future operations. Goodwill is not amortized. We perform tests for impairment of goodwill annually or more frequently if events or circumstances indicate it might be impaired. Such tests include comparing the fair value of a reporting unit with its carrying value, including goodwill. Impairment assessments are performed using a variety of methodologies, including cash flow analysis, estimates of sales proceeds and independent appraisals. Where applicable, an appropriate discount rate is used, based on the Company's cost of capital rate or location-specific economic factors. Refer to Note 4.

*Retirement Related Benefits*

Using appropriate actuarial methods and assumptions, our Company's defined benefit pension plans are accounted for in accordance with SFAS No. 87, "Employers' Accounting for Pensions." Our nonpension postretirement benefits are accounted for in accordance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." One of the principal assumptions used to calculate net periodic pension cost is the expected long-term rate of return on plan assets. The required use of the expected long-term rate of return on plan assets may result in recognized returns that are greater or less than the actual returns on those plan assets in any given year. Over time, however, the expected long-term rate of return on plan assets is designed to approximate the actual long-term returns.

Our Company uses long-term historical actual return information, the mix of investments that comprise plan assets, and future estimates of long-term investment returns by reference to external sources to develop our assumption of the expected long-term rate of return on plan assets.

The discount rate assumptions used to account for pension and nonpension postretirement benefit plans reflect the rates available on high-quality, fixed-income debt instruments on December 31 of each year. The rate of compensation increase is another significant assumption used for pension accounting and is determined by the Company based upon annual reviews.

For postretirement health care plan accounting, our Company reviews external data and our own historical trends for health care costs to determine the health care cost trend rate assumptions.

Refer to Note 14.

*Contingencies*

Our Company is involved in various legal proceedings. Due to their nature, such legal proceedings involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties and governmental intervention. Management assesses the probability of loss for such contingencies and accrues a liability and/or discloses the relevant circumstances, as appropriate. Refer to Note 11.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*The Coca-Cola Company and Subsidiaries*

### *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 reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in our financial statements and accompanying notes. Although these estimates are based on our knowledge of current events and actions we may undertake in the future, actual results may ultimately differ from estimates.

### *New Accounting Standards*

As previously mentioned, effective January 1, 2002, our Company adopted the preferable fair value recognition provisions of SFAS No. 123 using the modified prospective transition method under the provisions of SFAS No. 148. Refer to Note 13.

As previously mentioned, effective January 1, 2002, our Company adopted SFAS No. 142. Refer to Note 4.

Effective January 1, 2002, our Company adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement requires the following three-step approach for assessing and recognizing the impairment of long-lived assets: (1) consider whether indicators of impairment of long-lived assets are present; (2) if indicators of impairment are present, determine whether the sum of the estimated undiscounted future cash flows attributable to the assets in question is less than their carrying amount; and (3) if less, recognize an impairment loss based on the excess of the carrying amounts of the assets over their respective fair values. In addition, SFAS No. 144 provides more guidance on estimating cash flows when performing a recoverability test, requires that a long-lived asset to be disposed of other than by sale (such as abandoned) be classified as "held and used" until it is disposed of, and establishes more restrictive criteria to classify an asset as "held for sale." The adoption of SFAS No. 144 did not have a material impact on our financial statements since it retained the fundamental provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," related to the recognition and measurement of the impairment of long-lived assets to be "held and used."

Effective January 1, 2002, our Company adopted the provisions of Emerging Issues Task Force (EITF) Issue No. 01-9, "Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products." EITF Issue No. 01-9 codifies and reconciles the EITF consensuses on all or specific aspects of EITF Issues No. 00-14, "Accounting for Certain Sales Incentives," No. 00-22, "Accounting for 'Points' and Certain Other Time-Based or Volume-Based Sales Incentives Offers, and Offers for Free Products or Services to be Delivered in the Future," and No. 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products," and identifies other related interpretive issues. The types of sales incentives provided by our Company to bottlers, resellers, vendors and customers of our Company's products principally include participation in sales promotion programs and volume-based incentives. Our Company adopted the provisions of EITF Issues No. 00-14 and No. 00-22 on January 1, 2001, resulting in the income statement reclassification of certain sales incentives. Upon adoption of EITF Issues No. 00-14 and No. 00-22, the Company reduced both Net Operating Revenues and Selling, General and Administrative Expenses by approximately \$580 million and \$569 million for the years ended December 31, 2001 and 2000, respectively. EITF Issue No. 01-9 required certain selling expenses incurred by the Company, not previously reclassified, to be classified as deductions from revenue. The adoption of the remaining items included in EITF Issue No. 01-9 resulted in the Company reducing both Net Operating Revenues and Selling, General and Administrative Expenses by approximately \$2.5 billion in each of the years ended December 31, 2001 and 2000. These reclassifications had no impact on Operating Income.

Our Company adopted the provisions of SFAS No. 141, "Business Combinations," for all business combinations initiated after June 30, 2001. SFAS No. 141 requires all business combinations to be accounted for by a single method—the purchase method. Furthermore, SFAS No. 141 requires recognition of intangible assets apart from goodwill if they arise from contractual or legal rights or if they are separable from goodwill. This statement did not have a material impact on our financial statements.

In June 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS No. 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under EITF Issue No. 94-3, a liability for an exit cost as defined was recognized at the date of an entity's commitment to an exit plan. SFAS No. 146 also establishes that fair value is the objective for initial measurement of the liability. SFAS No. 146 is effective for exit and disposal activities that are initiated after December 31, 2002. This statement will impact the timing of our recognition of liabilities for costs associated with exit or disposal activities.

Effective January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No. 137 and SFAS No. 138. As discussed further in Note 10, the 2002 and 2001 Consolidated Financial Statements were prepared in accordance with the provisions of SFAS No. 133. Prior years' financial statements have not been restated. The 2000 financial statements were prepared in accordance with the applicable professional literature for derivatives and hedging instruments in effect at that time.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." This interpretation elaborates on the disclosures to be made by a guarantor in interim and annual financial statements about the obligations under certain guarantees. Our Company adopted the disclosure provisions of FASB Interpretation No. 45 as of December 31, 2002. FASB Interpretation No. 45 also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and initial measurement provisions of this interpretation are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. We do not currently provide significant guarantees on a routine basis. As a result, we do not currently believe this interpretation will have a material impact on our financial statements. To the extent that our Company enters into any such

guarantees after December 31, 2002, we will record the fair value as an expense.

In January 2003, the FASB issued Interpretation No. 46, "Consolidation of Variable Interest Entities." This interpretation addresses the consolidation of business enterprises (variable interest entities) to which the usual condition of consolidation does not apply. This interpretation focuses on financial interests that indicate control. It concludes that in the absence of clear control through voting interests, a company's exposure (variable interest) to the economic risks and potential rewards from the variable interest entity's assets and activities are the best evidence of control. Variable interests are rights and obligations that convey economic gains or losses from changes in the values of the variable interest entity's assets and liabilities. Variable interests may arise from financial instruments, service contracts, nonvoting ownership interests and other arrangements. If an enterprise holds a majority of the variable interests of an entity, it would be considered the primary beneficiary. The primary beneficiary would be required to include assets, liabilities and the results of operations of the variable interest entity in its financial statements. This interpretation applies immediately to variable interest entities that are created after or for which control is obtained after January 31, 2003. For variable interest entities created prior to February 1, 2003, the provisions would be applied effective July 1, 2003.

Our Company has equity ownership interests in bottlers that we currently account for under the equity method of accounting. For certain bottlers, our Company holds variable interests such as providing financing and guarantees, in addition to our equity investments. As a result, these bottlers may be considered variable interest entities, and it is reasonably possible that the Company may be required to consolidate such variable interest entities when FASB Interpretation No. 46 becomes effective on July 1, 2003. The difference between consolidation and the equity method impacts certain financial ratios because of the presentation of the detailed line items reported in the financial statements. However, consolidated net income for the period and our share-owners' equity at the end of the period are the same whether the investment in the company is accounted for under the equity method or the company is consolidated. We do not expect this interpretation to have a material impact on our financial statements.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*The Coca-Cola Company and Subsidiaries*

## NOTE 2: BOTTLING INVESTMENTS

### *Coca-Cola Enterprises Inc.*

Coca-Cola Enterprises Inc. (Coca-Cola Enterprises) is the largest marketer, distributor and producer of bottle and can liquid nonalcoholic refreshment in the world, operating in eight countries. On December 31, 2002, our Company owned approximately 38 percent of the outstanding common stock of Coca-Cola Enterprises, and accordingly, we account for our investment by the equity method of accounting. As of December 31, 2002, our proportionate share of the net assets of Coca-Cola Enterprises exceeded our investment by approximately \$285 million.

A summary of financial information for Coca-Cola Enterprises is as follows (in millions):

DECEMBER 31,	2002	2001	2000
Current assets	\$ 2,844	\$ 2,876	
Noncurrent assets	21,531	20,843	
Total assets	\$ 24,375	\$ 23,719	
Current liabilities	\$ 3,455	\$ 4,522	
Noncurrent liabilities	17,573	16,377	
Total liabilities	\$ 21,028	\$ 20,899	
Share-owners' equity	\$ 3,347	\$ 2,820	
Company equity investment	\$ 972	\$ 788	

YEAR ENDED DECEMBER 31,	2002	2001	2000
Net operating revenues <sup>1</sup>	\$ 16,889	\$ 15,605	\$ 14,659
Cost of goods sold	10,417	9,740	9,083
Gross profit <sup>1</sup>	\$ 6,472	\$ 5,865	\$ 5,576
Operating income	\$ 1,364	\$ 601	\$ 1,126
Cumulative effect of accounting change <sup>2</sup>	\$ —	\$ (302)	\$ —
Net income (loss)	\$ 494	\$ (321)	\$ 236
Net income (loss) available to common share owners	\$ 491	\$ (324)	\$ 233

<sup>1</sup> 2001 and 2000 Net Operating Revenues and Gross Profit have been reduced for the impact of adopting EITF Issue No. 01-9.

<sup>2</sup> Accounting change for its method of accounting for infrastructure payments.

Our net concentrate and syrup sales to Coca-Cola Enterprises were \$4.3 billion in 2002, \$3.9 billion in 2001 and \$3.5 billion in 2000. Coca-Cola Enterprises purchases sweeteners through our Company; however, related collections from Coca-Cola Enterprises and payments to suppliers are not included in our statements of income. These transactions amounted to \$325 million in 2002, \$295 million in 2001 and

\$298 million in 2000. We also provide certain administrative and other services to Coca-Cola Enterprises under negotiated fee arrangements.

Cash payments made by us directly to Coca-Cola Enterprises for support of certain marketing activities and our participation with them in cooperative advertising and other marketing programs amounted to approximately \$837 million, \$606 million and \$533 million in 2002, 2001 and 2000, respectively. Cash payments made by us directly to Coca-Cola Enterprises' customers for support of certain marketing activities and programs amounted to approximately \$204 million, \$282 million and \$221 million in 2002, 2001 and 2000, respectively. Pursuant to cooperative advertising and trade agreements with Coca-Cola Enterprises, we received approximately \$264 million, \$252 million and \$195 million in 2002, 2001 and 2000, respectively, from Coca-Cola Enterprises for local media and marketing program expense reimbursements.

In early 2002, our Company entered into a multi-year Sales Growth Initiative (SGI) agreement with Coca-Cola Enterprises to support profitable growth of our brands in their territories. Total cash support paid by our Company under the SGI agreement in 2002 was \$150 million. This amount is included in the total support of certain marketing activities and our participation with them in cooperative marketing and other marketing programs noted above.

The entire SGI agreement may be terminated by either party by providing six months written notice to the other party; provided, however, that once an annual plan has been agreed upon by both companies, such termination shall not be effective until the end of the applicable plan year. In addition, during the first three quarters of any year, either party may cancel for ensuing quarters the sales volume growth targets and cash support funding provisions of the agreement for that year by providing 10 days' notice prior to the end of such quarter. Upon such quarterly cancellation, all other provisions of the agreement will remain in full force and effect. Volume growth funding is paid to Coca-Cola Enterprises equally over the four quarters of the program year within 30 days after the beginning of each quarter. Our Company recognizes a charge as sales volume growth is attained by Coca-Cola Enterprises. Such amounts are included as allowance deductions in Net Operating Revenues.

The agreement provides for refunds of funding advances should Coca-Cola Enterprises fail to attain specified minimum sales volume growth targets. Accordingly,

should Coca-Cola Enterprises not attain specified minimum cumulative sales volume growth targets in the ensuing quarters of a given year, amounts recognized to date for that year would be subject to refund.

Our Company recently agreed with Coca-Cola Enterprises to modify the terms of the SGI agreement relating to 2003 and beyond. Under the amended agreement, funding for 2003, anticipated to be \$250 million under the original agreement, will decrease to \$200 million. The new amendment, however, requires an additional \$275 million in funding to Coca-Cola Enterprises over the next nine years (2003–2011) and significantly reduces the annual reductions in funding that were a part of the original agreement. In addition, the amendment provides for each company to retain all cost savings it generates from future system efficiency initiatives. The previous agreement called for an equal sharing between our Company and Coca-Cola Enterprises of combined proceeds above set targets.

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

- (1) purchase and place specified numbers of venders/coolers or cold-drink equipment each year through 2008;
- (2) maintain the equipment in service, with certain exceptions, for a period of at least 12 years after placement;
- (3) maintain and stock the equipment in accordance with specified standards; and
- (4) report to our Company minimum average annual unit case sales volume throughout the economic life of the equipment.

Coca-Cola Enterprises must achieve minimum average unit case sales volume for a 12-year period following the placement of equipment. These minimum average unit case sales volume levels ensure adequate gross profit from sales of concentrate to fully recover the capitalized costs plus a return on the Company's investment. Should Coca-Cola

Enterprises fail to purchase the specified numbers of venders/coolers or cold-drink equipment for any calendar year through 2008, the parties agree to mutually develop a reasonable solution. Should no mutually agreeable solution be developed, or in the event that Coca-Cola Enterprises otherwise breaches any material obligation under the contracts and such breach is not remedied within a stated period, then Coca-Cola Enterprises would be required to repay a portion of the support funding as determined by our Company. No repayments by Coca-Cola Enterprises have ever been made under these programs. Our Company paid or committed to pay approximately \$3 million in 2002, \$159 million in 2001 and \$223 million in 2000 to Coca-Cola Enterprises in connection with these infrastructure programs. These payments are recorded in Prepaid Expenses and Other Assets and noncurrent Other Assets and amortized as deductions in Net Operating Revenues over the 10-year period following the placement of the equipment. Our carrying values for these infrastructure programs with Coca-Cola Enterprises were approximately \$879 million as of December 31, 2002 and \$931 million as of December 31, 2001. Effective 2002 and thereafter, the Company has no further commitments under these programs.

As of January 1, 2001, Coca-Cola Enterprises changed its method of accounting for infrastructure development payments received from the Company. Prior to this change, Coca-Cola Enterprises recognized these payments as offsets to incremental expenses of the programs in the periods in which they were incurred. Coca-Cola Enterprises now recognizes the infrastructure development payments received from the Company as income when obligations under the contracts are performed. Because the Company eliminates the financial effect of significant intercompany transactions (including transactions with equity method investees), this change in accounting method had no impact on the financial statements of our Company.

If valued at the December 31, 2002 quoted closing price of Coca-Cola Enterprises shares, the value of our investment in Coca-Cola Enterprises exceeded our carrying value by approximately \$2.7 billion.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*The Coca-Cola Company and Subsidiaries*

## 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,	2002	2001	
Current assets	\$ 5,649	\$ 6,013	
Noncurrent assets	14,453	17,879	
Total assets	\$ 20,102	\$ 23,892	
Current liabilities	\$ 4,816	\$ 5,085	
Noncurrent liabilities	6,010	7,806	
Total liabilities	\$ 10,826	\$ 12,891	
Share-owners' equity	\$ 9,276	\$ 11,001	
Company equity investment	\$ 3,765	\$ 4,340	

YEAR ENDED DECEMBER 31,	2002	2001	2000
Net operating revenues <sup>1</sup>	\$ 17,915	\$ 19,827	\$ 21,275
Cost of goods sold	10,218	11,413	13,014
Gross profit <sup>1</sup>	\$ 7,697	\$ 8,414	\$ 8,261
Operating income (loss)	\$ 1,744	\$ 1,770	\$ (24)
Cumulative effect of accounting change <sup>2</sup>	\$ (1,428)	\$ —	\$ —
Net income (loss)	\$ (630)	\$ 735	\$ (894)

Equity investments include nonbottling investees.

<sup>1</sup> 2001 and 2000 Net Operating Revenues and Gross Profit have been reduced for the impact of adopting EITF Issue No. 01-9.

<sup>2</sup> Accounting change is the adoption of SFAS No. 142.

Net sales to equity investees other than Coca-Cola Enterprises were \$3.2 billion in 2002, \$3.7 billion in 2001 and \$3.5 billion in 2000. Total support payments, primarily marketing, made to equity investees other than Coca-Cola Enterprises, the majority of which are located outside the United States, were approximately \$488 million, \$636 million and \$663 million for 2002, 2001 and 2000, respectively.

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

In the first quarter of 2002, our Company sold our bottling operations in the Baltics to Coca-Cola Hellenic Bottling Company S.A. (CCHBC). The proceeds from the sale of the Baltics bottlers were approximately equal to the carrying value of the investment.

In February 2001, the Company reached an agreement with Carlsberg A/S (Carlsberg) for the dissolution of Coca-Cola Nordic Beverages A/S (CCNB), a joint venture bottler in which our Company had a 49 percent ownership. In July 2001, our Company and San Miguel Corporation (San Miguel) acquired Coca-Cola Bottlers Philippines, Inc. (CCBPI) from Coca-Cola Amatil Limited (Coca-Cola Amatil). Refer to Note 18.

In November 2001, our Company sold nearly all of its ownership interests in various Russian bottling operations to CCHBC for approximately \$170 million in cash and notes receivable, of which \$146 million in notes receivable remained outstanding as of December 31, 2001. Such amount was subsequently collected in 2002. These interests consisted of the Company's 40 percent ownership interest in a joint venture with CCHBC that operates bottling territories in Siberia and parts of western Russia, together with our Company's nearly 100 percent interests in bottling operations with territories covering the remainder of Russia.

In July 2000, a merger of Coca-Cola Beverages plc (Coca-Cola Beverages) and Hellenic Bottling Company S.A. was completed to create CCHBC. This merger resulted in a decrease in our Company's equity ownership interest from approximately 51 percent of Coca-Cola Beverages to approximately 24 percent of the combined entity, CCHBC.

If valued at the December 31, 2002 quoted closing prices of shares actively traded on stock markets, the value of our investments in publicly traded bottlers other than Coca-Cola Enterprises exceeded our carrying value by approximately \$810 million.

## NOTE 3: ISSUANCES OF STOCK BY EQUITY INVESTEE

In July 2001, Coca-Cola Enterprises completed its acquisition of Hondo Incorporated and Herbco Enterprises, Inc., collectively known as Herb Coca-Cola. The transaction was valued at approximately \$1.4 billion, with approximately 30 percent of the transaction funded with the issuance of approximately 25 million shares of Coca-Cola Enterprises common stock and the remaining portion funded through debt and assumed debt. 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. The shares issued, combined with other share issuances, exceeded the amount of repurchased shares under Coca-Cola Enterprises' share repurchase plan. As a result, the issuance of these shares resulted in a noncash pretax gain for our Company of

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*The Coca-Cola Company and Subsidiaries*

approximately \$91 million. We provided deferred taxes of approximately \$36 million on this gain. This transaction reduced our ownership in Coca-Cola Enterprises from approximately 40 percent to approximately 38 percent. No gains or losses on issuances of stock by equity investees were recorded during 2002 and 2000.

## NOTE 4: GOODWILL, TRADEMARKS AND OTHER INTANGIBLE ASSETS

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

The adoption of SFAS No. 142 required the Company to perform an initial impairment assessment on all goodwill and indefinite lived intangible assets as of January 1, 2002. The Company compared the fair value of trademarks and other intangible assets to the current carrying value. Fair values were derived using discounted cash flow analyses. The assumptions used in these discounted cash flow analyses were consistent with our internal planning. Valuations were completed for intangible assets for both the Company and our equity method investees. For the Company's intangible assets, the cumulative effect of this change in accounting principle was an after-tax decrease to net income of approximately \$367 million. For the Company's proportionate share of its equity method investees, the cumulative effect of this change in accounting principle was an after-tax decrease to net income of approximately \$559 million. The deferred income tax benefit related to the cumulative effect of this change for the Company's intangible assets was approximately

\$94 million and for the Company's proportionate share of its equity method investees was approximately \$123 million.

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

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

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

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

For Europe, Eurasia and Middle East equity method investees, a \$400 million impairment was recorded for the Company's proportionate share related to bottlers' franchise rights. Of this amount, approximately \$301 million related to CCEAG. This impairment was due to a prolonged difficult economic environment in Germany, resulting in continuing losses for CCEAG in eastern Germany. The market for non-alcoholic beverages is currently undergoing a transformation. A changing competitive landscape, continuing price pressure,

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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and growing demand for new products and packaging were elements impacting CCEAG. The \$400 million impairment also included a \$50 million charge for Middle East bottlers' franchise rights. In our Africa operating segment, a \$63 million charge was recorded for the Company's proportionate share of impairments related to equity method investee bottlers' franchise rights. These Middle East and Africa bottlers have challenges as a result of political instability and the resulting economic instability, in their respective regions, which has adversely impacted financial performance.

A \$96 million impairment was recorded for the Company's proportionate share related to bottlers' franchise rights of Latin America equity method investees. In southern Latin America, the macroeconomic conditions and devaluation of the Argentine peso significantly impacted the valuation of bottlers' franchise rights.

As discussed in Note 18, the Company acquired certain intangible assets in connection with the business combinations of CCEAG, Cosmos Bottling Company (CBC) and CCDA Waters L.L.C. (CCDA). Because such assets were assigned indefinite lives, no amortization will be recorded.

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

DECEMBER 31,	2002	2001
Amortized intangible assets (various, principally trademarks):		
Gross carrying amount	\$ 181	\$ 160
Accumulated amortization	\$ 81	\$ 67
Unamortized intangible assets:		
Trademarks	\$ 1,724	\$ 1,697
Bottlers' franchise rights	846	639
Goodwill	726	108
Other	157	42
	\$ 3,453	\$ 2,486

YEAR ENDED DECEMBER 31,	2002	2001
Aggregate amortization expense	\$ 11	\$ 72
Estimated amortization expense:		
For the year ending:		
December 31, 2003	\$ 12	
December 31, 2004	\$ 11	
December 31, 2005	\$ 9	
December 31, 2006	\$ 6	
December 31, 2007	\$ 6	

The following table summarizes and reconciles Net Income Before Cumulative Effect of Accounting Change for the three years ended December 31, 2002, 2001 and 2000, adjusted to exclude amortization expense recognized in such periods related to trademarks, bottlers' franchise rights, goodwill, other indefinite lived intangible assets that are no longer amortized and our proportionate share of equity method investees' intangibles (in millions, except per share amounts):

YEAR ENDED DECEMBER 31,	2002	2001	2000
Reported net income			
before cumulative effect			
of accounting change	\$ 3,976	\$ 3,979	\$ 2,177
Add back after-tax amounts:			
Trademark amortization	—	30	29
Bottlers' franchise			
rights amortization	—	7	3
Goodwill amortization	—	3	2
Other indefinite lived			
intangible amortization	—	4	4
Equity method investees'			
intangibles amortization	—	110	120
Adjusted net income			
before cumulative effect			
of accounting change	\$ 3,976	\$ 4,133	\$ 2,335
Basic net income per share			
before accounting change:			
Reported net income	\$ 1.60	\$ 1.60	\$ .88
Trademark amortization	—	.01	.01
Bottlers' franchise			
rights amortization	—	—	—
Goodwill amortization	—	—	—
Other indefinite lived			
intangible amortization	—	—	—
Equity method investees'			
intangibles amortization	—	.05	.05
Adjusted basic net			
income per share before			
accounting change	\$ 1.60	\$ 1.66	\$ .94

(Continued on next page)



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*The Coca-Cola Company and Subsidiaries*

YEAR ENDED DECEMBER 31,	2002	2001	2000
Diluted net income per share before accounting change:			
Reported net income	\$ 1.60	\$ 1.60	\$ .88
Trademark amortization	—	.01	.01
Bottlers' franchise rights amortization	—	—	—
Goodwill amortization	—	—	—
Other indefinite lived intangible amortization	—	—	—
Equity method investees' intangibles amortization	—	.05	.05
Adjusted diluted net income per share before accounting change	\$ 1.60	\$ 1.66	\$ .94

## NOTE 5: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts Payable and Accrued Expenses consist of the following (in millions):

DECEMBER 31,	2002	2001
Accrued marketing	\$ 1,046	\$ 1,160
Container deposits	178	84
Accrued compensation	284	202
Sales, payroll and other taxes	182	148
Accrued realignment expenses	—	59
Trade accounts payable and other accrued expenses	2,002	2,026
	\$ 3,692	\$ 3,679

## NOTE 6: SHORT-TERM BORROWINGS AND CREDIT ARRANGEMENTS

Loans and Notes Payable consist primarily of commercial paper issued in the United States. On December 31, 2002 and 2001, we had approximately \$2,122 million and \$3,361 million, respectively, outstanding in commercial paper borrowings. Our weighted-average interest rates for commercial paper outstanding were approximately 1.4 percent and 1.9 percent at December 31, 2002 and 2001, respectively. In addition, we had \$2,331 million in lines of credit and other short-term credit facilities available as of December 31, 2002, of which approximately \$353 million was outstanding. All of this \$353 million amount relates to our international subsidiaries. Included in the available facilities discussed above, the

Company had \$1,900 million in lines of credit for general corporate purposes, including commercial paper back-up, which had no borrowings during 2002.

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 7: LONG-TERM DEBT

Long-Term Debt consists of the following (in millions):

DECEMBER 31,	2002	2001
6 5/8% U.S. dollar notes due 2002	\$ —	\$ 150
6% U.S. dollar notes due 2003	150	150
Variable euro notes due 2004 <sup>1</sup>	248	—
5 7/8% euro notes due 2005	496	—
4% U.S. dollar notes due 2005	748	—
5 3/4% U.S. dollar notes due 2009	399	399
5 3/4% U.S. dollar notes due 2011	498	498
7 3/8% U.S. dollar notes due 2093	116	116
Other, due through 2013 <sup>2</sup>	226	62
	2,881	1,375
Less current portion	180	156
	\$ 2,701	\$ 1,219

<sup>1</sup> 3.3% at December 31, 2002.

<sup>2</sup> Includes \$44 million fair value adjustment related to interest rate swap agreements (refer to Note 10).

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

After giving effect to interest rate management instruments, the principal amount of our long-term debt that had fixed and variable interest rates, respectively, was \$1,764 million and \$1,117 million on December 31, 2002, and \$1,262 million and \$113 million on December 31, 2001. The weighted-average interest rate on our Company's long-term debt was 4.2 percent and 5.8 percent for the years ended December 31, 2002 and 2001, respectively. Total interest paid was approximately \$197 million, \$304 million and \$458 million in 2002, 2001 and 2000, respectively. For a more complete discussion of interest rate management, refer to Note 10.

Maturities of long-term debt for the five years succeeding December 31, 2002 are as follows (in millions):

2003	2004	2005	2006	2007
\$ 180	\$ 291	\$ 1,320	\$ 16	\$ 8

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*The Coca-Cola Company and Subsidiaries*

## NOTE 8: COMPREHENSIVE INCOME

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

DECEMBER 31,	2002	2001
Foreign currency translation adjustment	\$ (2,777)	\$ (2,682)
Accumulated derivative net gains (losses)	(44)	142
Unrealized gain (loss) on available-for-sale securities	12	(55)
Minimum pension liability	(238)	(43)
	<b>\$ (3,047)</b>	<b>\$ (2,638)</b>

A summary of the components of other comprehensive income, including our proportionate share of equity method investees' other comprehensive income, for the years ended December 31, 2002, 2001 and 2000 is as follows (in millions):

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

	Before-Tax Amount	Income Tax	After-Tax Amount
<b>2001</b>			
Net foreign currency translation	\$ (285)	\$ 78	\$ (207)
Cumulative effect of adopting SFAS No. 133, net	83	(33)	50
Net gain (loss) on derivatives	151	(59)	92
Net change in unrealized gain (loss) on available-for-sale securities	(39)	10	(29)
Net change in minimum pension liability	(27)	10	(17)
Other comprehensive income (loss)	<b>\$ (117)</b>	<b>\$ 6</b>	<b>\$ (111)</b>

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

## NOTE 9: FINANCIAL INSTRUMENTS

### Fair Value of Financial Instruments

The carrying amounts reflected in our 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. Fair values for our derivative financial instruments are included in Note 10.

### Credit Risk

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*The Coca-Cola Company and Subsidiaries*

## *Certain Debt and Marketable Equity Securities*

Investments in debt and marketable equity securities, other than investments accounted for by the equity method, are required to be categorized as either trading, available-for-sale or held-to-maturity. On December 31, 2002 and 2001, 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 AOCI. Debt securities categorized as held-to-maturity are stated at amortized cost.

On December 31, 2002 and 2001, available-for-sale and held-to-maturity securities consisted of the following (in millions):

DECEMBER 31, 2002	Cost	Gross Gains	Unrealized Losses	Estimated Fair Value
Available-for-sale securities:				
Equity securities	\$ 245	\$ 25	\$ (2) <sup>1</sup>	\$ 268
Collateralized mortgage obligations	5	—	—	5
Other debt securities	57	—	—	57
	<b>\$ 307</b>	<b>\$ 25</b>	<b>\$ (2)</b>	<b>\$ 330</b>

Held-to-maturity securities:				
Bank and corporate debt	\$ 1,083	\$ —	\$ —	\$ 1,083
Other debt securities	1	—	—	1
	<b>\$ 1,084</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 1,084</b>

DECEMBER 31, 2001	Cost	Gross Gains	Unrealized Losses	Estimated Fair Value
Available-for-sale securities:				
Equity securities	\$ 251	\$ 43	\$ (116) <sup>1</sup>	\$ 178
Collateralized mortgage obligations	13	—	(1)	12
Other debt securities	19	—	—	19
	<b>\$ 283</b>	<b>\$ 43</b>	<b>\$ (117)</b>	<b>\$ 209</b>

Held-to-maturity securities:				
Bank and corporate debt	\$ 978	\$ —	\$ —	\$ 978
Other debt securities	8	—	—	8
	<b>\$ 986</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 986</b>

<sup>1</sup> Refer to Note 16 for the discussion of the write-down of investments primarily in Latin America.

On December 31, 2002 and 2001, these investments were included in the following captions (in millions):

DECEMBER 31, 2002	Available-for-Sale Securities	Held-to-Maturity Securities
Cash and cash equivalents	\$ —	\$ 1,081
Current marketable securities	217	2
Cost method investments, principally bottling companies	104	—
Other assets	9	1
	<b>\$ 330</b>	<b>\$ 1,084</b>

DECEMBER 31, 2001	Available-for-Sale Securities	Held-to-Maturity Securities
Cash and cash equivalents	\$ —	\$ 976
Current marketable securities	66	2
Cost method investments, principally bottling companies	127	—
Other assets	16	8
	<b>\$ 209</b>	<b>\$ 986</b>

The contractual maturities of these investments as of December 31, 2002 were as follows (in millions):

	Available-for-Sale Securities		Held-to-Maturity Securities	
	Cost	Fair Value	Amortized Cost	Fair Value
2003	\$ 53	\$ 53	\$ 1,083	\$ 1,083
2004-2007	—	—	1	1
After 2007	4	4	—	—
Collateralized mortgage obligations	5	5	—	—
Equity securities	245	268	—	—
	<b>\$ 307</b>	<b>\$ 330</b>	<b>\$ 1,084</b>	<b>\$ 1,084</b>

For the years ended December 31, 2002 and 2001, gross realized gains and losses on sales of available-for-sale securities were not material. The cost of securities sold is based on the specific identification method.

**NOTE 10: HEDGING TRANSACTIONS AND DERIVATIVE FINANCIAL INSTRUMENTS**

Our Company uses derivative financial instruments primarily to reduce our exposure to adverse fluctuations in interest rates and foreign exchange rates and, to a lesser extent, in commodity prices and other market risks. When entered into, the Company formally designates and documents the financial instrument as a hedge of a specific underlying exposure, as well as the risk management objectives and strategies for undertaking the hedge transactions. The Company formally assesses, both at the inception and at least quarterly thereafter, whether the financial instruments that are used in hedging transactions are effective at offsetting changes in either the fair value or cash flows of the related underlying exposure. Because of the high degree of effectiveness between the hedging instrument and the underlying exposure being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the fair value or cash flows of the underlying exposures being hedged. Any ineffective portion of a financial instrument's change in fair value is immediately recognized in earnings. Virtually all of our derivatives are straightforward over-the-counter instruments with liquid markets. Our Company does not enter into derivative financial instruments for trading purposes.

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

As discussed in Note 1, the Company adopted SFAS No. 133, as amended by SFAS No. 137 and SFAS No. 138, on January 1, 2001. These statements require the Company to recognize all derivative instruments as either assets or liabilities in our balance sheets at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. At the inception of the hedge relationship, the

Company must designate the derivative instrument as either a fair value hedge, a cash flow hedge or a hedge of a net investment in a foreign operation. This designation is based upon the exposure being hedged.

The adoption of SFAS No. 133 resulted in the Company recording transition adjustments to recognize its derivative instruments at fair value and to recognize the ineffective portion of the change in fair value of its derivatives. The cumulative effect of these transition adjustments was an after-tax reduction to Net Income of approximately \$10 million and an after-tax net increase to AOCI of approximately \$50 million. The reduction to Net Income was primarily related to the change in the time value and fair value of foreign currency options and interest rate swap agreements, respectively. The increase in AOCI was primarily related to net gains on foreign currency cash flow hedges. The Company reclassified into earnings during the year ended December 31, 2001 approximately \$54 million of net gains relating to the transition adjustment recorded in AOCI as of January 1, 2001.

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

*Interest Rate Management*

Our Company monitors our percentage mix of fixed-rate and variable-rate debt, as well as our percentage mix of term debt versus nonterm debt. This monitoring includes a review of business and other financial risks. We also enter into interest rate swap agreements to manage these risks. These contracts had maturities ranging from one to three

years on December 31, 2002. Interest rate swap agreements that meet certain conditions required under SFAS No. 133 for fair value hedges are accounted for as such with the offset recorded to adjust the fair value of the underlying exposure being hedged. Any ineffective portion (which was not significant in 2002 or 2001) of the changes in the fair value of these agreements is recorded in earnings immediately. The fair values of our Company's interest rate swap agreements were approximately \$44 million and \$5 million at December 31, 2002 and 2001, respectively. The Company estimates the fair value of its interest rate management derivatives based on quoted market prices.

Prior to January 1, 2001, our Company also used interest rate swaps and interest rate caps for hedging purposes. For interest rate swaps, any differences paid or received were recognized as adjustments to interest expense over the life of each swap, thereby adjusting the effective interest rate on the underlying obligation. Additionally, prior to January 1, 2001, our Company had entered into an interest rate cap agreement that entitled us to receive from a financial institution the amount, if any, by which our interest payments on our variable rate debt exceeded prespecified interest rates through 2004. This cap agreement was terminated during 2001, and the impact on the statements of income was immaterial.

#### *Foreign Currency Management*

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

We enter into forward exchange contracts and collars and purchase currency options (principally euro and Japanese yen) to hedge certain portions of forecasted cash flows denominated in foreign currencies. The effective portion of the changes in fair value for these contracts, which have been designated as cash flow hedges, are reported in AOCI and reclassified into earnings in the same financial statement line item and in the same period or periods during which the hedged transaction affects earnings. Any ineffective portion (which was not significant in 2002 or 2001) of the change in fair value of these instruments is immediately recognized in earnings. These contracts had maturities ranging from one to two years on December 31, 2002, which is also the period in which all amounts included in AOCI will be reclassified into earnings.

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

The Company also enters into forward exchange contracts to hedge its net investment position in certain major currencies. Under SFAS No. 133, changes in the fair value of these instruments are recognized in foreign currency translation adjustment, a component of AOCI, to offset the change in the value of the net investment being hedged. For the years ended December 31, 2002 and 2001, approximately \$26 million and \$43 million, respectively, of losses relating to derivative financial instruments were recorded in foreign currency translation adjustment.

Prior to January 1, 2001, gains and losses on derivative financial instruments that were designated and effective as hedges of net investments in international operations were included in foreign currency translation adjustment, a component of AOCI.

For the years ended December 31, 2002 and 2001, we recorded an increase (decrease) to AOCI of approximately \$(151) million and \$92 million, respectively, net of both income taxes and reclassifications to earnings, primarily related to net gains (losses) on foreign currency cash flow hedges, which will generally offset cash flow gains and losses relating to the underlying exposures being hedged in future periods. The Company estimates that it will reclassify into earnings during the next 12 months losses of approximately \$8 million from the net amount recorded in AOCI as of December 31, 2002 as the anticipated foreign currency cash flows occur. For the year ended December 31, 2001, the Company recorded approximately \$12 million in earnings, classified within Net Operating Revenues in our statements of income, primarily related to the change in the time value of foreign currency options. During 2001, the FASB issued an interpretation to SFAS No. 133 allowing the entire change in fair value, including the time value, of certain purchased options to be recorded in AOCI until the related underlying exposure is recorded in earnings. The Company adopted this interpretation prospectively.



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The Company did not discontinue any cash flow hedge relationships during the years ended December 31, 2002 and 2001.

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

YEAR ENDED DECEMBER 31,	Before-Tax Amount	Income Tax	After-Tax Amount
<b>2002</b>			
Accumulated derivative net gains			
as of January 1, 2002	\$ 234	\$ (92)	\$ 142
Net changes in fair value			
of derivatives	(129)	51	(78)
Net gains reclassified from			
AOCI into earnings	(120)	47	(73)
Accumulated derivative			
net losses as of			
December 31, 2002	\$ (15)	\$ 6	\$ (9)
<b>2001</b>			
Cumulative effect of adopting			
SFAS No. 133, net	\$ 83	\$ (33)	\$ 50
Net changes in fair value			
of derivatives	311	(122)	189
Net gains reclassified from			
AOCI into earnings	(160)	63	(97)
Accumulated derivative			
net gains as of			
December 31, 2001	\$ 234	\$ (92)	\$ 142

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

DECEMBER 31,	Carrying Values	Fair Values	Maturity
<b>2002</b>			
Forward contracts	\$ 5	\$ 5	2003
Options and collars	60	60	2003-2004
	\$ 65	\$ 65	
<b>2001</b>			
Forward contracts	\$ 37	\$ 37	2002
Currency swap agreements	10	10	2002
Options and collars	219	219	2002-2003
	\$ 266	\$ 266	

The Company estimates the fair value of its foreign currency derivatives based on quoted market prices or pricing models using current market rates. This amount is primarily reflected in Prepaid Expenses and Other Assets within our balance sheets.

Prior to January 1, 2001, our Company also used foreign exchange contracts and purchased currency options for hedging purposes. Premiums paid and realized gains and losses, including those on any terminated contracts, were included in Prepaid Expenses and Other Assets. These were recognized in income, along with unrealized gains and losses, in the same period the hedging transactions were realized.

## NOTE 11: COMMITMENTS AND CONTINGENCIES

On December 31, 2002, we were contingently liable for guarantees of indebtedness owed by third parties in the amount of \$494 million. 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 and other expenditures of approximately \$2,550 million, of which the majority is payable over the next 12 years.

In June 2002, our Company announced long-term agreements with the National Collegiate Athletic Association (NCAA) and CBS, and with the Houston Astros Baseball Club for a combined value of approximately \$650 million to \$800 million. These commitments are included in the future marketing and other expenditures amount referred to in the preceding paragraph.

The Company is also involved in various legal proceedings. Management believes that any liability to the Company that may arise as a result of currently pending legal proceedings, including those discussed below, will not have a material adverse effect on the financial condition of the Company taken as a whole.

During the period from 1970 to 1981, our Company owned Aqua-Chem, Inc. (Aqua-Chem). A division of Aqua-Chem manufactured certain boilers that contained gaskets that Aqua-Chem purchased from outside suppliers. Several years after our Company sold this entity, Aqua-Chem received its first lawsuit relating to asbestos, a component of some of the gaskets. Aqua-Chem has notified our Company that it believes we are obligated to them for certain costs and expenses

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associated with the litigation. Aqua-Chem has demanded that our Company reimburse it for approximately \$10 million for out-of-pocket litigation-related expenses incurred over the last 18 years. Aqua-Chem has also demanded that the Company acknowledge a continuing obligation to Aqua-Chem for any future liabilities and expenses that are excluded from coverage under the applicable insurance or for which there is no insurance. Our Company disputes Aqua-Chem's claims, and we believe we have no obligation to Aqua-Chem for any of its past, present or future liabilities, costs or expenses. Furthermore, we believe we have substantial legal and factual defenses to Aqua-Chem's claims. The parties have entered into litigation to resolve this dispute. The Company believes Aqua-Chem has substantial insurance coverage to pay Aqua-Chem's asbestos claimants. An estimate of possible losses over time, if any, cannot be made at this time.

The Competition Authority of the European Commission made unannounced visits to the offices of the Company and our bottling partners in Austria, Belgium, Denmark, Germany and Great Britain several years ago. Similarly, the Spanish competition authorities made unannounced visits to our own offices and those of certain bottlers in Spain in 2000. The European Commission and the Spanish competition authorities continue their investigations into unspecified market practices in their respective jurisdictions. The Company believes we have substantial legal and factual defenses in these matters.

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

**NOTE 12: NET CHANGE IN OPERATING ASSETS AND LIABILITIES**

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

	2002	2001	2000
Increase in trade			
accounts receivable	\$ (83)	\$ (73)	\$ (39)
Increase in inventories	(49)	(17)	(2)
Decrease (increase) in prepaid			
expenses and other assets	74	(349)	(618)
Decrease in accounts payable			
and accrued expenses	(442)	(179)	(84)
Increase (decrease) in			
accrued taxes	20	247	(96)
Increase (decrease) in			
other liabilities	73	(91)	(13)
	<b>\$ (407)</b>	<b>\$ (462)</b>	<b>\$ (852)</b>

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

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

In accordance with the provisions of SFAS No. 123 and SFAS No. 148, \$365 million was recorded for total stock-based compensation expense in 2002. In accordance with APB No. 25, total stock-based compensation expense was \$41 million and \$43 million, respectively, for the years ended December 31, 2001 and 2000.

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## Stock Option Plans

Under our 1991 Stock Option Plan (the 1991 Option Plan), a maximum of 120 million shares of our common stock was approved to be issued or transferred to certain officers and employees pursuant to stock options 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.

The 1999 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.

The 2002 Stock Option Plan (the 2002 Option Plan) was approved by share owners in April of 2002. Under the 2002 Option Plan, a maximum of 120 million shares of our common

stock was approved to be issued or transferred to certain officers and employees pursuant to stock options granted under the 2002 Option Plan. Options to purchase common stock under the 2002 Option Plan have been granted to Company employees at fair market value at the date of grant.

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

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

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

	2002	2001	2000
Weighted-average fair value of options granted	<b>\$ 13.10</b>	\$ 15.09	\$ 19.85
Dividend yields	<b>1.7%</b>	1.6%	1.2%
Expected volatility	<b>30.2%</b>	31.9%	31.7%
Risk-free interest rates	<b>3.4%</b>	5.1%	5.8%
Expected lives	<b>6 years</b>	5 years	5 years

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

	2002		2001		2000	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding on January 1,	<b>141</b>	<b>\$ 51.16</b>	112	\$ 51.23	101	\$ 46.66
Granted <sup>1</sup>	<b>29</b>	<b>44.69</b>	45	48.11	32	57.35
Exercised	<b>(3)</b>	<b>31.09</b>	(7)	24.30	(12)	26.00
Forfeited/Expired <sup>2</sup>	<b>(8)</b>	<b>54.21</b>	(9)	56.74	(9)	57.51
Outstanding on December 31,	<b>159</b>	<b>\$ 50.24</b>	141	\$ 51.16	112	\$ 51.23
Exercisable on December 31,	<b>80</b>	<b>\$ 51.72</b>	65	\$ 50.83	60	\$ 46.57
Shares available on December 31, for options that may be granted	<b>122</b>		25		65	

<sup>1</sup> No grants were made from the 1991 Option Plan during 2000, 2001 or 2002.

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

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The following table summarizes information about stock options at December 31, 2002 (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
\$ 20.00 to \$ 30.00	5	1.4 years	\$ 23.93	5	\$ 23.93
\$ 30.01 to \$ 40.00	8	2.8 years	\$ 35.63	8	\$ 35.63
\$ 40.01 to \$ 50.00	79	13.0 years	\$ 46.91	19	\$ 48.41
\$ 50.01 to \$ 60.00	55	11.2 years	\$ 56.30	36	\$ 56.37
\$ 60.01 to \$ 86.75	12	5.8 years	\$ 65.88	12	\$ 65.89
\$ 20.00 to \$ 86.75	159	10.9 years	\$ 50.24	80	\$ 51.72

*Restricted Stock Award Plans*

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

On December 31, 2002, 29 million shares were available for grant under the Restricted Stock Award Plans. In 2002, there were 30,000 shares of restricted stock granted at an average fair value of \$50.99 per share. In 2001, there were 116,300 shares of restricted stock granted at an average fair value of \$48.95 per share. In 2000, there were 546,585 shares of restricted stock granted at an average fair value of \$58.20 per share. In 2002, 2,500 shares of restricted stock were cancelled at an average fair value of \$67.50 per share. In 2001, 78,700 shares of restricted stock were cancelled at an average fair value of \$48.49 per share. In 2000, 80,500 shares of restricted stock were cancelled at an average fair value of \$28.41 per share. 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 was contingent upon the Company achieving certain predefined performance targets over the three-year and five-year measurement periods, respectively. Participants were 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 at the end of five years to certain employees if the Company achieved predefined performance targets over the respective measurement periods.

In May 2001, all performance-based restricted stock awards and promises made to grant shares in the future were cancelled, with the exception of 150,000 shares of five-year performance-based restricted stock. New awards for the same number of cancelled shares, with the exception of the promises made in 2000 to grant 200,000 shares at the end of five years, were granted at an average fair value of \$47.88 per share. The release of the shares is subject to the Company's achievement of a minimum of 11 percent annual growth in earnings per share over the respective measurement periods, as adjusted for certain items approved by the Board of Directors. In 2001, an additional 10,000 shares of three-year performance-based restricted stock and 50,000 shares of five-year performance-based restricted stock were granted at an average fair value of \$46.22 per share and \$45.70 per share, respectively, with predefined performance targets to be achieved over the respective measurement periods. In 2001, an additional 250,000 shares of five-year performance-based restricted stock were granted at an average fair value of \$46.80 per share.

In 2002, an additional 50,000 shares of four-year performance-based restricted stock were granted at an average fair value of \$46.88 per share. The release of the shares is subject to the Company's achievement of a minimum of 11 percent annual growth in earnings per share over the four-year measurement period, as adjusted for certain items approved by the Board of Directors. In 2002, the Company also promised to grant 50,000 shares at the end of three years and 75,000 shares

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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at the end of four years if the Company achieved predefined performance targets over the respective measurement periods.

## NOTE 14: PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

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

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 \$168 million in 2002, \$142 million in 2001 and \$116 million in 2000. In addition, in 2000 the Company recorded a charge of \$124 million for special retirement benefits as part of the organizational realignment discussed in Note 17. Net periodic cost for our pension and other postretirement benefit plans consists of the following (in millions):

YEAR ENDED DECEMBER 31,	Pension Benefits		
	2002	2001	2000
Service cost	\$ 63	\$ 53	\$ 54
Interest cost	132	123	119
Expected return on plan assets	(137)	(125)	(132)
Amortization of prior service cost	6	8	4
Recognized net actuarial (gain) loss	8	3	(7)
Settlements and curtailments	—	—	1
Net periodic pension cost	\$ 72	\$ 62	\$ 39

YEAR ENDED DECEMBER 31,	Other Benefits		
	2002	2001	2000
Service cost	\$ 18	\$ 13	\$ 12
Interest cost	38	34	29
Expected return on plan assets	—	(1)	(1)
Amortization of prior service cost	2	2	1
Recognized net actuarial gain	—	—	(1)
Net periodic cost	\$ 58	\$ 48	\$ 40

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

DECEMBER 31,	Pension Benefits		Other Benefits	
	2002	2001	2002	2001
Benefit obligation at beginning of year	\$ 1,906	\$ 1,819	\$ 530	\$ 407
Service cost	63	53	18	13
Interest cost	132	123	38	34
Foreign currency exchange rate changes	11	(23)	—	—
Amendments	6	—	—	3
Actuarial loss	138	62	86	96
Benefits paid	(121)	(126)	(23)	(23)
Business combinations	46	10	—	—
Divestitures	—	(12)	—	—
Other	1	—	2	—
Benefit obligation at end of year	\$ 2,182	\$ 1,906	\$ 651	\$ 530

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

DECEMBER 31,	Pension Benefits		Other Benefits	
	2002	2001	2002	2001
Fair value of plan assets at beginning of year <sup>1</sup>	\$ 1,492	\$ 1,555	\$ —	\$ 17
Actual return on plan assets	(121)	(96)	—	—
Employer contributions	151	130	—	—
Foreign currency exchange rate changes	23	(14)	—	—
Benefits paid	(95)	(91)	—	(17)
Business combinations	—	9	—	—
Divestitures	—	(4)	—	—
Other	2	3	—	—
Fair value of plan assets at end of year <sup>1</sup>	\$ 1,452	\$ 1,492	\$ —	\$ —

<sup>1</sup> Pension benefit plan assets primarily consist of listed stocks including 1.62 million shares of common stock of our Company with a fair value of \$71 million and \$76 million as of December 31, 2002 and 2001, respectively.



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The total projected benefit obligation and fair value of plan assets for the pension plans with projected benefit obligations in excess of plan assets were \$2,016 million and \$1,262 million, respectively, as of December 31, 2002 and \$687 million and \$232 million, respectively, as of December 31, 2001. The total accumulated benefit obligation and fair value of plan assets for

the pension plans with accumulated benefit obligations in excess of plan assets were \$1,733 million and \$1,243 million, respectively, as of December 31, 2002 and \$583 million and \$202 million, respectively, as of December 31, 2001.

The accrued pension and other benefit costs recognized in our balance sheets are computed as follows (in millions):

DECEMBER 31,	Pension Benefits		Other Benefits	
	2002	2001	2002	2001
Funded status	\$ (730)	\$ (414)	\$ (651)	\$ (530)
Unrecognized net asset at transition	(1)	(5)	—	—
Unrecognized prior service cost	66	73	19	21
Unrecognized net actuarial loss	584	195	130	45
Net liability recognized	\$ (81)	\$ (151)	\$ (502)	\$ (464)
Prepaid benefit cost	\$ 271	\$ 146	\$ —	\$ —
Accrued benefit liability	(747)	(387)	(502)	(464)
Accumulated other comprehensive income	335	70	—	—
Intangible asset	60	20	—	—
Net liability recognized	\$ (81)	\$ (151)	\$ (502)	\$ (464)

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

A one percentage point change in the assumed health care cost trend rate would have the following effects (in millions):

DECEMBER 31,	Pension Benefits			One Percentage Point Increase	One Percentage Point Decrease
	2002	2001	2000		
Discount rate	6 1/4%	6 1/2%	7%		
Rate of increase in compensation levels	4 1/4%	4 1/4%	4 1/2%		
Expected long-term rate of return on plan assets	8 1/4%	8 1/2%	8 1/2%		
DECEMBER 31,	Other Benefits			One Percentage Point Increase	One Percentage Point Decrease
	2002	2001	2000		
Discount rate	6 3/4%	7 1/4%	7 1/2%		
Rate of increase in compensation levels	4 1/2%	4 1/2%	4 3/4%		
Expected long-term rate of return on plan assets	—	—	3%		

Effect on accumulated postretirement benefit obligation as of December 31, 2002	\$ 68	\$ (57)
Effect on net periodic postretirement benefit cost in 2002	\$ 9	\$ (8)

The rate of increase in per capita costs of covered health care benefits is assumed to be 10 percent in 2003, decreasing gradually to 5 1/4 percent by the year 2008.

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## NOTE 15: INCOME TAXES

Income Before Income Taxes and Cumulative Effect of Accounting Change consists of the following (in millions):

YEAR ENDED DECEMBER 31,	2002	2001	2000
United States	\$ 2,062	\$ 2,430	\$ 1,497
International	3,437	3,240	1,902
	\$ 5,499	\$ 5,670	\$ 3,399

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

YEAR ENDED DECEMBER 31,	United States	State & Local	International	Total
2002				
Current	\$ 455	\$ 55	\$ 973	\$ 1,483
Deferred	2	23	15	40
2001				
Current	\$ 552	\$ 102	\$ 981	\$ 1,635
Deferred	70	(15)	1	56
2000				
Current	\$ 48	\$ 16	\$ 1,155	\$ 1,219
Deferred	(9)	46	(34)	3

We made income tax payments of approximately \$1,508 million, \$1,496 million and \$1,425 million in 2002, 2001 and 2000, respectively. During the first quarter of 2000, the U.S. 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 was established for the years 1993 through 2001. Pursuant to the terms of the APA, our Subsidiary 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 on our financial performance and our effective tax rate was not material, due primarily to offsetting tax credits utilized 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,	2002	2001	2000
Statutory U.S. federal rate	35.0 %	35.0 %	35.0 %
State income taxes—net of federal benefit	0.9	1.0	0.8
Earnings in jurisdictions taxed at rates different from the statutory U.S. federal rate	(6.0)	(4.9)	(4.0)
Equity income or loss <sup>1</sup>	(2.0)	(0.9)	2.9
Other operating charges <sup>2</sup>	—	—	1.9
Write-down/sale of certain bottling investments <sup>3</sup>	0.7	—	—
Other—net	(0.9)	(0.4)	(0.6)
Effective rates	27.7 %	29.8 %	36.0 %

<sup>1</sup> Includes charges by equity investees in 2002 and 2000. Refer to Note 16.

<sup>2</sup> Includes charges related to certain bottling, manufacturing and intangible assets for 2000. Refer to Note 16.

<sup>3</sup> Includes gains on the sale of Cervejarias Kaiser Brazil, Ltda and the write-down of certain bottling investments, primarily in Latin America. Refer to Note 16.

Our effective tax rate reflects the tax 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 2002 and 2000, management concluded that it was more likely than not that tax benefits would not be realized with respect to principally all of the items discussed in Note 16, with the exception of approximately \$188 million of charges in 2000 related to the settlement terms of a class action discrimination lawsuit. Accordingly, valuation allowances were recorded to offset the future tax benefit of these items resulting in an increase in our effective tax rate. Excluding the impact of these items, the effective tax rate on operations for 2002 was 27 percent and for 2000 was slightly more than 30 percent.

Undistributed earnings of the Company's foreign subsidiaries amounted to approximately \$6.1 billion at December 31, 2002. Those earnings are considered to be indefinitely reinvested and, accordingly, no U.S. federal and

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state income taxes have been provided thereon. Upon distribution of those earnings in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes (subject to an adjustment for foreign tax credits) and withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable because of the complexities associated with its hypothetical calculation; however, unrecognized foreign tax credits would be available to reduce a portion of the U.S. liability.

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,	2002	2001
Deferred tax assets:		
Property, plant and equipment	\$ 227	\$ 241
Trademarks and other intangible assets	75	4
Equity method investments (including translation adjustment)	468	343
Other liabilities	123	263
Benefit plans	541	377
Net operating/capital loss carryforwards	663	442
Other	307	275
Gross deferred tax assets	2,404	1,945
Valuation allowance	(738)	(563)
Total deferred tax assets <sup>1</sup>	\$ 1,666	\$ 1,382
Deferred tax liabilities:		
Property, plant and equipment	\$ (757)	\$ (556)
Trademarks and other intangible assets	(208)	(118)
Equity method investments (including translation adjustment)	(465)	(539)
Other liabilities	(55)	(14)
Other	(222)	(185)
Total deferred tax liabilities	\$ (1,707)	\$ (1,412)
Net deferred tax liabilities	\$ (41)	\$ (30)

<sup>1</sup> Deferred tax assets of \$358 million and \$412 million have been included in the caption Other Assets at December 31, 2002 and 2001, respectively.

On December 31, 2002 and 2001, we had approximately \$34 million and \$240 million, respectively, of net deferred tax assets located in countries outside the United States.

On December 31, 2002, we had \$1,387 million of tax operating loss carryforwards available to reduce future taxable income of certain international subsidiaries. Loss carryforwards of \$614 million must be utilized within the next five years; \$483 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 16: SIGNIFICANT OPERATING AND NONOPERATING ITEMS

In the third quarter of 2002, our Company recorded a non-cash pretax charge of approximately \$33 million related to our share of impairment and restructuring charges taken by certain investees in Latin America. This charge was recorded in the caption Equity Income (Loss).

Our Company had direct and indirect ownership interests totaling approximately 18 percent in Cervejarias Kaiser S.A. (Kaiser S.A.). In March 2002, Kaiser S.A. sold its investment in Cervejarias Kaiser Brazil, Ltda to Molson Inc. (Molson) for cash of approximately \$485 million and shares of Molson valued at approximately \$150 million. Our Company's pretax share of the gain related to this sale was approximately \$43 million, of which approximately \$21 million was recorded in the caption Equity Income (Loss), and approximately \$22 million was recorded in the caption Other Income (Loss)—Net.

In the first quarter of 2002, our Company recorded a noncash pretax charge of approximately \$157 million (recorded in the caption Other Income (Loss)—Net), primarily related to the write-down of certain investments in Latin America. This write-down reduced the carrying value of the investments in Latin America to fair value. The charge was primarily the result of the economic developments in Argentina during the first quarter of 2002, including the devaluation of the Argentine peso and the severity of the unfavorable economic outlook.

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. 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 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 July 2000, we recorded a tax-free noncash gain of approximately \$118 million related to the merger of Coca-Cola Beverages and Hellenic Bottling Company S.A. Refer to Note 2.

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 included 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. In 2001, our Company paid out substantially all of this settlement.

In 2000, the Company also recorded a 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. 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 charges recorded by investees in Eurasia and the Middle East. These charges were partially offset by the impact of lower tax rates related to current and deferred taxes at CCEAG.

#### NOTE 17: REALIGNMENT COSTS

In January 2000, our Company initiated a major organizational realignment (the 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 were 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, that 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 Realignment charges in 2000 of \$850 million, which was included in the caption Other Operating Charges.

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The table below summarizes the balance of accrued Realignment expenses and the movement in that accrual as of and for the years ended December 31, 2001 and 2000 (in millions):

Realignment Summary	2000 Expenses	2000 Payments	2000 Noncash and Exchange	Accrued Balance December 31, 2000	2001 Payments	2001 Noncash and Exchange	Accrued Balance December 31, 2001
<b>Employees involuntarily separated</b>							
Severance pay and benefits	\$ 216	\$ (123)	\$ (2)	\$ 91	\$ (66)	\$ (8)	\$ 17
Outside services—legal, outplacement, consulting	33	(25)	—	8	(8)	—	—
Other—including asset write-downs	81	(37)	(7)	37	(33)	(4)	—
	\$ 330	\$ (185)	\$ (9)	\$ 136	\$ (107)	\$ (12)	\$ 17
<b>Employees voluntarily separated</b>							
Special retirement pay and benefits	\$ 353	\$ (174)	\$ —	\$ 179	\$ (26)	\$ (12)	\$ 141
Outside services—legal, outplacement, consulting	6	(3)	—	3	(3)	—	—
	\$ 359	\$ (177)	\$ —	\$ 182	\$ (29)	\$ (12)	\$ 141
Other direct costs	\$ 161	\$ (92)	\$ (9)	\$ 60	\$ (26)	\$ (11)	\$ 23
<b>Total Realignment</b>	<b>\$ 850</b>	<b>\$ (454)</b>	<b>\$ (18)</b>	<b>\$ 378</b>	<b>\$ (162)</b>	<b>\$ (35)</b>	<b>\$ 181<sup>1</sup></b>

<sup>1</sup> As of December 31, 2001, \$59 million was included in the caption Accounts Payable and Accrued Expenses. As of December 31, 2001, \$122 million was included in the caption Other Liabilities.

The Realignment has been completed, and all material payments associated with the Realignment have been made except for retirement pay and benefits for employees who voluntarily accepted early retirement packages, which will be paid out in accordance with the Company's defined benefit pension plans over a number of years.

## NOTE 18: ACQUISITIONS AND INVESTMENTS

During 2002, our Company's acquisition and investment activity totaled approximately \$1,144 million. Of this \$1,144 million, our Company paid \$544 million in cash.

Effective February 2002, our Company acquired control of CCEAG. CCEAG is included in our Europe, Eurasia and Middle East operating segment. As a result of acquiring control of CCEAG, our Company expects to help focus its sales and marketing programs and assist in developing the business. This transaction was accounted for as a business combination, and the results of CCEAG's operations have been included in the Company's financial statements since February 2002. Prior to February 2002, our Company accounted for CCEAG under the equity method of accounting. As of December 31, 2002, our Company had an approximate 41 percent ownership interest in the outstanding shares of CCEAG. In accordance with the

terms of a Control and Profit and Loss Transfer Agreement (CPL) with CCEAG, our Company obtained control of CCEAG for a period of up to five years. In return for control of CCEAG, the Company guaranteed annual payments, in lieu of dividends by CCEAG, to all other CCEAG share owners. These guaranteed annual payments equal .76 euro for each CCEAG share outstanding. Additionally, all other CCEAG share owners entered into either a put or put/call option agreement with the Company, exercisable at the end of the term of the CPL at agreed prices. Our Company entered into either put or put/call agreements for shares representing an approximate 59 percent interest in CCEAG. The spread in the strike prices of the put and call options is approximately 3 percent.

As of the date of the transaction, the Company concluded that the exercise of the put and/or call agreements was a virtual certainty based on the minimal differences in the strike prices. We concluded that either the holder of the put option would require the Company to purchase the shares at the agreed-upon put strike price, or the Company would exercise its call option and require the share owner to tender its shares at the agreed-upon call strike price. The holders of the puts or calls may exercise their rights at any time up to



the expiration date, which in this case is in five years. If these rights are exercised, the actual transfer of shares would not occur until the end of the term of the CPL. Coupled with the guaranteed payments in lieu of dividends for the term of the CPL, these instruments represented the financing vehicle for the transaction. As such, the Company determined that the economic substance of the transaction resulted in the acquisition of the remaining outstanding shares of CCEAG and required the Company to account for the transaction as a business combination. Furthermore, the terms of the CPL transfer control and all of the economic risks and rewards of CCEAG to the Company immediately.

The present value of the total amount likely to be paid by our Company to all other CCEAG share owners, including the put or put/call payments and the guaranteed annual payments in lieu of dividends, is approximately \$741 million at December 31, 2002. This amount has increased from the initial liability of approximately \$600 million due to the accretion of the discounted value to the ultimate maturity of the liability described below, as well as approximately \$95 million of translation adjustment related to this liability. This liability is included in the caption Other Liabilities. The accretion of the discounted value to its ultimate maturity value was recorded in the caption Other Income (Loss)—Net, and this amount was approximately \$38 million for the year ended December 31, 2002. As of December 31, 2002, the Company's balance sheet included property, plant and equipment with a fair value of approximately \$961 million, bottler franchise rights with a fair value of approximately \$576 million and goodwill with a fair value of approximately \$419 million. These amounts are composed of approximately 41 percent of our historic book value of CCEAG's property, plant and equipment, franchise rights and goodwill, and approximately 59 percent of the fair value of CCEAG's property, plant and equipment, franchise rights and goodwill computed at the acquisition date. The bottler franchise rights, which authorize the bottler to manufacture and distribute designated Company trademark beverages within identified territories, were assigned an indefinite life. The goodwill, which is not currently expected to be deductible for tax purposes, is reported in the Europe, Eurasia and Middle East operating segment. As of December 31, 2002, CCEAG had outstanding debt of \$843 million. The purchase price allocation is subject to refinement.

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

In January 2002, our Company and CCBPI finalized the purchase of RFM Corp.'s (RFM) approximate 83 percent interest in CBC, a publicly traded Philippine beverage company. The original sale and purchase agreement with RFM was entered into in November 2001. As of the date of this sale and purchase agreement, the Company began supplying concentrate for this operation. In March 2002, a tender offer was completed with our Company and CCBPI acquiring all shares of the remaining minority share owners except for shares representing a 1 percent interest in CBC. As of December 31, 2002, our Company's direct ownership interest in CBC was approximately 61 percent, and our indirect ownership interest in CBC was approximately 13 percent. This transaction was accounted for as a business combination, and the results of CBC's operations have been included in our financial statements since January 2002. CBC is an established carbonated soft-drink business in the Philippines. Our Company's goal is to leverage our partnership with San Miguel in the Philippines, as well as leverage our sales, marketing and system resources, to expand CBC volume and profit over time. The Company and CCBPI have agreed to restructure the operations of CBC, and this restructuring will result in the Company owning all acquired trademarks and CCBPI owning all acquired bottling assets.

Our Company acquired controlling interests in CCDA and CBC for total combined consideration of approximately

\$328 million. CCDA is included in our North America operating segment, and CBC is included in our Asia operating segment. The Company has currently allocated approximately \$91 million of the purchase price for these acquisitions to goodwill and \$186 million to other indefinite lived intangible assets, primarily trademarks, brands and licenses. Of the \$91 million for this goodwill, \$63 million is allocated to our North America operating segment and \$28 million is allocated to our Asia segment. As of December 31, 2002, the Company recorded minority ownership accruals of approximately \$228 million related to these acquisitions in the caption Other Liabilities. The purchase price allocation for CBC was completed in 2002. The purchase price allocation for the CCDA acquisition is subject to refinement based on completion of asset valuations.

The combined 2002 Net Operating Revenues of CCEAG, CBC and CCDA were approximately \$1.3 billion.

During 2001, our Company's acquisition and investment activity totaled approximately \$651 million. In February 2001, our Company reached an agreement with Carlsberg for the dissolution of CCNB, a joint venture bottler in which our Company had a 49 percent ownership interest. At that time, CCNB had bottling operations in Sweden, Norway, Denmark, Finland and Iceland. Under this agreement with Carlsberg, our Company acquired CCNB's Sweden and Norway bottling operations in June 2001, increasing our Company's ownership in those bottlers to 100 percent. Carlsberg acquired CCNB's Denmark and Finland bottling operations, increasing Carlsberg's ownership in those bottlers to 100 percent. Pursuant to the agreement, CCNB sold its Iceland bottling operations to a third-party group of investors in May 2001.

In March 2001, our Company signed a definitive agreement with La Tondena Distillers, Inc. (La Tondena) and San Miguel to acquire carbonated soft-drink, water and juice brands for \$84 million. CCBPI acquired the related manufacturing and distribution assets from La Tondena for \$63 million.

In July 2001, our Company and San Miguel acquired CCBPI from Coca-Cola Amatil. Upon the completion of this transaction, our Company owned 35 percent of the common shares and 100 percent of the Preferred B shares, and San Miguel owned 65 percent of the common shares of CCBPI. Additionally, as a result of this transaction, our Company's

interest in Coca-Cola Amatil was reduced from approximately 38 percent to approximately 35 percent.

In December 2001, our Company completed a cash tender offer for all outstanding shares of the common stock of Odwalla, Inc. This acquisition was valued at approximately \$190 million with our Company receiving an ownership interest of 100 percent.

During the first half of 2001, in separate transactions, our Company purchased two bottlers in Brazil: Refrescos Guararapes Ltda. and Sucovale Sucos e Concentrados do Vale S.A. In separate transactions during the first half of 2000, our Company purchased two other 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 in Paraguay. In December 2000, the Company made a tender offer for the remaining 42 percent of the shares in Paresa. In January 2001, following the completion of the tender offer, we owned approximately 95 percent of Paresa.

The acquisitions and investments have been accounted for by either the purchase or equity method of accounting, as appropriate. Their results have been included in our 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 2000, the reported results would not have been materially affected.

#### NOTE 19: SUBSEQUENT EVENTS

During the first quarter of 2003, the Company initiated steps to streamline and simplify its operations, primarily in North America and Germany.

In North America, the Company is integrating the operations of our three separate North American business units—Coca-Cola North America (including our interest in CCDA), The Minute Maid Company (including our Odwalla business) and Fountain. The integration is expected to result in a head-count reduction of approximately 1,000 people, with the identification of the individuals expected to be completed by the end of the first quarter of 2003.

In Germany, CCEAG has taken steps to improve efficiency in sales and distribution, including the closure of three

bottling plants in 2003. The streamlining initiative is expected to affect approximately 900 employees in Germany.

#### **NOTE 20: OPERATING SEGMENTS**

Our Company's operating structure includes the following operating segments: North America (including The Minute Maid Company); Africa; Europe, Eurasia and Middle East; Latin America; Asia; and Corporate. North America includes the United States, Canada and Puerto Rico. During the first quarter of 2002, the Egypt Region was reclassified from Europe, Eurasia and Middle East to Africa. Prior period amounts have been reclassified to conform to the current period presentation.

Effective January 1, 2001, our Company's operating segments were geographically reconfigured and renamed. Puerto Rico was added to North America from Latin America. The Middle East Division was added to Europe and Eurasia, which changed its name to Europe, Eurasia and Middle East. At the same time, Africa and Middle East, less the reclassified Middle East Division, changed its name to Africa. During the first quarter of 2001, Asia Pacific was renamed Asia. Prior period amounts have been reclassified to conform to the current period presentation.

#### *Segment Products and Services*

The business of our Company is nonalcoholic beverages. Our operating segments derive substantially all of their revenues from the manufacture and sale of beverage concentrates and syrups, and in some cases, the sale of finished beverages. The Net Operating Revenues from operations excluding bottling were \$17,157 million, \$16,402 million and \$16,448 million, respectively, for the years ended December 31, 2002, 2001 and 2000. Our consolidated bottling operations accounted for Net Operating Revenues of \$2,407 million, \$1,143 million and \$906 million, respectively, for the years ended December 31, 2002, 2001 and 2000.

#### *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 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. Our Company manages income taxes on a global basis. We manage financial costs, such as exchange gains and losses and interest income and expense, on a global basis at the Corporate segment. Thus, we evaluate segment performance based on profit or loss before income taxes and cumulative effect of accounting change.

# 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	Europe, Eurasia & Middle East	Latin America	Asia	Corporate	Consolidated
<b>2002</b>							
Net operating revenues	\$ 6,264	\$ 684	\$ 5,262 <sup>1</sup>	\$ 2,089 <sup>2</sup>	\$ 5,054 <sup>3</sup>	\$ 211	\$ 19,564
Operating income <sup>4</sup>	1,494	224	1,612	1,033 <sup>2</sup>	1,820	(725)	5,458
Interest income						209	209
Interest expense						199	199
Depreciation and amortization	266	37	193	57	133	120	806
Equity income (loss)	15	(25)	(18)	131	60	221	384
Income before income taxes and cumulative effect of accounting change	1,515	187	1,540	1,081 <sup>2</sup>	1,848	(672)	5,499
Identifiable operating assets	4,999	565	4,576 <sup>1</sup>	1,205	2,370	5,795 <sup>5</sup>	19,510
Investments <sup>6</sup>	142	115	1,211 <sup>1</sup>	1,352	1,150	1,021	4,991
Capital expenditures	334	18	162	37	209	91	851
<b>2001</b>							
Net operating revenues	\$ 5,729	\$ 633	\$ 3,961	\$ 2,181	\$ 4,861 <sup>3</sup>	\$ 180	\$ 17,545
Operating income	1,480	276	1,461	1,094	1,763	(722)	5,352
Interest income						325	325
Interest expense						289	289
Depreciation and amortization	249	43	118	90	144	159	803
Equity income (loss)	2	(9)	(52)	118	68	25	152
Income before income taxes and cumulative effect of accounting change	1,472	262	1,413	1,279	1,808	(564) <sup>7</sup>	5,670
Identifiable operating assets	4,738	517	2,292	1,681	2,121	5,646 <sup>5</sup>	16,995
Investments <sup>6</sup>	140	184	1,626	1,572	1,053	847	5,422
Capital expenditures	339	11	105	37	107	170	769
<b>2000</b>							
Net operating revenues	\$ 5,679	\$ 624	\$ 3,929	\$ 2,024	\$ 4,949 <sup>3</sup>	\$ 149	\$ 17,354
Operating income <sup>8</sup>	1,409	164	1,310 <sup>9</sup>	908	956	(1,056) <sup>10</sup>	3,691
Interest income						345	345
Interest expense						447	447
Depreciation and amortization	244	52	66	96	211	104	773
Equity income (loss) <sup>11</sup>	3	(17)	(21)	(75)	(290)	111	(289)
Income before income taxes	1,413	134	1,406 <sup>12</sup>	859	651	(1,064)	3,399
Identifiable operating assets	4,271	549	1,481	1,545	1,953	5,270 <sup>5</sup>	15,069
Investments <sup>6</sup>	141	191	1,904	1,767	993	769	5,765
Capital expenditures	259	8	197	16	132	121	733

Intercompany transfers between operating segments are not material. Certain prior year amounts have been reclassified to conform to the current year presentation.

<sup>1</sup> Net operating revenues, identifiable operating assets and investments for Europe, Eurasia and Middle East were significantly impacted by the acquisition of CCEAG.

<sup>2</sup> Net operating revenues, operating income and income before income taxes and cumulative effect of accounting change for Latin America were negatively impacted by exchange and challenging economic conditions, primarily in Argentina, Venezuela and Brazil.

<sup>3</sup> Revenues in Japan represented approximately 69 percent of total Asia operating segment net operating revenues in 2002, 74 percent in 2001 and 75 percent in 2000.

<sup>4</sup> Operating income was reduced by \$119 million for North America, \$24 million for Africa, \$51 million for Europe, Eurasia and Middle East, \$22 million for Latin America, \$51 million for Asia and \$106 million for Corporate to include the impact of adopting the fair value method of accounting for stock-based compensation under SFAS No. 123.

<sup>5</sup> Principally marketable securities, finance subsidiary receivables, goodwill, trademarks and other intangible assets and property, plant and equipment.

<sup>6</sup> Principally equity investments in bottling companies.

<sup>7</sup> Income before income taxes and cumulative effect of accounting change was increased by \$91 million for Corporate due to a noncash gain that was recognized on the issuance of stock by Coca-Cola Enterprises, one of our equity investees.

<sup>8</sup> Operating income was reduced by \$3 million for North America, \$397 million for Asia 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 \$132 million for North America, \$40 million for Africa, \$198 million for Europe, Eurasia and Middle East, \$59 million for Latin America, \$127 million for Asia and \$294 million for Corporate as a result of other operating charges associated with the Realignment.

<sup>9</sup> Operating income was reduced by \$30 million for Europe, Eurasia and Middle East due to incremental marketing expenses in Central Europe.

<sup>10</sup> Operating income was reduced by \$188 million for Corporate related to the settlement terms of a discrimination lawsuit, including a donation to The Coca-Cola Foundation.

<sup>11</sup> Equity income (loss) was reduced by \$9 million for Africa, \$26 million for Europe, Eurasia and Middle East, \$124 million for Latin America and \$306 million for Asia as a result of our Company's portion of charges recorded by equity investees.

<sup>12</sup> Income before income taxes was increased by \$118 million for Europe, Eurasia and Middle East as a result of a gain related to the merger of Coca-Cola Beverages plc and Hellenic Bottling Company S.A.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*The Coca-Cola Company and Subsidiaries*

COMPOUND GROWTH RATES ENDING 2002	North America	Africa	Europe, Eurasia & Middle East	Latin America	Asia	Corporate	Consolidated
Net operating revenues							
5 years	5.4%	0.9%	0.8%	0.4%	5.8%	(0.5)%	3.3%
10 years	5.6%	9.9%	2.0%	4.3%	8.7%	19.7 %	5.2%
Operating income							
5 years	2.8%	1.9%	0.0%	0.3%	4.7%	*	1.8%
10 years	7.8%	4.3%	4.2%	6.8%	7.9%	*	7.1%

\* Calculation is not meaningful.

## 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, 2002 and 2001, 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, 2002. 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, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States.

As discussed in Notes 1, 4 and 13 to the Consolidated Financial Statements, in 2002 the Company changed its method of accounting for goodwill and other intangible assets and changed its method of accounting for stock-based compensation. As discussed in Notes 1 and 10 to the Consolidated Financial Statements, in 2001 the Company changed its method of accounting for derivative instruments and hedging activities.

*Ernst & Young LLP*

Atlanta, Georgia

January 31, 2003



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 accounting principles generally accepted in the United States 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. Internal accounting controls include disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed is appropriately recorded, summarized and reported.

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. In addition, in our opinion, our Company's disclosure controls and procedures provide reasonable assurance that appropriate information is accumulated and communicated to senior management to allow timely decisions regarding required disclosures.

The Audit Committee of our Company's Board of Directors is composed solely of Directors who are not employees of the Company and who, in the opinion of the Board of Directors, are free of any relationships that would interfere with the exercise of judgment independent of management. The Committee 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. Our Audit Committee's Report can be found in the Company's annual proxy statement.

The independent auditors, Ernst & Young LLP, are appointed by the Audit Committee of 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 conducts 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

EXECUTIVE VICE PRESIDENT  
AND CHIEF FINANCIAL OFFICER



CONNIE D. MCDANIEL

VICE PRESIDENT  
AND CONTROLLER

February 20, 2003

## QUARTERLY DATA (UNAUDITED)

(In millions, except per share data) YEAR ENDED DECEMBER 31,	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
<b>2002</b>					
Net operating revenues	\$ 4,079	\$ 5,368	\$ 5,322	\$ 4,795	\$ 19,564
Gross profit	2,685	3,441	3,239	3,094	12,459
Net income before cumulative effect of accounting change	732	1,223	1,091	930	3,976
Net income (loss)	\$ (194)	\$ 1,223	\$ 1,091	\$ 930	\$ 3,050
Basic net income (loss) per share:					
Before accounting change	\$ .29	\$ .49	\$ .44	\$ .38	\$ 1.60
Cumulative effect of accounting change	(.37)	—	—	—	(.37)
Total	\$ (.08)	\$ .49	\$ .44	\$ .38	\$ 1.23
Diluted net income (loss) per share:					
Before accounting change	\$ .29	\$ .49	\$ .44	\$ .38	\$ 1.60
Cumulative effect of accounting change	(.37)	—	—	—	(.37)
Total	\$ (.08)	\$ .49	\$ .44	\$ .38	\$ 1.23
<b>2001</b>					
Net operating revenues	\$ 3,959	\$ 4,653	\$ 4,695	\$ 4,238	\$ 17,545
Gross profit	2,614	3,074	3,003	2,810	11,501
Net income	863	1,118	1,074	914	3,969
Basic net income per share	.35	.45	.43	.37	1.60
Diluted net income per share	.35	.45	.43	.37	1.60

Effective January 1, 2002, our Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets." For the Company's intangible assets, the cumulative effect of this change in accounting principle was a decrease to net income after taxes in the first quarter of 2002 of approximately \$367 million (\$.15 per share after income taxes, basic and diluted). For the Company's proportionate share of its equity method investees, the cumulative effect of this change in accounting principle was a decrease to net income after taxes in the first quarter of 2002 of approximately \$559 million (\$.22 per share after income taxes, basic and diluted). Refer to Note 4.

Effective January 1, 2002, our Company adopted the preferable fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation." Our Company selected the modified prospective method of adoption as described in SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure." Since SFAS No. 148 was issued in December 2002, results for the quarters previously reported in our 2002 Quarterly Reports on Form 10-Q were restated to the amounts noted above for the modified prospective method of adoption. The pretax impact of adopting the provisions under the modified prospective method for the three months ended March 31, 2002, June 30, 2002, September 30, 2002 and December 31, 2002 was \$95 million, \$92 million, \$95 million and \$91 million, respectively. The 2002 full year impact of adopting the provisions under the modified prospective method was \$.11 per share after income taxes, basic and diluted. Results for prior years have not been restated. Refer to Note 1.

Effective January 1, 2002, our Company adopted the provisions of Emerging Issues Task Force (EITF) Issue No. 01-9, "Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products." Refer to Note 1. The adoption of the remaining items included in EITF Issue No. 01-9 resulted in the Company reducing Net Operating Revenues by \$520 million, \$641 million, \$701 million and \$685 million, respectively, for the three months ended March 31, 2001, June 30, 2001, September 30, 2001 and December 31, 2001. This reclassification had no impact on Operating Income.

The first quarter of 2002 includes a noncash pretax charge of approximately \$157 million (\$.06 per share after income taxes, basic and diluted) primarily related to the write-down of our investments in Latin America.

In the first quarter of 2002, Cervejarias Kaiser S.A. sold its investment in Cervejarias Kaiser Brazil, Ltda to Molson Inc. (Molson) for cash of approximately \$485 million and shares of Molson valued at approximately \$150 million. Our Company's pretax share of the gain related to this sale was approximately \$43 million (\$.01 per share after income taxes, basic and diluted).

The third quarter of 2002 includes a noncash pretax charge of approximately \$33 million (\$.01 per share after income taxes, basic and diluted) related to our proportionate share of impairment and restructuring charges taken by certain investees in Latin America.

The third quarter of 2001 includes a noncash gain on the issuance of stock by one of our equity investees, Coca-Cola Enterprises, of approximately \$91 million (\$.02 per share after income taxes, basic and diluted).

### STOCK PRICES

Below is a summary of the New York Stock Exchange Composite high, low and closing prices of The Coca-Cola Company's stock for each quarter of 2002 and 2001.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>2002</b>				
High	\$ 52.68	\$ 57.91	\$ 57.50	\$ 53.10
Low	43.50	51.50	43.60	42.90
Close	52.26	56.00	47.96	43.84
<b>2001</b>				
High	\$ 62.19	\$ 49.35	\$ 50.70	\$ 50.45
Low	43.76	42.37	43.50	44.01
Close	45.16	45.00	46.85	47.15

# SELECTED FINANCIAL DATA

*The Coca-Cola Company and Subsidiaries*

(In millions except per share data, ratios and growth rates)	COMPOUND GROWTH RATES		YEAR ENDED DECEMBER 31,	
	5 Years	10 Years	2002 <sup>2,3,4</sup>	2001 <sup>4,5</sup>
<b>SUMMARY OF OPERATIONS</b>				
Net operating revenues	3.3 %	5.2%	<b>\$ 19,564</b>	\$ 17,545
Cost of goods sold	3.4 %	3.5%	<b>7,105</b>	6,044
Gross profit	3.3 %	6.3%	<b>12,459</b>	11,501
Selling, general and administrative expenses	4.8 %	5.7%	<b>7,001</b>	6,149
Other operating charges			<b>—</b>	—
Operating income	1.8 %	7.1%	<b>5,458</b>	5,352
Interest income			<b>209</b>	325
Interest expense			<b>199</b>	289
Equity income (loss)			<b>384</b>	152
Other income (loss)—net			<b>(353)</b>	39
Gains on issuances of stock by equity investees			<b>—</b>	91
Income before income taxes and changes in accounting principles	(1.9)%	7.2%	<b>5,499</b>	5,670
Income taxes	(4.6)%	5.8%	<b>1,523</b>	1,691
Net income before changes in accounting principles	(0.8)%	7.8%	<b>\$ 3,976</b>	\$ 3,979
Net income	(5.9)%	6.2%	<b>\$ 3,050</b>	\$ 3,969
Average shares outstanding			<b>2,478</b>	2,487
Average shares outstanding assuming dilution			<b>2,483</b>	2,487
<b>PER SHARE DATA</b>				
Income before changes in accounting principles—basic	(0.8)%	8.3%	<b>\$ 1.60</b>	\$ 1.60
Income before changes in accounting principles—diluted	(0.5)%	8.5%	<b>1.60</b>	1.60
Basic net income	(5.9)%	6.9%	<b>1.23</b>	1.60
Diluted net income	(5.6)%	7.1%	<b>1.23</b>	1.60
Cash dividends	7.4 %	11.1%	<b>.80</b>	.72
Market price on December 31,	(8.0)%	7.7%	<b>43.84</b>	47.15
<b>TOTAL MARKET VALUE OF COMMON STOCK<sup>1</sup></b>	(8.0)%	7.1%	<b>\$ 108,328</b>	\$ 117,226
<b>BALANCE SHEET AND OTHER DATA</b>				
Cash, cash equivalents and current marketable securities			<b>\$ 2,345</b>	\$ 1,934
Property, plant and equipment—net			<b>5,911</b>	4,453
Depreciation			<b>614</b>	502
Capital expenditures			<b>851</b>	769
Total assets			<b>24,501</b>	22,417
Long-term debt			<b>2,701</b>	1,219
Total debt			<b>5,356</b>	5,118
Share-owners' equity			<b>11,800</b>	11,366
Total capital <sup>1</sup>			<b>17,156</b>	16,484
<b>OTHER KEY FINANCIAL MEASURES<sup>1</sup></b>				
Total debt-to-total capital			<b>31.2%</b>	31.0%
Net debt-to-net capital			<b>21.1%</b>	22.6%
Return on common equity			<b>34.3%</b>	38.5%
Return on capital			<b>24.5%</b>	26.6%
Dividend payout ratio			<b>65.1%</b>	45.1%
Net cash provided by operations			<b>\$ 4,742</b>	\$ 4,110
Economic profit			<b>\$ 2,375</b>	\$ 2,466

<sup>1</sup> See Glossary on inside back cover.

<sup>2</sup> In 2002, we adopted SFAS No. 142, "Goodwill and Other Intangible Assets." Refer to Note 4 in our Consolidated Financial Statements.

<sup>3</sup> In 2002, we adopted the fair value method provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," and we adopted SFAS No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure."

<sup>4</sup> In 2002, we adopted EITF Issue No. 01-9, "Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products." In 2001, we adopted EITF Issue No. 00-14, "Accounting for Certain Sales Incentives" and EITF Issue No. 00-22, "Accounting for 'Points' and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to be Delivered in the Future." All prior years were reclassified to conform to the current year presentation.

<sup>5</sup> In 2001, we adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities."

<sup>6</sup> In 1998, we adopted SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits."

*The Coca-Cola Company and Subsidiaries*

2000 <sup>4</sup>	1999 <sup>4</sup>	1998 <sup>4,6</sup>	1997 <sup>4,6</sup>	1996 <sup>4,6</sup>	1995 <sup>4,6</sup>	1994 <sup>4,6,7</sup>	1993 <sup>4,6,8</sup>	1992 <sup>4,6,9,10</sup>
\$ 17,354	\$ 16,767	\$ 16,301	\$ 16,611	\$ 16,635	\$ 16,283	\$ 14,570	\$ 12,527	\$ 11,820
6,204	6,009	5,562	6,015	6,738	6,940	6,168	5,160	5,055
11,150	10,758	10,739	10,596	9,897	9,343	8,402	7,367	6,765
6,016	5,963	5,699	5,535	5,597	5,231	4,765	4,218	4,018
1,443	813	73	60	385	86	—	50	—
3,691	3,982	4,967	5,001	3,915	4,026	3,637	3,099	2,747
345	260	219	211	238	245	181	144	164
447	337	277	258	286	272	199	168	171
(289)	(184)	32	155	211	169	134	91	65
99	98	230	583	87	86	(25)	7	(59)
—	—	27	363	431	74	—	12	—
3,399	3,819	5,198	6,055	4,596	4,328	3,728	3,185	2,746
1,222	1,388	1,665	1,926	1,104	1,342	1,174	997	863
\$ 2,177	\$ 2,431	\$ 3,533	\$ 4,129	\$ 3,492	\$ 2,986	\$ 2,554	\$ 2,188	\$ 1,883
\$ 2,177	\$ 2,431	\$ 3,533	\$ 4,129	\$ 3,492	\$ 2,986	\$ 2,554	\$ 2,176	\$ 1,664
2,477	2,469	2,467	2,477	2,494	2,525	2,580	2,603	2,634
2,487	2,487	2,496	2,515	2,523	2,549	2,599	2,626	2,668
\$ .88	\$ .98	\$ 1.43	\$ 1.67	\$ 1.40	\$ 1.18	\$ .99	\$ .84	\$ .72
.88	.98	1.42	1.64	1.38	1.17	.98	.83	.71
.88	.98	1.43	1.67	1.40	1.18	.99	.84	.63
.88	.98	1.42	1.64	1.38	1.17	.98	.83	.62
.68	.64	.60	.56	.50	.44	.39	.34	.28
60.94	58.25	67.00	66.69	52.63	37.13	25.75	22.31	20.94
\$ 151,421	\$ 143,969	\$ 165,190	\$ 164,766	\$ 130,575	\$ 92,983	\$ 65,711	\$ 57,905	\$ 54,728
\$ 1,892	\$ 1,812	\$ 1,807	\$ 1,843	\$ 1,658	\$ 1,315	\$ 1,531	\$ 1,078	\$ 1,063
4,168	4,267	3,669	3,743	3,550	4,336	4,080	3,729	3,526
465	438	381	384	442	421	382	333	310
733	1,069	863	1,093	990	937	878	800	1,083
20,834	21,623	19,145	16,881	16,112	15,004	13,863	11,998	11,040
835	854	687	801	1,116	1,141	1,426	1,428	1,120
5,651	6,227	5,149	3,875	4,513	4,064	3,509	3,100	3,207
9,316	9,513	8,403	7,274	6,125	5,369	5,228	4,570	3,881
14,967	15,740	13,552	11,149	10,638	9,433	8,737	7,670	7,088
37.8%	39.6%	38.0%	34.8%	42.4%	43.1%	40.2%	40.4%	45.2%
29.4%	32.2%	28.1%	22.0%	31.6%	32.3%	25.5%	29.0%	33.1%
23.1%	27.1%	45.1%	61.6%	60.8%	56.4%	52.1%	51.8%	46.4%
16.2%	18.2%	30.2%	39.5%	36.8%	34.9%	32.8%	31.2%	29.4%
77.4%	65.0%	41.9%	33.6%	35.7%	37.2%	39.4%	40.6%	44.3%
\$ 3,585	\$ 3,883	\$ 3,433	\$ 4,033	\$ 3,463	\$ 3,328	\$ 3,361	\$ 2,508	\$ 2,232
\$ 861	\$ 1,128	\$ 2,480	\$ 3,325	\$ 2,718	\$ 2,291	\$ 1,896	\$ 1,549	\$ 1,300

<sup>7</sup> In 1994, we adopted SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities."

<sup>8</sup> In 1993, we adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits."

<sup>9</sup> In 1992, we adopted SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions."

<sup>10</sup> In 1992, we adopted SFAS No. 109, "Accounting for Income Taxes."