

## PART I

### ITEM 1. BUSINESS

The Coca-Cola Company is the largest manufacturer, distributor and marketer of nonalcoholic beverage concentrates and syrups in the world. Finished beverage products bearing our trademarks, sold in the United States since 1886, are now sold in more than 200 countries and include the leading soft drink products in most of these countries. In this report, the terms “Company,” “we,” “us” or “our” mean The Coca-Cola Company and all subsidiaries included in our consolidated financial statements.

Our business is nonalcoholic beverages—principally carbonated soft drinks, but also a variety of noncarbonated beverages. We manufacture 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 also produce, market and distribute juices and juice drinks and certain water products. In addition, we have ownership interests in numerous bottling and canning operations.

We were incorporated in September 1919 under the laws of the State of Delaware and succeeded to the business of a Georgia corporation with the same name that had been organized in 1892.

Our Company is one of numerous competitors in the commercial beverages market. Of the approximately 50 billion beverage servings of all types consumed worldwide every day, beverages bearing our trademarks (“Company Trademark Beverages”) account for more than 1.2 billion.

We believe that our success depends on our ability to connect with consumers by creating brands they love. It further depends on the capacity of our people, together with our bottling partners, to find new and appealing ways to deliver those brands to thirsty people everywhere. Our Company has adopted an approach to its business that is based on the following strategic priorities:

- Accelerate carbonated soft-drink growth, led by Coca-Cola
- Selectively broaden our family of beverage brands to drive profitable growth
- Grow system profitability and capability together with our bottling partners
- Serve customers with creativity and consistency to generate growth across all channels
- Direct investments to highest-potential areas across markets
- Drive efficiency and cost effectiveness everywhere

The Company’s operating structure includes the following operating segments, the first five of which are also sometimes referred to as strategic business units:

- North America
- Africa
- Asia
- Europe, Eurasia and Middle East
- Latin America
- Corporate

This structure is the basis for our Company’s internal financial reporting. The North America segment includes the United States, Canada and Puerto Rico. During the first quarter of 2002, the Egypt Region was reclassified from the Europe, Eurasia and Middle East segment to the Africa segment.

At the date of this report, the heads of the strategic business units are as follows: Donald R. Knauss (North America), Alexander B. Cummings, Jr. (Africa), Mary E. Minnick (Asia), A.R.C. “Sandy” Allan (Europe, Eurasia and Middle East) and José Octavio Reyes (Latin America). See “Item X.—Executive Officers of the

Company.” The heads of the strategic business units report to Steven J. Heyer, President and Chief Operating Officer of the Company. Steven J. Heyer reports to Douglas N. Daft, Chairman of the Board of Directors and Chief Executive Officer of the Company.

Except to the extent that differences between operating segments are material to an understanding of our business taken as a whole, the description of our business in this report is presented on a consolidated basis.

In the following table, prior period amounts have been reclassified to conform to the current period presentation. Unless we indicate otherwise, all references in this report to “\$” mean U.S. dollars. Information about our Company’s operations for the years ended December 31, 2003, 2002 and 2001, by operating segment, is as follows (in millions, except percentages):

	North America	Africa	Asia	Europe, Eurasia & Middle East	Latin America	Corporate	Consolidated
Net operating revenues							
<b>2003</b>	<b>\$ 6,344</b>	<b>\$ 827</b>	<b>\$ 5,052</b>	<b>\$ 6,556</b>	<b>\$ 2,042</b>	<b>\$ 223</b>	<b>\$ 21,044</b>
2002	6,264	684	5,054	5,262	2,089	211	19,564
2001	5,729	633	4,861	3,961	2,181	180	17,545
Operating income							
<b>2003</b>	<b>1,198</b>	<b>249</b>	<b>1,690</b>	<b>1,908</b>	<b>970</b>	<b>(794)</b>	<b>5,221</b>
2002	1,494	224	1,820	1,612	1,033	(725)	5,458
2001	1,480	276	1,763	1,461	1,094	(722)	5,352
Income before income taxes and cumulative effect of accounting change							
<b>2003</b>	<b>1,242</b>	<b>249</b>	<b>1,740</b>	<b>1,921</b>	<b>975</b>	<b>(632)</b>	<b>5,495</b>
2002	1,515	187	1,848	1,540	1,081	(672)	5,499
2001	1,472	262	1,808	1,413	1,279	(564)	5,670
Unit case volume growth rate (2003 vs. 2002)	2%	5%	4%	5%	4%	—	4%

For additional financial information about our operating segments and geographic areas, refer to Notes 1 and 19 to the Consolidated Financial Statements set forth in Part II, Item 8 of this report, incorporated herein by reference.

Our Company manufactures and sells beverage concentrates (sometimes referred to as beverage bases) and syrups, including fountain syrups. We also manufacture and sell some finished beverages, both carbonated and noncarbonated, including certain juice and juice-drink products and water products.

As used in this report:

- “concentrates” means flavoring ingredients used to prepare beverage syrups or finished beverages, not including sweeteners;
- “syrups” means the beverage ingredients produced by combining concentrate, sweetener and added water;
- “fountain syrups” means syrups that are sold to fountain retailers, such as restaurants, who use dispensing equipment to mix the syrups with carbonated or noncarbonated water at the time of purchase to produce finished beverages that are served to customers in cups or glasses for immediate consumption;
- “soft drinks” means nonalcoholic carbonated beverages containing flavorings and sweeteners, excluding, among others, waters, flavored waters, juices and juice drinks, sports drinks, teas and coffees; and
- “noncarbonated beverages” means nonalcoholic noncarbonated beverages including, but not limited to, waters, flavored waters, juices and juice drinks, sports drinks, teas and coffees.

We sell the concentrates and syrups for bottled and canned beverages to authorized bottling and canning operations. In addition to concentrates and syrups for soft drink products and flavored noncarbonated beverages, we also sell concentrates for purified water products such as Dasani to authorized bottling operations.

Authorized bottlers or canners either combine our syrup with carbonated water or combine our concentrate with sweetener, water and carbonated water to produce finished soft drinks. The finished soft drinks are packaged in authorized containers bearing our trademarks—such as cans, refillable and non-refillable glass and plastic bottles (“bottle/can products”)—and are then sold to retailers (“bottle/can retailers”) or, in some cases, wholesalers.

For our fountain products in the United States, we manufacture fountain syrups and sell them to authorized fountain wholesalers and some fountain retailers. For fountain retailers that have multiple outlets such as quick serve restaurants, often called “chain” accounts, we typically sell fountain syrups to the chain retailers directly, with fountain wholesalers or bottlers delivering and billing on our behalf for a fee. For fountain retailers that are not part of a chain, the retailers typically purchase fountain syrups from fountain wholesalers (including certain bottlers) that purchase the syrups from our Company. These wholesalers are authorized to sell the Company’s fountain syrups by a non-exclusive appointment from us that neither restricts us in setting the prices at which we sell fountain syrups to the wholesaler, nor restricts the territory in which the wholesaler may resell in the United States. Outside the United States, fountain syrups typically are manufactured by authorized bottlers from concentrates sold to them by the Company. The bottlers then typically sell the fountain syrups to wholesalers or directly to fountain retailers.

Finished beverages manufactured by us include a variety of carbonated and noncarbonated beverages. Most of these finished beverages are sold by us to authorized bottlers or distributors, who in turn sell these products to retailers or, in some cases, wholesalers. Both directly and through a network of business partners, including certain Coca-Cola bottlers, Company-manufactured juice and juice-drink products and certain water products are sold by us to retailers and wholesalers in the United States and numerous other countries.

The Company’s beverage products include bottled and canned beverages produced by independent and Company-owned bottling and canning operations, as well as concentrates, syrups and some non-ready-to-drink powder products. Our beverage products include Coca-Cola, Coca-Cola classic, caffeine free Coca-Cola, caffeine free Coca-Cola classic, diet Coke (sold under the trademark Coca-Cola light in many countries other than the United States), caffeine free diet Coke, diet Coke with lemon, diet Coke with lime, Vanilla Coke, diet Vanilla Coke, Cherry Coke, diet Cherry Coke, Fanta brand soft drinks, Sprite, diet Sprite (sold under the trademark Sprite light in many countries other than the United States), Sprite Remix, Mr. Pibb, Mello Yello, TAB, Fresca, Barq’s root beer and other flavors, Citra, POWERade, Minute Maid flavors, Aquarius, Sokenbicha, Ciel, Bonaqa, Bonaqua, Dasani, Lift, Thums Up, Kinley, Pop, Eight O’Clock, Qoo and other products developed for specific countries, including Georgia brand ready-to-drink coffees, and numerous other brands. In many countries (excluding the United States, among others), our Company’s beverage products also include Schweppes, Canada Dry, Dr Pepper and Crush. Our Company produces, distributes and markets juice and juice-drink products, including Minute Maid juices and juice drinks, Simply Orange orange juice, Odwalla super premium juices and drinks, Five Alive refreshment beverages, Bacardi tropical fruit mixers (manufactured and marketed under a license from Bacardi & Company Limited), and Hi-C ready-to-serve fruit drinks. Beverage Partners Worldwide, the Company’s 50%-owned joint venture with Nestlé S.A., markets ready-to-drink teas and coffees in certain countries. Our Company is the exclusive master distributor of Evian bottled water in the United States and Canada. In addition, CCDA Waters, L.L.C., a 51%-owned consolidated subsidiary, markets Dannon, Sparkletts and other water brands in the United States under a license from Groupe Danone.

Consumer demand determines the optimal menu of Company product offerings. Consumer demand can vary from one locale to another and can change over time within a single locale. Employing our business strategy, and with special focus on Coca-Cola, our Company seeks to build its existing brands and, at the same

time, to broaden its historical family of brands, products and services in order to create and satisfy consumer demand locale by locale.

Our Company introduced a variety of new brands and products during 2003. Among numerous examples, Vanilla Coke and diet Vanilla Coke were introduced into more than 50 countries during the year. Sprite Remix was rolled out in the United States in May, followed by Barq's Floatz in select U.S. markets in June. In addition, extensions of the Sprite brand also were introduced in other countries, including Sprite Ice in Canada, Belgium and Hong Kong; a similar formulation called Sprite ICE in Australia; Sprite Ice Blue in Italy; and Sprite Super Lemon in Hong Kong. In the United States, other new products included Minute Maid Premium Heart Wise, an orange juice product with plant sterols to help reduce cholesterol; Minute Maid Limeade; and Swerve, a milk-based beverage. In Argentina, we launched Nativa, a natural soft drink flavored with the yerba mate herb. Kuat with Orange, the latest extension of the popular Kuat line of guaraná beverages, was introduced in Brazil. Dasani, one of our leading bottled water brands, was rolled out in Ghana and Kenya.

During 2003, we acquired certain brands or license rights for brands. Among others, these included the Cosmos brands in the Philippines, the Multivita spring water brand in Poland, the Neverfail Springwater trademark in Australia, the Chaudfontaine water brand in Belgium and the Valpre water trademark in South Africa.

Our Company measures sales volume in two ways: (1) gallons and (2) unit cases of finished products. "Gallons" is a unit of measurement for 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. We also measure volume in unit cases. As used in this report, "unit case" means a unit of measurement equal to 192 U.S. fluid ounces of finished beverage (24 eight-ounce servings); and "unit case volume" of the Company 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 bottling system or by the Company to customers. This volume primarily consists of beverage products bearing Company trademarks. Also included in unit case volume are certain products licensed to our Company or owned by Coca-Cola system bottlers, for which our Company provides marketing support and derives profit from the sales. Such products licensed to our Company or owned by Coca-Cola system bottlers account for a minimal portion of total unit case volume. Although most of our Company's revenues are 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 business system because it measures trends at the consumer level.

In 2003, concentrates and syrups for beverages bearing the trademark "Coca-Cola" or including the trademark "Coke" accounted for approximately 56% of the Company's total gallon sales.

In 2003, gallon sales in the United States ("U.S. gallon sales") represented approximately 28% of the Company's worldwide gallon sales. Approximately 60% of U.S. gallon sales for 2003 was attributable to sales of beverage concentrates and syrups to approximately 80 authorized bottler ownership groups in approximately 394 licensed territories. Those bottlers prepare and sell finished beverages bearing our trademarks for the food store and vending machine distribution channels and for other distribution channels supplying home and immediate consumption. Approximately 32% of 2003 U.S. gallon sales was attributable to fountain syrups sold to fountain retailers and to approximately 640 authorized fountain wholesalers, some of which are authorized bottlers. The remaining approximately 8% of 2003 U.S. gallon sales was attributable to sales by the Company of finished beverages, including juice and juice-drink products and certain water products. Coca-Cola Enterprises Inc., including its bottling subsidiaries and divisions ("CCE"), accounted for approximately 51% of the Company's U.S. gallon sales in 2003. At December 31, 2003, our Company held an ownership interest of approximately 37% in CCE, which is the world's largest bottler of Company Trademark Beverages.

In 2003, gallon sales outside the United States represented approximately 72% of the Company's worldwide gallon sales. The countries outside the United States in which our gallon sales were the largest in 2003 were Mexico, Brazil, Japan and Germany, which together accounted for approximately 25% of our worldwide gallon

sales. Approximately 91% of non-U.S. unit case volume for 2003 was attributable to sales of beverage concentrates and syrups to authorized bottlers in approximately 544 licensed territories, together with sales by the Company of finished beverages other than juice and juice-drink products. Approximately 6% of 2003 non-U.S. unit case volume was attributable to fountain syrups. The remaining approximately 3% of 2003 non-U.S. unit case volume was attributable to juice and juice-drink products.

In addition to conducting our own independent advertising and marketing activities, we may provide promotional and marketing services and/or funds and consultation to our bottlers. In most cases we do this on a discretionary basis, under the terms of commitment letters or agreements, even though we are not obligated to do so under the terms of the bottling or distribution agreements between our Company and the bottlers. Also on a discretionary basis, in most cases, the Company may develop and introduce new products, packages and equipment to assist its bottlers. Likewise, in many instances we provide promotional and marketing services and/or funds and/or dispensing equipment and repair services to fountain and bottle/can retailers, typically pursuant to marketing agreements. The aggregate amount of funds provided by our Company to bottlers, resellers, vendors or customers of our Company's products, principally including participation in sales promotion programs and volume-based incentives, was approximately \$3.7 billion in 2003.

The profitability of our business outside the United States is subject to many factors, including governmental laws, regulations and monetary policies; competitive, economic and political conditions in the countries in which our business is conducted; and the risk of changes in currency exchange rates and regulations.

#### **Bottler's Agreements and Distribution Agreements**

Separate contracts ("Bottler's Agreements") exist between our Company and each of its bottlers regarding the manufacture and sale of soft drinks. Subject to specified terms and conditions and certain variations, the Bottler's Agreements generally authorize the bottler to prepare particular designated Company Trademark Beverages, to package the same in particular authorized containers, and to distribute and sell the same in (but generally only in) an identified territory. The bottler is obligated to purchase its entire requirement of concentrates or syrups for the designated Company Trademark Beverages from the Company or Company-authorized suppliers. We typically agree to refrain from selling or distributing or from authorizing third parties to sell or distribute the designated Company Trademark Beverages throughout the identified territory in the particular authorized containers; however, we typically reserve for ourselves or our designee the right (1) to prepare and package such beverages in such containers in the territory for sale outside the territory and (2) to prepare, package, distribute and sell such beverages in the territory in any other manner or form. Territorial restrictions on bottlers vary in some cases in accordance with local law.

The Bottler's Agreements between us and our authorized bottlers in the United States differ in certain respects from those in the other countries in which Company Trademark Beverages are sold. As further discussed below, the principal differences involve the duration of the agreements; the inclusion or exclusion of canned beverage production rights; the inclusion or exclusion of authorizations to manufacture and distribute fountain syrups; in some cases, the degree of flexibility on the part of the Company to determine the pricing of syrups and concentrates; and the extent, if any, of the Company's obligation to provide marketing support.

***Outside the United States.*** The Bottler's Agreements between us and our authorized bottlers outside the United States generally are of stated duration, subject in some cases to possible extensions or renewals of the term of the contract. Generally, these contracts are subject to termination by the Company following the occurrence of certain designated events. These events include defined events of default and certain changes in ownership or control of the bottler.

In certain parts of the world outside the United States, we have not granted comprehensive beverage production rights to the bottlers. In such instances, we or our designees typically sell canned (or in some cases bottled) Company Trademark Beverages to the bottlers for sale and distribution throughout the designated territory under distribution agreements, often on a non-exclusive basis. A majority of the Bottler's Agreements

in force between us and bottlers outside the United States authorize the bottler to manufacture and distribute fountain syrups, usually on a non-exclusive basis.

Our Company generally has complete flexibility to determine the price and other terms of sale of the concentrates and syrups we sell to bottlers outside the United States. In some instances, however, we have agreed or may in the future agree with the bottler with respect to concentrate pricing on a prospective basis for specified time periods. Outside the United States, in most cases we have no obligation to provide marketing support to the bottlers. Nevertheless, we may, in our discretion, contribute towards bottler expenditures for advertising and marketing. We may also elect to undertake independent or cooperative advertising and marketing activities.

***Within the United States.*** In the United States, with certain very limited exceptions, the Bottler's Agreements for Coca-Cola and other cola-flavored beverages have no stated expiration date. Our standard contracts for other soft drink flavors and for noncarbonated beverages are of stated duration, subject to bottler renewal rights. The Bottler's Agreements in the United States are subject to termination by the Company for nonperformance or upon the occurrence of certain defined events of default which may vary from contract to contract. The so-called "1987 Contract," described below, is terminable by the Company upon the occurrence of certain events including:

- the bottler's insolvency, dissolution, receivership or the like;
- any disposition by the bottler or any of its subsidiaries of any voting securities of any bottler subsidiary without the consent of the Company;
- any material breach of any obligation of the bottler under the 1987 Contract; or
- except in the case of certain bottlers, if a person or affiliated group acquires or obtains any right to acquire beneficial ownership of more than 10% of any class or series of voting securities of the bottler without authorization by the Company.

Under the terms of the Bottler's Agreements, bottlers in the United States are authorized to manufacture and distribute Company Trademark Beverages in bottles and cans. However, these bottlers generally are not authorized to manufacture fountain syrups. Rather, as described above, our Company manufactures and sells fountain syrups to authorized fountain wholesalers (including certain authorized bottlers) and some fountain retailers. These wholesalers in turn sell the syrups or deliver them on our behalf to restaurants and other retailers.

In the United States, the form of Bottler's Agreement for cola-flavored soft drinks that covers the largest amount of U.S. volume (the "1987 Contract") gives us complete flexibility to determine the price and other terms of sale of soft drink concentrates and syrups for cola-flavored Company Trademark Beverages ("Coca-Cola Trademark Beverages") and other Company Trademark Beverages. In some instances, we have agreed or may in the future agree with the bottler with respect to concentrate pricing on a prospective basis for specified time periods. Bottlers operating under the 1987 Contract accounted for approximately 88% of our Company's total United States gallon sales for bottled and canned beverages, excluding direct sales by the Company of juice and juice-drink products and other finished beverages ("U.S. bottle/can gallon sales") in 2003. Certain other forms of U.S. Bottler's Agreements, entered into prior to 1987, provide for soft drink concentrates or syrups for certain Coca-Cola Trademark Beverages to be priced pursuant to a stated formula. The oldest such form of contract, applicable to bottlers accounting for approximately 1% of U.S. bottle/can gallon sales in 2003, provides for a fixed price for Coca-Cola syrup used in bottles and cans. This price is subject to quarterly adjustments to reflect changes in the quoted price of sugar. Bottlers accounting for the remaining approximately 11% of U.S. bottle/can gallon sales in 2003 have contracts for certain Coca-Cola Trademark Beverages with pricing formulas generally providing for a baseline price. This baseline price may be adjusted periodically by the Company, up to a maximum indexed ceiling price, and is adjusted quarterly based upon changes in certain sugar or sweetener prices, as applicable.

We have standard contracts with bottlers in the United States for the sale of concentrates and syrups for non-cola-flavored soft drinks and certain noncarbonated beverages in bottles and cans; and in certain cases for the sale of finished noncarbonated beverages in bottles and cans. All of these standard contracts give the Company complete flexibility to determine the price and other terms of sale.

Under the 1987 Contract and most of our other standard soft drink and noncarbonated beverage contracts with bottlers in the United States, our Company has no obligation to participate with bottlers in expenditures for advertising and marketing. Nevertheless, in our discretion we may contribute toward such expenditures and undertake independent or cooperative advertising and marketing activities. Some U.S. Bottler's Agreements that pre-date the 1987 Contract impose certain marketing obligations on us with respect to certain Company Trademark Beverages.

The Company's ability to exercise its contractual flexibility to determine the price and other terms of sale of its syrups, concentrates, and finished beverages under various agreements described above is, both outside and within the United States, subject to competitive market conditions.

### *Significant Equity Investments and Company Bottling Operations*

Our Company maintains business relationships with three types of bottlers:

- independently owned bottlers, in which the Company has no ownership interest;
- bottlers in which the Company has invested and has a noncontrolling ownership interest; and
- bottlers in which the Company has invested and has a controlling ownership interest.

In 2003, independently owned bottling operations produced and distributed approximately 24% of our worldwide unit case volume. We have equity positions in 52 unconsolidated bottling, canning and distribution operations for our products worldwide. These cost or equity method investees produced and distributed approximately 58% of our worldwide unit case volume in 2003. Controlled and consolidated bottling operations produced and distributed approximately 8% of our worldwide unit case volume in 2003. The remaining approximately 10% of our worldwide unit case volume in 2003 was produced and distributed by our fountain operations plus our juice, juice drink, sports drink and other finished beverage operations.

We make equity investments in selected bottling operations with the intention of maximizing the strength and efficiency of the Coca-Cola system's production, distribution and marketing systems around the world. These investments are intended to result in increases in unit case volume, net revenues, and profits at the bottler level, which in turn generate increased gallon sales for our Company's concentrate business. When this occurs, both we and the bottlers benefit from long-term growth in volume, improved cash flows and increased share-owner value.

The level of our investment generally depends on the bottler's capital structure and its available resources at the time of the investment. Historically, in certain situations, we have viewed it as advantageous 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 and assist in the development of the bottler's business and information systems and the establishment of appropriate capital structures.

In line with our long-term bottling strategy, we may periodically consider options for reducing our ownership interest in a bottler. One such option is to combine our bottling interests with the bottling interests of others to form strategic business alliances. Another option is to sell our interest in a bottling operation to one of our equity investee bottlers. In both of these situations, our Company continues to participate in the bottler's results of operations through its share of the equity investee's earnings or losses.

In cases where our investments in bottlers represent noncontrolling interests, our intention is to provide expertise and resources to strengthen those businesses.

Significant investees that we account for by the equity method include the following:

***Coca-Cola Enterprises Inc.*** Our ownership interest in CCE was approximately 37% at December 31, 2003. CCE is the world's largest bottler of the Company's beverage products. In 2003, net sales of concentrates and syrups by the Company to CCE were approximately \$4.7 billion. CCE estimates that the territories in which it markets beverage products to retailers (which include portions of 46 states and the District of Columbia in the U.S., Canada, Great Britain, continental France, the Netherlands, Luxembourg, Belgium and Monaco) contain approximately 79% of the United States population, 98% of the population of Canada, and 100% of the populations of Great Britain, continental France, the Netherlands, Luxembourg, Belgium and Monaco.

Excluding products in fountain form, in 2003, approximately 62% of the unit case volume of CCE was Coca-Cola Trademark Beverages, approximately 32% of its unit case volume was other Company Trademark Beverages, and approximately 6% of its unit case volume was beverage products of other companies. CCE's net operating revenues were approximately \$17.3 billion in 2003.

***Coca-Cola FEMSA, S.A. de C.V. ("Coca-Cola FEMSA")***. Our ownership interest in Coca-Cola FEMSA was approximately 40% at December 31, 2003. Coca-Cola FEMSA is a Mexican holding company with bottling subsidiaries in the Valley of Mexico, Mexico's southeastern region, a substantial part of central Mexico; greater São Paulo, Campinas, Santos and part of Matto Grosso do Sul, Brazil; central Guatemala; most of Colombia; all of Costa Rica, Venezuela, Nicaragua and Panama; and greater Buenos Aires, Argentina. Coca-Cola FEMSA estimates that the territories in which it markets beverage products contain approximately 46% of the population of Mexico, 15% of the population of Brazil, 98% of the population of Colombia, 38% of the population of Guatemala, 100% of the populations of Costa Rica, Venezuela, Nicaragua and Panama, and approximately 30% of the population of Argentina.

In 2003, Coca-Cola FEMSA's net sales of beverage products were approximately \$3.2 billion. In 2003, approximately 60% of the unit case volume of Coca-Cola FEMSA was Coca-Cola Trademark Beverages, approximately 33% of its unit case volume was other Company Trademark Beverages and approximately 7% of its unit case volume was beverage products of Coca-Cola FEMSA or other companies.

***Coca-Cola Hellenic Bottling Company S.A. ("Coca-Cola HBC")***. At December 31, 2003, our ownership interest in Coca-Cola HBC was approximately 24%. Coca-Cola HBC has bottling and distribution rights, through direct ownership or joint ventures, in Armenia, Austria, Belarus, Bosnia-Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Former Yugoslavian Republic of Macedonia, Greece, Hungary, Italy, Latvia, Lithuania, Moldova, Nigeria, Northern Ireland, Poland, Republic of Ireland, Romania, Russia, Serbia and Montenegro, Slovakia, Slovenia, Switzerland and Ukraine. Coca-Cola HBC estimates that the territories in which it markets beverage products contain approximately 67% of the population of Italy and 100% of the populations of the other countries named above in which Coca-Cola HBC has bottling and distribution rights.

In 2003, Coca-Cola HBC's net sales of beverage products were approximately \$4.5 billion. In 2003, approximately 49% of the unit case volume of Coca-Cola HBC was Coca-Cola Trademark Beverages, approximately 45% of its unit case volume was other Company Trademark Beverages and approximately 6% of its unit case volume was beverage products of Coca-Cola HBC or other companies.

***Coca-Cola Amatil Limited ("Coca-Cola Amatil")***. At December 31, 2003, our Company's ownership interest in Coca-Cola Amatil was approximately 34%. Coca-Cola Amatil is the largest bottler of the Company's beverage products in Australia and also has bottling and distribution rights, through direct ownership or joint ventures, in New Zealand, Fiji, Papua New Guinea, Indonesia and South Korea. Coca-Cola Amatil estimates that the territories in which it markets beverage products contain approximately 99% of the population of Australia, 100% of the populations of New Zealand, Fiji, South Korea and Papua New Guinea, and 98% of the population of Indonesia.

In 2003, Coca-Cola Amatil's net sales of beverage products were approximately \$2.2 billion. In 2003, approximately 54% of the unit case volume of Coca-Cola Amatil was Coca-Cola Trademark Beverages,

approximately 38% of its unit case volume was other Company Trademark Beverages, approximately 8% of its unit case volume was beverage products of Coca-Cola Amatil and less than 1% of its unit case volume was beverage products of other companies.

**Other Interests.** We own a 50% interest in a joint venture with Nestlé S.A. (“Nestlé”) and certain of its subsidiaries which is focused upon the ready-to-drink tea and coffee businesses. The joint venture, known as Beverage Partners Worldwide (“BPW”), currently has sales in the United States and approximately 45 other countries. BPW serves as the exclusive vehicle through which our Company and Nestlé participate in the ready-to-drink tea and coffee business, except in Japan. BPW markets ready-to-drink tea products under the Nestea, Belté, Yang Guang, Nagomi, Heaven and Earth, Funchum, Frestea, Ten Ren and Tian Tey trademarks, and ready-to-drink coffee products under the Nescafé, Taster’s Choice and Georgia Club trademarks.

In July 2002, our Company and Danone Waters of North America, Inc. (“DWNA”) formed a new company, CCDA Waters, L.L.C. (“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 including five production facilities, a license for the use of the Dannon and Sparkletts brands, and ownership of several value brands. Our Company made a cash payment to acquire a controlling 51% equity interest in CCDA and is also providing marketing, distribution and management expertise. The results of CCDA’s operations have been included in our Company’s consolidated financial statements since July 2002.

### **Other Developments**

During 2003, the Company took steps to streamline and simplify its operations, primarily in North America and Germany. In North America, the Company integrated the operations of our three separate North American business units: Coca-Cola North America, The Minute Maid Company and Fountain. In Germany, our consolidated subsidiary, Coca-Cola Erfrischungsgetraenke AG (“CCEAG”), took steps to improve efficiency in sales, distribution and manufacturing, and our German Division office also implemented streamlining initiatives. Selected other operations also took steps to streamline their operations to improve overall efficiency and effectiveness. As of December 31, 2003, approximately 3,700 employees had been separated from the Company pursuant to these streamlining initiatives.

In March 2003, our Company acquired Truesdale Packaging Company LLC (“Truesdale”) from CCE for approximately \$58 million. Truesdale owns a noncarbonated beverage production facility.

In March 2003, we sold 50% of our interest in the Piedmont Coca-Cola Bottling Partnership to our partner, Coca-Cola Ventures, Inc., a subsidiary of Coca-Cola Bottling Co. Consolidated, for approximately \$54 million. Following the sale, our ownership interest in Piedmont Coca-Cola Bottling Partnership was approximately 23%.

In April 2003, the Company and Coca-Cola Bottlers Philippines, Inc. (“CCBPI”) completed a transaction that restructured the ownership of the operations of Cosmos Bottling Corporation (“CBC”), a publicly traded Philippine beverage company. Prior to this transaction, our Company and CCBPI together owned approximately 99% of the outstanding shares of CBC. The April transaction resulted in our Company acquiring all trademarks of CBC and CCBPI owning approximately 99% of the outstanding shares of CBC.

In December 2002, one of the Company’s equity method investees, Coca-Cola FEMSA, entered into a merger agreement with another of the Company’s equity method investees, Panamerican Beverages, Inc. (“Panamco”). This merger proposal was approved by share owners of Panamco in April 2003, and the merger was consummated effective May 6, 2003. Under the terms of the merger, the Company received new Coca-Cola FEMSA shares in exchange for all Panamco shares previously held by the Company. The Company’s ownership interest in Coca-Cola FEMSA increased from 30% to approximately 40% as a result of this merger.

In July 2003, we made a convertible loan in the amount of approximately \$133 million to The Coca-Cola Bottling Company of Egypt (“TCCBCE”). The loan is convertible into preferred shares of TCCBCE upon receipt of required governmental approvals. Additionally, upon certain defaults under either the loan agreement

or the terms of the preferred shares, we have the ability to convert the loan or the preferred shares into common shares. At December 31, 2003, our Company owned approximately 42% of the common shares of TCCBCE.

Effective October 1, 2003, the Company and all of its bottling partners in Japan created a nationally integrated supply chain management company to centralize procurement, production and logistics operations for the entire Coca-Cola system in Japan.

During the fourth quarter of 2003, we collaborated with CCE in an intensive joint strategic planning process. We expect that this collaboration will continue to benefit both companies as we jointly focus on creating innovative brands and packages, marketing and distributing our products more effectively, rationalizing information technology projects, and managing costs in the supply chain more effectively. In addition, we have committed to reexamine the economic relationship between the two companies as we seek to create greater focus on revenue growth and improved returns on capital.

### **Seasonality**

Sales of our ready-to-drink nonalcoholic beverages are somewhat seasonal, with the second and third calendar quarters accounting for the highest sales volumes in the Northern Hemisphere. The volume of sales in the beverages business may be affected by weather conditions.

### **Competition**

Our Company competes in the nonalcoholic beverages segment of the commercial beverages industry. Based on internally available data and a variety of industry sources, we believe that in 2003, worldwide sales of Company products comprised approximately 10% of total worldwide sales of nonalcoholic beverage products. The nonalcoholic beverages segment of the commercial beverages industry is highly competitive, consisting of numerous firms. These include firms that compete, like our Company, in multiple geographical areas as well as firms that are primarily local in operation. Competitive products include carbonates, packaged water, juices and nectars, fruit drinks and dilutables (including syrups and powdered drinks), sports and energy drinks, coffee and tea, still drinks and other beverages. Nonalcoholic beverages are sold to consumers in both ready-to-drink and not-ready-to-drink form. In many of the countries in which we do business, including the United States, PepsiCo, Inc. is a primary competitor of ours. Other significant competitors include Nestlé S.A., Cadbury Schweppes plc, Groupe Danone and Kraft Foods Inc., among others.

Most of our beverages business currently is in soft drinks, as that term is defined in this report. The soft-drink business, which is part of the nonalcoholic beverages segment, is itself highly competitive, and soft drinks face significant competition from nonalcoholic beverages and other beverages. Our Company is the leading seller of soft-drink concentrates and syrups in the world. Numerous firms, however, compete in that business. These consist of a range of firms, from local to international, that compete against our Company in numerous geographical areas.

Competitive factors with respect to our business include pricing, advertising, sales promotion programs, product innovation, increased efficiency in production techniques, the introduction of new packaging, new vending and dispensing equipment, and brand and trademark development and protection.

Positive aspects of our competitive position include strong brands with a high level of consumer acceptance, a worldwide network of bottlers and distributors of Company products, sophisticated marketing capabilities and a talented group of dedicated employees. Negative aspects of our competitive position include strong competition in all geographic regions, and, in many countries, a concentrated retail sector with powerful buyers able to freely choose between Company products, products of competitive beverage suppliers, and individual retailers' own store-brand beverages.

## **Raw Materials**

The principal raw materials used by our business are nutritive and non-nutritive sweeteners. In the United States, the principal nutritive sweetener is high-fructose corn syrup, a form of sugar, which is available from numerous domestic sources and is historically subject to fluctuations in its market price. The principal nutritive sweetener used by our business outside the United States is sucrose, another form of sugar, which is also available from numerous sources and is historically subject to fluctuations in its market price. Our Company generally has not experienced any difficulties in obtaining its requirements for sweeteners. In the United States we purchase our requirements of high-fructose corn syrup with the assistance of Coca-Cola Bottlers' Sales & Services Company LLC ("CCBSS"). CCBSS is a limited liability company that is owned by authorized Coca-Cola bottlers doing business in the United States. CCBSS provides procurement services to our Company for the purchase of various goods and services, including high-fructose corn syrup.

Generally, raw materials utilized by us in our business are readily available from numerous sources. However, aspartame, an important non-nutritive sweetener which is usually used alone or in combination with other important non-nutritive sweeteners such as saccharin or acesulfame potassium in our low-calorie soft-drink products, is currently purchased by us primarily from The NutraSweet Company, Holland Sweetener Company, and Ajinomoto Co., Inc., which we consider to be our only viable sources for the supply of this product. Acesulfame potassium is currently purchased from Nutrinova Nutrition Specialties & Food Ingredients GmbH, which we consider to be our only viable source for the supply of this product.

With regard to juice and juice-drink products, the citrus industry is subject to the variability of weather conditions. This includes in particular the possibility of freezes in central Florida, which may result in higher prices and lower consumer demand for orange juice throughout the industry. Due to our long-standing relationship with a supplier of high-quality Brazilian orange juice concentrate, the supply of juice available that meets the Company's standards is normally adequate to meet demand.

## **Patents, Trade Secrets, Trademarks and Copyrights**

Our Company is the owner of numerous patents, copyrights and trade secrets, as well as substantial know-how and technology, which we collectively refer to in this report as "technology." This technology generally relates to our Company's products and the processes for their production, the packages used for its products, the design and operation of various processes and equipment used in its business and certain quality assurance and financial software. Some of the technology is licensed to suppliers and other parties. Our soft-drink and other beverage formulae are among the important trade secrets of the Company.

We own numerous trademarks which are very important to our business. Depending upon the jurisdiction, trademarks are valid as long as they are in use and/or their registrations are properly maintained and they have not been found to have become generic. Registrations of trademarks can generally be renewed indefinitely as long as the trademarks are in use. The majority of our Company's trademark license agreements are included in the Company's Bottler's Agreements. The Company has registered and licenses the right to use its trademarks in conjunction with certain merchandise in addition to nonalcoholic beverages.

## **Governmental Regulation**

Our Company is required to comply, and it is our policy to comply, with applicable laws in the numerous countries throughout the world in which we do business. In many jurisdictions, compliance with competition laws is of special importance to us, and our operations may come under special scrutiny by competition law authorities, due to our competitive position in those jurisdictions.

The production, distribution and sale in the United States of many of the Company's products are subject to the Federal Food, Drug and Cosmetic Act; the Occupational Safety and Health Act; the Lanham Act; various environmental statutes; and various other federal, state and local statutes and regulations applicable to the production, transportation, sale, safety, advertising, labeling and ingredients of such products.

A California law requires that a specific warning appear on any product that contains a component listed by the State as having been found to cause cancer or birth defects. The law exposes all food and beverage producers to the possibility of having to provide warnings on their products. This is because the law recognizes no generally applicable quantitative thresholds below which a warning is not required. Consequently, even trace amounts of listed components can expose affected products to the prospect of warning labels. Products containing listed substances that occur naturally in the product or that are contributed to the product solely by a municipal water supply are generally exempt from the warning requirement. No Company beverage products are currently required to display warnings under this law. However, we are unable to predict whether an important component of a Company product might be added to the California list in the future. We are also unable to predict whether or to what extent a warning under this law would have an impact on costs or sales of Company beverage products.

Bottlers of our beverage products presently offer nonrefillable, recyclable containers in all areas of the United States and Canada. Some of these bottlers also offer refillable containers, which are also recyclable. Measures have been enacted in various localities and states which require that a deposit be charged for certain non-refillable beverage containers. The precise requirements imposed by these measures vary. Other deposit, recycling or product stewardship proposals have been introduced in various jurisdictions. We anticipate that similar legislation or regulations may be proposed in the future at the local, state and federal levels, both in the United States and elsewhere.

All of our Company's facilities in the United States are subject to federal, state and local environmental laws and regulations. Compliance with these provisions has not had, and we do not expect such compliance to have, any material adverse effect upon our Company's capital expenditures, net income or competitive position.

### **Employees**

As of December 31, 2003, our Company employed approximately 49,000 persons, compared to approximately 56,000 at the end of 2002. The decrease in the number of employees was primarily due to (1) our streamlining initiatives, mainly in North America and Germany, and (2) the deconsolidation of Cosmos Bottling Corporation in the Philippines. At the end of 2003, approximately 9,200 Company employees were located in the United States.

Our Company, through its divisions and subsidiaries, has entered into numerous collective bargaining agreements. We have no reason to believe that we will not be able to renegotiate any such agreements on satisfactory terms. The Company believes that its relations with its employees are generally satisfactory.

### **Securities Exchange Act Reports**

The Company maintains an Internet website at the following address: [www.coca-cola.com](http://www.coca-cola.com). The information on the Company's website is not incorporated by reference in this annual report on Form 10-K.

We make available on or through our website certain reports and amendments to those reports that we file with or furnish to the Securities and Exchange Commission (the "SEC") in accordance with the Securities Exchange Act of 1934 (the "Securities Exchange Act"). These include our annual reports on Form 10-K, our quarterly reports on Form 10-Q and our current reports on Form 8-K. We make this information available on our website free of charge as soon as reasonably practicable after we electronically file the information with, or furnish it to, the SEC.