

THE COCA-COLA COMPANY

296
ANNUAL REPORT 1986



"When Coca-Cola is a part of your life,
you can't beat the feeling."

The Coca-Cola Company is the worldwide soft drink leader, as well as one of the world's leading producers and distributors of filmed entertainment and the leading U.S. marketer of orange juice and juice products.



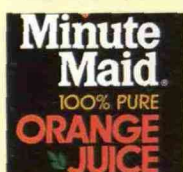
Page 10 *Placing a strategic emphasis on accelerating unit sales growth of the Company's sugar colas, the North America Soft Drink Business Sector recorded impressive sales volume and share gains.*



Page 15 *Acting on its commitment to increase international per capita consumption of soft drinks, the International Soft Drink Business Sector produced its second consecutive year of double-digit sales volume growth.*



Page 20 *Through the production, acquisition and distribution of motion pictures and television programming, the Entertainment Business Sector enhanced its position as a leading force in the worldwide filmed entertainment industry.*



Page 26 *The Foods Business Sector aggressively marketed its products in a difficult industry environment, achieving sales volume and share gains and setting the stage for future growth.*

Cover: The leadership of the Coca-Cola trademark reached new heights in 1986. A new U.S. advertising campaign, "When Coca-Cola is a part of your life, you can't beat the feeling," captures the essence of the special role that Coca-Cola plays in people's lives all over the world.

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FINANCIAL HIGHLIGHTS

(In millions except per share data)

The Coca-Cola Company and Subsidiaries

Year Ended December 31,	1986	1985	% Change
Net operating revenues	\$8,668.6	\$7,212.1	20.2%
Operating income*	\$1,145.0	\$ 984.6	16.3%
Income from continuing operations before income taxes**	\$1,511.3	\$1,063.4	42.1%
Income from continuing operations**	\$ 934.3	\$ 677.6	37.9%
Net income**	\$ 934.3	\$ 722.3	29.4%
Income per share from continuing operations**	\$ 2.42	\$ 1.72	40.7%
Net income per share**	\$ 2.42	\$ 1.84	31.5%
Dividends per share	\$ 1.04	\$.99	5.1%
Shareholders' equity at year-end	\$3,515.0	\$2,979.1	18.0%
Income from continuing operations to net operating revenues	10.8%	9.4%	
Income from continuing operations to average shareholders' equity	28.8%	23.5%	
Book value per share	\$ 9.13	\$ 7.72	
Closing market price per share	\$ 37.75	\$ 28.17	
Ratio of market to book value	4.1	3.6	

*In 1986, operating income was reduced by provisions for disinvestment and restructured operations aggregating \$180 million.

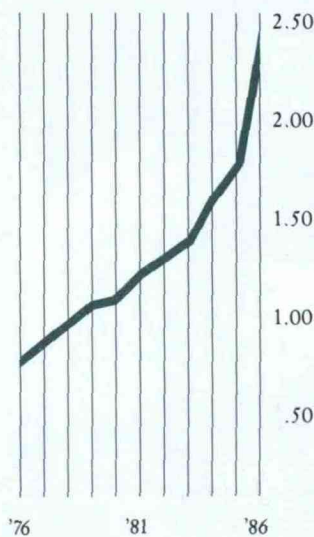
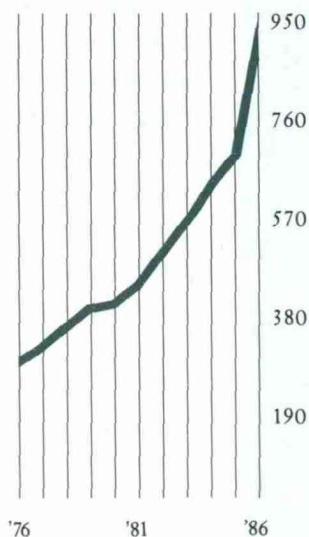
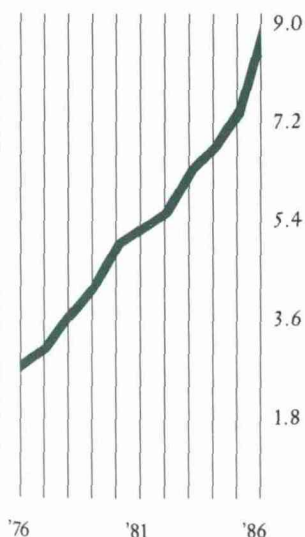
**1986 operating results included the provisions described above and the \$375 million pretax gain on sale of stock by Coca-Cola Enterprises Inc.

Net Operating Revenues
(\$ Billions)

Income From Continuing Operations
(\$ Millions)

Income Per Share From Continuing Operations (\$)

Closing Market Price Per Share* (\$)



*Adjusted for a three-for-one stock split in June 1986

The Coca-Cola Company celebrated the Centennial of Coca-Cola in 1986 by achieving record market shares, sales volumes, returns and profits, while augmenting the Company's substantial portfolio of opportunities for growth in the future.

In 1986, the combination of the return on equity reached and the per share earnings growth achieved was the best since 1936. For the year, return on average shareholders' equity from continuing operations increased 5.3 points to 28.8 percent. Earnings per share from continuing operations increased 41 percent to \$2.42, and have grown at an average annual rate of 16 percent since 1981.

▼
Roberto C. Goizueta,
Chairman of the
Board of Directors
and Chief Executive
Officer (right), and
Donald R. Keough,
President and Chief
Operating Officer.



Our strong operating performance in 1986 was enhanced by approximately 35 cents per share as the net result of a pretax gain of \$375 million resulting from the sale of stock by Coca-Cola Enterprises Inc. (CCE) and one-time accounting provisions of \$180 million taken against earnings. These provisions are related to the restructuring of our U.S. soft drink business and our decision to complete the disinvestment from South Africa.

Excellent performances from each of our four business sectors combined with favorable currency translation rates to generate a 16 percent increase in operating income to \$1.145 billion (after the one-time provisions of \$180 million).

Total return on your investment—stock price appreciation plus dividends—was 38 percent in 1986, following a 40 percent return in 1985. Since 1981, the Company's average compounded annual total return on shareholder investment has been 30 percent.

CAPITALIZING ON OPPORTUNITIES

Our 100 years of prosperity, supported by several significant strategic actions in recent years, have created a rich portfolio of opportunities for The Coca-Cola Company. This portfolio includes our four business sectors and their leadership positions, our innovative use of business structures and the resulting equity investments, and our financial resources.

The goal of exploiting these opportunities to increase shareholder value always will be challenging. However, by building on our strong foundation and investing for tomorrow's growth, we are confident that we will successfully meet the challenges ahead.

Each of our four business sectors is operating according to a well-defined plan. Each is moving forward in line with a broad strategy to capitalize on its superior positioning and expertise, while drawing from complementary corporate resources that bind the sectors into a single, powerful enterprise.

FLEXING OPERATIONAL STRENGTH

North America Soft Drink Business

Sector Our soft drink business in North America developed tremendous momentum in 1986. Strong volume growth and reduced marketing spending resulted in significantly improved operating results, although operating income was reduced by the one-time accounting provisions previously noted.

Led by the excellent performance of the products of our Coca-Cola megabrand, the **Company** captured a record share of more than 39 percent of the U.S. soft drink industry. The 7 percent sales volume gain of our U.S. soft drinks accounted for more than 60 percent of the growth of the total U.S. soft drink market, which grew 5 percent in unit case volume.

In 1986, the combined volume of Coke, caffeine-free Coke, Coca-Cola classic and cherry Coke increased 5 percent, a result of the effort begun in 1985 to revitalize our sugar colas. This volume gain represented more than three-fourths of the growth of the entire sugar **cola** category. While our sugar **cola** volume grew 5 percent, all competing sugar colas combined had volume growth of only 1 percent. Additionally, volume for diet Coke increased 14 percent, continuing the remarkable growth of the world's premier one-calorie soft drink and the third largest-selling soft drink of any kind in the United States.

Our overall strategy is to continue to build on our strengths in product superiority, distribution, marketing and customer service, and to take advantage of new opportunities as they arise.

International Soft Drink Business Sector

The key to volume growth and profitability in our international markets is growth in per capita soft drink consumption. The potential appears limitless, and the Coca-Cola system is aggressively implementing programs designed to increase soft drink availability, affordability

and acceptability around the world.

Our international soft drink business experienced its most successful year in 1986. International sales volume grew by 12 percent in 1986, the strongest increase in seven years. Aided by a weakening dollar, international operating income, even after the one-time accounting provision, increased in excess of overall corporate performance. In 1986, operating income for the sector alone exceeded total operating income for the entire **Company** just four years ago.

In most of our international markets, our objective is to increase the consumption of soft drinks as a share of total beverage consumption. The double-digit volume gain of each of the last two years illustrates clearly that we are building a very positive growth trend.

Entertainment Business Sector The Coca-Cola **Company** has firmly established itself as one of the world's leading producers and distributors of filmed entertainment. In each of the four full years we have been in the entertainment industry, that segment of our business has achieved more than a 30 percent gain in operating income. In addition, the **Company**, through Coca-Cola Television, is one of the world's leading programming suppliers to the television industry.

Despite the success of *The Karate Kid Part II* and *Stand By Me*, we were not satisfied with the performance of Columbia Pictures' feature films in 1986. Accordingly, we took significant steps forward, including a change in leadership at the Columbia motion pictures studio. We believe these steps will produce better products, which will result in better earnings in the years ahead.

As new technologies are developed and new markets emerge for filmed entertainment, the **Company** is prepared for whatever direction the consumer takes the industry. We are equipped with the programming, production capabilities, distribution systems, flexibility

and financial resources to continue as this industry's innovative leader.

Foods Business Sector Our foods business is anchored by Minute Maid orange juice, the leading product in the total orange juice market. Severe fluctuations in orange juice prices slowed earnings growth in 1986. But as orange juice costs stabilize, we are confident we will again generate strong growth in operating income.

The sector launched two new products, which in one year became leaders in their respective categories: Minute Maid Fruit Juicee frozen snacks and Bacardi frozen concentrated tropical fruit mixers. Additional new product successes are anticipated in 1987.

DEVELOPING INNOVATIVE BUSINESS STRUCTURES

The Company is continuing to leverage its operating achievements through the innovative use of new business structures.

The most visible and significant example of these structures in 1986 was our creation of Coca-Cola Enterprises (CCE), the world's largest soft drink bottling company, and the producer and distributor of 38 percent of the total U.S. bottle/can volume for Company products. Via a successful public offering, CCE sold 71.4 million shares of its common stock last November and raised approximately \$1.12 billion in equity.

Through CCE, we also achieved a permanent, independent ownership structure for a significant portion of the U.S. Coca-Cola bottling system. By owning 49 percent of CCE's outstanding common stock, The Coca-Cola Company maintains a significant interest in the increasing value of the bottling industry, while CCE has established its own capital structure as a freestanding company.

The Coca-Cola Company formed CCE to maximize the Company's volume growth potential and financial returns. In partnership with CCE, we will continue to guide the strategic

direction of our U.S. bottling system to increase distribution and marketing efficiencies.

We extended our structural innovations internationally by forming a joint venture with Cadbury Schweppes. Coca-Cola & Schweppes Beverages Limited, a new company that is the leading marketer of soft drinks in Great Britain, is handling bottling, canning and distribution of both companies' products throughout that important market.

In the entertainment arena, there is no better example of the use of innovative business structures than Tri-Star Pictures, Inc., which we helped establish just four years ago and took public in 1985. The Coca-Cola Company continues to own 30 percent of Tri-Star, which is a significant presence in filmed entertainment, as well as a strong contributor to our entertainment profits.

USING FINANCIAL LEVERAGE

Our financial resources, including a large cash flow, strong balance sheet and debt capacity, provide another important element in our portfolio of opportunities.

In late 1986, we announced the increase in our internal target net debt-to-capital ratio to 35 percent, providing more than \$1 billion in additional financing capacity. Reflecting our confidence in the underlying strengths of this Company, we also launched a program to repurchase up to 10 million shares of our common stock. And, to enhance further the growth prospects and long-term returns of the Company's existing businesses, we plan to gradually reduce over time the dividend payout ratio to 40 percent. Dividends will be increased appropriately, but at a lesser rate than our annual earnings growth.

DIVIDEND INCREASE AND BOARD MATTERS

For 25 consecutive years, your Board of Directors has approved dividend increases. At

its February 1987 meeting, the Board increased the quarterly dividend to 28 cents per share, equivalent to an annual dividend of \$1.12 per share.

At a special meeting last June, shareholders voted to split the Company's stock three-for-one. Since 1981, the value of our Company's stock has quadrupled. The split placed the stock price in a range attractive to both individual and institutional investors.

In accordance with Company bylaws, a distinguished member of our Board, Joseph W. Jones, did not stand for re-election in 1986 after six years on the Board. During his more than 50 years with the Coca-Cola system and in close association with the late Robert W. Woodruff, Mr. Jones provided much wisdom to our enterprise. We are grateful for his many contributions.

At the 94th Annual Meeting of Shareholders last April, shareholders elected as a new Director Peter V. Ueberroth, Commissioner of Major League Baseball. We welcome Mr. Ueberroth to the Board. The Company will benefit from his considerable experience.

SUCCESSING THROUGH OUR WORK ETHIC

This Company is indeed blessed with talented men and women who give their time, their minds and their hearts to the business. They put into their work that extra effort, spirit, enthusiasm and high morale which keep this Company the leader and sustain its traditional high level of prosperity. Employees at The Coca-Cola Company make excellence a way of life. This will continue to be part of our work ethic in the increasingly demanding and complex future.

All of our associates at The Coca-Cola Company join us in thanking our Board of Directors for its wise advice and counsel. We also thank you, our shareholders, for your support, and take this opportunity to express our pride in being employed by this great Company.

LOOKING TO THE FUTURE

The potential of our enviable portfolio of opportunities makes the future prospects of The Coca-Cola Company indeed bright.

Our "Strategy for the 1980s" has produced record sales, earnings and returns. Last year's results confirm our management's belief that for planning to be successful, it must be opportunistic, and for a strategy to be effective, it needs to be flexible. We look to the future, secure in our vision. We are assured of our abilities to quickly seize opportunities as they arise and to minimize the negative impact of adverse events that may occur outside our control. We are confident in the effectiveness of our strategies and are committed to the long-term growth of the value of The Coca-Cola Company.



Roberto C. Goizueta
Chairman, Board of Directors,
and Chief Executive Officer



Donald R. Keough
President and
Chief Operating Officer

February 19, 1987

OPERATIONS REVIEW

Soft Drink Business Sectors

The Coca-Cola Company increased its worldwide soft drink volume 10 percent in 1986, and extended its worldwide market share 1 point to 43 percent.

Operating income of the two soft drink business sectors grew 20 percent in 1986, to \$1.017 billion. This growth resulted from strong volume gains both in North America and internationally, favorable exchange rate comparisons and a diminution in 1986 of the heavy 1985 marketing investments in North America.

Operating results from the two soft drink business sectors increased strongly in 1986, but were moderated by

North America Soft Drink Business Sector



The North America Soft Drink Business Sector outperformed the overall soft drink industry and its primary competitor as it strengthened its leadership in every major soft drink segment in 1986. The outstanding marketing achievements included several firsts in the United States: Company soft drink products represented five of the top 10-selling soft drinks; Coca-Cola classic

claimed the position of the best-selling soft drink product; Sprite became the best-selling lemon-lime soft drink; and caffeine-free diet Coke became the best-selling caffeine-free cola. Meanwhile, diet Coke, the third best-selling soft drink of any kind in the United States, further tightened its leadership grip of the one-calorie segment.

The excellent performance of sugar colas in 1986 helped drive an overall 7 percent volume increase for

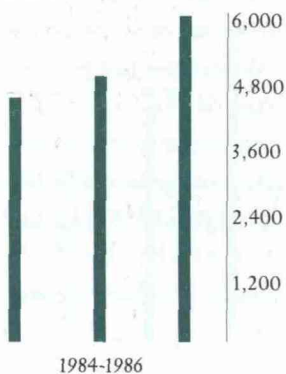
International Soft Drink Business Sector



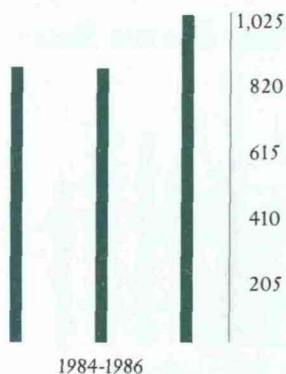
one-time accounting provisions of \$180 million taken against earnings. These provisions are related to the restructuring of the U.S. soft drink business and the decision to complete the Company's disinvestment from South Africa.

Soft drink operations accounted for 74 percent of the total operating income generated by The Coca-Cola Company's four business sectors.

Net Operating Revenues
(\$ Millions)



Operating Income
(\$ Millions)



the sector that contributed to strong operating results, although operating income was reduced by the one-time accounting provisions noted above.

Looking ahead, the sector will continue its emphasis on a superior product line and excellent marketing programs for all distribution channels.



Aggressive marketing and economic improvement in key markets led the International Soft Drink Business Sector to its most successful year ever and its second successive year of double-digit volume growth. More than 60 percent of the Company's total soft drink volume originated from international markets in 1986.

The sector benefited from a weakening dollar and achieved operating income growth (after the one-time accounting provision) significantly stronger than the operating income growth for the Company as a whole.

The sector is poised for continued volume growth and increased profitability. The sector's strategy is to increase the international per capita consumption of Company soft drinks by increasing their availability, affordability and acceptability.

OPERATIONS REVIEW

Entertainment Business Sector

The Entertainment Business Sector generated operating income growth in excess of 30 percent for the fourth consecutive full year that it has been a part of The Coca-Cola Company. As one of the world's largest television programming suppliers, the sector gained strength in 1986 through the acquisition of Merv Griffin Enterprises, a major producer of first-run syndication programming.



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Wheel of Fortune



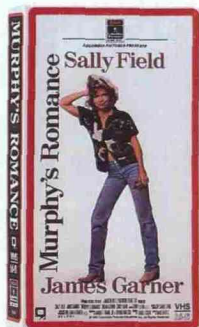
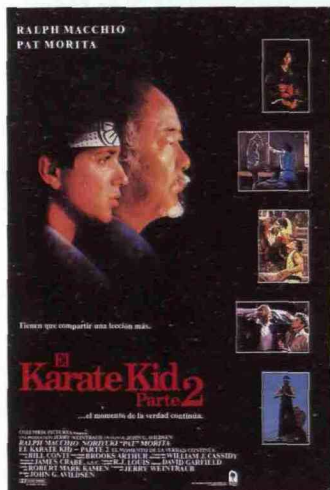
Stand By Me

Foods Business Sector

The Foods Business Sector achieved strong volume and share gains in the face of unfavorable industry conditions that limited growth. With a significant portion of the sector's business affected by the severe fluctuations in prices of orange solids, the sector took steps to ensure future growth.

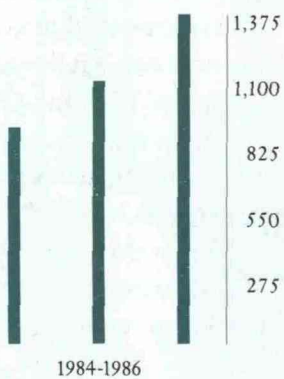
Two new products launched in 1986 became leaders in their respective categories during the year: Minute Maid Fruit Juicee frozen snacks and Bacardi frozen concentrated tropical fruit mixers.



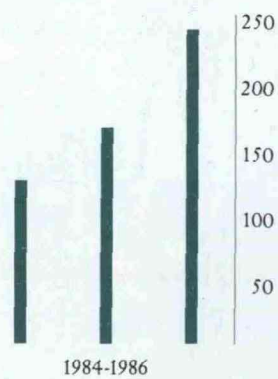


Short Circuit

Net Operating Revenues
(\$ Millions)

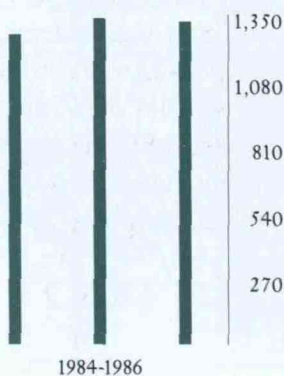


Operating Income
(\$ Millions)

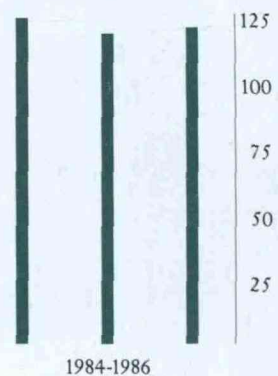


The sector is continuing to develop successful new products that leverage the strengths of both the Minute Maid and Hi-C trademarks.

Net Operating Revenues
(\$ Millions)



Operating Income
(\$ Millions)





▲ Led by Coca-Cola classic, the number one soft drink in the United States, the **Company** increased its share within the important U.S. food store segment.

To celebrate the 100th birthday of Coca-Cola, more than 12,500 members of the Coca-Cola family gathered last May in Atlanta. The Centennial was a most special event. It served to build the enthusiasm of the worldwide bottlers of Coca-Cola, who returned to their respective markets reassured of the Company's commitment to the soft drink business and to the Coca-Cola system's worldwide momentum. Re-energized, the **Company** and bottlers from around the world embarked on a second century as the global soft drink industry leader.

NORTH AMERICA SOFT DRINK BUSINESS SECTOR

The year 1986 was one of exceptional marketing achievement by the North America Soft Drink Business Sector. The sector's performance out-paced the industry's strong growth in the United States and Canada by achieving a 7 percent increase in syrup and concentrate shipments. By any measure, the **Company** expanded its leadership position.

For the first time, five of the Company's soft drink products were among the top 10-selling soft drinks in the United States. The Com-

pany's products in the top 10 are Coca-Cola classic, diet Coke, Sprite, Coke and cherry Coke. Coca-Cola classic achieved the position of the best-selling U.S. soft drink product in 1986. For the first time, Sprite became the best-selling U.S. lemon-lime soft drink. And, caffeine-free diet Coke surpassed its category competitors in both the sugar and one-calorie cola segments and became the best-selling caffeine-free cola. All this occurred in one sensational year in the United States alone.

Together with the nation's preeminent soft drink bottler system, Coca-Cola USA, the sector's largest operating unit, delivered on its commitments to achieve volume growth in excess of industry rates and share improvements in growth markets.

Volume Advancement As a result of outstanding volume growth and reduced marketing expenses, Coca-Cola USA's operating results increased sharply, but operating income decreased as a result of one-time accounting provisions related to the restructuring of the U.S. soft drink business. Operating results were aided by the reduction of marketing expenditures below the 1985 level, which was extraordinarily high due to new product introductions. The division's return on assets improved significantly due to strong operating results.

Coca-Cola USA's 7 percent sales volume gain accounted for more than 60 percent of the growth of the U.S. soft drink market. The rest of the U.S. soft drink market grew 3 percent in volume. Coca-Cola USA's volume increase boosted the division's share of the soft drink market to an all-time high of more than 39 percent, or 9 share points larger than the share of the Company's primary U.S. competitor, as Coca-Cola USA widened its leadership margin.

The volume growth was generated primarily in the industry's largest category, cola soft drinks, where the Coca-Cola system has focused its efforts. The Company achieved strong results in both sugar and one-calorie colas, which together account for two-thirds of all soft drink industry sales in the United States. The division's sugar cola volume gain of 5 percent represents more than three-fourths of the growth of the entire sugar cola category, which had a volume growth of 3 percent.

In all distribution channels, Coca-Cola USA outgrew the overall industry. In food stores, which represent 36 percent of the Company's U.S. volume, aggressive activities in all aspects of the marketing mix paid off. Coca-Cola USA achieved its highest market share and its largest share lead versus its primary U.S. competitor in recent history. The Company's products also led the food store cola segment, and the positive sales trends for colas are accelerating.

In fountain and vending, the two segments in which Coca-Cola USA's leadership position is strongest, the Company also increased market share. The division's fountain share rose to 59 percent as a result of the decisions by several major food service accounts to serve Company products to their customers, coupled with the excellent performance of existing accounts. Fountain represents 30 percent of the Company's U.S. volume.

Increased placements of vending machines and average sales per machine raised Coca-Cola USA's share of the vending segment to 49 percent. Vending and other bottle/can segments account for 34 percent of the Company's U.S. volume. The division also developed an innovative vending machine featuring dollar bill changers and new graphics.

Coca-Cola Trademark With an outstanding soft drink product line, Coca-Cola USA

▼
Reflecting the unified commitment of the global Coca-Cola system, 12,500 members of the Coca-Cola family from 125 nations gathered in Atlanta last May to celebrate the Centennial of Coca-Cola.



► With a superior taste that appeals to a broad spectrum of soft drink consumers, diet Coke generated volume growth of 14 percent in the United States, further strengthening its number three position among U.S. soft drinks.

▼ Innovative new vending machines with dollar bill validators, new graphics and curved, illuminated panels will strengthen the Company's multi-channel distribution system.



enhanced not only its market leadership and financial results, but also the unequalled image of its trademarks. The trademark Coca-Cola achieved record-high scores in brand awareness, image and preference ratings. The Coca-Cola megabrand, the family of seven soft drinks bearing the Coca-Cola name, proved its strategic effectiveness in 1986. In every major market segment and distribution channel, the Coca-Cola mega-

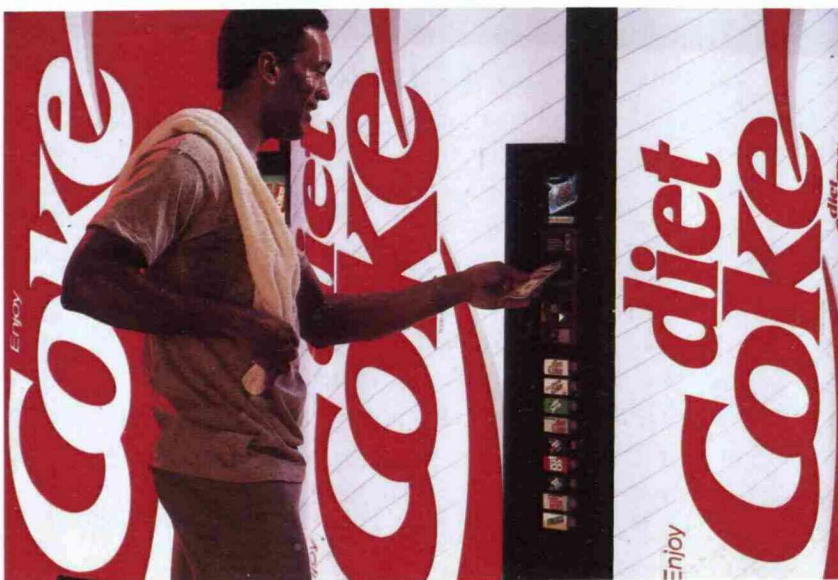
brand outsold all products bearing the primary trademark of the leading competitor.

Retail case sales of Coca-Cola classic, Coke, cherry Coke and caffeine-free Coke increased an impressive 6 percent, while the main U.S. competitor's unit sales for sugar colas were essentially flat.

Coca-Cola classic, the Company's flagship product with the original formula for Coca-Cola, steadily improved its leadership position. Its 100-year heritage, unmatched image and loyalty continue to provide Coca-Cola classic with major growth opportunities. It is the driving force behind the Company's momentum in sugar colas.

The new taste of Coke, introduced in April 1985, is positioned directly against the primary competitive **cola**. The volume and market share of Coke stabilized over the course of the year. Coke, one of the 10 top-selling soft drinks in the United States, made an important contribution to Coca-Cola USA's overall sugar **cola** strength in 1986.

Leading-edge, youth-focused television advertising with the theme, "Catch the wave.



Coke," created a national sensation among young consumers in 1986. The top-rated advertising campaign introduced to American audiences Max Headroom, a humorous, computer-enhanced, video talking head.

Cherry Coke, in its first full year of distribution, maintained its strong leadership of the flavored **cola** category it created in 1985. Cherry Coke appeals especially to youth and consumers seeking a change of pace soft drink.

One-Calorie Soft Drinks As the nation's leading one-calorie soft drink and the best-selling diet product of any kind in the world, diet Coke celebrated its fourth anniversary with phenomenal volume growth of 14 percent. Diet Coke is perfectly positioned to take advantage of virtually all emerging trends in American consumer marketing, such as the maturing of the baby-boom generation. It appeals not only to dieters, but to mainstream soft drink consumers with its outstanding taste, name and imagery. The **Company** plans to take diet Coke to the fullest extent of its incredible growth potential.

Extending the marketing power of diet Coke, caffeine-free diet Coke achieved volume growth of 10 percent in 1986. Together the two products attained a substantial 9 percent share of the overall U.S. soft drink industry.

Adding still more potential in one-calorie colas, diet cherry Coke was introduced to 69 percent of the country, with national distribution planned for 1987. With their unique **cola** tastes, TAB and caffeine-free TAB maintained a loyal following consisting mainly of women 18 to 30 years old.

Citrus Soft Drinks In the citrus-flavored soft drink category, though faced with extremely



◀ Diet cherry Coke was introduced in response to consumer demand for a one-calorie soft drink with all the taste attributes of cherry Coke, the nation's best-selling fruit-flavored **cola**.



heavy competitive investment, Coca-Cola USA maintained a strong position and set the stage for future advancement. The **Company** centered its efforts on two excellent trademarks, Sprite and Minute Maid, and on the two largest citrus flavor segments, lemon-lime and orange.

For the first time, Sprite rose to the top position in the lemon-lime category in 1986. For the third straight year, both Sprite and diet Sprite gained share of the category.

Minute Maid Orange Soda, Minute Maid Lemon-Lime Soda and their diet versions were introduced in 1986 in markets covering more than 58 percent of the U.S. population. With a unique combination of added fruit juices, vitamin enrichment and the highly regarded Minute Maid brand name, these products provide excellent growth potential. Minute Maid Orange Soda is already the number one orange soft drink in many U.S. markets.

In fulfilling its commitment to satisfy changing consumer tastes, Coca-Cola USA is continuing to explore possible new soft drink product options, and to improve such regionally strong brands as Fresca and Mello Yello.

Restructuring Coca-Cola USA furthered its six-year commitment to strengthening the bottler system by facilitating ownership changes of bottling companies that account for more than 50 percent of the system's bottle/can volume.

The Company's most far-reaching

◀ Capturing the attention of America's youth, video celebrity Max Headroom added to the strong popularity of "Catch the wave" advertising for Coke.



▲ Minute Maid Sodas established a strong presence within the emerging juice-containing soft drink segment in 1986.

transaction was the formation of Coca-Cola Enterprises Inc. (CCE), accomplished through the transfer to CCE of the operating assets of substantially all previously owned bottling companies in the United States. CCE then acquired bottling operations previously owned by the Lupton family and BCI Holdings Corporation, and had an initial public offering of 71.4 million shares or 51 percent of its stock.

CCE is the largest bottling company in the world, operating in parts of 31 states and the District of Columbia. CCE's bottling territories reach 90 million people, or 38 percent of the U.S. population, and its sales represent the same percentage of the soft drink volume of products from The Coca-Cola Company.

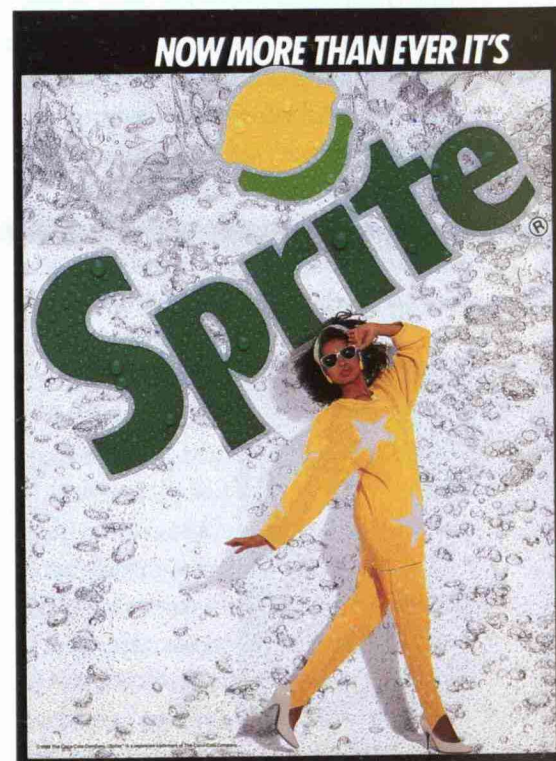
Canada In soft drink operations in Canada, the Company strongly improved its operating income and return on assets. Coca-Cola Ltd., the Canadian operating unit, achieved an 11 percent volume increase, outgrowing the overall Canadian soft drink industry. Coca-Cola Ltd. attained a record-high overall market share of 46 percent, outgrowing its primary competitor in the important food store segment.

► Sprite became the leading lemon-lime soft drink in the United States for the first time in 1986.

The new taste of Coke performed particularly well in Canada, accounting for 44 percent of the Company's sugar cola unit sales. Coke, Coca-Cola classic, cherry Coke and caffeine-free Coke boosted sugar cola volume 6 percent. Diet Coke continued to grow dramatically in Canada, reaching an 8 percent share of the overall soft drink market.

Future Growth After three straight years of volume growth well ahead of the industry, the North America Soft Drink Business Sector has developed strong momentum and fully expects to continue and improve this pattern. The sector's exceptional 8 percent growth in Coca-Cola branded products attests to the overwhelming power of the Coca-Cola megabrand. Superior brand image and taste attributes of the Company's citrus soft drinks promise similar growth.

Market research indicates that in the next decade the strongest North American soft drink growth will come from teenagers and "baby boomers" ages 30-49, many of whom are diet soft drink consumers. Through its multi-product leadership in sugar and one-calorie soft drinks, its multi-channel marketing programs and its preeminent bottler and fountain distribution systems, The Coca-Cola Company is positioned better than any other soft drink company to capitalize on these trends.





INTERNATIONAL SOFT DRINK BUSINESS SECTOR

At no time in the last 15 years has the Company been more pleased with its current international performance or more optimistic about the future of its international businesses.

The International Soft Drink Business Sector reported impressive 12 percent volume growth for 1986, the second consecutive year of double-digit increases. The sector accounted for more than 60 percent of the Company's worldwide soft drink sales. With excellent volume growth, margin improvements and favorable exchange rate comparisons, the operating income increase for the sector was greater than the Company's consolidated operating income increase.

This success reflects the Company's commitment to capitalizing on the tremendous potential of international soft drink markets. International per capita consumption of soft drinks has grown rapidly in recent years, yet it is still well below the consumption levels of the United States. As the leading force in the international soft drink market, the Company will continue to expand its business by effectively marketing products against not only competing soft drinks, but all beverages.

Global Business Strategy To realize its international potential, the Company has adopted a global strategy that focuses the energies of the Coca-Cola system toward increasing soft drink availability, affordability and acceptability. This strategy involves the tapping of financial and technological strengths in addressing

Efforts to increase the international per capita consumption of Company soft drinks have been enhanced through the deployment in Thailand of new open coolers, which increased the availability of Company products there.

► Especially popular with young consumers, Fanta, the world's third best-selling soft drink brand, gained 21 percent in volume in Italy.



marketing opportunities. By fully engaging this strategy, the Coca-Cola system is equipped with distribution capabilities and pricing flexibility. This formula has a proven success record for increasing the worldwide consumption of **Company** soft drink products.

Geographic Results Focused marketing activities and the improved economies of several important soft drink markets helped generate the sector's 12 percent volume increase.

With strong gains in most key markets, the Latin America group achieved 15 percent volume growth. Along with favorable price increases, this produced a 54 percent increase in operating income.

Attractive price levels in an environment of increasing consumer purchasing power helped the **Company** score volume increases of 52 percent in Brazil and 31 percent in

Argentina, respectively the Company's third- and sixth-largest soft drink markets by volume. In Colombia, heavy promotions helped drive 7 percent volume growth despite one of the most severe rainy seasons in a decade.

In Mexico, the Company's second-largest market by volume, retail price increases hindered comparisons with the strong volume growth of 1985. These price increases, however, established the basis for future increases in profit growth. The **Company** used its sponsorship of the world's most popular sporting event, the World Cup soccer competition, held in Mexico, as an effective promotional vehicle in that country and many other international markets.

The Europe and Africa group reported a 20 percent gain in operating income after one-time accounting provisions related to the Company's disinvestment from South Africa.

The Europe and Africa group had a 10 percent volume increase.

In Germany, 8 percent volume growth was driven by the introduction of cherry Coke and promotions for Coca-Cola featuring tennis star Boris Becker. Volume gains were also spurred by the introductions of new formulations of Coca-Cola light with NutraSweet and Fanta flavors with vitamin C.

In Italy, increased advertising for Coke and newly introduced diet Coke combined with an effective promotional program for Fanta to produce a 17 percent volume gain. As one of the Company's premier growth markets for the past decade, Italy has reported double-digit volume increases in six of the last 10 years.

Great Britain used aggressive pricing activity to help generate 15 percent volume growth, while retail case sales rose more than 20 percent. In France, volume increased 14 percent, supported by the continued growth of Coca-Cola and caffeine-free Coca-Cola.

Despite the political unrest in South Africa, where the Company sold its remaining bottling and canning assets and made arrangements for complete disinvestment of its operations, volume grew 13 percent.

In the Pacific group, operating income increased 41 percent on volume growth of 9 percent. Operating income in Japan increased significantly, reflecting favorable exchange rates, while poor summer weather weakened volume performance. However, Georgia Coffee unit case volume increased 25 percent,



leading the growth of non-carbonated soft drinks, which are extremely popular in Japan.

Growth for the Pacific group was led by the Philippines, where volume gained 15 percent despite the market's political volatility. In Korea, the Company sponsored the 1986 Asian Games in Seoul and finalized arrangements for its sponsorship of the 1988 Olympic Summer Games there.

Thailand, a growing market for Company

▲
Sprite achieved 39 percent volume growth in Argentina, the Company's sixth-largest soft drink market by volume.

Neu!
Cherry Coca-Cola.
Offizieller Getränk
der Coca-Cola mit
Kirsche schmeckt.

Cherry Coca-Cola. Ganz schön crazy.

◀
Cherry Coke was introduced in several international markets, including Germany, where overall volume grew 8 percent in 1986.

► Led by Coca-Cola, volume for **Company** soft drink products grew 15 percent in the Philippines.



soft drinks, reported a 5 percent volume gain. Volume growth was aided by increased availability achieved through the widespread placement of new mini-coolers.

Australia experienced a 37 percent volume increase that resulted primarily from a change in concentrate shipping patterns. Retail case sales growth of 11 percent more accurately reflects the market's outstanding success. Special promotions associated with the America's Cup sailing competition in Australia were initiated to spark further sales increases.

Multi-Brand Development The interna-



◀ An improved economy and attractive soft drink prices helped generate 52 percent volume growth in Brazil, where advertising promotes Coca-Cola as a complement to food.

tional strength of the Coca-Cola megabrand grew substantially in 1986. Product Coca-Cola further enhanced its position as the world's best-selling branded beverage, growing 12 percent in 1986 outside the United States and Canada and representing 68 percent of the Company's international soft drink sales.

Diet Coke was introduced in several additional markets in 1986, including Italy, Taiwan, Indonesia and Turkey. Now available in 70 markets worldwide, diet Coke volume grew 27 percent in 1986. The **Company** will continue to increase the number of markets in which diet Coke is the second best-selling **cola**, complementing the leadership of Coca-Cola.

Major market introductions for cherry Coke in 1986 included Great Britain, Singapore, Germany, Korea and Hong Kong, making the product available in 33 markets worldwide. In international markets where it is available, cherry Coke accounted for more than one-fourth of 1986 sugar **cola** growth.

Sprite achieved 7 percent volume growth and is the best-selling lemon-lime soft drink internationally as well as in the United States.

Backed with considerable promotional support, Sprite enjoyed particularly strong results in Italy, Germany, Brazil and Argentina. Sprite also replaced a major competitor as the lemon-lime product distributed by Coca-Cola bottlers in Singapore and Malaysia.

Fanta, the world's third best-selling soft drink brand, reported its second consecutive year of strong growth internationally with a 12 percent volume increase. Featuring a variety of flavors and formulas, Fanta provides the Company with flexibility in meeting the diverse demands in international markets for fruit-flavored soft drinks. In Germany, France and Turkey, new formulas for Fanta helped generate volume increases.

System Enhancements The Company took several steps during the year to strengthen the world's foremost soft drink distribution system. A stronger, more assertive bottling system is important to executing the Company's plans for future international growth.

Major production and distribution efficiencies were achieved as a result of the consolidation in Germany of several small bottling companies into larger groups.

In Great Britain, Coca-Cola & Schweppes Beverages Limited, a joint bottling venture



with Cadbury Schweppes plc, was formed to greatly increase the Company's marketing and distribution capabilities.

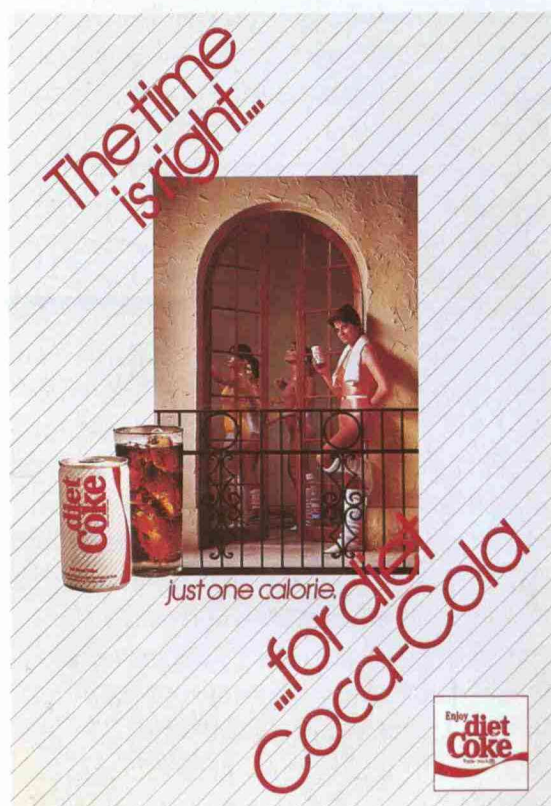
Coca-Cola & Schweppes Beverages Limited, which began operation in early 1987, provides an exciting opportunity for both parent companies to drive soft drink volume in Great Britain, an important market.

In Egypt, an independent bottler has been licensed to market Company soft drinks in packages and flavors not offered by the government-owned bottler.

In Brazil, the Company's operations in Porto Alegre were sold to a neighboring bottler with demonstrated, growth-oriented marketing ability. In Puerto Rico, the Company's distribution operations were sold to Bacardi International. The Company will continue to engage in new activities to bolster the strength and effectiveness of the world's most powerful bottling system.

Future Potential The Company will continue to create and capitalize on opportunities to increase the availability, affordability and acceptability of its products to consumers worldwide. As the successes of recent years indicate, The Coca-Cola Company has accelerated its efforts to tap the immense potential of the international soft drink market. This commitment, guided by an effective global marketing strategy, will forge substantial growth well into the future.

▲
Coca-Cola bottlers in Singapore and Malaysia successfully introduced Sprite during 1986.



◀
Marketing efforts for diet Coke and other Company products have been strengthened in Great Britain through a new joint bottling venture with Cadbury Schweppes plc.



▲ The longest-running comedy on NBC, Embassy's *The Facts of Life*, entered the highly profitable syndication market in 1986.

In 1986, the Entertainment Business Sector earned \$235 million in operating income, an increase of 46 percent over 1985. The sector continued its record of substantial financial and organizational growth achieved since its creation in 1982. The enhanced and more effective industry presence achieved in 1986 is an advantage that will be exploited in the years ahead.

The year's success is primarily the result of continued progress in the areas of production, distribution and acquisition of television programming. A major producer of virtually all forms of filmed entertainment, the sector distributes its product through a variety of channels, including television syndication, theatrical distribution, home video and pay television.

The strategies underlying the sector's operations remain: to increase profitability without significantly increasing capital risk; to acquire and produce more filmed entertainment product; to maximize the efficient use of distribution systems; to increase participation in worldwide ancillary markets; and to enter new industry segments through acquisitions.

Coca-Cola Television continued to be the major foundation for the sector's earnings. To strengthen its leadership, the sector created near the end of the year a new unit, Coca-Cola Television, to encompass the sector's existing television production and distribution entities: Embassy Communications, Columbia Pictures Television and Merv Griffin Enterprises.

The formation of Coca-Cola Television

and the restructuring of these entities into three new units will result in efficiencies enabling the sector to manage its assets and pursue market opportunities more aggressively. The new units are Columbia/Embassy Television (which comprises Columbia Pictures Television and Embassy Communications), Coca-Cola Telecommunications and Merv Griffin Enterprises. The sector's products are in demand and, with additional programming in development, the **Company** will continue its leadership in this profitable business.

Network Production Embassy has been exceptionally successful in producing half-hour comedy television shows, currently the U.S. industry's most popular format. *Who's The Boss?*, in its third year on ABC, maintained the high audience ratings it captured in 1985. *The Facts of Life* continued as the longest-running comedy currently on NBC, while 227 completed its second season on NBC with strong ratings.

During the year, the Entertainment Business Sector recovered virtually all of the investment it made in Embassy in 1985 by converting receivables to cash and by selling Embassy Pictures and Embassy Home Entertainment, two entities whose operations were



not consistent with the sector's strategy.

Columbia Pictures Television also enjoyed success during the 1986-87 television season, with several new series appearing on the networks in prime time. *Designing Women* on CBS was among the highest rated of the season's new shows. The other new programs included *The New Mike Hammer* on CBS and *Starman* on ABC.

Columbia Pictures Television's *Days of Our Lives* and *The Young and the Restless* were the highest-rated daytime dramas on NBC and CBS, respectively. Columbia's *The Real Ghostbusters*, a Saturday morning animated series, earned strong ratings on ABC.

Television Syndication Coca-Cola Television is an industry leader in the important business of syndicating television programming. From its library of thousands of hours of programs, it has more than 65 hours of programming in off-network syndication.

This library of programming that previously appeared on the networks is one of the sector's most valuable assets. The Company's policy is not to sell its filmed entertainment products outright, but to license them for limited time periods. Successful shows are turned into earnings when programs are syndicated, thus the **Company** continues to derive profits from old programs long after their original network run.



▲
Embassy's *Who's The Boss?* achieved even higher ratings than it had in its previous two successful years on ABC.

◀
Columbia Pictures Television's *Designing Women* created a strong viewer base during its network debut year on CBS.

► The acquisition of Merv Griffin Enterprises in 1986 brought the **Company** *Wheel of Fortune*, the nation's top-rated syndicated program.



▼ Columbia Pictures Television's *The Real Ghostbusters* has translated the popularity of *Ghostbusters* into a successful animated television program and achieved strong ratings on ABC.

The Facts of Life and *Silver Spoons*, two popular Embassy half-hour comedies, made extremely profitable syndication debuts. *The Jeffersons* and *Diff'rent Strokes* are among the many Embassy programs that maintained their popularity in syndication.

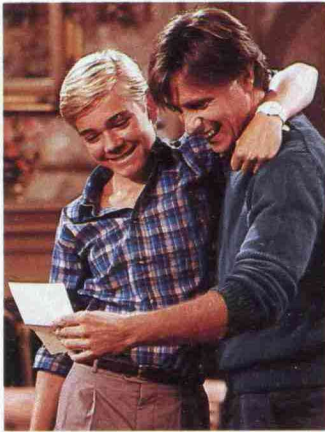
Charlie's Angels, *Hart to Hart* and *Barney Miller* are among the dozens of

Columbia Pictures Television shows in off-network syndication. During the year, Coca-Cola Television acquired total ownership of *Barney Miller*, which has been one of the most successful television shows in syndication. Coca-Cola Television also acquired distribution rights to a variety of programs, including *Hardcastle and McCormick* and *Riptide*.

First-Run Syndication In addition to licensing reruns of shows, Coca-Cola Television produces programs in a variety of formats for independent and network-affiliated stations. Examples of this activity, known as first-run syndication, are *Wheel of Fortune* and *Jeopardy!*, produced by the sector's newest television operation, Merv Griffin Enterprises. These game shows are respectively the number one and two-rated syndicated shows in the nation. Since Merv Griffin Enterprises was acquired in May 1986, it has generated consistent and substantial earnings.

Columbia Pictures Television has introduced two originally produced, first-run syndication shows that were revived from series in its





◀ Embassy's *Silver Spoons* made a successful syndication debut in 1986, while completing its eighth season on NBC.

library. *What's Happening Now!!* is a highly successful situation comedy in first-run syndication and *The New Gidget*, a program popular with a new generation of viewers was developed from an old concept. Several other Columbia programs, including *The New Monkees*, are in production, and Embassy is producing new episodes of *Silver Spoons* for first-run syndication.

Production of programming for distribution to pay television services and on video-cassette also began last year.

Columbia Pictures Television continued to develop its expertise in the growing field of barter, the trading of programming for advertising time. In 1986, programs were bartered through COLEX, a joint venture with LBS Communications Inc., and other barter arrangements. In early 1987, Coca-Cola Telecommunications and Gulf + Western Entertainment Group reached an agreement in principle to form a joint venture to sell



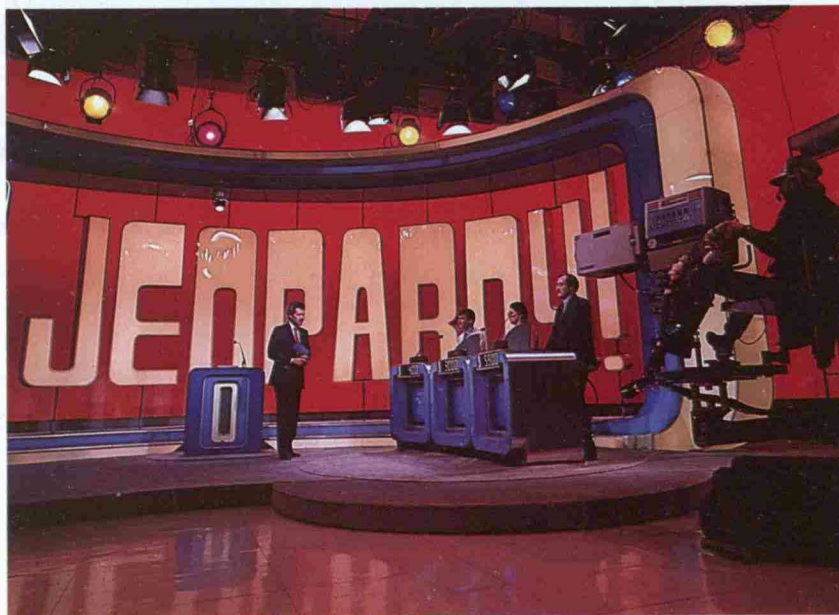
▲ Columbia Pictures' *Stand By Me*, released in 1986, drew praise from audiences and critics alike.

national barter advertising.

Columbia Pictures Columbia Pictures, the sector's feature film division, reported earnings below expectations and prior-year results despite strong contributions from such films as *The Karate Kid Part II* and *Stand By Me*. New strategies to produce films on lower production budgets and to increase emphasis on the international marketplace have been adopted under new leadership put in place at Columbia Pictures during the year.

Columbia Pictures will be making films with the tastes and preferences of international

▶ The Company's successful participation in first-run syndication was strengthened with the acquisition of Merv Griffin Enterprises, which produces *Jeopardy!*, the number two-rated syndicated program in the nation.



► The Company maximized the appeal of Columbia Pictures' 1986 film *The Karate Kid Part II* by releasing it simultaneously in the United States and several international markets.



markets more clearly in mind. This should not only improve worldwide theatrical results, but also improve the performance in international home video and pay television distribution.

Also in 1986, the sector acquired 100 percent ownership of The Walter Reade Organization, Inc., which has 11 theatre screens in the important New York City market.

Columbia Pictures International Columbia

► RCA/Columbia Pictures Home Video released some 165 titles into the growing video-cassette market in 1986.



Pictures International benefited from the release of *The Karate Kid Part II*, which performed strongly around the world and broke box-office records in a number of countries. *Labyrinth*, a Tri-Star Pictures film distributed by Columbia Pictures International, opened mid-year to enthusiastic audiences in Japan and was successfully released in several other countries at the end of the year.

Columbia Pictures International Television also prospered. Favorite series among international television viewers included *Crazy Like a Fox*, *Benson* and *Stingray*. Several new programs, *The New Mike Hammer*, *Starman* and *Designing Women*, performed well in overseas markets.

Home Video and Pay/Cable The RCA/Columbia Pictures Home Video and RCA/Columbia Pictures International Video joint ventures are engaged in marketing and distributing videocassettes and videodiscs. During the year, the two joint ventures offered a wide variety of successful theatrical titles, music videos and children's programming.

The sector benefits from the joint ventures in two ways. First, it holds a 50 percent equity interest in each. Additionally, the

sector licenses entertainment product to the ventures. In 1986, RCA/Columbia Pictures Home Video released approximately 165 titles, including such best sellers as *The Karate Kid Part II*, *White Nights*, *Whitney Houston—#1 Video Hits* and *Beanie and Cecil*.

Columbia Pictures' pay television operations continued to generate significant earnings through licensing agreements with Home Box Office that are effective through 1990. In 1986, cable viewers enjoyed such films as *Ghostbusters*, *Agnes of God* and *Starman*.

Tri-Star Pictures, Inc. In less than five years, Tri-Star Pictures, Inc., of which The Coca-Cola Company owns 30 percent, has become a major studio. In 1986, Tri-Star Pictures released several successful motion pictures, including *Short Circuit*, *About Last Night*, *Nothing in Common* and *Peggy Sue Got Married*.

In 1986, Tri-Star created a television production and distribution unit. Late in the year, Tri-Star acquired the theatre operations of Loews Theatre Management Corp., the operator of about 300 theatre screens. Through its interest in Tri-Star Pictures, The Coca-Cola Company has the opportunity to participate in the asset-intensive theatre business without making investments. The Company's investment in Tri-Star is the best example of its strategy of generating growth without incurring



major capital risk.

Looking Forward The sector will be facing new challenges through the 1990s. To implement its strategies and meet the demands of the marketplace, the sector will need to change and expand its operations. But the sector will rely on its proven strengths: adaptability, strong market presence and innovation. These strengths should continue to secure the sector's place as an entertainment industry leader.



Nothing in Common helped anchor Tri-Star Pictures' successful 1986 film line-up, which also included *Short Circuit* and *Peggy Sue Got Married*.

◀ Tri-Star Pictures' critically acclaimed *Peggy Sue Got Married* was honored as the film that closed the New York Film Festival.

► Capitalizing on growing consumer desire for convenience, Minute Maid chilled orange juice generated 20 percent volume growth in 1986.



In 1986, the Foods Business Sector maintained its ranking as America's leading marketer of juices and juice-based drinks while continuing to expand into new distribution and product areas. These moves, in line with the sector's long-range strategy, provide the groundwork for significant growth in 1987 and beyond.

Operating profits in 1986 increased 2 percent to \$120 million, affected by price declines in the orange juice market and heavy investments in new products. The sector's long-term results remained strong over the last 10 years with a 12 percent average compounded growth rate in operating profits. Despite a difficult market environment, the sector maintained operating margin levels and increased volume and market share in most product categories.

Successes included the impressive volume

growth of Minute Maid chilled orange juice, the ongoing growth of aseptically packaged juice and fruit drink products under the Minute Maid and Hi-C brands, the rapid expansion of the sector's Canadian business and the positive performance of two new products: Minute Maid Fruit Juicee frozen snacks and Bacardi frozen concentrated tropical fruit mixers.

Orange Juice Leadership The sector continued to benefit from the high level of consumer interest in fruit juices and juice-based products. The orange juice category experienced renewed volume growth, as a worldwide increase in the supply of orange solids brought retail prices down from record highs to near 1981 levels. However, the lower price levels resulted in lower revenues despite increased volume. Toward the end of 1986, prices stabilized, a condition that should

increase both revenues and profits from the sector's primary business.

In 1986, Minute Maid chilled orange juice showed dramatic volume growth, posting a 20 percent increase over 1985 levels. This reflected a steady consumer trend toward the convenience of chilled juice, as for the first time consumers purchased more chilled orange juice than frozen concentrate in 1986.

Coca-Cola Foods took steps to improve the quality and taste of Minute Maid chilled orange juice and increase its presence in the segment. Technological improvements brought the taste of chilled Minute Maid orange juice even closer to that of fresh-squeezed juice and new protective packaging helped lock in its vitamin C benefits. New advertising stressed the improved nutritional qualities. These steps will help increase the sector's share of the growing segment.

Minute Maid frozen concentrated orange juice volume increased 6 percent over 1985 levels, as the sector's combined orange juice products continued to lead the market with more than a 21 percent share.

At the end of 1986, Coca-Cola Foods introduced in selected markets Minute Maid Calcium Fortified orange juice, the first 100 percent pure orange juice fortified with calcium.

Aseptic Packaging Hi-C fruit drinks, the sector's second major product line, reached a market share of 30 percent in 1986, driven

► A volume increase of 6 percent over 1985 for Minute Maid frozen concentrated orange juice enabled the Company's orange juice products to lead the market with a 21 percent share.



once again by the growth of the aseptic packaging category. Volume for Hi-C in the Drink Box, Minute Maid in the Box and other aseptically packaged products grew 22 percent, as the sector continued to fulfill its objective of growing faster than the category average.

The Company pioneered aseptic, single-serve packages in the United States several years ago, and has seen the Drink Box turn around the fruit drink category. The Company

▲ Now in its second year of national distribution, Minute Maid country style orange juice reflects the Company's strategy to increase its presence in the growing chilled orange juice segment.





▲ The **Company** made significant investments in 1986 in food service, a distribution avenue for citrus and coffee products expected to become an increasingly important profit contributor.

is confident that the strong aseptic growth will continue for some time.

Working to make that a reality, Coca-Cola Foods introduced three new aseptically packaged products in 1986: Minute Maid pineapple juice, Minute Maid concord punch and Minute Maid tropical punch.

During the first quarter of 1987, the sector expanded to national distribution another new product, Hi-C 100, a 100 percent juice blend enhanced with natural flavors. Hi-C 100 appeals to children's tastes while answering parents' desire for higher juice content. It is available in orange, grape, apple and fruit punch flavors. Television advertising for Hi-C 100 follows the "Hi-C Kids" theme, which has proven successful for regular Hi-C fruit drinks.

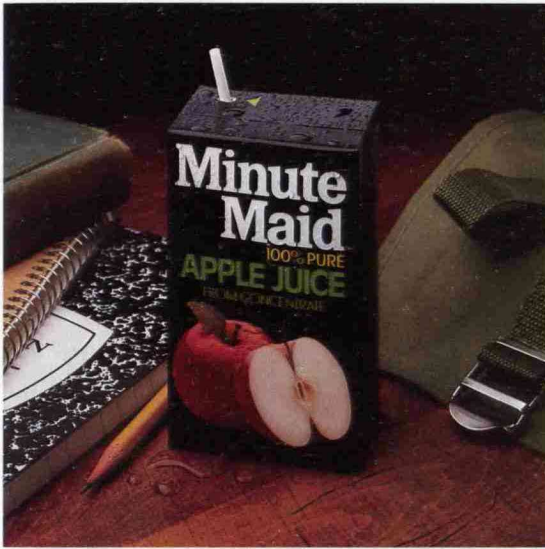
The sector maintained its leadership in refreshment beverages as well. Minute Maid lemonade and punch products reached a market share of 35 percent.

Coffee and Water Volume for the sector's Maryland Club and Butter-Nut brands declined, although market share increased slightly. High coffee prices, however, created an excellent opportunity for a new, high-yield coffee, Custom Roast, introduced under the Maryland Club and Butter-Nut brands in 1986. Custom Roast performed well above expectations, accounting for 11 percent of the coffee unit's 1986 retail sales.

Belmont Springs Water Co., Inc., which markets bottled spring water in the greater Boston area, continued to grow steadily, increasing volume 18 percent over 1985.

Geographic Expansion Two years ago, the sector began an aggressive expansion program in Canada, investing in new production facilities and marketing programs. This year, results were evident as Coca-Cola Foods Canada's operating income increased more than 200 percent over results from the previous year.

Today, Minute Maid frozen concen-



trated orange juice is the number one frozen orange juice in Canada. Overall, the Canadian business is expected to continue its strong growth, as additional, existing products from Coca-Cola Foods' U.S. product line are introduced in Canada.

Food Service The sector plans to capitalize on the U.S. food service market's growth potential. Coca-Cola Foods markets Minute Maid frozen juices and beverages to food service operators and distributors and also offers a uniquely tailored line of citrus and coffee products including a new specialty

coffee line called Huggins Gourmet.

In 1986, Coca-Cola Foods invested in people and systems to make food service a more important contributor to the sector's overall profitability. With these systems in place, the **Company** anticipates that operating profits for food service will grow at a faster rate than retail profits in the coming year.

New Products The sector's strategy in new product development resulted in two successful new products: Minute Maid Fruit Juicee frozen snacks and Bacardi frozen concentrated tropical fruit mixers.

Minute Maid Fruit Juicee frozen snacks, which are unique, juice-based snacks in tetrahedron-shaped squeeze packs, were introduced nationally in early 1986 as the first products resulting from the December 1985 acquisition of Nutri-Foods Int'l. Minute Maid Fruit Juicee allowed expansion of the Minute Maid brand name into a new product area and the use of established juice technology and frozen product distribution systems to successfully establish and market a high-quality product in a growing market segment. By the end of last summer, the Minute Maid Fruit Juicee variety pack was the number one frozen fruit bar item in the country.

◀ Minute Maid in the Box helped the Company's aseptically packaged products continue to grow faster than the aseptic category average, with a 22 percent volume increase in 1986.

► Hi-C fruit drinks achieved a 30 percent market share in 1986, driven by the continued popularity of aseptic packaging.





Launched nationally in 1986, Minute Maid Fruit Juicee frozen snacks were among the summer's most popular products.

▼
The Company's Bacardi frozen concentrated tropical fruit mixers exceeded sales projections in their first year of national distribution.

Bacardi frozen concentrated tropical fruit mixers, produced and marketed by Coca-Cola Foods under an agreement with Bacardi and Company Limited and Bacardi Imports, also complemented the strength of Coca-Cola Foods. Combining the technical expertise of Coca-Cola Foods and the brand name recognition of Bacardi, the Company created essentially a new branded product category: high quality, frozen concentrated fruit mixers that can be prepared with or without alcohol.

During their first year in national distribution, Bacardi frozen concentrated tropical fruit mixers far exceeded original sales projections. Plans are now underway to continue this exceptional growth through expansion into

food service and Canadian markets in 1987.

Late in 1986, the federal Food and Drug Administration approved the use of aspartame in frozen and chilled fruit juices and beverages. The sector responded quickly by introducing Minute Maid Light 'n Juicy low-calorie fruit beverages. The new products, which should be available nationwide in the spring of 1987, are sweetened with NutraSweet and contain 14 calories or less per serving. Minute Maid Light 'n Juicy beverages are being marketed in both frozen concentrated and chilled forms, and in four flavors: orange, lemonade, grape and punch. Made with real fruit juices, they are designed to appeal to consumers who want great-tasting, low-calorie juice products.

1987 and Beyond By year-end, the Foods Business Sector had put in place substantially all the elements necessary to grow faster than the foods industry average over the next several years. Performance will be enhanced by the new products established in 1986 and early 1987, as well as additional products and technology under development. With a more stable supply of orange solids and projections for continued expansion in Coca-Cola Foods' major product categories, healthy growth levels can be anticipated in revenues and profits.



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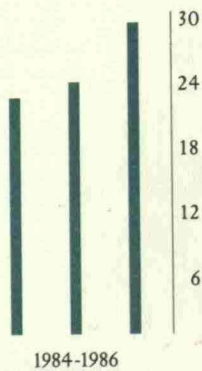
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FINANCIAL REVIEW INCORPORATING MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Objectives and Strategy

Management's primary objective is to increase shareholder value. To accomplish this objective, The Coca-Cola Company and subsidiaries (the "Company") have developed a comprehensive business strategy that emphasizes improving volume and margins, maximizing long-term cash flow by increasing investments in areas offering attractive returns, divesting low return assets and maintaining appropriate financial policies.

Return on Shareholders' Equity (%)
(Income from Continuing Operations to Average Shareholders' Equity)



OPERATIONS

The Company operates in three markets: soft drinks, entertainment and foods, each of which is consumer oriented and offers attractive rates of returns. In each market, the Company focuses on maximizing unit volume growth, exercising effective asset management and increasing utilization of its distribution systems.

Soft Drinks: A principal goal for the Soft Drink Business Sectors is to increase unit volume at rates in excess of the respective industry rates. In the United States, the Company seeks to achieve this goal by expanding its product line, strengthening its bottler system and continuing its aggressive marketing programs. In 1986, Coca-Cola Enterprises Inc. (Enterprises), formerly a wholly owned subsidiary of the Company, completed an initial public offering of 51 percent of its stock. Enterprises comprises substantially all the Company's historically owned U.S. bottling operations, bottling operations acquired from the John T. Lupton family and BCI Holdings

Corporation and other recently acquired bottling companies. This new, freestanding Coca-Cola bottling company produces and distributes approximately 38 percent of the total bottle/can volume for Company products in the United States.

Outside the United States, the Company focuses on product availability, affordability and acceptability to increase international per capita soft drink consumption, which was 16 percent of the U.S. rate in 1986. Increased product availability is achieved through expanding fountain and vending penetration and implementation of the bottler restructuring program overseas. Tactical pricing and larger package sizes improve product affordability, while marketing emphasizes the acceptability of soft drinks as the beverage for all occasions, at all times of day.

Entertainment: Key goals of the Entertainment Business Sector are to leverage its motion picture and television distribution systems and to increase its library of filmed entertainment products. The Company participates in several equity and prelicensing arrangements that reduce the amount of internal funding needed to finance its motion pictures, thereby moderating the financial risk of film production. The Company owns approximately 30 percent of Tri-Star Pictures, Inc., and is the sole distributor of its motion pictures. Over the past two years, the Company has significantly increased its supply of television programming through the strategic acquisitions of Embassy Communications and Affiliates and Tandem Productions in 1985 and January Enterprises, Inc. (doing business as Merv Griffin Enterprises) in 1986. In addition, these acquisitions greatly expand the products available for future syndication.

Foods: Following a strategy of product and package segmentation, the Foods Business Sector increases unit volume by adding new products into its existing distribution systems. In 1986, the Company successfully launched Minute Maid Fruit Juicee frozen snacks, which are unique, juice-based snacks in tetrahedron-shaped squeeze packs and Bacardi frozen concentrated tropical fruit mixers. These strategic actions will enable the foods sector to increase the utilization of its distribution and production systems.

FINANCIAL

Management of Resources: A key element of the Company's strategy is to concentrate its resources in consumer markets offering strategic fit, attractive returns and high growth potential. Management seeks solid investments that strategically enhance existing operations and offer long-term cash returns that exceed the Company's weighted average cost of capital. For investments with risk characteristics similar to the soft drink industry, that cost of capital is estimated by management to be approximately 12 percent after taxes.

The Company's emphasis on profitable growth is reflected in its level of investment spending. In 1986, the Company's capital investment was approximately \$373 million excluding fixed assets of purchased companies. This investment was allocated as follows: soft drink sectors—55 percent; entertainment sector—4 percent; foods sector—16 percent; corporate—25 percent. The soft drink sectors invested primarily in fountain sales equipment, foreign bottling line improvements and construction of an office building for Coca-Cola USA. Expenditures in the foods

sector consisted primarily of investments in citrus processing and dispensing equipment.

The Company repurchased 2.9 million shares of its common stock in 1986, 15 million shares in 1985 and 18.4 million shares in 1984. A share repurchase program is currently in progress under which an additional 7.4 million shares have been approved for repurchase in early 1987. These repurchases were initiated after management determined that for the near term the Company's available cash and debt capacity would exceed the funds required to support operations and anticipated investments. Management plans to consider future share repurchases as appropriate business and cash flow circumstances arise.

Capital Structure: One of the Company's financial goals is to maintain a strong financial position while utilizing prudent amounts of long-term debt. In 1986, the Company announced that its target net debt-to-total-capital ratio is 35 percent. At December 31, 1986, total debt, net of temporary investments and excess cash and current marketable securities, represented 14.2 percent of total capital. The revised target debt-to-capital ratio results in increased borrowing capacity of approximately \$1.3 billion, of which approximately \$300 million is being used in the share repurchase program previously mentioned. The Company envisions using such borrowing capacity principally to fund attractive investment opportunities. These financing policies are aimed at reducing the weighted average cost of capital and increasing the total return to shareholders.

Dividends: With approval from the Board of Directors, management plans to increase the percentage of earnings reinvested in the business by raising dividends annually at a rate lower than the prior year's growth in earnings per share, thus decreasing over time the dividend payout ratio to a targeted ratio of 40 percent. The annual dividend was \$1.04 per share, \$0.99 per share and \$0.92 per share in 1986, 1985 and 1984, respectively. At its February 1987 meeting, the Board of Directors increased the quarterly dividend per share to \$0.28, equivalent to a full year dividend of \$1.12 in 1987. This is the 25th consecutive year in which the Board of Directors has approved dividend increases.

The aforementioned actions are illustrative of management's efforts to enhance the value of the shareholders' investment in The Coca-Cola Company.

Management's Discussion and Analysis

LINES OF BUSINESS

The Company operates three major lines of business:

The Soft Drink Business Sectors manufacture and sell soft drink syrups and concentrates to independent bottling and canning operations and approved wholesalers. The Company also owns and operates some bottling and canning operations, principally outside the United States, which represent approximately 7 percent of international volume of syrup and concentrate. In 1986, Coca-Cola Enterprises Inc., formerly a wholly owned bottling subsidiary operating in the United States, sold unissued common stock through an initial public offering representing

51 percent of total outstanding shares. Prior years' information has been restated to present the related investment under the equity method. For additional information, see Note 3 on page 48.

The Entertainment Business Sector is engaged in the production and distribution of motion pictures, television programming and other entertainment related activities.

The Foods Business Sector's principal business is processing and marketing a variety of fruit juices and fruit drink products. The sector also sells juice-based frozen desserts, coffee, tea and bottled water.

In 1985, the Company sold Presto Products Incorporated and Winkler/Flexible Products, Inc., manufacturers of plastic products. The operating results for these companies have been reported as discontinued operations.

OPERATING RESULTS

Soft Drinks: Revenues for the Soft Drink Business Sectors increased in 1986 primarily because of unit volume increases of 10 percent and because of the effects of more favorable foreign exchange rates. The resurgence of sugar cola products was reflected by combined unit volume increases of 10 percent. Approximately 63 percent of soft drink sales volume is generated outside the United States. In 1986, revenues and operating income benefited from higher foreign exchange rates. As exchange rates increase, local currency revenues and operating income translate into a greater number of U.S. dollars. Operating income in 1986 was reduced by \$180 million representing provisions for disinvestment and restructured operations as described on page 36.

In 1985, increases in soft drink revenues were due principally to volume increases of 10 percent, partially offset by lower foreign exchange rates and lower sweetener prices. Volume increased

significantly for diet Coke and Sprite. In 1985, the Company introduced a new taste for Coca-Cola; a new product, Coca-Cola classic, with the original formula; and cherry Coke. Combined volume for these sugar cola products exceeded volume for Coca-Cola during 1984 by 8 percent. In 1985, operating income was adversely affected by lower foreign exchange rates and increased marketing expenditures incurred to seed firmly the products of megabrand Coca-Cola in the United States and Canada.

Entertainment: Increases in revenues and operating income for the Entertainment Business Sector in 1986 were due principally to syndicated television programming including the initial syndications of *The Facts of Life* and *Silver Spoons* and the acquisition of January Enterprises, Inc., which produces the highly successful game shows *Wheel of Fortune* and *Jeopardy!* Successful motion picture releases included *The Karate Kid Part II* and *Stand By Me*.

In 1985, the increases in revenues and operating income for the entertainment sector resulted primarily from television syndication, including the initial syndication of *Carson's Comedy Classics* and the acquisitions of Embassy Communications and Affiliates and Tandem Productions. Successful motion picture releases during 1985 included *St. Elmo's Fire* and *Jagged Edge*. Profits were also derived from the distribution of Tri-Star Pictures, Inc.'s releases, particularly *Rambo: First Blood Part II*.

Foods: Citrus processing and marketing is the dominant business in the Foods Business Sector. In 1986, revenues remained even with 1985 due to lower industry pricing, partially offset by volume gains. Operating income benefited from volume gains in the chilled and frozen concentrated orange juice categories and lower orange juice costs, partially offset by higher marketing and other operating expenses related to new product introductions. Revenues and operating income increased in the

other divisions of the foods sector in relation to general volume increases.

In 1985, revenues in the citrus business increased, but operating income was adversely affected by increased trade deals and consumer promotions in response to intense industry competition.

SELLING, ADMINISTRATIVE AND GENERAL EXPENSES

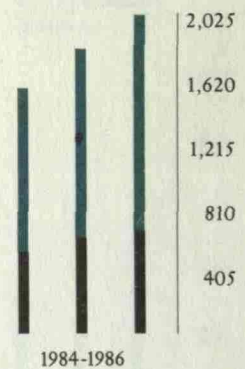
Selling expenses, including media advertising, were \$2.02 billion in 1986, \$1.79 billion in 1985 and \$1.54 billion in 1984. Expenditures for media advertising, excluding amounts capitalized as film production costs, were \$649 million in 1986, \$605 million in 1985 and \$513 million in 1984. An additional \$129 million, \$118 million and \$108 million of media spending were capitalized in 1986, 1985 and 1984, respectively, in film costs in accordance with film industry accounting standards. The 1986 increase in media advertising expense was due primarily to increased exchange rates which increased the U.S. dollar amount of reported foreign expenses. The 1985 increase in media advertising expense was due to increased marketing and promotional expenditures, some of which related to the introductions of Coke with changed taste components and Coca-Cola classic and the national rollout of cherry Coke.

Administrative and general expenses increased 17.8 percent in 1986, compared to 14.2 percent in 1985, primarily because of expansion of the business and corporate activities including the Company's Centennial celebration and increases in employment related expenses. Such expenses, as a percentage of net operating revenues, remained relatively stable at about 8 percent for the three years ended December 31, 1986.

Total Selling Expenses

(\$ Millions)

■ Selling Expenses Other
Than Media Advertising
■ Media Advertising



PROVISIONS FOR DISINVESTMENT AND
RESTRUCTURED OPERATIONS

In 1986, the Company recorded provisions of \$180 million against earnings. These provisions include a charge of \$45 million related to the previously announced decision to disinvest from South Africa. The remaining \$135 million relates principally to the revaluation of certain assets and the estimated cost of closing various production facilities as a result of changes in the conduct of the Company's U.S. soft drink business. These charges represent primarily non-cash items and are not expected to significantly impact future operations. These provisions reduced net income by approximately \$128 million and earnings per share by 33 cents in 1986.

INTEREST INCOME AND EXPENSE

Interest income decreased by \$16 million in 1986 and increased by \$19 million in 1985. The decrease in 1986 resulted from lower interest rates and lower average invested balances than in 1985. The increase in 1985 resulted from higher average invested balances.

Increases in interest expense of \$17 million in 1986 and \$43 million in 1985 were due to increases in average total debt. The increases in debt were related to acquisitions and share repurchase programs.

OTHER INCOME AND DEDUCTIONS

The decrease in other income (net) in 1986 reflects nonrecurring gains in the prior year versus lower exchange gains and increased other deductions in the current year.

The increase in other income (net) in 1985 was due to gains resulting from changes in exchange rates and the sales of certain equity investments in various partially owned bottling operations. Gains on the sales of capital stock of various bottling companies totaled approximately \$67 million.

COCA-COLA ENTERPRISES INC.

Coca-Cola Enterprises Inc. (Enterprises) was formed by the Company in 1986, comprising soft drink bottling operations historically owned by the Company and other Coca-Cola bottling operations acquired by the Company and Enterprises in 1986. (See Note 3 to consolidated financial statements.) Acquisitions by Enterprises were funded with borrowings under a credit agreement with a syndicate of banks. The Company is not a party to the credit agreement and has not guaranteed any indebtedness thereunder.

On November 21, 1986, Enterprises sold 71.4 million shares of its common stock in an initial public offering which reduced the Company's ownership interest to 49 percent. The Company recorded a pretax gain of approximately \$375 million as a result of this transaction. This gain increased net income by approximately \$262 million and earnings per share by 68 cents in 1986. In accordance with its reduced ownership interest, the Company has commenced reporting its investment in Enterprises under the equity method of accounting; prior periods have been restated for consistency of presentation.

Enterprises is the largest bottler of the Company's soft drink products. Syrup/concentrate sales to Enterprises were \$380 million in 1986, \$262 million in 1985 and \$192 million in 1984. These sales represent approximately 6.4 percent, 5.4 percent and 4.3 percent of soft drink net operating revenues for those respective years and 4.4 percent, 3.6 percent and 2.9 percent of consolidated net operating revenues for the same periods. Such sales and the related percentages to net operating revenues are expected to be higher in future years because of the acquisitions of significant Company bottling operations by Enterprises in September 1986.

In addition, the Company and Enterprises entered into new bottle contracts in 1986 which contain flexible pricing provisions that allow the Company to adjust prices at its discretion. Standard contracts with most other bottlers in the United States for Coca-Cola syrup/concentrate provide for formula pricing. Standard contracts with bottlers in the United States for non Coca-Cola syrup/concentrate permit flexible pricing by the Company. Standard contracts with bottlers outside the United States for concentrate and beverage base for all soft drink products generally do not contain restrictions. In October 1986, the Company utilized its rights under the new contracts to raise prices to Enterprises on Coca-Cola trademark beverages, which at current operating levels will increase the Company's net operating revenues and gross profit by approximately \$10 million on an annual basis. In conjunction with price increases under the new contract, the Company will generally increase its participation in cooperative marketing arrangements. Such increased participation is expected to exceed \$6 million in 1987.

In January 1987, Enterprises switched almost exclusively to the purchase of concentrate for Company products. In 1986, average gross profit margin on concentrate sold to Enterprises and other bottlers in the United States was approximately 63 percent. Cooperative advertising expenditures by the Company for the benefit of Enterprises were approximately \$81 million in 1986, which represents 21 percent of related operating revenues. Cooperative advertising expenditures for the benefit of other bottlers in the United States were approximately \$153 million, which represents 19 percent of related operating revenues.

LIQUIDITY AND CAPITAL RESOURCES

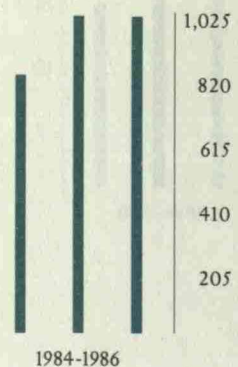
At December 31, 1986, cash and marketable securities totaled \$888 million, an increase of \$19 million over the prior year. The increase resulted primarily from cash provided by operations totaling \$1 billion.

The increase in prepaid expenses and other assets in 1986 reflects the acquisition costs of The Coca-Cola Bottling Company of Southern Florida, Inc. (Miami CCBC) and Coca-Cola bottling companies affiliated with Mr. Crawford Rainwater, Jr. (Rainwater Bottlers), which are reported as temporary investments based on management's intention to dispose of the Company's ownership interests. At December 31, 1986, the increase in investments was due primarily to the increase in carrying value of Coca-Cola Enterprises Inc. resulting from the gain recognized from its sale of common stock in an initial public offering. Noncurrent entertainment obligations increased \$83 million in 1986, primarily as a result of acquisitions of various television series.

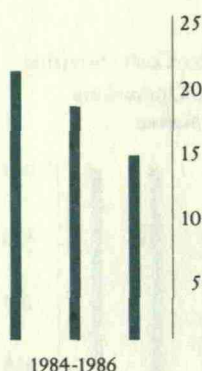
In 1986, the increase in short-term debt is related principally to the acquisitions of Rainwater Bottlers and Miami CCBC, which management anticipates selling in the near future, and the share repurchase program. The increase in long-term debt is principally due to a Euroyen debt issue partially offset by a \$100 million debt issue redeemed three years early in October 1986. At December 31, 1986, the Euroyen debt issue had a U.S. dollar equivalent of approximately \$189 million, of which approximately \$110 million has been designated as a hedge against the Company's net investment in Coca-Cola (Japan) Company Ltd.

The Company's total cash and marketable securities was \$869 million at December 31, 1985, an increase of \$83 million over 1984.

Net Cash Provided
by Operations
(\$ Millions)



Debt to Capital (%)
(Net of Temporary
Investments and Excess Cash
and Marketable Securities)



This increase was due principally to cash provided by operations totaling \$1 billion and the sale of certain entertainment contract rights, as described in Note 15.

Major uses of cash continue to be dividends, capital expenditures, the repurchase of common stock and acquisitions.

At December 31, 1985, investments amounted to \$788 million, an increase of \$235 million over 1984. This increase was due primarily to the acquisitions of Nutri-Foods Int'l., Inc., which was temporarily accounted for under the equity method, and Embassy Home Entertainment, a temporary investment which was sold in 1986. Entertainment obligations increased \$95 million in 1985, primarily as a result of the acquisitions of Embassy Communications and Affiliates and Tandem Productions.

In 1985, the Company issued \$100 million in long-term debt. Also in 1985, loans and notes payable decreased more than \$100 million.

The Company maintains cash and current marketable securities substantially in excess of minimum operating requirements. The percentage of total debt, net of temporary investments and cash and current marketable securities in excess of minimum operating needs, to total capital was as follows:

December 31, 1986: 14.2% (net of an estimated \$620 million of cash and current marketable securities in excess of minimum operating requirements and \$536 million of temporary acquisitions);

December 31, 1985: 18.1% (net of an estimated \$630 million of cash and current marketable securities in excess of minimum operating requirements).

The Company maintains credit lines at various financial institutions. At December 31, 1986, the unused portion of these credit lines was \$288 million.

Capital expenditures in 1986, 1985 and 1984 were \$455 million, \$456 million and \$335 million, respectively, and related principally to building construction, capacity expansion, purchase of fixed assets for improved efficiency and fixed assets of purchased companies.

INTERNATIONAL OPERATIONS

In 1986, the Company announced that it would disinvest from South Africa and disposed of its interests in the soft drink bottling and canning operations in that country. A provision for disinvestment of \$45 million was charged against operations during the fourth quarter.

The Company distributes its products in more than 155 countries and uses approximately 40 functional currencies. The U.S. dollar is used as the functional currency in countries considered to have hyperinflationary economies, such as Brazil and Mexico.

Approximately 63 percent of total operating income is generated outside the United States. Management estimates that the average annual exchange rates of selected key foreign hard currencies versus the U.S. dollar strengthened by an average of 27 percent in 1986 and weakened by an average of 9 percent in 1985.

Percentage increases (decreases) in average exchange rates for several of the selected foreign hard currencies are as follows:

	1986	1985	1984
Germany	34 %	(3)%	(11)%
Japan	41 %	1 %	(1)%
United Kingdom	13 %	(2)%	(12)%
Australia	(4)%	(20)%	(2)%

Exchange effects, i.e., gains and (losses) on foreign currency transactions and translation of balance sheet accounts in hyperinflationary countries, were \$17 million in 1986, \$27 million in 1985 and \$(18) million in 1984. Such amounts are included in other income (net of other deductions) in the consolidated statements of income.

In general, the Company does not enter into forward exchange contracts to hedge its net investment in foreign operations. The Company does, however, engage in various hedging activities to minimize potential losses on cash flows denominated in foreign currencies and to offset foreign exchange movements on firm commitments and certain other transactions where potential for loss exists.

IMPACT OF TAX REFORM AND PROPOSED ACCOUNTING CHANGES

Net income and cash flow were reduced by approximately \$12 million in 1986 due to the United States Tax Reform Act of 1986. The Company expects the overall effect of the tax law changes to be favorable in future years when lower tax rates become effective. Such effects, however, are not expected to be material to operating results and cash flow.

The Financial Accounting Standards Board is proposing changes in the accounting for income taxes. The Company does not anticipate material effects on its operating results if the changes are adopted as proposed.

IMPACT OF INFLATION AND CHANGING PRICES

Although inflation has slowed in the United States in recent years, it is still a factor in many of the Company's markets around the world and the Company continues to seek ways to cope with its impact. Foreign currency exchange rates tend to reflect over time

the difference in relative inflation rates. The Company's financial statements, prepared in accordance with generally accepted accounting principles, reflect the historical cost rather than the current or replacement cost of assets required to maintain productive capability. Income from continuing operations determined under the specific price changes method (current cost) would be less than reported in the primary financial statements.

During periods of inflation, monetary assets, such as cash and accounts receivable, lose purchasing power while monetary liabilities, such as accounts payable and debt, gain purchasing power. The Company has benefited from its net monetary liability position in recent years resulting in net purchasing power gains. These gains do not represent an increase in funds available for distribution to shareholders and do not necessarily imply that incurring more debt would be beneficial to the Company.

In general, management believes that the Company is able to adjust prices to compensate for increasing costs and to generate sufficient cash flow to maintain its productive capability.

ADDITIONAL INFORMATION

For additional information concerning the Company's operations, cash flow, liquidity and capital sources, this analysis should be read in conjunction with the Letter to Shareholders and the information on pages 42 through 55 of this Annual Report. Additional information concerning operations in different industries and geographic areas is presented on pages 53 and 54.

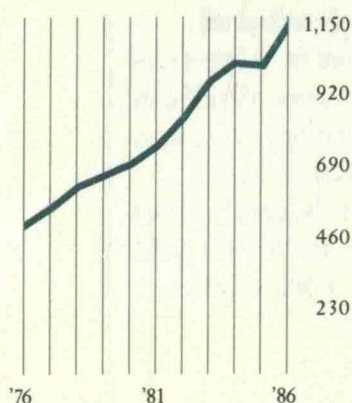
SELECTED FINANCIAL DATA

(In millions except per share data)

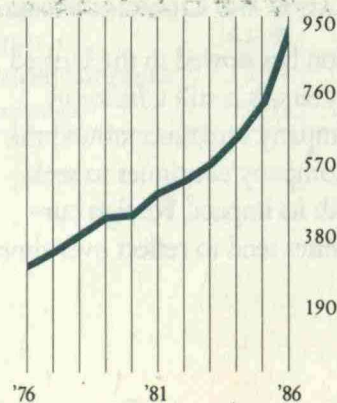
Year Ended December 31,		1986	1985	1984
SUMMARY OF OPERATIONS (a,b)	Net operating revenues	\$8,669	\$7,212	\$6,593
	Cost of goods and services	4,645	3,860	3,557
	Gross profit	4,024	3,352	3,036
	Selling, administrative and general expenses	2,699	2,368	2,046
	Provisions for disinvestment and restructured operations	180	—	—
	Operating income	1,145	984	990
	Interest income	134	151	131
	Interest expense	186	168	126
	Other income (deductions)—net	43	96	36
	Gain on sale of stock by Coca-Cola Enterprises Inc.	375	—	—
	Income from continuing operations before income taxes	1,511	1,063	1,031
	Income taxes	577	385	409
	Income from continuing operations	\$ 934	\$ 678	\$ 622
	Net income	\$ 934	\$ 722	\$ 629
PER SHARE DATA (c)	Income from continuing operations	\$ 2.42	\$ 1.72	\$ 1.57
	Net income	2.42	1.84	1.59
	Dividends	1.04	.99	.92
YEAR-END POSITION	Cash and marketable securities	\$ 888	\$ 869	\$ 786
	Property, plant and equipment—net	1,764	1,631	1,413
	Total assets	8,373	6,772	5,840
	Long-term debt	1,011	867	719
	Total debt	1,736	1,288	1,330
	Shareholders' equity	3,515	2,979	2,778
	Total capital (d)	5,251	4,267	4,108
FINANCIAL RATIOS	Income from continuing operations to net operating revenues	10.8%	9.4%	9.4%
	Income from continuing operations to average shareholders' equity	28.8%	23.5%	21.8%
	Total debt to total capital	33.1%	30.2%	32.4%
	Dividend payout	43.1%	53.7%	58.0%
	Average shares outstanding (c)	387	393	396
OTHER DATA	Capital expenditures	\$ 455	\$ 456	\$ 335
	Depreciation	167	143	131
	Market price per share at December 31 (c)	37.75	28.17	20.79

Notes: (a) As a result of the November 1986 initial public offering of common stock by Coca-Cola Enterprises Inc., the Company's ownership interest has been reduced to approximately 49 percent and is reported under the equity method. Prior years' information has been restated to conform to the current year's presentation. This change has no effect on previously reported net income or net income per share.

Operating Income
(\$ Millions)



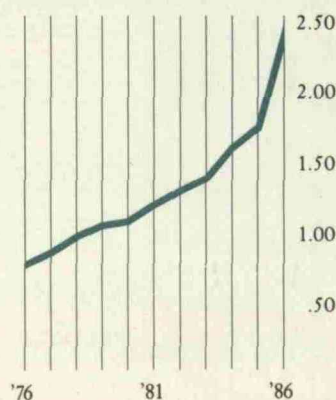
Net Income
(\$ Millions)



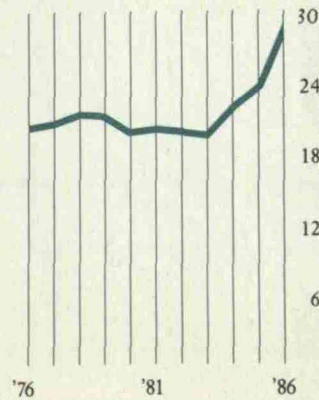
1983	1982	1981	1980	1979	1978	1977	1976
\$6,154	\$5,437	\$5,048	\$4,841	\$4,065	\$3,591	\$2,911	\$2,615
3,393	2,978	2,813	2,725	2,205	1,954	1,624	1,466
2,761	2,459	2,235	2,116	1,860	1,637	1,287	1,149
1,824	1,634	1,503	1,428	1,213	1,029	754	667
—	—	—	—	—	—	—	—
937	825	732	688	647	608	533	482
86	110	85	56	46	41	32	31
73	74	37	34	10	7	6	6
23	27	(5)	—	10	(4)	4	7
—	—	—	—	—	—	—	—
973	888	775	710	693	638	563	514
420	394	343	316	307	287	253	236
\$ 553	\$ 494	\$ 432	\$ 394	\$ 386	\$ 351	\$ 310	\$ 278
\$ 559	\$ 512	\$ 482	\$ 422	\$ 420	\$ 375	\$ 331	\$ 294
\$ 1.35	\$ 1.27	\$ 1.17	\$ 1.06	\$ 1.04	\$.95	\$.84	\$.75
1.37	1.32	1.30	1.14	1.13	1.01	.89	.79
.89	.83	.77	.72	.65	.58	.51	.44
\$ 614	\$ 262	\$ 344	\$ 235	\$ 153	\$ 325	\$ 351	\$ 364
1,375	1,363	1,239	1,124	1,062	915	760	623
5,141	4,821	3,427	3,205	2,777	2,489	2,190	1,999
506	458	132	121	22	15	15	11
612	579	227	213	130	69	57	52
2,921	2,779	2,271	2,075	1,919	1,740	1,578	1,434
3,533	3,358	2,498	2,288	2,049	1,809	1,635	1,486
9.0%	9.1%	8.6%	8.1%	9.5%	9.8%	10.6%	10.6%
19.4%	19.6%	19.9%	19.7%	21.1%	21.2%	20.6%	20.3%
17.3%	17.2%	9.1%	9.3%	6.3%	3.8%	3.5%	3.5%
65.3%	62.8%	59.5%	63.2%	57.6%	57.4%	57.5%	55.7%
408	390	372	372	372	372	369	369
\$ 349	\$ 347	\$ 295	\$ 259	\$ 334	\$ 259	\$ 231	\$ 156
122	115	103	97	86	69	61	52
17.83	17.33	11.58	11.13	11.50	14.63	12.42	13.17

(b) In 1982, the Company adopted Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation." Also, in June 1982, the Company acquired Columbia Pictures Industries, Inc., in a purchase transaction. (c) Adjusted for a three-for-one stock split in 1986 and a two-for-one stock split in 1977. (d) Includes shareholders' equity and total debt.

Income Per Share From
Continuing Operations (\$)



Return on
Shareholders' Equity (%)



CONSOLIDATED BALANCE SHEETS

(In thousands except share data)

December 31,		1986	1985
ASSETS			(Restated)
CURRENT	Cash	\$ 625,899	\$ 499,624
	Marketable securities, at cost (approximates market)	261,785	369,491
		887,684	869,115
	Trade accounts receivable, less allowances of \$32,008 in 1986 and \$17,025 in 1985	1,081,597	827,451
	Inventories and film costs	932,619	884,445
	Prepaid expenses and other assets	837,512	221,006
	TOTAL CURRENT ASSETS	3,739,412	2,802,017
INVESTMENTS, FILM COSTS AND OTHER ASSETS	Investments in affiliates		
	Coca-Cola Enterprises Inc.*	709,287	402,678
	Other	387,155	384,898
	Film costs	777,590	536,112
	Receivables and other assets	337,213	444,436
		2,211,245	1,768,124
PROPERTY, PLANT AND EQUIPMENT	Land	137,233	127,565
	Buildings and improvements	765,482	674,131
	Machinery and equipment	1,565,305	1,405,835
	Containers	321,938	317,752
		2,789,958	2,525,283
	Less allowances for depreciation	1,026,230	893,846
		1,763,728	1,631,437
GOODWILL AND OTHER INTANGIBLE ASSETS		659,053	570,032
		\$8,373,438	\$6,771,610

*At December 31, 1986, the Company held 68,600,000 shares with a market price per share of \$14.25.

December 31,

LIABILITIES AND SHAREHOLDERS' EQUITY

	1986	1985 (Restated)
CURRENT		
Accounts payable and accrued expenses	\$1,332,714	\$1,056,415
Loans and notes payable	701,866	391,421
Current maturities of long-term debt	23,212	29,578
Entertainment obligations	257,333	215,249
Accrued taxes—including income taxes	439,689	243,182
TOTAL CURRENT LIABILITIES	2,754,814	1,935,845
ENTERTAINMENT OBLIGATIONS	354,054	270,676
LONG-TERM DEBT	1,011,185	866,756
DEFERRED INCOME TAXES	381,559	285,180
DEFERRED ENTERTAINMENT REVENUE	356,847	434,096
SHAREHOLDERS' EQUITY		
Common stock, \$1 par value—		
Authorized: 700,000,000 shares in 1986 and		
540,000,000 shares in 1985;		
Issued: 414,491,897 shares in 1986 and		
413,098,698 shares in 1985	414,492	69,227
Capital surplus	299,345	602,617
Reinvested earnings	3,624,046	3,092,255
Foreign currency translation adjustment	(118,087)	(181,440)
	4,219,796	3,582,659
Less treasury stock, at cost (29,481,220 shares		
in 1986; 27,117,093 shares in 1985)	704,817	603,602
	3,514,979	2,979,057
	\$8,373,438	\$6,771,610

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands except per share data)

The Coca-Cola Company and Subsidiaries

Year Ended December 31,	1986	1985 (Restated)	1984 (Restated)
NET OPERATING REVENUES	\$8,668,556	\$7,212,093	\$6,592,743
Cost of goods and services	4,644,235	3,859,612	3,556,518
GROSS PROFIT	4,024,321	3,352,481	3,036,225
Selling, administrative and general expenses	2,699,293	2,367,853	2,046,244
Provisions for disinvestment and restructured operations	180,000	—	—
OPERATING INCOME	1,145,028	984,628	989,981
Interest income	134,184	150,683	131,480
Interest expense	185,769	168,462	125,646
Other income (deductions)—net	42,837	96,597	35,469
Gain on sale of stock by Coca-Cola Enterprises Inc.	375,000	—	—
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	1,511,280	1,063,446	1,031,284
Income taxes	576,933	385,880	409,526
INCOME FROM CONTINUING OPERATIONS	934,347	677,566	621,758
Income from discontinued operations (net of applicable income taxes of \$7,870 in 1985 and \$6,144 in 1984)	—	9,000	7,060
Gain on disposal of discontinued operations (net of applicable income taxes of \$20,252 in 1985)	—	35,733	—
NET INCOME	\$ 934,347	\$ 722,299	\$ 628,818
PER SHARE			
Continuing operations	\$ 2.42	\$ 1.72	\$ 1.57
Discontinued operations	—	.12	.02
Net income	\$ 2.42	\$ 1.84	\$ 1.59
AVERAGE SHARES OUTSTANDING	386,831	393,354	396,630

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands except per share data)

The Coca-Cola Company and Subsidiaries

Three Years Ended December 31, 1986	Number of Shares		Amount				
	Common Stock	Treasury Stock	Common Stock	Capital Surplus	Reinvested Earnings	Foreign Currency Translation	Treasury Stock
Balance January 1, 1984	409,962	903	\$ 68,704	\$500,031	\$2,494,215	\$(130,640)	\$ (11,554)
Sales to employees exercising stock options and appreciation rights	948	—	158	10,931	—	—	—
Tax benefit from sale of option shares by employees	—	—	—	2,557	—	—	—
Translation adjustments (net of income taxes of \$2,950)	—	—	—	—	—	(104,171)	—
Stock issued under Restricted Stock Award Plan	882	—	147	18,667	—	—	—
Treasury stock purchased	—	18,414	—	—	—	—	(335,659)
Net income	—	—	—	—	628,818	—	—
Dividends (per share—\$.92)	—	—	—	—	(364,138)	—	—
Balance December 31, 1984	411,792	19,317	69,009	532,186	2,758,895	(234,811)	(347,213)
Sales to employees exercising stock options and appreciation rights	1,025	(123)	171	13,647	—	—	1,552
Tax benefit from sale of option shares by employees	—	—	—	3,492	—	—	—
Translation adjustments (net of income taxes of \$841)	—	—	—	—	—	53,371	—
Treasury stock issued in con- nection with an acquisition	—	(7,077)	—	46,653	—	—	121,989
Stock issued under Restricted Stock Award Plan	282	—	47	6,639	—	—	—
Treasury stock purchased	—	15,000	—	—	—	—	(379,930)
Net income	—	—	—	—	722,299	—	—
Dividends (per share—\$.99)	—	—	—	—	(388,939)	—	—
Balance December 31, 1985	413,099	27,117	69,227	602,617	3,092,255	(181,440)	(603,602)
Change in par value of common stock	—	—	343,872	(343,872)	—	—	—
Sales to employees exercising stock options and appreciation rights	1,183	(30)	1,183	26,771	—	—	539
Tax benefit from sale of option shares by employees	—	—	—	5,907	—	—	—
Translation adjustments (net of income taxes of \$5,681)	—	—	—	—	—	63,353	—
Treasury stock issued in con- nection with an acquisition	—	(485)	—	—	—	—	8,717
Stock issued under Restricted Stock Award Plan	210	—	210	7,922	—	—	—
Treasury stock purchased	—	2,879	—	—	—	—	(110,471)
Net income	—	—	—	—	934,347	—	—
Dividends (per share—\$1.04)	—	—	—	—	(402,556)	—	—
Balance December 31, 1986	414,492	29,481	\$414,492	\$299,345	\$3,624,046	\$(118,087)	\$(704,817)

See Notes to Consolidated Financial Statements.

**CONSOLIDATED STATEMENTS OF CHANGES
IN FINANCIAL POSITION** (In thousands)

The Coca-Cola Company and Subsidiaries

Year Ended December 31,

		1986	1985 (Restated)	1984 (Restated)
OPERATIONS	Income from continuing operations	\$ 934,347	\$ 677,566	\$ 621,758
	Depreciation	166,829	143,226	131,179
	Amortization			
	Goodwill	17,942	15,991	15,410
	Noncurrent film costs	244,886	138,965	136,714
	Deferred income taxes	94,524	87,562	82,544
	Gain on sale of stock by Coca-Cola Enterprises Inc.	(375,000)	—	—
	Provisions for disinvestment and restructured operations	180,000	—	—
	Other	4,106	13,930	9,120
	Discontinued operations	—	53,573	15,222
	Working capital provided by operations	1,267,634	1,130,813	1,011,947
	Decrease in working capital	41,308	41,074	37,878
	Net additions to noncurrent film costs	(292,655)	(155,405)	(225,764)
	Cash provided by operations	1,016,287	1,016,482	824,061
	Increase (decrease) in deferred entertainment revenue	(77,249)	434,096	—
	Decrease (increase) in investments and other assets	173,529	23,701	(350,663)
	Additions to property, plant and equipment	(372,623)	(441,631)	(298,072)
	Disposals of property, plant and equipment	167,417	28,563	72,069
	Increase (decrease) in noncurrent entertainment obligations	83,378	32,378	(50,895)
	Temporary investments and other	(494,805)	27,022	(23,613)
FINANCING ACTIVITIES	Net cash invested in operations	(443,104)	(329,967)	(651,174)
	Net cash available from operations	495,934	1,120,611	172,887
	Increase (decrease) in loans and notes payable and current maturities of long-term debt	303,741	(189,471)	499,416
	Increase in long-term debt	253,831	182,821	332,491
	Decrease in long-term debt	(122,125)	(29,578)	(119,594)
	Common stock issued (includes treasury)	51,249	194,190	32,460
	Repurchase of common stock	(110,471)	(379,930)	(335,659)
ACQUISITIONS AND DISCONTINUED OPERATIONS	Cash provided by (used for) financing activities	376,225	(221,968)	409,114
	Acquisitions of purchased companies			
	Net working capital	(53,325)	(127,255)	34,287
	Property, plant and equipment—net	(81,833)	(14,799)	(37,029)
	Other assets, net of other liabilities	(181,158)	(321,792)	—
	Goodwill	(134,718)	(20,000)	(43,025)
	Discontinued operations			
	Net working capital	—	29,209	—
	Net long-term assets (including property, plant and equipment)	—	27,771	—
	Resources used for acquisitions and discontinued operations	(451,034)	(426,866)	(45,767)
DIVIDENDS		(402,556)	(388,939)	(364,138)
CASH AND CURRENT MARKETABLE SECURITIES	Net increase during the year	18,569	82,838	172,096
	Balance at beginning of year	869,115	786,277	614,181
	Balance at end of year	\$ 887,684	\$ 869,115	\$ 786,277

See Notes to Consolidated Financial Statements.

1. ACCOUNTING POLICIES. The major accounting policies and practices followed by the Company and its subsidiaries are as follows:

Consolidation: The consolidated financial statements include the accounts of the Company and its subsidiaries except for Coca-Cola Financial Corporation (CCFC). All significant inter-company accounts and transactions are eliminated in consolidation. CCFC, a wholly owned finance subsidiary, initiated operations in 1984 and is accounted for under the equity method. CCFC's operations for 1986, 1985 and 1984 were not significant to the consolidated financial statements.

Inventories and Film Costs: Inventories are valued at the lower of cost or market method. In general, inventories are valued on the basis of average cost or first-in, first-out (FIFO) methods. However, certain soft drink and citrus inventories are valued on the last-in, first-out (LIFO) method. The excess of current costs over LIFO stated values amounted to approximately \$23 million and \$32 million at December 31, 1986 and 1985, respectively.

Film costs include film production, print, prerelease and other advertising costs expected to benefit future periods, accrued profit participations and capitalized interest. The individual film forecast method is used to amortize these costs based on the revenues recognized in proportion to management's estimate of ultimate revenues to be received. Based on the Company's estimate of revenues as of December 31, 1986, approximately 75 percent of unamortized film costs are expected to be amortized over the next three years.

The costs of feature and television films are classified as current assets to the extent such costs are expected to be recovered through the respective primary markets; remaining costs relating to film production are classified as noncurrent.

Revenues from theatrical exhibition of feature films are recognized on the dates of exhibition. Revenues from television licensing agreements are recognized when films are available for telecasting. Cash collected in advance of the time of availability is recorded as deferred entertainment revenue. Motion picture revenues are derived from the following markets: domestic and foreign theater, home video, pay television, network television and independent broadcast television. The Company's average revenue recognition cycle for motion pictures is approximately seven years.

Property, Plant and Equipment: Property, plant and equipment is stated at cost, less allowance for depreciation, except that foreign subsidiaries carry bottles and shells in service at amounts (less than cost) that generally correspond with deposit prices obtained from customers. Depreciation expense is determined principally by the straight-line method. The annual rates of depreciation are 2 percent to 10 percent for buildings and improvements and 7 percent to 34 percent for machinery and equipment. Available investment tax credits have been accounted for by the flow-through method.

Capitalized Interest: Interest capitalized as part of the cost of acquisition, construction or production of major assets (including film costs) was \$22 million, \$34 million and \$26 million in 1986, 1985 and 1984, respectively.

Goodwill and Other Intangible Assets: Goodwill and other intangible assets are stated on the basis of cost and, if acquired subsequent to October 31, 1970, are being amortized, principally on a straight-line basis, over the estimated future periods to be benefited (not exceeding 40 years). Accumulated amortization amounted to \$63 million and \$65 million at December 31, 1986 and 1985, respectively.

2. INVENTORIES AND FILM COSTS consist of the following (in thousands):

December 31,	1986	1985
Finished goods	\$316,194	\$300,475
Work in process	16,722	17,374
Raw materials and supplies	397,308	355,627
Film costs (includes in process costs of \$62,524 in 1986 and \$51,901 in 1985)	202,395	210,969
	<u>\$932,619</u>	<u>\$884,445</u>
Noncurrent film costs		
Completed	\$585,142	\$411,110
In process	192,448	125,002
	<u>\$777,590</u>	<u>\$536,112</u>

3. INVESTMENTS IN AND ADVANCES TO AFFILIATED COMPANIES.

On September 12, 1986, the Company transferred the operating assets of substantially all previously owned and recently acquired bottling companies in the United States to Coca-Cola Enterprises Inc. (Enterprises), a wholly owned subsidiary. In connection with these transactions, Enterprises assumed approximately \$233 million of debt incurred by the Company in conjunction with certain of the acquisitions. In addition, in September 1986, Enterprises acquired the Coca-Cola bottling companies controlled by John T. Lupton and his family and the soft drink bottling operations of BCI Holdings Corporation (the successor to The Beatrice Companies, Inc.) and the remaining interest in The Detroit Bottling Company, Inc. for an aggregate cost of approximately \$2.25 billion; these acquisitions were funded with borrowings under a credit agree-

ment entered into by Enterprises with a syndicate of banks. The Company is not a party to the credit agreement and has not guaranteed any of the borrowings thereunder.

On November 21, 1986, Enterprises sold 71.4 million shares of its unissued common stock for net proceeds of approximately \$1.12 billion. This transaction reduced the Company's ownership interest to 49 percent and resulted in a pretax gain of \$375 million. Consistent with its reduced ownership interest, the Company has commenced reporting its investment in Enterprises under the equity method of accounting. The consolidated financial statements have been restated to reflect Enterprises under the equity method of accounting for all periods presented. The restatement had no effect on shareholders' equity, income from continuing operations, net income or related per share amounts.

A summary of financial information for Enterprises and other principal equity investee companies (none of which is individually significant) is as follows (in thousands):

December 31,	Coca-Cola Enterprises Inc.			Other Equity Investees		
	1986	1985	1984	1986	1985	1984
Current assets	\$ 422,626	\$ 205,005		\$555,941	\$382,986	
Noncurrent assets	3,388,393	574,503		389,762	368,074	
Total assets	\$3,811,019	\$ 779,508		\$945,703	\$751,060	
Current liabilities	\$ 522,587	\$ 136,624		\$341,765	\$212,758	
Noncurrent liabilities	1,840,908	240,206		222,878	199,105	
Total liabilities	\$2,363,495	\$ 376,830		\$564,643	\$411,863	
Net assets	\$1,447,524	\$ 402,678		\$381,060	\$339,197	
Company investments and advances	\$ 709,287	\$ 402,678		\$186,655	\$149,695	
Year ended December 31,						
Net operating revenues	\$1,951,008	\$1,271,959	\$872,279	\$783,933	\$864,997	\$518,626
Cost of goods and services	1,137,720	755,709	513,032	501,576	594,057	340,031
Gross profit	\$ 813,288	\$ 516,250	\$359,247	\$282,357	\$270,940	\$178,595
Income before taxes	\$ 84,770	\$ 63,628	\$ 46,488	\$100,190	\$ 79,380	\$ 34,668
Net income	\$ 27,792	\$ 35,907	\$ 24,819	\$ 91,444	\$ 75,485	\$ 25,499
Company equity in earnings	\$ 28,161	\$ 35,907	\$ 24,819	\$ 46,508	\$ 41,132	\$ 12,431

The Company had an investment of approximately \$40 million and \$45 million in CCFC, a wholly owned unconsolidated subsidiary, at December 31, 1986, and 1985, respectively. Total assets of CCFC were approximately \$292 million at

December 31, 1986, and \$197 million at December 31, 1985. Net income of CCFC was approximately \$4.2 million and \$3.4 million in 1986 and 1985, respectively, (CCFC's first two full years of operations).

4. ACCOUNTS PAYABLE AND ACCRUED EXPENSES are composed of the following amounts (in thousands):

December 31,	1986	1985
Trade accounts payable	\$1,217,165	\$ 936,099
Deposits on bottles and shells	44,119	42,042
Other	71,430	78,274
	<u>\$1,332,714</u>	<u>\$1,056,415</u>

5. SHORT-TERM BORROWINGS AND CREDIT ARRANGEMENTS.

Loans and notes payable consist of commercial paper and notes payable to banks and other financial institutions.

Under lines of credit and other credit facilities for short-term debt with various financial institutions, the Company, including CCFC, may borrow up to \$332 million. These lines of credit are subject to normal banking terms and conditions. At December 31, 1986, the unused portion of the credit lines was \$288 million. Some of the financial arrangements require compensating balances which are not material.

6. ACCRUED TAXES are composed of the following amounts (in thousands):

December 31,	1986	1985
Income taxes	\$364,126	\$185,604
Sales, payroll and miscellaneous taxes	75,563	57,578
	<u>\$439,689</u>	<u>\$243,182</u>

7. SHAREHOLDERS' EQUITY. At a special meeting on June 4, 1986, the Company's shareholders approved an increase in the number of authorized shares from 180 million to 700 million, a three-for-one stock split effective June 16, 1986, and a change from no par value common stock to \$1.00 par value per share. All share data herein has been restated to reflect these changes.

8. LONG-TERM DEBT consists of the following amounts (in thousands):

December 31,	1986	1985
10¾% notes due June 1, 1988	\$ 99,530	\$ 99,198
11¾% notes due November 28, 1988	100,000	100,000
12¾% notes due August 1, 1989	99,870	99,821
11¾% notes redeemed on October 1, 1986 (original due date was October 1, 1989)	—	98,641
11¾% notes due October 16, 1991 (redeemable after October 16, 1988)	99,829	99,793
11¾% notes due November 28, 1991	80,793	—
9¾% notes due August 1, 1992 (redeemable after July 31, 1989)	98,780	98,562
9¾% notes due November 26, 1992 (redeemable after November 26, 1989)	100,000	100,000
5¾% notes due April 24, 1996	189,156	—
Other	166,439	200,319
	<u>1,034,397</u>	<u>896,334</u>
Less current portion	<u>23,212</u>	<u>29,578</u>
	<u>\$1,011,185</u>	<u>\$866,756</u>

Notes outstanding at December 31, 1986, were issued outside the United States and are redeemable at the Company's option under certain conditions related to U.S. and foreign tax laws. The 9¾ percent notes due November 26, 1992, were issued with detachable warrants which grant the holder the right to receive, upon tender of the original bond, additional notes bearing the same interest rate and maturing in 1992. The warrants expire November 26, 1989.

Other long-term debt consists of various mortgages and notes with maturity dates ranging from 1987 to 2011. Interest on a portion of this debt varies with the changes in the prime rate, and the weighted average interest rate applicable to the remainder is approximately 10 percent.

Maturities of long-term debt for the five years succeeding December 31, 1986, are as follows (in thousands):

1987	\$ 23,212
1988	217,116
1989	114,475
1990	15,446
1991	194,320

The above notes include various restrictions, none of which are presently significant to the Company.

The Company is contingently liable for guarantees of indebtedness owed by some independent bottling companies (\$169 million), CCFC (\$201 million) and others, totaling approximately \$394 million at December 31, 1986.

9. **PENSION PLANS.** The Company and its subsidiaries sponsor and/or contribute to various pension plans covering substantially all U.S. employees and certain employees in non-U.S. locations. Pension expense for continuing operations determined under various actuarial cost methods, principally the aggregate level cost method, amounted to approximately \$31 million in 1986, \$35 million in 1985 and \$30 million in 1984. Pension costs are generally funded currently.

The actuarial present value of accumulated benefits, as estimated by consulting actuaries, and net assets available for benefits of Company and subsidiary-sponsored plans in the United States are presented below (in thousands):

January 1,	1986	1985
Actuarial present value of accumulated plan benefits:		
Vested	\$267,476	\$216,083
Nonvested	25,295	20,933
	<u>\$292,771</u>	<u>\$237,016</u>
Net assets available for benefits	<u>\$398,931</u>	<u>\$323,989</u>

The weighted average assumed rates of return used in determining the actuarial present value of accumulated plan benefits were approximately 8 percent for 1986 and 9 percent for 1985. This change in the assumed rate of return and a plan amendment increased the actuarial present value of accumulated plan benefits by approximately \$48 million at January 1, 1986, and decreased 1986 pension expense by approximately \$7 million.

The Company has various pension plans in locations outside the United States. These locations are not required to report to U.S. governmental agencies and do not determine the actuarial present value of accumulated plan benefits or net assets available for benefits as calculated and disclosed above. For such plans, the value of the pension funds and balance sheet accruals exceeded the actuarially computed value of benefits as of January 1, 1986 and 1985, as estimated by consulting actuaries.

The Company also has a plan that provides post-retirement health care and life insurance benefits to virtually all employees who retire with a minimum of five years of service; the aggregate cost of these benefits is not significant.

10. **INCOME TAXES.** The components of income before income taxes for both continuing and discontinued operations consist of the following (in thousands):

Year Ended December 31,	1986	1985	1984
United States	\$ 693,829	\$ 519,008	\$ 433,715
Foreign	817,451	617,293	610,773
	<u>\$1,511,280</u>	<u>\$1,136,301</u>	<u>\$1,044,488</u>

Income taxes for continuing and discontinued operations consist of the following amounts (in thousands):

Year Ended December 31,	United States	State & Local	Foreign	Total
1986				
Current	\$23,978	\$22,022	\$436,409	\$482,409
Deferred	79,630	13,432	1,462	94,524
1985				
Current	\$25,310	\$12,085	\$288,051	\$325,446
Deferred	58,711	7,073	22,772	88,556
1984				
Current	\$28,488	\$18,392	\$285,788	\$332,668
Deferred	66,184	3,181	13,637	83,002

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

Year Ended December 31,	1986	1985	1984
Statutory rate	46.0%	46.0%	46.0%
State income taxes — net of federal benefit	1.1	1.0	1.1
Provision for disinvestment — South Africa	1.4	—	—
Earnings in jurisdictions taxed at lower rates (principally Puerto Rico)	(4.1)	(5.7)	(3.6)
Investment tax credits	(1.6)	(3.2)	(3.1)
Gain on sale of stock by Coca-Cola Enterprises Inc.	(4.0)	—	—
Equity method earnings	(1.2)	(1.9)	(1.5)
Other — net	.6	.1	.8
	<u>38.2%</u>	<u>36.3%</u>	<u>39.7%</u>
Investment tax credits included in determination of above rates (in millions):	<u>\$24.0</u>	<u>\$35.0</u>	<u>\$32.0</u>

Deferred taxes are provided principally for depreciation, film costs and television and other licensing income which are recognized in different years for financial statement and income tax purposes. The Company has manufacturing facilities in Puerto Rico that operate under a Puerto Rican tax exemption, which expires in 1995. In 1984, the Company completed an organizational restructuring in the Entertainment Business Sector that resulted in an increase in the tax bases of certain assets.

Appropriate U.S. and foreign income taxes have been provided for earnings of subsidiary companies that are expected to be remitted to the parent company in the near future. Accumulated unremitted earnings of foreign subsidiaries that are expected to be required for use in the foreign operations were approximately \$142 million at December 31, 1986, exclusive of amounts, which if remitted, would result in little or no tax.

The United States Tax Reform Act of 1986 repealed the investment tax credit for property placed in service after December 31, 1985, unless a binding contract to purchase or construct qualified property was in effect on that date. In accordance with generally accepted accounting principles, the Company reversed in the fourth quarter of 1986, \$8 million of investment tax credits previously recorded during the year.

11. STOCK OPTIONS AND OTHER STOCK PLANS. The amended 1983 Restricted Stock Award Plan provides that 3,000,000 shares of restricted common stock may be granted to certain officers and key employees of the Company. The shares are subject to forfeiture if the employee leaves the Company for reasons other than death, disability or retirement and may not be transferred by the employee prior to death, disability or retirement. The employee receives dividends on the shares and may vote the shares. The market value of the shares at the date of grant is charged to operations over the vesting periods. Shares granted were 210,000 shares, 282,000 shares and 883,500 shares in 1986, 1985 and 1984, respectively. At December 31, 1986, 1,125,000 shares were available to be granted under this Plan.

The Company's 1983 Stock Option Plan covers 6,000,000 shares of the Company's common stock. The Plan provides for the granting of stock appreciation rights and stock options to certain officers and employees. 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. Included in options outstanding at December 31, 1986, were various options granted under previous plans and other options granted not as a part of an option plan.

Further information relating to options is as follows:

December 31,	1986	1985	1984
Options outstanding at January 1	5,662,155	5,599,335	5,139,666
Options granted in the year	1,800,400	1,444,350	1,363,950
Options exercised in the year	(1,194,183)	(1,081,938)	(794,535)
Options cancelled in the year	(202,448)	(299,592)	(109,746)
Options outstanding at December 31	6,065,924	5,662,155	5,599,335
Options exercisable at December 31	3,153,137	3,192,978	2,605,788
Shares available at December 31 for options which may be granted	459,454	2,128,263	3,395,850
Option prices per share			
Exercised in the year	\$10-\$24	\$10-\$21	\$ 8-\$17
Unexercised at year-end	\$10-\$39	\$10-\$24	\$10-\$21

In 1985, the Company entered into Performance Unit Agreements, whereby certain officers will be granted cash awards based on the difference in the market value of 555,000 shares of the Company's common stock at the measurement dates and the base price of \$20.63, the market value as of January 2, 1985. Under these agreements, the cost will be charged to operations over the vesting period.

12. ACQUISITIONS. In July 1986, the Company acquired two Canada Dry bottling operations in Canada for approximately \$90 million. In May 1986, the Company acquired January Enterprises, Inc. (doing business as Merv Griffin Enterprises), a major producer of game shows and other television programs, for approximately \$200 million.

In December 1985, the Company acquired Nutri-Foods Int'l., Inc. (Nutri-Foods), a manufacturer of juice-based frozen desserts. The total purchase price consisted of approximately \$30 million in cash at closing, plus participation in Nutri-Foods' earnings through December 31, 1989. Such earnings will be paid to former principal owners, one of whom continues as an employee of Nutri-Foods.

In August 1985, the Company purchased certain assets and properties of Embassy Communications and Affiliates (Embassy) and Tandem Productions (Tandem). The purchase price for the assets of Tandem was approximately \$178 million in cash and the assumption of certain trade liabilities. The purchase price for Embassy was approximately \$267 million, composed of approximately 7.1 million shares of the Company's common stock and the payment of existing debt. Embassy and Tandem are engaged principally in the production and distribution of television programs. Embassy Pictures and certain receivables and contract rights, which were acquired in conjunction with the above acquisitions, were subsequently sold.

The operating results of these acquired companies have been included in the consolidated statements of income from the dates of acquisition and do not have a significant effect on operating results for those respective years.

In December 1986, the Company acquired The Coca-Cola Bottling Company of Southern Florida, Inc. (Miami CCBC) for approximately \$325 million and Coca-Cola bottling companies affiliated with Mr. Crawford Rainwater, Jr. (Rainwater Bottlers) for approximately \$211 million. The investments in Rainwater Bottlers and Miami CCBC are reported on the cost method as management anticipates disposing of the Company's ownership interests.

13. DIVESTITURES AND DISCONTINUED OPERATIONS. In October 1986, the Company sold its Embassy Home Entertainment operations for approximately \$85 million in cash plus relief of certain liabilities, the total of which approximated the Company's carrying value.

In December 1985, the Company sold Presto Products Incorporated and Winkler/Flexible Products, Inc., manufacturers of plastic products, for approximately \$112 million. Operating results for these companies have been reported as discontinued operations. Net revenues of discontinued operations were \$235 million and \$212 million in 1985 and 1984, respectively.

In 1984, the Company sold Ronco Enterprises, Inc., a manufacturer and distributor of pasta products, for cash. This transaction had no significant effect on consolidated operating results.

In 1985, the Company sold capital stock of several U.S. bottling operations resulting in gains of approximately \$67 million. In 1984, the Company sold bottling interests in Australia and Japan and provided for possible losses in Guatemala, where an independent bottler ceased operations. These efforts resulted in net pretax gains of approximately \$18 million in 1984.

14. PROVISIONS FOR DISINVESTMENT AND RESTRUCTURED OPERATIONS. During the fourth quarter of 1986, the Company recorded provisions against earnings for disinvestment and restructured operations aggregating \$180 million. These provisions include a charge of \$45 million related to the previously announced decision to disinvest from South Africa. The remaining \$135 million relates principally to the revaluation of certain assets and the estimated cost of closing various production facilities as a result of changes in the conduct of the Company's U.S. soft drink business.

15. RECEIVABLE AND CONTRACT RIGHT CONVERSIONS. In 1986 and 1985, the Company sold its rights to cash payments under contracts related to certain films and television programs not presently available for telecast. Approximately \$45 million in 1986 and \$31 million in 1985 of such rights were acquired by CCFC, the Company's wholly owned finance subsidiary. These transactions resulted in deferred revenue which is recognized as operating revenue as the respective materials become available for telecast. The differences between the present value of the contracts and the amounts to be recognized as revenue are being reported as nonoperating deductions. Certain entertainment and other accounts receivable, totaling \$238 million in 1986 and \$465 million in 1985, were also sold. These transactions are subject to recourse. The uncollected balance of receivables was approximately \$618 million and \$413 million at December 31, 1986 and 1985, respectively.

16. WORKING CAPITAL. Decreases (increases) in working capital (excluding cash, marketable securities, temporary investments, loans and notes payable and current portion of long-term debt), by component, were (in thousands):

	1986	1985	1984
Trade accounts receivable	\$(220,606)	\$ 76,256	\$(61,632)
Inventories and film costs	3,255	(131,801)	19,572
Prepaid expenses and other assets	(96,749)	(51,762)	15,573
Accounts payable and accrued expenses	124,695	77,178	59,730
Entertainment obligations	42,084	8,648	38,324
Accrued taxes	188,629	62,555	(33,689)
	<u>\$ 41,308</u>	<u>\$ 41,074</u>	<u>\$ 37,878</u>

17. LINES OF BUSINESS. The Company operates principally in the soft drink industry. The Entertainment Business Sector is engaged in the production and distribution of motion picture and television products and other entertainment related activi-

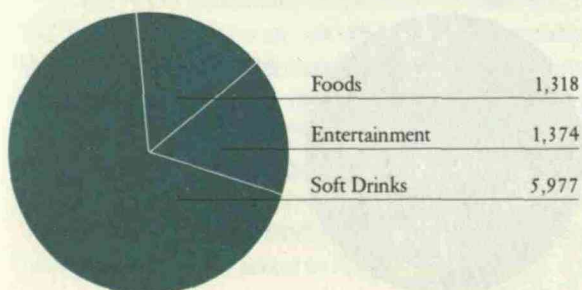
ties. Citrus, fruit drinks, coffee and other products are included in the Foods Business Sector. Intercompany transfers between sectors are not material. Information concerning operations in different lines of business is as follows (in millions):

Year Ended December 31,		1986	1985*	1984*
NET OPERATING REVENUES	Soft drinks	\$5,976.8	\$4,812.5	\$4,447.6
	Entertainment	1,373.8	1,072.1	884.7
	Foods	1,318.0	1,327.5	1,260.4
	Consolidated net operating revenues	\$8,668.6	\$7,212.1	\$6,592.7
OPERATING INCOME	Soft drinks**	\$1,016.5	\$ 850.6	\$ 851.7
	Entertainment	235.4	160.9	121.1
	Foods	120.2	117.5	123.6
	General expenses	(227.1)	(144.4)	(106.4)
	Consolidated operating income	\$1,145.0	\$ 984.6	\$ 990.0
IDENTIFIABLE ASSETS AT YEAR-END	Soft drinks	\$3,456.9	\$3,189.0	\$2,655.8
	Entertainment	2,170.1	1,802.4	1,615.4
	Foods	576.5	473.5	369.1
	Corporate assets (principally marketable securities, investments and fixed assets)	1,460.6	904.0	771.7
	Investment in Coca-Cola Enterprises Inc.	709.3	402.7	336.9
	Discontinued operations	—	—	90.9
	Consolidated assets	\$8,373.4	\$6,771.6	\$5,839.8
CAPITAL EXPENDITURES (INCLUDING FIXED ASSETS OF PURCHASED COMPANIES)	Soft drinks	\$ 246.5	\$ 239.4	\$ 238.2
	Entertainment	44.0	22.4	31.2
	Foods	71.8	113.8	39.9
	Corporate	92.2	80.8	25.8
	Consolidated capital expenditures	\$ 454.5	\$ 456.4	\$ 335.1
DEPRECIATION AND AMORTIZATION OF GOODWILL	Soft drinks	\$ 118.1	\$ 104.2	\$ 97.8
	Entertainment	23.7	19.7	17.6
	Foods	26.4	21.2	20.3
	Corporate	16.6	14.1	10.9
	Consolidated depreciation and amortization of goodwill	\$ 184.8	\$ 159.2	\$ 146.6

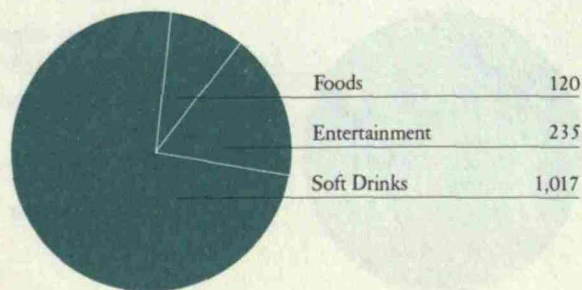
*Prior years' information has been restated to account for Coca-Cola Enterprises Inc. under the equity method. (See Note 3.)

**In 1986, soft drink operating income was reduced by provisions for disinvestment and restructured operations aggregating \$180 million.

Net Operating Revenues
(\$ Millions)



Operating Income
(\$ Millions)



18. OPERATIONS IN GEOGRAPHIC AREAS. Information about the Company's operations in different geographic areas is presented

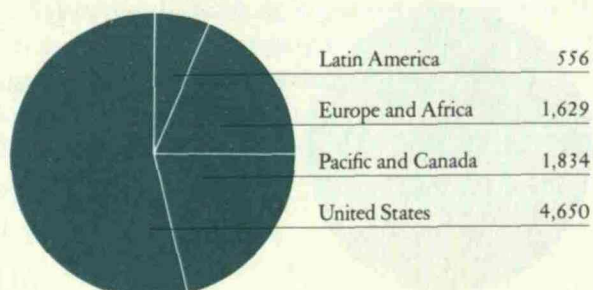
below (in millions). Intercompany transfers between geographic areas are not material.

Year Ended December 31,		1986	1985*	1984*
NET OPERATING REVENUES	United States	\$4,650.0	\$4,216.6	\$3,795.1
	Latin America	555.5	452.4	429.6
	Europe and Africa	1,628.6	1,240.6	1,183.8
	Pacific and Canada	1,834.5	1,302.5	1,184.2
	Consolidated net operating revenues	\$8,668.6	\$7,212.1	\$6,592.7
OPERATING INCOME	United States**	\$ 513.9	\$ 495.6	\$ 489.2
	Latin America	140.9	91.5	91.6
	Europe and Africa**	354.3	294.3	282.7
	Pacific and Canada	363.0	247.6	232.9
	General expenses	(227.1)	(144.4)	(106.4)
Consolidated operating income		\$1,145.0	\$ 984.6	\$ 990.0
IDENTIFIABLE ASSETS AT YEAR-END	United States	\$4,139.0	\$3,737.5	\$3,130.8
	Latin America	383.3	380.8	409.8
	Europe and Africa	895.5	805.0	636.4
	Pacific and Canada	785.7	541.6	463.3
	Corporate assets (principally marketable securities, investments and fixed assets)	1,460.6	904.0	771.7
	Investment in Coca-Cola Enterprises Inc.	709.3	402.7	336.9
	Discontinued operations	—	—	90.9
Consolidated assets		\$8,373.4	\$6,771.6	\$5,839.8
IDENTIFIABLE LIABILITIES OF OPERATIONS OUTSIDE THE UNITED STATES		\$ 854.1	\$ 742.6	\$ 714.5

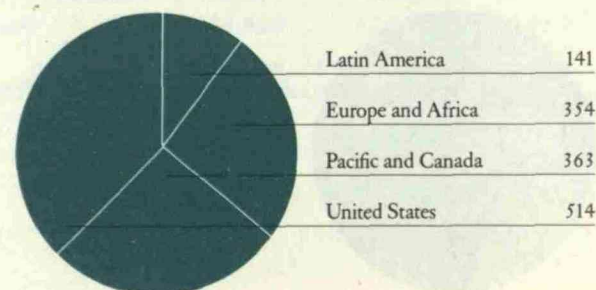
*Prior years' information has been restated to account for Coca-Cola Enterprises Inc. under the equity method. (See Note 3.)

**In 1986, United States and Europe and Africa operating income was reduced by provisions for disinvestment and restructured operations aggregating \$135 million and \$45 million, respectively.

Net Operating Revenues
(\$ Millions)



Operating Income
(\$ Millions)



REPORT OF INDEPENDENT ACCOUNTANTS

The Coca-Cola Company and Subsidiaries

Board of Directors and Shareholders
The Coca-Cola Company
Atlanta, Georgia

We have examined the consolidated balance sheets of The Coca-Cola Company and subsidiaries as of December 31, 1986 and 1985, and the related consolidated statements of income, shareholders' equity and changes in financial position for each of the three years in the period ended December 31, 1986. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of The Coca-Cola Company and subsidiaries at December 31, 1986 and 1985, and the consolidated results of their operations and changes in their financial position for each of the three years in the period ended December 31, 1986, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, to the equity method of accounting for Coca-Cola Enterprises Inc. as described in Note 3 to the consolidated financial statements.

Ernst & Whinney

Atlanta, Georgia
February 2, 1987

REPORT OF MANAGEMENT

Management is responsible for the preparation and integrity of the consolidated financial statements appearing in this Annual Report. The financial statements were prepared in conformity with generally accepted accounting principles appropriate in the circumstances and, accordingly, include some amounts based on management's best judgments and estimates. Financial information in this Annual Report is consistent with that in the financial statements.

Management is responsible for maintaining a system of internal accounting controls and procedures to provide reasonable assurance, at an appropriate cost/benefit relationship, that assets are safeguarded and that transactions are authorized, recorded and reported properly. The internal accounting control system is augmented by a program of internal audits and appropriate reviews by management, written policies and guidelines, careful selection and training of qualified personnel and a written Code of Business Conduct adopted by the Board of Directors, applicable to all employees of the Company and its subsidiaries. Management believes that the 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 maintaining accountability for assets.

The Audit Committee of the Board of Directors, composed solely of Directors who are not officers of the Company, meets with the independent accountants, management and internal auditors periodically to discuss internal accounting controls, auditing and financial reporting matters. The Committee reviews with the independent accountants the scope and results of the audit effort. The Committee also meets with the independent accountants without management present to ensure that the independent accountants have free access to the Committee.

The independent accountants, Ernst & Whinney, are recommended by the Audit Committee of the Board of Directors, selected by the Board of Directors and ratified by the shareholders. Ernst & Whinney is engaged to examine the consolidated financial statements of The Coca-Cola Company and subsidiaries and conduct such tests and related procedures as it deems necessary in conformity with generally accepted auditing standards. The opinion of the independent accountants, based upon their examination of the consolidated financial statements, is contained in this Annual Report.

Roberto C. Goizueta

Roberto C. Goizueta
Chairman, Board of Directors,
and Chief Executive Officer

M. Douglas Ivester

M. Douglas Ivester
Senior Vice President
and Chief Financial Officer

February 2, 1987

QUARTERLY DATA (UNAUDITED)
(For the years ended December 31, 1986 and 1985)

The Coca-Cola Company and Subsidiaries

QUARTERLY RESULTS OF OPERATIONS*
(In millions except per share data)

	Net Operating Revenues		Gross Profit	
	1986	1985	1986	1985
First quarter	\$1,734.8	\$1,569.2	\$ 805.2	\$ 710.9
Second quarter	2,245.0	1,803.3	1,077.5	880.6
Third quarter	2,533.8	1,897.0	1,143.8	906.6
Fourth quarter	2,155.0	1,942.6	997.8	854.4
	<u>\$8,668.6</u>	<u>\$7,212.1</u>	<u>\$4,024.3</u>	<u>\$3,352.5</u>

	Income From Continuing Operations		Net Income	
	1986	1985	1986	1985
First quarter	\$ 161.2	\$ 139.9	\$ 161.2	\$ 141.2
Second quarter	225.5	193.6	225.5	196.1
Third quarter	233.1	192.3	233.1	195.6
Fourth quarter**	314.5	151.8	314.5	189.4
	<u>\$ 934.3</u>	<u>\$ 677.6</u>	<u>\$ 934.3</u>	<u>\$ 722.3</u>

	Income Per Share From Continuing Operations		Net Income Per Share	
	1986	1985	1986	1985
First quarter	\$.42	\$.36	\$.42	\$.36
Second quarter	.58	.49	.58	.50
Third quarter	.60	.48	.60	.49
Fourth quarter**	.82	.39	.82	.49
	<u>\$ 2.42</u>	<u>\$ 1.72</u>	<u>\$ 2.42</u>	<u>\$ 1.84</u>

*Quarterly information has been restated to account for Coca-Cola Enterprises Inc. under the equity method. (See Note 3.)

**The fourth quarter of 1986 included provisions for disinvestment and restructured operations aggregating \$180 million and the \$375 million pretax gain on sale of stock by Coca-Cola Enterprises Inc.

CORPORATE OFFICERS

Roberto C. Goizueta
*Chairman, Board of Directors, and
Chief Executive Officer*

Donald R. Keough
*President and
Chief Operating Officer*

SENIOR EXECUTIVE
VICE PRESIDENT
Claus M. Halle

EXECUTIVE VICE PRESIDENTS
John W. Georgas
A. Garth Hamby
Ira C. Herbert
Francis T. Vincent, Jr.

SENIOR VICE PRESIDENTS
Eugene V. Amoroso
H.T. Circuit
M.A. Gianturco
M. Douglas Ivester
Robert A. Keller
Earl T. Leonard, Jr.
Alex Malaspina
Edwin R. Mellett
Douglas A. Saarel
R.V. Waltemeyer
Carl Ware

VICE PRESIDENTS
William W. Allison
William R. Buehler
Robert L. Callahan, Jr.
Philip J. Carswell, Jr.
Murray D. Friedman
John J. Gillin
Joseph R. Gladden, Jr.
Robert D. Guy
Gary P. Hite
W. Glenn Kernel
Gloria E. Lemos
William H. Lynn
S.W. Magruder
Maury C. Roe

M. Douglas Ivester
Chief Financial Officer

Robert A. Keller
General Counsel

Murray D. Friedman
Treasurer

Philip J. Carswell, Jr.
Controller

Donald R. Greene
Secretary

Executive Officers— Operating Units

NORTH AMERICA
SOFT DRINK
BUSINESS SECTOR
Edwin R. Mellett
President

INTERNATIONAL
SOFT DRINK
BUSINESS SECTOR
Claus M. Halle
President

ENTERTAINMENT
BUSINESS SECTOR
Francis T. Vincent, Jr.
President

FOODS
BUSINESS SECTOR
Eugene V. Amoroso
President

BOARD OF DIRECTORS

HERBERT A. ALLEN
New York, New York
President and Chief
Executive Officer
Allen & Company Incorporated

ANNE COX CHAMBERS
Atlanta, Georgia
Chairman
Atlanta Newspapers

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Houston, Texas
Chairman of the Board
Duncan, Cook & Co.

RICHARD J. FLAMSON III
Los Angeles, California
Chairman, Board of Directors,
and Chief Executive Officer
Security Pacific Corporation
Chairman, Board of Directors
Security Pacific National Bank

ROBERTO C. GOIZUETA
Atlanta, Georgia
Chairman, Board of Directors,
and Chief Executive Officer
The Coca-Cola Company

DONALD R. KEOUGH
Atlanta, Georgia
President and Chief
Operating Officer
The Coca-Cola Company

JAMES T. LANEY
Atlanta, Georgia
President
Emory University

DONALD F. McHENRY
Washington, D.C.
University Research
Professor of Diplomacy
and International Affairs
Georgetown University

PAUL F. OREFFICE
Midland, Michigan
Chairman, President
and Chief Executive Officer
The Dow Chemical Company

JAMES D. ROBINSON, III
New York, New York
Chairman, Board of Directors,
and Chief Executive Officer
American Express Company

JAMES M. SIBLEY
Atlanta, Georgia
Partner in the law firm
King & Spalding

WILLIAM B. TURNER
Columbus, Georgia
Chairman, Board of Directors,
and Chief Executive Officer
W.C. Bradley Co.
Chairman, Executive Committee
of Board of Directors
CB&T Bancshares, Inc.

PETER V. UEBERROTH
New York, New York
Commissioner
Major League Baseball

JAMES B. WILLIAMS
Atlanta, Georgia
Vice Chairman, Board
of Directors
SunTrust Banks, Inc.
President
Trust Company of Georgia
President
Sun Banks, Inc.



Standing, left to right: James D. Robinson, III, James M. Sibley, Herbert A. Allen, Richard J. Flamson III, Peter V. Ueberroth, Paul F. Orefice, Donald F. McHenry, James T. Laney. Seated, left to right: William B. Turner, James B. Williams, Roberto C. Goizueta, Donald R. Keough, Charles W. Duncan, Jr., Anne Cox Chambers.

SHAREHOLDER INFORMATION

COMMON STOCK

Ticker Symbol: KO

Common stock of The Coca-Cola Company, exceeding 385 million shares outstanding, is listed and traded on the New York Stock Exchange and also is traded on the Boston, Cincinnati, Midwest, Pacific and Philadelphia stock exchanges. Outside the United States, the Company's common stock is listed and traded on the German exchange in Frankfurt and on Swiss exchanges in Zurich, Geneva, Bern, Basel and Lausanne.

At year-end, there were 95,753 shareholders of record, a 28 percent increase over 1985.

ANNUAL MEETING

The Annual Meeting of Shareholders will be at 9:00 a.m. local time, April 15, 1987, at the Hotel duPont, 11th and Market Streets, Wilmington, Delaware. Shareholders are cordially invited to attend the Annual Meeting, and those not planning to attend are encouraged to have their shares represented by returning their proxy card.

DIVIDEND POLICY

The Company has paid 263 consecutive dividends, beginning in 1920, and has increased dividends for each of the last 25 consecutive years. Dividends normally are paid on a quarterly basis, usually on the first day of April, July and October and the 15th day of December. The Board of Directors has endorsed a policy to increase the percentage of earnings reinvested in the business by gradually reducing over time the dividend payout ratio to 40 percent.

STOCK PERFORMANCE 1981-1986

The accompanying chart illustrates the growth in value of common stock of The Coca-Cola Company as compared with the Standard & Poor's Composite Index of 500 Stocks. The Company's stock performance has been outstanding in recent years, significantly outperforming the Standard & Poor's Index of 500 Stocks in five of the past six years. A \$100 investment in the Company's stock on December 31, 1980, would have grown to more than \$388 by December 31, 1986, including the accumulation of dividends.

STOCK PERFORMANCE



— The Coca-Cola Company
— Standard & Poor's 500

This comparison assumes no commissions and no income taxes. Historic returns are not necessarily indicative of future returns.

Below are the New York Stock Exchange high, low and closing prices of The Coca-Cola Company stock for each quarter of 1986 and 1985 and for the preceding four years, adjusted for a three-for-one stock split in June 1986.

	High	Low	Close
1986			
Fourth quarter	39.63	33.75	37.75
Third quarter	44.88	32.88	33.88
Second quarter	41.83	32.83	41.83
First quarter	36.67	25.58	35.08
1985			
Fourth quarter	29.42	23.04	28.17
Third quarter	24.96	22.42	23.25
Second quarter	24.08	22.00	23.13
First quarter	23.42	19.83	23.33
1984	22.00	16.33	20.79
1983	19.17	15.17	17.83
1982	17.88	9.92	17.33
1981	13.42	8.92	11.58

DIVIDEND AND CASH INVESTMENT PLAN

All shareholders of record are invited to participate in the Dividend and Cash Investment Plan. By reinvesting dividends from **Company** stock toward the purchase of new shares, the Plan provides a convenient, economical and systematic method of acquiring additional shares of the Company's common stock. All costs and commissions associated with joining and participating in the Plan are paid by the **Company**.

Shareholders may purchase additional **Company** stock through voluntary cash investments of up to \$60,000 per year with or without reinvesting dividends from existing shares.

The Plan's administrator, Morgan Shareholder Services Trust **Company**, purchases stock on or about the first of each month for voluntary cash investments, and quarterly for dividend reinvestment.

At year-end, 23 percent of the shareholders of record were participants in the Plan. In 1986, shareholders invested nearly \$6 million in dividends and more than \$6 million in cash investments in the Plan.

ADDITIONAL **COMPANY** INFORMATION SOURCES

The **Company** regularly distributes quarterly *Progress Reports* containing financial results and other information about the **Company**. A *Notice of Annual Meeting of Shareholders* and *Proxy Statement* are furnished to shareholders in advance of the Annual Meeting. Publications that are available at no charge from the Shareholder Relations Department include the Company's *Annual Report on Form 10-K* and *Quarterly Report on Form 10-Q*. Also available is the brochure *A Profile of The Coca-Cola Company in 1990*, an update on the Company's "Strategy for the 1980s," and a special history publication, *The Chronicle of Coca-Cola Since 1886*. A variety of other booklets about the **Company** and its products also is available.

EQUAL OPPORTUNITY POLICY

The Coca-Cola **Company** maintains a long-standing commitment to equal opportunity and affirmative action. The **Company** strives to create a working environment free of discrimination and harassment with respect to race, sex, color, national origin, religion, age, handicap, or being a veteran of the Vietnam era, as well as to make reasonable accommodations in the employment of qualified individuals with disabilities. The **Company** continued to increase the minority and female representation in 1986. In addition, the **Company** provides fair marketing opportunities to all suppliers and maintains programs to increase transactions with firms that are owned and operated by minorities and women.

CORPORATE OFFICES

The Coca-Cola **Company**
One Coca-Cola Plaza N.W.
Atlanta, Georgia 30313
(404) 676-2121

INQUIRIES AND ASSISTANCE

Inquiries and requests for assistance should be directed to the addresses below:

SHAREHOLDER ASSISTANCE

Shareholder Relations Department
The Coca-Cola **Company**
Post Office Drawer 1734
Atlanta, Georgia 30301
(404) 676-2777

SECURITY ANALYST ASSISTANCE

Investor Relations Department
The Coca-Cola **Company**
Post Office Drawer 1734
Atlanta, Georgia 30301
(404) 676-5766

TRANSFER AGENT, REGISTRAR,
DIVIDEND DISBURSING AGENT
Morgan Shareholder Services
Trust **Company**
30 West Broadway
New York, New York 10015
(212) 587-6515

INDEPENDENT ACCOUNTANTS

Ernst & Whinney
1800 Peachtree Center South Tower
225 Peachtree Street N.E.
Atlanta, Georgia 30303
(404) 658-9400

Design: Critt Graham + Associates

Cover: Dazzeland Studios

Major Photography: Burk Uzzle, Phillip Vullo

Printing: George Rice & Sons