Coca-Cola Enterprises Inc.

FORM 10-Q

QUARTERLY REPORT

FOR THE QUARTER ENDED SEPTEMBER 26, 2003

FILED PURSUANT TO SECTION 13

OF THE

SECURITIES EXCHANGE ACT OF 1934

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

for the quarterly period ended September 26, 2003

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 001-09300

Coca-Cola Enterprises Inc.

(Exact name of registrant as specified in its charter)

Delaware	**58-0503352**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2500 Windy Ridge Parkway, Suite 700 **Atlanta, Georgia**	**30339**
(Address of principal executive offices)	(Zip Code)

770-989-3000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes [X] No [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock.

454,902,272 Shares of $1 Par Value Common Stock as of October 27, 2003

COCA-COLA ENTERPRISES INC.

QUARTERLY REPORT ON FORM 10-Q

FOR QUARTER ENDED SEPTEMBER 26, 2003

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Part I. Financial Information

Item 1. Financial Statements

COCA-COLA ENTERPRISES INC.

CONDENSED CONSOLIDATED INCOME STATEMENTS
(Unaudited; in millions except per share data)

	Quarter ended	
	September 26, 2003	**September 27, 2002**
Net Operating Revenues	$ 4,734	$ 4,328
Cost of sales, transactions with The Coca-Cola Company $1,195 and $1,179, respectively	2,778	2,548
Gross Profit	1,956	1,780
Selling, delivery, and administrative expenses	1,432	1,339
Operating Income	524	441
Interest expense, net	150	166
Other nonoperating (expense) income, net	(2)	2
Income Before Income Taxes	372	277
Income tax expense	113	86
Net Income	259	191
Preferred stock dividends	–	1
Net Income Applicable to Common Shareowners	$ 259	$ 190
Basic Net Income Per Share Applicable to Common Shareowners	$ 0.57	$ 0.42
Diluted Net Income Per Share Applicable to Common Shareowners	$ 0.56	$ 0.42
Dividends Per Share Applicable to Common Shareowners	$ 0.04	$ 0.04

See Notes to Condensed Consolidated Financial Statements.

COCA-COLA ENTERPRISES INC.

CONDENSED CONSOLIDATED INCOME STATEMENTS
(Unaudited; in millions except per share data)

	Nine Months ended	
	September 26, 2003	**September 27, 2002**
Net Operating Revenues	$ 13,018	$ 12,028
Cost of sales, transactions with The Coca-Cola Company $3,333 and $3,159, respectively	7,616	7,081
Gross Profit	5,402	4,947
Selling, delivery, and administrative expenses	4,172	3,834
Operating Income	1,230	1,113
Interest expense, net	446	495
Other nonoperating income, net	4	3
Income Before Income Taxes	788	621
Income tax expense	241	205
Net Income	547	416
Preferred stock dividends	2	2
Net Income Applicable to Common Shareowners	$ 545	$ 414
Basic Net Income Per Share Applicable to Common Shareowners	$ 1.20	$ 0.92
Diluted Net Income Per Share Applicable to Common Shareowners	$ 1.19	$ 0.91
Dividends Per Share Applicable to Common Shareowners	$ 0.12	$ 0.12

See Notes to Condensed Consolidated Financial Statements.

COCA-COLA ENTERPRISES INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions)

ASSETS	September 26, 2003 (Unaudited)	December 31, 2002
Current		
Cash and cash investments, at cost approximating market	$ 172	$ 68
Trade accounts receivable, less allowance reserves of $50 and $60, respectively	1,878	1,661
Amounts receivable from The Coca-Cola Company, net	76	20
Inventories:		
Finished goods	554	464
Raw materials and supplies	263	255
	817	719
Current deferred income tax assets	25	51
Prepaid expenses and other current assets	330	325
Total Current Assets	3,298	2,844
Property, Plant, and Equipment		
Land	434	424
Buildings and improvements	1,958	1,869
Machinery and equipment	10,337	9,552
	12,729	11,845
Less allowances for depreciation	6,434	5,638
	6,295	6,207
Construction in progress	156	186
Net Property, Plant, and Equipment	6,451	6,393
Goodwill	578	578
License Intangible Assets	13,718	13,450
Long-Term Customer Contracts and Other Noncurrent Assets	1,146	1,110
	$ 25,191	$ 24,375

See Notes to Condensed Consolidated Financial Statements.

COCA-COLA ENTERPRISES INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions except share data)

LIABILITIES AND SHAREOWNERS' EQUITY	September 26, 2003 (Unaudited)	December 31, 2002
Current		
Accounts payable and accrued expenses	$ 2,730	$ 2,588
Deferred cash payments from The Coca-Cola Company	83	80
Current portion of long-term debt	1,184	787
Total Current Liabilities	3,997	3,455
Long-Term Debt, Less Current Maturities	10,696	11,236
Retirement and Insurance Programs and Other Long-Term Obligations	1,339	1,372
Deferred Cash Payments from The Coca-Cola Company	370	426
Long-Term Deferred Income Tax Liabilities	4,744	4,539
Shareowners' Equity		
Preferred stock	–	37
Common stock, $1 par value – Authorized – 1,000,000,000 shares; Issued – 461,154,608 and 458,215,369 shares, respectively	461	458
Additional paid-in capital	2,598	2,581
Reinvested earnings	1,130	639
Accumulated other comprehensive income (loss)	(58)	(236)
Common stock in treasury, at cost – 6,415,732 and 8,515,072 shares, respectively	(86)	(132)
Total Shareowners' Equity	4,045	3,347
	$ 25,191	$ 24,375

See Notes to Condensed Consolidated Financial Statements.

COCA-COLA ENTERPRISES INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in millions)

	Nine Months ended	
	September 26, 2003	September 27, 2002
Cash Flows From Operating Activities		
Net income	$ 547	$ 416
Adjustments to reconcile net income to net cash derived from operating activities:		
Depreciation	756	711
Amortization	66	56
Deferred income tax expense	167	133
Deferred cash payments from The Coca-Cola Company	(61)	(64)
Pension contributions in excess of expense	(111)	(34)
Net changes in current assets and current liabilities	(345)	(128)
Other	51	14
Net cash derived from operating activities	1,070	1,104
Cash Flows From Investing Activities		
Investments in capital assets	(702)	(661)
Proceeds from fixed asset disposals, $58 from The Coca-Cola Company in 2003	83	9
Cash investments in bottling operations, net of cash acquired	(13)	(26)
Other investing activities	(43)	(39)
Net cash used in investing activities	(675)	(717)
Cash Flows From Financing Activities		
Net increase (decrease) in commercial paper	152	(406)
Issuances of debt	365	1,704
Payments on long-term debt	(815)	(1,021)
Cash dividend payments on common and preferred stock	(38)	(38)
Cash received from stock option exercises	17	19
Cash received from settlement of interest rate swap	28	–
Net cash (used in) derived from financing activities.	(291)	258
Net Increase in Cash and Cash Investments	104	645
Cash and cash investments at beginning of period	68	284
Cash and Cash Investments at End of Period	$ 172	$ 929

See Notes to Condensed Consolidated Financial Statements.

Note A – *Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. For further information, refer to the consolidated financial statements and footnotes included in the Coca-Cola Enterprises Inc. (CCE) Annual Report on Form 10-K for the year ended December 31, 2002.

Note B – *EITF 02-16*

Classifications in the 2002 income statement have been conformed to classifications used in the current year under Emerging Issues Task Force (EITF) No. 02-16, "Accounting by a Customer (Including a Reseller) for Cash Consideration Received from a Vendor."

Upon adoption of EITF 02-16 in the first quarter of 2003, we classified the following amounts in the 2002 income statement as reductions in cost of sales: approximately $234 million and $649 million of direct marketing support from The Coca-Cola Company (TCCC) and other licensors previously included in net operating revenues, and approximately $28 million and $64 million of cold drink equipment placement funding from TCCC previously included as a reduction in selling, delivery, and administrative expenses for the quarter and nine months ended September 27, 2002, respectively. We also classified in net operating revenues $13 million and $38 million of net payments for dispensing equipment repair services received from TCCC, previously included in selling, delivery, and administrative expenses for the quarter and nine months ended September 27, 2002, respectively.

Note C – *Seasonality of Business*

Operating results for the third quarter and nine months ended September 26, 2003 are not indicative of results that may be expected for the year ending December 31, 2003 because of business seasonality. Business seasonality results from a combination of higher unit sales of our products in the second and third quarters versus the first and fourth quarters of the year and the methods of accounting for fixed costs such as depreciation, amortization, and interest expense which are not significantly impacted by business seasonality.

Note D – *Income Taxes*

Our effective tax rate was 31% for the first nine months of 2003 and 33% for the first nine months of 2002. These rates include the net benefit of settling various income tax related items, offset by income tax accruals, of $11 million in 2003 and $4 million in 2002. A reconciliation of the income tax provisions at the statutory federal rate to our actual income tax provisions follows (in millions):

	Nine Months ended	
	September 26, 2003	September 27, 2002
U.S. federal statutory expense	$ 276	$ 217
State expense, net of federal expense	12	6
Impact of lower taxes on European and Canadian operations, net	(54)	(28)
Valuation allowance provision	5	5
Nondeductible items	13	9
Settlement of tax items	(11)	(4)
	$ 241	$ 205

Note E – *Long-Term Debt*

Total long-term debt balances summarized below are adjusted for the effects of interest rate and currency swap agreements (in millions):

	September 26, 2003	December 31, 2002
U.S. dollar commercial paper (weighted average rates of 1.1% and 1.4%)	$ 1,458	$ 1,415
Euro commercial paper (weighted average rates of 2.2% and 3.0%)	312	242
Canadian dollar commercial paper (weighted average rate of 2.8%)	172	87
U.S. dollar notes due 2004-2037 (weighted average rate of 3.5%)	4,034	4,059
Euro and pound sterling notes due 2003-2021 (weighted average rates of 5.9% and 6.5%)[A]	1,397	1,498
Canadian dollar notes due 2003-2009 (weighted average rates of 5.4% and 4.7%)[B]	401	536
U.S. dollar debentures due 2012-2098 (weighted average rate of 7.4%)	3,783	3,783
U.S. dollar zero coupon notes due 2020 net of unamortized discount of $469 and $478 (rate of 8.35%)	160	151
Various foreign currency debt arrangements	90	172
Additional debt	73	80
Total long-term debt	$ 11,880	$ 12,023

Note E – ***Long-Term Debt (continued)***

(A) In May 2003, a British pound sterling note of approximately $276 million matured and approximately $276 million in British pound sterling borrowings were issued. In February 2003, approximately $157 million in Eurobonds matured; short-term borrowings of approximately $283 million were issued and used to pay off debt. In January 2003, approximately $27 million of French franc notes matured.
(B) In March 2003, approximately $65 million in Canadian dollar notes matured. In July 2003, approximately $129 million in Canadian dollar notes matured.

At September 26, 2003 and December 31, 2002, approximately $2.4 billion and $2.3 billion, respectively, of borrowings due in the next 12 months, including commercial paper balances outstanding, are classified as maturing after one year due to our intent and ability through our credit facilities to refinance these borrowings on a long-term basis.

At September 26, 2003 and December 31, 2002, we had $3.3 billion and $3.2 billion, respectively, of amounts available under domestic and international credit facilities. These facilities serve as back-up to our domestic and international commercial paper programs and support working capital needs. At September 26, 2003, we had no short-term borrowings outstanding under domestic and international credit facilities. At December 31, 2002, we had $53 million of short-term borrowings outstanding under these facilities.

On September 29, 2003, we issued $500 million under registration statements with the Securities and Exchange Commission. This debt issuance was comprised of $250 million of 2.5% notes due 2006 and $250 million of 4.25% notes due 2010. Proceeds were used to pay down commercial paper as we took advantage of the low interest rate environment to fix a greater portion of our debt portfolio.

After the September 29, 2003 issuances, we had $6.7 billion of amounts available under our public debt facilities which could be used for long-term financing, refinancing of debt maturities, and refinancing of commercial paper. After the September 29, 2003 issuances, we had available for issuance (i) $3.2 billion available under registration statements with the Securities and Exchange Commission, (ii) $2.1 billion in debt securities under a Euro Medium-Term Note Program, and (iii) $1.4 billion ($2.0 billion Canadian) in Canadian dollar debt securities under a Canadian Medium-Term Note Program. The registration statement we filed with the Securities and Exchange Commission in October 2002 to increase the amounts of registered debt securities available for issuance by $3.5 billion became effective in August 2003.

Aggregate maturities of long-term debt for the five twelve-month periods subsequent to September 26, 2003 and thereafter are as follows (in millions): 2004 – $1,184; 2005 – $2,227; 2006 – $743; 2007 – $866; 2008 – $297; and thereafter - $6,563.

On March 31, 2003, we terminated a fixed-to-floating interest rate swap with a notional amount of $150 million and received a payment of $28 million, equal to the fair value of the hedge on the termination date. The swap was previously designated as a fair value hedge of a fixed rate debt instrument due September 30, 2009. The fair value settlement will be amortized over the

Note E – *Long-Term Debt (continued)*

remaining term of the debt using the effective interest method, thereby decreasing the interest expense on that previously hedged debt over the remaining term.

The credit facilities and outstanding notes and debentures contain various provisions that, among other things, require us to maintain a defined leverage ratio and limit the incurrence of certain liens or encumbrances in excess of defined amounts. These requirements currently are not, and it is not anticipated they will become, restrictive to our liquidity or capital resources.

Note F – *Preferred Stock*

In connection with the 1998 acquisition of Great Plains Bottlers and Canners, Inc., we issued 401,528 shares of $1 par value voting convertible preferred stock ("Great Plains Series"). Prior to 2003, 35,000 shares of the Great Plains Series were converted into 154,778 shares of common stock. During the third quarter of 2003, the remaining 366,528 outstanding preferred shares were converted into 2,119,518 shares of common stock from treasury stock.

Note G – *Stock-Based Compensation Plans*

We granted approximately 7.9 million service-vested stock options to certain executive and management level employees during the first nine months of 2003. These options vest over a period of 3 years and expire 10 years from the date of grant. All of the options were granted at an exercise price equal to the fair market value of the stock on the grant date.

We also granted 1.24 million shares of restricted stock and 77,000 restricted stock units to certain employees during the first nine months of 2003. These awards vest upon continued employment for a period of at least 3 years.

An aggregate of 1.6 million shares of common stock were issued during the first nine months of 2003 from the exercise of stock options.

We apply APB Opinion No. 25 and related interpretations in accounting for our stock-based compensation plans. FAS 123, if fully adopted, would change the method for cost recognition on our stock-based compensation plans.

Note G – *Stock-Based Compensation Plans (continued)*

The following table illustrates the effect of stock-based employee compensation costs on reported net income applicable to common shareowners and also illustrates the effect on reported net income applicable to common shareowners and earnings per share as if compensation cost for our grants under stock-based compensation plans had been determined under FAS 123 for the quarters and nine months ended September 26, 2003 and September 27, 2002 (in millions, except per share data):

	Quarter ended		Nine Months ended	
	September 26, 2003	September 27, 2002	September 26, 2003	September 27, 2002
Net income applicable to common shareowners before effects of stock-based employee compensation costs included in net income, net of tax	$ 261	$ 191	$ 551	$ 418
Deduct: Total stock-based employee compensation expense, net of tax, included in net income applicable to common shareowners	(2)	(1)	(6)	(4)
Net income applicable to common shareowners, as reported	259	190	545	414
Deduct: Incremental stock-based employee compensation expense determined under fair value based method for all awards, net of tax	(16)	(10)	(46)	(31)
Pro forma net income applicable to common shareowners	$ 243	$ 180	$ 499	$ 383
Net income per share applicable to common shareowners:				
Basic – as reported	$ 0.57	$ 0.42	$ 1.20	$ 0.92
Basic – pro forma	$ 0.53	$ 0.40	$ 1.10	$ 0.85
Diluted – as reported	$ 0.56	$ 0.42	$ 1.19	$ 0.91
Diluted – pro forma	$ 0.53	$ 0.39	$ 1.09	$ 0.84

Note H – ***Derivatives***

We use certain risk management instruments to manage our interest rate and foreign exchange exposures. These instruments are accounted for as fair value and cash flow hedges, as appropriate, under SFAS No. 133, "*Accounting for Derivative Instruments and Hedging Activities,"* as amended.

We enter into certain nonfunctional currency borrowings to hedge net investments in international subsidiaries. During the first nine months of 2003, the net amount recorded in comprehensive income (loss) related to these borrowings was a loss of approximately $46 million.

Note I – *Related Party Transactions*

The following table presents transactions with The Coca-Cola Company (TCCC) in millions for the periods presented:

	Quarter ended		Nine Months ended	
	September 26, 2003	September 27, 2002	September 26, 2003	September 27, 2002
Amounts affecting net operating revenues:				
Fountain syrup and packaged product sales	$ 137	$ 100	$ 368	$ 285
Dispensing equipment repair services	13	13	40	38
Other transactions	3	1	11	3
	$ 153	$ 114	$ 419	$ 326
Amounts affecting cost of sales:				
Purchases of syrup and concentrate	$ (1,207)	$ (1,186)	$ (3,397)	$ (3,245)
Purchases of sweetener	(82)	(94)	(238)	(236)
Purchases of finished products	(155)	(145)	(414)	(349)
Marketing support funding earned	229	218	647	607
Cold drink equipment placement funding earned	20	28	61	64
Cost recovery from sale of hot-fill production facility	–	–	8	–
	$ (1,195)	$ (1,179)	$ (3,333)	$ (3,159)
Amounts affecting selling, delivery, and administrative expenses:				
Marketing programs	$ 1	$ –	$ 2	$ –
Operating expense reimbursements:				
Payable to TCCC	(4)	(4)	(12)	(13)
Due from TCCC	8	9	26	26
	$ 5	$ 5	$ 16	$ 13

Note I – ***Related Party Transactions (continued)***

Of the $200 million available to be earned by us in 2003 under the Sales Growth Initiative (SGI) agreement with TCCC, $30 million is being recognized as sales are achieved. The remaining $170 million "Volume Growth Funding" is earned by attaining mutually established sales volume growth targets for brands owned by The Coca-Cola Company. The annual and quarterly target minimums are established for each program year through mutual agreement with TCCC based on expected sales volume. Sales volume growth is determined through a formula with adjustments for brand conversions, brand acquisitions, new brand introductions, and performance in excess of the previous year's performance. If these minimum targets are not met, the SGI agreement provides for penalties of $1 per equivalent case that are offset against the Volume Growth Funding of $170 million available under the program. Under the SGI agreement, quarterly funding commitments are advanced at the beginning of each quarter less penalties from any year-to-date shortfall to targets. We currently expect we will earn $130 million of the $170 million "Volume Growth Funding" available to us under the SGI agreement for 2003 after adjustments for penalties.

In applying the terms of the SGI agreement to our volume performance for the first nine months of 2003, we recognized approximately $39 million and $116 million of the 2003 Volume Growth Funding in the third quarter and first nine months of 2003, respectively. Nine month 2003 target minimums were not achieved resulting in an accrual of $11.5 million for penalties to be offset against future funding payments.

We participate in cooperative trade marketing arrangements (CTM) for the U.S. Coca-Cola system administered by TCCC. Beginning in 2002, we became responsible for all costs of the program in our territories, except for a limited number of specified customers. We transfer amounts to TCCC under the program for payment to customers. Pursuant to these arrangements, amounts paid or payable to TCCC for the nine months ended September 26, 2003 totaled $189 million.

Deferred cash payments from TCCC include amounts deferred under Jumpstart and other miscellaneous programs.

Support funding recognized under the Jumpstart programs with TCCC is shown as cold drink equipment placement funding in the table above. In the third quarter of 2003, we recognized approximately $20 million of Jumpstart funding as a reduction of cost of sales compared to $28 million for the third quarter of 2002. We recognized $61 million for the nine months ended September 26, 2003 compared to $64 million for the same period in 2002. We expect Jumpstart funding earned for full-year 2003 will approximate $76 million.

We continue to work with TCCC to develop and implement initiatives designed to achieve stronger marketing results, administrative efficiencies, and other synergies in our respective companies.

Note J – ***Geographic Operating Information***

We operate in one industry: the marketing, distribution, and production of liquid nonalcoholic refreshments. On September 26, 2003, we operated in 46 states in the United States, the District of Columbia, all 10 provinces of Canada (collectively referred to as the "North American" territories), and in Belgium, continental France, Great Britain, Luxembourg, Monaco, and the Netherlands (collectively referred to as the "European" territories).

The following presents net operating revenues for the nine months ended September 26, 2003 and September 27, 2002 and long-lived assets as of September 26, 2003 and December 31, 2002 by geographic territory (in millions):

	2003		2002	
	Net Operating Revenues	Long-Lived Assets	Net Operating Revenues[B]	Long-Lived Assets
North American	$ 9,409	$ 17,030	$ 9,201	$ 16,918
European[A]	3,609	4,863	2,827	4,613
Consolidated	$ 13,018	$ 21,893	$ 12,028	$ 21,531

(A) Great Britain contributed approximately 48% and 50% of European net operating revenues for the first nine months of 2003 and 2002, respectively, and at September 26, 2003 and December 31, 2002, represented approximately 63% and 65%, respectively, of European long-lived assets.

(B) To conform to the current year presentation, approximately $523 million and $126 million of marketing support in North America and Europe, respectively, previously included in net operating revenues have been classified as reductions of cost of sales and $38 million of payments for dispensing equipment repair services in North America previously included in selling, delivery, and administrative expenses have been classified as net operating revenues under EITF 02-16.

We have no material amounts of sales or transfers between our North American and European territories and no significant United States export sales.

Note K – ***Restructuring and Other Charges***

At December 31, 2002, the amount remaining to be paid for restructuring charges recognized for North America in 2001 and Great Britain in 2002 was $17 million. We made payments during the first nine months of 2003 totaling $11 million, including all remaining amounts related to Great Britain's 2002 restructuring. The remaining balance of $6 million at September 26, 2003 represents remaining severance benefits to be paid.

Note L – *Earnings Per Share*

The following table presents information concerning basic and diluted earnings per share (in millions except per share data; per share data is calculated prior to rounding to millions):

	Quarter ended		Nine Months ended	
	September 26, 2003	September 27, 2002	September 26, 2003	September 27, 2002
Net income	$ 259	$ 191	$ 547	$ 416
Preferred stock dividends	–	1	2	2
Net income applicable to common shareowners	$ 259	$ 190	$ 545	$ 414
Basic average common shares outstanding	454	450	453	449
Effect of dilutive securities: Stock compensation awards	6	8	7	8
Diluted average common shares outstanding	460	458	460	457
Basic net income per share applicable to common shareowners	$ 0.57	$ 0.42	$ 1.20	$ 0.92
Diluted net income per share applicable to common shareowners	$ 0.56	$ 0.42	$ 1.19	$ 0.91

The impact of the Great Plains Series preferred stock prior to the conversion in the third quarter of 2003, as discussed in Note F, is not included in our computations of diluted earnings per share because the effect would be antidilutive.

Note M – ***Comprehensive Income (Loss)***

The following table (in millions) presents a calculation of comprehensive income (loss), comprised of net income and other adjustments. Other adjustments include currency items such as foreign currency translation adjustments and hedges of net investments in international subsidiaries, unrealized gains and losses on certain investments in debt and equity securities, changes in the fair value of certain derivative financial instruments qualifying as cash flow hedges, and minimum pension liability adjustments, where applicable. We adjust for the income tax effect on all currency items excluding the impact of currency translations as earnings from subsidiaries domiciled outside of the U.S. are determined to be indefinitely reinvested.

	Quarter ended		Nine Months ended	
	September 26, 2003	September 27, 2002	September 26, 2003	September 27, 2002
Net income	$ 259	$ 191	$ 547	$ 416
Currency translations	(36)	124	236	166
Hedges of net investments, net of tax	7	(53)	(46)	(69)
Unrealized (losses) gains on securities, net of tax	(2)	2	(6)	5
Realized gains on securities included in net income, net of tax	–	–	(2)	–
Unrealized (losses) gains on cash flow hedges, net of tax	–	(22)	5	(27)
Realized (gains) losses on cash flow hedges, net of tax	(1)	18	(9)	21
Net change to derive comprehensive income (loss) for the period	(32)	69	178	96
Comprehensive income (loss)	$ 227	$ 260	$ 725	$ 512

Note N – *Commitments and Contingencies*

We guarantee debt and other obligations of certain third parties. In North America, we guarantee repayment of indebtedness owed by PET (plastic) bottle manufacturing cooperatives. We also guarantee repayment of indebtedness owed by a vending partnership in which we have a limited partnership interest.

The following table presents amounts owed by third parties that we guarantee and amounts outstanding on these guarantees as of September 26, 2003 and December 31, 2002:

		Amounts Guaranteed		Amounts Outstanding	
Category	**Expiration**	**September 26, 2003**	**December 31, 2002**	**September 26, 2003**	**December 31, 2002**
Manufacturing cooperatives ...	2014	$ 236	$ 236	$ 175	$ 138
Vending partnership	Renewable	25	25	19	19
Other	Renewable	1	1	1	1
		$ 262	$ 262	$ 195	$ 158

Should we determine under FASB Interpretation No. 46 (FIN 46) "Consolidation of Variable Interest Entities, an Interpretation of ARB 51", currently required to be implemented on these entities as of December 31, 2003, we are required to consolidate the manufacturing cooperatives and vending partnership, our debt balances will increase by the amounts then owed by these entities.

We hold no assets as collateral against these guarantees and no contractual recourse provisions exist under the guarantees that would enable us to recover amounts we guarantee, in the event of an occurrence of a triggering event under these guarantees. These guarantees arose as a result of our ongoing business relationships. No amounts are recorded for our obligations under these guarantees as we consider the risk of default associated with these guarantees to be remote.

In addition, we have issued letters of credit as collateral for claims incurred under self-insurance programs for workers' compensation and large deductible casualty insurance programs aggregating $276 million and letters of credit provided for operating activities aggregating $5 million.

Our business practices are being reviewed by the European Commission in various jurisdictions for alleged abuses of an alleged dominant position under Article 82 of the EU Treaty. We do not believe we have a dominant position in the relevant markets, or that our current or past commercial practices violate EU law. Nonetheless, the Commission has considerable discretion in reaching conclusions and levying fines, which are subject to judicial review. The Commission has not notified us when it might reach any conclusions.

In addition, we are also the subject of an investigation by Belgian competition law authorities for alleged infringement of competition laws in Belgium. These proceedings are subject to further review and we intend to continue to vigorously defend against an unfavorable outcome. At this time, it is not possible for us to determine the ultimate outcome of this matter.

Note N – ***Commitments and Contingencies (continued)***

Our California subsidiary has been sued by several current and former employees over alleged violations of state wage and hour rules. Our California subsidiary is vigorously defending against the claims but at this time it is not possible to predict the outcome.

In 2000, CCE and TCCC were found by a Texas jury to be jointly liable in a combined amount of $15.2 million to five plaintiffs, each a distributor of competing beverage products. These distributors sued alleging that CCE and TCCC engaged in unfair marketing practices. The trial court's verdict was upheld by the Texas Court of Appeals in July 2003; we and TCCC have applied to the Texas Supreme Court for leave to appeal to that court. We believe our accruals are adequate to cover the damages awarded by the trial court if its verdict is allowed to stand. The claims of the three remaining plaintiffs in this case remain to be tried and four additional competitors have filed similar claims against us. We have not provided for any potential awards under these additional claims. We intend to vigorously defend against these claims.

In June 2003 Riverwood International Corporation filed a patent infringement suit against MeadWestvaco Corporation in the United States District Court for the Northern District of Georgia. We currently hold a multi-year supply contract with MeadWestvaco for the supply of paperboard cartons, including the cartons known as the “fridge pack.” Riverwood’s suit seeks a preliminary injunction enjoining MeadWestvaco from supplying us with fridge pack packaging. MeadWestvaco has denied the material allegations of Riverwood’s complaint and has opposed the preliminary injunction. We have indemnification rights against MeadWestvaco in the event we suffer monetary damages, and we have taken measures to ensure that we will have sufficient packaging available for our cans if the parties are unable to resolve the dispute and a preliminary injunction is granted against MeadWestvaco.

In addition to these cases outlined above, we are a defendant in various other matters of litigation generally arising out of the normal course of business. Although it is difficult to predict the ultimate outcome of litigation matters, management believes, based on discussions with counsel, that any ultimate liability would not materially affect our financial position or liquidity.

We recognize funding previously received under the Jumpstart programs with TCCC as cold drink equipment is placed and over the period we have the potential requirement to move equipment. Under the programs, we agree to certain performance and reporting provisions. Should provisions of the programs not be satisfied, and alternative solutions not be agreed upon, the contract allows TCCC to pursue a partial refund of amounts previously paid. No refunds have ever been paid under these programs, and we believe the probability of a partial refund of amounts previously paid under the programs is remote. We believe we would in all cases resolve any matters that might arise with TCCC.

Note N – *Commitments and Contingencies (continued)*

Under the Sales Growth Initiative (SGI) agreement with TCCC, we are eligible to receive up to $170 million of "Volume Growth Funding" in 2003 which is to be earned by attaining mutually established sales volume growth targets for brands owned by The Coca-Cola Company. The annual and quarterly target minimums are established for each program year through mutual agreements with TCCC based on expected sales volume. Sales volume growth is determined through a formula with adjustments for brand conversions, brand acquisitions, new brand introductions, and performance in excess of the previous year's performance. If these minimum targets are not met, the SGI agreement provides for penalties of $1 per equivalent case that are offset against the Volume Growth Funding of $170 million available under the program. Under the SGI agreement, quarterly funding commitments are advanced at the beginning of each quarter less penalties from any year-to-date shortfall to targets. We currently expect we will earn $130 million of the $170 million "Volume Growth Funding" available to us under the SGI agreement for 2003 after adjustments for penalties.

Our tax filings are routinely subjected to audit by tax authorities in most jurisdictions where we conduct business. These audits may result in assessments of additional taxes that are subsequently resolved with the authorities or potentially through the courts. Currently, there are assessments or audits which may lead to assessments involving certain of our subsidiaries, including our subsidiary in Canada, that may not be resolved in the foreseeable future. We believe we have substantial defenses to the questions being raised and intend to pursue all legal remedies available if we are unable to reach a resolution with the authorities. We believe we have adequately provided for any ultimate amounts that would result from these proceedings, however, it is too early to predict a final outcome in these matters.

On September 30, 2003, we reached a settlement agreement in principle related to our claims against our insurance carriers for the losses we incurred in the 1999 Belgian recall. Under the agreement, we are to receive $47.5 million upon the execution of a final settlement agreement in exchange for a release of our claims. We expect this to occur in the fourth quarter of 2003. We do not anticipate any additional recoveries associated with the product recall in Belgium.

Part I. Financial Information

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

BUSINESS SUMMARY AND OBJECTIVES

Coca-Cola Enterprises Inc. (CCE) is the world's largest marketer, producer, and distributor of products of The Coca-Cola Company (TCCC). We also distribute other beverage brands in select territories. We operate in 46 states in the United States, the District of Columbia, all 10 provinces of Canada, and in portions of Europe, including Belgium, continental France, Great Britain, Luxembourg, Monaco, and the Netherlands.

Outlook

At the end of third-quarter 2003, we released 2003 operating results projections that project (i) consolidated full-year sales volume growth of 1% to 2% in 2003, (ii) operating income in a range of $1.46 billion to $1.48 billion in 2003, compared to operating income of $1.36 billion in 2002, (iii) reported net income applicable to common shareowners for full-year 2003 of approximately $603 to $612 million, compared to reported net income applicable to common shareowners of $491 million in 2002, and (iv) reported earnings per diluted common share in a range of $1.31 to $1.33 in 2003, including a gain from the sale of a hot-fill manufacturing facility to The Coca-Cola Company, and net favorable tax items totaling $0.03 per share realized in the first nine months of 2003. These projections exclude the impact of the Belgian recall settlement proceeds and other potential fourth quarter events discussed below.

On September 30, 2003, we reached a settlement agreement in principle related to our claims against our insurance carriers for the losses we incurred in the 1999 Belgian recall. Under the agreement, we are to receive $47.5 million upon the execution of a final settlement agreement in exchange for a release of our claims. We expect this to occur in the fourth quarter of 2003. We do not anticipate any additional recoveries associated with the product recall in Belgium. We are evaluating other one-time items that could occur in the fourth-quarter that could reduce the impact on net income of these proceeds. Our earnings projections do not include any impact from these settlement proceeds or any impact resulting from other fourth quarter items that may offset this positive impact on our projected earnings in fourth-quarter 2003.

Project Pinnacle, our multi-year effort to redesign business processes and implement the SAP software platform is progressing favorably in achieving our objective of enhancing shareowner value by: (i) developing standard global processes, (ii) increasing information capabilities, and (iii) providing system flexibility. The project covers all functional areas of our business and is staffed with representatives from both Europe and North America. Our first stage of financial systems implementation was completed for Canada in October 2003 with complete roll-out of financial processes in North America projected to occur in third-quarter 2004. We anticipate our implementation of the initial phase will be executed over a five-year period ending in 2006. Including the costs of our internal resources assigned to the project, we project we will spend approximately $125 million in 2003, $80 million of which will be capital costs. The estimated capital costs of this project total approximately $215 million.

In third-quarter 2003, we continued migration of certain administrative, financial, and accounting functions for all of our North American divisions into a single shared services center. This consolidation has resulted in improved efficiencies, enhanced consistency in practices, and improved information delivery from common processes.

Management's Discussion and Analysis should be read in conjunction with our accompanying unaudited condensed consolidated financial statements and the accompanying footnotes along with the cautionary statements at the end of this section.

RESULTS OF OPERATIONS

Overview

Our operating results in the third quarter of 2003 reflect continued strong year-over-year growth in Europe partially because of favorable weather conditions, meaningful pricing initiatives in North America and Europe, and moderating operating expense trends in North America. Third quarter 2003 currency-neutral bottle and can net price per case increased 1½ % in North America and 3½ % in Europe over the same period last year.

For the third quarter of 2003, net income applicable to common shareowners increased to $259 million, or $0.56 per diluted common share, including a $0.01 per share net benefit from the favorable resolution of tax items. This represents an increase of approximately 36% over net income applicable to common shareowners of $190 million for the same quarter last year. Operating income increased 19% over third quarter 2002 results to $524 million for third quarter 2003, impacted by strong growth in our European operations, favorable pricing results in both North America and Europe, and our ability to successfully manage operating expenses.

We are applying EITF 02-16 to all existing programs and amounts within all reported periods are classified consistently between periods. Upon adoption of EITF 02-16 we classified as a reduction in cost of sales approximately $234 million and $649 million of marketing funding previously included in net operating revenues and approximately $28 million and $64 million of cold drink equipment placement funding previously included as a reduction in selling, delivery, and administrative expenses for the third quarter and nine month period ended September 27, 2002, respectively. We also classified in net operating revenues $13 million and $38 million of net payments for dispensing equipment repair services received from TCCC, previously included in selling, delivery, and administrative expenses for the third quarter and nine month period ended September 27, 2002, respectively.

On September 30, 2003, we reached a settlement agreement in principle related to our claims against our insurance carriers for the losses we incurred in the 1999 Belgian recall. Under the agreement, we are to receive $47.5 million upon the execution of a final settlement agreement in exchange for a release of our claims. We expect this to occur in the fourth quarter of 2003. We do not anticipate any additional recoveries associated with the product recall in Belgium.

Net Operating Revenues

Our third quarter 2003 net operating revenues increased 9% to $4.7 billion. This increase was primarily a result of favorable currency exchange rate movement (4%), an increase in pricing (2½%), and improved volume (2½%). For the first nine months of 2003, the percentage of consolidated net operating revenues derived from our North American and European groups was

72% and 28%, respectively. In the third quarter and first nine months of 2003, Great Britain contributed approximately 48% of European revenues.

"Bottle and Can Net Pricing per Case" and "Currency-Neutral Bottle and Can Net Pricing per Case" are provided to assist in evaluation of bottle and can pricing trends in the marketplace and to distinguish the impact of foreign currency exchange rate changes to our operations. Bottle and can net price per case is based on the invoice price charged to customers reduced by promotional allowances. Our bottle and can sales accounted for 91% of our net revenue for the first nine months of 2003. The following table presents the reconciliation of these measures to the change in net revenues per case for the third quarter and the first nine months of 2003. All per case percentage changes are rounded to the nearest ½% and are based on wholesale physical case volume.

	Third-Quarter 2003 Change			Nine-Months 2003 Change		
	Total	North America	Europe	Total	North America	Europe
Change in Net Revenues per Case	6 %	2½%	15½%	6 %	2 %	17½ %
Impact of excluding post-mix and agency sales	–	–	–	½	½	½
Bottle and Can Net Pricing per Case	**6 %**	**2½%**	**15½%**	**6½%**	**2½%**	**18 %**
Impact of currency exchange rate changes	(3½)	(1)	(12)	(4)	(½)	(15½)
Currency-Neutral Bottle and Can Net Pricing per Case	**2½ %**	**1½%**	**3½ %**	**2½%**	**2 %**	**2½ %**

We earn revenues from products when the product is delivered or when we collect cash from vending machines. We earn funding from licensors as performance measures are met. We earn service revenues for equipment maintenance and production when services are performed.

Third quarter 2003 consolidated bottle and can net price per case increased 6% from the same quarter last year. On a currency-neutral basis, this increase was 2½ %. Bottle and can net pricing per case, excluding the impact of currency exchange rate changes, increased 1½% in North America and 3½% in Europe for the quarter. These increases were due to our continued commitment to pricing initiatives in both North America and Europe.

We participate in various programs with customers to promote the sale of our products. Among our programs with customers are arrangements under which allowances may be earned by the customer for attaining agreed upon sales levels and/or for participating in specific marketing programs. We also participate in contractual arrangements providing us with pouring or vending rights in athletic venues, school districts, or similar venues. Coupon programs and under-the-cap promotions are also developed in various territories for the purpose of increasing sales by all customers. The cost of these programs, included as deductions in net operating revenues, totaled approximately $496 million and $445 million for the quarters ended September 26, 2003 and September 27, 2002, respectively. The increase in the cost of these programs is principally due to an increase in volume attributable to key customers.

Cost of Sales

"Bottle and Can Cost of Sales per Case" and "Currency-Neutral Bottle and Can Cost of Sales per Case" are provided to assist in evaluating cost trends for bottle and can products and to distinguish the impact of foreign currency exchange rate changes to our operations. These measures exclude the impact of fountain ingredient costs, as well as marketing credits and Jumpstart funding in order to isolate the change in bottle and can ingredient and packaging costs. The following table presents the reconciliation between these measures and change in cost of sales per case for the third quarter and the first nine months of 2003. All per case percentage changes are rounded to the nearest ½% and are based on wholesale physical case volume.

	Third-Quarter 2003 Change			Nine-Months 2003 Change		
	Total	North America	Europe	Total	North America	Europe
Change in Cost of Sales per Case	5½%	2½ %	12 %	5 %	1 %	15½ %
Impact of excluding bottle and can marketing credits and Jumpstart funding	(1)	(1½)	–	(½)	(½)	½
Impact of excluding cost of post-mix and agency sales	½	½	–	1	½	–
Bottle and Can Cost of Sales per Case	**5 %**	**1½ %**	**12 %**	**5½ %**	**1 %**	**16 %**
Impact of currency exchange rate changes	(4)	(1)	(12)	(4½)	(½)	(15½)
Currency-Neutral Bottle and Can Cost of Sales per Case	**1 %**	**½ %**	**– %**	**1 %**	**½ %**	**½ %**

Consolidated cost of sales per case increased 1% over the third quarter of 2002 on a currency-neutral basis. Our bottle and can cost of sales per case, on a currency-neutral basis, has increased ½% in North America and remained flat in Europe from the third quarter of 2002 to the third quarter of 2003. For the first nine months of the year, our bottle and can cost of sales per case has increased ½% in both North America and Europe, excluding the impact of currency exchange rate changes. For 2003, we continue to expect concentrate prices to increase 1% in North America and 2% in Europe.

Volume

Comparable volume results, as adjusted for one less selling day in the first quarter of 2003 and the acquisition of Chaudfontaine in the second quarter of 2003, are reconciled to volume changes for the third-quarter and first nine-month period of 2003 in the following table:

	Third-Quarter 2003 Change			Nine-Months 2003 Change		
	Total	North America	Europe	Total	North America	Europe
Change in Volume	3½%	½ %	12 %	2½%	½ %	9 %
Impact of acquisitions	(1)	–	(2)	(1)	(½)	(2)
Impact of selling day shift	–	–	–	½	½	½
Comparable Bottle and Can Volume	**2½%**	**½ %**	**10 %**	**2 %**	**½ %**	**7½%**

Comparable volume growth for the first nine months of 2003 reflects the impact of a one-day reduction in the number of selling days in the first nine months of 2002 to equal the same number of days as the first nine months of 2003. Comparable volume computations for both the third quarter and the first nine months of 2002 are adjusted by including the additional volume attributable to Chaudfontaine, acquired in June 2003.

Consolidated comparable bottle and can volume for the third quarter of 2003 increased 2½% over the same quarter last year. Volume in North America was up ½%. Strong sales of Dasani, solid growth in our diet portfolio, and growth in our lemon-lime category from the introduction of Sprite Remix were offset by slower sales of flavored drinks and overcoming the extraordinary volume generated by the introduction of Vanilla Coke in 2002. Strong volume increases in Belgium, Great Britain, and France contributed to comparable volume growth in Europe of 10%.

In North America, we continued to work through the hurdle of 2002 volume growth created by strong Minute Maid performance and by the introduction of Vanilla Coke. We benefited from very strong North American diet soft drink growth of 8% in the quarter, with improvement from diet Coke, up 5%, diet Cherry Coke, with volume more than double versus a year ago, and from diet Vanilla Coke, which has performed very steadily since its introduction in late 2002. In flavored soft drinks, Sprite Remix has proven a solid addition to our portfolio, with more than a third of its volume in our 20-ounce package. In packaging, we are expanding our distribution of 6-pack 24-ounce carbonated soft drink products with good consumer response. We are also steadily moving forward with the implementation of Fridge Pack throughout North America, which is now available in markets constituting more than 75% of our volume. Full-year North American volume is expected to remain essentially flat.

As discussed further in the following Contingencies section, in June 2003, Riverwood International Corporation filed a patent infringement suit seeking a preliminary injunction enjoining our supply of Fridge Pack packaging. We have taken measures to ensure we will have sufficient packaging available for our cans if the parties are unable to resolve the dispute and a preliminary injunction is granted against MeadWestvaco.

Third quarter 2003 European volume benefited from favorable weather for much of the quarter, success from the introductions of Vanilla Coke and diet Vanilla Coke and the success of local marketing programs. Carbonated soft drink volume for third quarter 2003 in Europe increased approximately 9% over third quarter 2002, with brand Coca-Cola growing 4%, diet Coke and Coca-Cola light growing approximately 10%, and Fanta, our third largest brand in Europe growing more than 11% on top of substantial growth in 2002. European volume is expected to grow 5% to 6% for full year 2003.

Selling, Delivery, and Administrative Expenses

The following table presents selling, delivery, and administrative expenses as a percentage of net operating revenues for the periods presented (in millions):

	Quarter ended		Nine Months ended	
	September 26, 2003	**September 27, 2002**	**September 26, 2003**	**September 27, 2002**
Selling, Delivery, and Administrative Expenses	$ 1,432	$ 1,339	$ 4,172	$ 3,834
Net Operating Revenues	$ 4,734	$ 4,328	$ 13,018	$ 12,028
Selling, Delivery, and Administrative Expenses as a percentage of Net Operating Revenues	30.2%	30.9%	32.0%	31.9%

The following table presents the impact of currency exchange rate changes on the change in selling, delivery, and administrative expenses from prior year for the periods presented:

	Third Quarter 2003 Change	**Nine Months 2003 Change**
Reported Change in Selling, Delivery, and Administrative Expenses	7 %	9 %
Impact of currency exchange rate changes	(3)	(3)
Currency-Neutral Change in Selling, Delivery, and Administrative Expenses	**4 %**	**6 %**

On a currency-neutral basis, the increases for the quarter and nine months of 2003, respectively, reflect our commitment to closely manage our costs and moderate operating expense growth. The decline as a percentage of revenues in third quarter 2003 results from our increase in net revenues for third quarter 2003.

Interest Expense

Net interest expense for the third quarter of 2003 decreased 10% from the same period of 2002 to $150 million due to a decline in our weighted average cost of debt and a decline in our average debt balance. The weighted average interest rate for the first nine month period of 2003 was 5.0% compared to 5.5% for the first nine months of 2002.

Income Taxes

Our effective tax rate was 31% for the first nine months of 2003 and 33% for the first nine months of 2002. These rates include the net benefit of settling various income tax related items, offset by income tax accruals, of $11 million in 2003 and $4 million in 2002. Our effective tax rate for full-year 2003, projected to be 31%, reflects expected full-year 2003 pretax earnings combined with the net beneficial year-to-date items totaling $11 million and the beneficial tax impact of certain international operations. Our effective tax rate for the remainder of 2003 is dependent upon operating results and may change if the results for the year are different from current expectations.

Transactions with The Coca-Cola Company

The following table presents transactions with The Coca-Cola Company (TCCC) in millions for the periods presented:

	Quarter ended		Nine Months ended	
	September 26, 2003	September 27, 2002	September 26, 2003	September 27, 2002
Amounts affecting net operating revenues:				
Fountain syrup and packaged product sales	$ 137	$ 100	$ 368	$ 285
Dispensing equipment repair services	13	13	40	38
Other transactions	3	1	11	3
	$ 153	$ 114	$ 419	$ 326
Amounts affecting cost of sales:				
Purchases of syrup and concentrate	$ (1,207)	$ (1,186)	$ (3,397)	$ (3,245)
Purchases of sweetener	(82)	(94)	(238)	(236)
Purchases of finished products	(155)	(145)	(414)	(349)
Marketing support funding earned	229	218	647	607
Cold drink equipment placement funding earned	20	28	61	64
Cost recovery from sale of hot-fill production facility	–	–	8	–
	$ (1,195)	$ (1,179)	$ (3,333)	$ (3,159)
Amounts affecting selling, delivery, and administrative expenses:				
Marketing programs	$ 1	$ –	$ 2	$ –
Operating expense reimbursements:				
Payable to TCCC	(4)	(4)	(12)	(13)
Due from TCCC	8	9	26	26
	$ 5	$ 5	$ 16	$ 13

Of the $200 million available to be earned by us in 2003 under the Sales Growth Initiative (SGI) agreement with TCCC, $30 million is being recognized as sales are achieved. The remaining $170 million "Volume Growth Funding" is earned by attaining mutually established sales volume growth targets for brands owned by The Coca-Cola Company. The annual and quarterly target minimums are established for each program year through mutual agreement with TCCC based on expected sales volume. Sales volume growth is determined through a formula with adjustments for brand conversions, brand acquisitions, new brand introductions, and performance in excess of the previous year's performance. If these minimum targets are not met, the SGI agreement provides for penalties of $1 per equivalent case that are offset against the Volume Growth Funding of $170 million available under the program. Under the SGI agreement, quarterly funding commitments are advanced at the beginning of each quarter less penalties from any year-to-date shortfall to targets. We currently expect we will earn $130 million of the $170 million "Volume Growth Funding" available to us under the SGI agreement for 2003 after adjustments for penalties.

In applying the terms of the SGI agreement to our volume performance for the first nine months of 2003, we recognized approximately $39 million and $116 million of the 2003 Volume Growth Funding in the third quarter and first nine months of 2003, respectively. Nine month 2003 target minimums were not achieved resulting in an accrual of $11.5 million for penalties to be offset against future funding payments.

We participate in cooperative trade marketing arrangements (CTM) for the U.S. Coca-Cola system administered by TCCC. Beginning in 2002, we became responsible for all costs of the program in our territories, except for a limited number of specified customers. We transfer amounts to TCCC under the program for payment to customers. Pursuant to these arrangements, amounts paid or payable to TCCC for the nine months ended September 26, 2003 totaled $189 million.

Deferred cash payments from TCCC include amounts deferred under Jumpstart and other miscellaneous programs.

Support funding recognized under the Jumpstart programs with TCCC is shown as cold drink equipment placement funding in the table above. In the third quarter of 2003, we recognized approximately $20 million of Jumpstart funding as a reduction of cost of sales compared to $28 million for the third quarter of 2002. We recognized $61 million for the nine months ended September 26, 2003 compared to $64 million for the same period in 2002. We expect Jumpstart funding earned for full-year 2003 will approximate $76 million.

We continue to work with TCCC to develop and implement initiatives designed to achieve stronger marketing results, administrative efficiencies, and other synergies in our respective companies.

Pensions and Other Postretirement Benefits

On September 12, 2003 the FASB issued an Exposure Draft related to Employers' Disclosures about Pensions and Other Postretirement Benefits. When issued, the new statement is expected to amend FASB Statements No. 87, 88, and 106 and replace FASB Statement No. 132. The following disclosures are based on recommendations included in the Exposure Draft. As provided by FAS 87, we revalue pension liabilities annually. Pension expense for the current year is based on the prior year-end valuation of liabilities and the expected average value of pension assets. The following tables outline significant assumptions used in the determination of pension obligations and expense:

Weighted-average assumptions used to determine benefit obligations at December 31:

	Pension Benefits		Other Benefits	
	2002	**2001**	**2002**	**2001**
Discount Rate	6.8%	6.9%	7.0%	7.0%
Rate of compensation increase	4.7%	4.8%	–	–

Weighted-average assumptions used to determine net cost for years ended December 31:

	Pension Benefits		Other Benefits	
	2003	**2002**	**2003**	**2002**
Discount Rate	6.8%	6.9%	7.0%	7.0%
Expected return on plan assets	8.4%	9.2%	–	–
Rate of compensation increase	4.7%	4.8%	–	–

Components of Net Periodic Pension Costs are as follows:

	Quarter ended		Nine Months ended	
	September 26, 2003	**September 27, 2002**	**September 26, 2003**	**September 27, 2002**
Service cost	$ 20	$ 17	$ 61	$ 53
Interest cost	28	26	86	76
Expected return on plan assets	(28)	(31)	(87)	(93)
Amortization	3	–	8	1
Net periodic benefit cost	$ 23	$ 12	$ 68	$ 37

Pension assets of the North American and UK plans represent approximately 95% of pension plan assets. Below is a summary of pension plan asset allocation of those assets at the end of the third quarters of 2003 and 2002 along with expected long-term rate of return by asset category.

Asset Category	Weighted Average Target Allocation	% of Plan Assets		Weighted-Average Expected Long-Term Rate of Return
	September 26, 2003	September 26, 2003(A)	September 27, 2002	
Equity Securities	65%	68%	61%	8.7%
Fixed Income Securities	20	24	31	5.7
Real Estate	5	3	4	9.6
Other	10	5	4	10.4
Total	100%	100%	100%	8.3%

(A) The September 26, 2003 allocation of plan assets reflects the expected allocation of the contribution of $155 million made on September 15, 2003. The placement of that contribution is expected to be completed by December 31, 2003.

Our Fixed Income Securities portfolio is invested primarily in commingled funds and managed in terms of overall return expectations rather than matching duration against plan liabilities, therefore debt maturities are not significant to the plan performance.

Pension contributions were $184 million and $70 million for the nine months ended September 26, 2003 and September 27, 2002, respectively. Contributions for full-year 2003 are expected to be approximately $190 million while contributions for full-year 2002 were $76 million. Our policy is to fund the U.S. pension plans at a level to maintain, within established guidelines, the IRS defined 90% Current Liability Funded status. At January 1, 2003, the date of the most recent calculation, all U.S. funded defined benefit pension plans reflected Current Liability Funded status equal to or greater than 90%. In accordance with calculation guidelines, the January 1, 2003 Current Liability Funded status reflects the third quarter 2003 contributions as a receivable.

CASH FLOW AND LIQUIDITY REVIEW

Capital Resources

Our sources of capital include, but are not limited to, cash flows from operations, the issuance of public or private placement debt, bank borrowings, and the issuance of equity securities. We believe that available short-term and long-term capital resources are sufficient to fund our capital expenditure and working capital requirements, scheduled debt payments, interest and income tax obligations, dividends to our shareowners, acquisitions, and share repurchases.

After the September 29, 2003 $500 million issuances, we had $6.7 billion of amounts available under our public debt facilities which could be used for long-term financing, refinancing of debt maturities, and refinancing of commercial paper. After the September 29, 2003 issuances, we had available for issuance (i) $3.2 billion available under registration statements with the Securities and Exchange Commission, (ii) $2.1 billion in debt securities under a Euro Medium-Term Note Program, and (iii) $1.4 billion ($2.0 billion Canadian) in Canadian dollar debt securities under a Canadian Medium-Term Note Program. The registration statement we filed with the Securities and Exchange Commission in October 2002 to increase the amounts of registered debt securities available for issuance by $3.5 billion became effective in August 2003.

In addition, we satisfy seasonal working capital needs and other financing requirements with short-term borrowings under our commercial paper programs, bank borrowings, and various lines of credit in the countries in which we operate. At September 26, 2003 we had approximately $1.9 billion outstanding in commercial paper and approximately $3.3 billion available as a back-up to commercial paper under working capital lines of credit. We intend to continue refinancing borrowings under our commercial paper programs and our short-term credit facilities with longer-term fixed and floating rate financings. After the September 29, 2003 $500 million issuances, our debt portfolio contained 70% fixed rate debt and 30% floating rate debt.

Summary of Cash Activities

Cash and cash investments increased $104 million during the first nine months of 2003 from net cash transactions. Our primary sources of cash for the first nine months of 2003 were operations, which provided $1,070 million, and proceeds from the issuance of debt aggregating $517 million. Our primary uses of cash were debt repayments totaling $815 million and capital expenditures totaling $702 million.

Operating Activities: Operating activities resulted in $1,070 million of net cash provided during the first nine months of 2003 compared to $1,104 million for the same period in 2002. Cash provided from operations was reduced by an increase in pension contributions of $114 million for the nine months ended September 26, 2003 as compared to the same period in 2002.

Investing Activities: Net cash used in investing activities resulted primarily from our continued capital investments. We expect full-year 2003 capital expenditures to total approximately $1.1 billion.

Financing Activities: We continue to refinance portions of our short-term borrowings as they mature with short-term and long-term fixed and floating rate debt. Exchange rate changes during the third quarter of 2003 resulted in a decrease in long-term debt of $23 million.

FINANCIAL CONDITION

Net accounts receivable increased 13% from December 31, 2002 to $1,878 million at September 26, 2003 primarily due to strong sales volume in Europe in third quarter 2003. Also, Belgium and France normally receive payments on the last working day of the calendar month, which was two working days after September's month end close. This caused a higher balance at September 26, 2003 as compared to December 31, 2002. Also, 3 points of the percentage increase from December 31, 2002 is due to exchange rate changes.

Inventory increased approximately 14% from December 31, 2002 to September 26, 2003. This increase is primarily due to the seasonality of our business. In addition, inventory balances in Europe increased in anticipation of planned revisions to production lines and maintenance to be performed in plants in the fourth quarter of 2003.

The increase in license intangible assets resulted from currency exchange rate changes.

The current portion of long-term debt increased from December 31, 2002 primarily due to the classification of a $500 million note maturing in April 2004 in current maturities. Total debt outstanding at third-quarter 2003 decreased as a result of net repayments of $333 million and increased as a result of translation differences of $190 million from year-end 2002.

For the first nine months of 2003, changes in currencies from currency translations and hedges of net investments resulted in net gains in comprehensive income of $190 million. As currency exchange rates change, translation of the income statements for our businesses outside of the United States into U.S. dollars affects the comparability of revenues and expenses between periods.

KNOWN TRENDS AND UNCERTAINTIES

Contingencies

Our business practices are being reviewed by the European Commission in various jurisdictions for alleged abuses of an alleged dominant position under Article 82 of the EU Treaty. We do not believe we have a dominant position in the relevant markets, or that our current or past commercial practices violate EU law. Nonetheless, the Commission has considerable discretion in reaching conclusions and levying fines, which are subject to judicial review. The Commission has not notified us when it might reach any conclusions.

In addition, we are also the subject of an investigation by Belgian competition law authorities for alleged infringement of competition laws in Belgium. These proceedings are subject to further review and we intend to continue to vigorously defend against an unfavorable outcome. At this time, it is not possible for us to determine the ultimate outcome of this matter.

Our California subsidiary has been sued by several current and former employees over alleged violations of state wage and hour rules. Our California subsidiary is vigorously defending against the claims but at this time it is not possible to predict the outcome.

In 2000, CCE and TCCC were found by a Texas jury to be jointly liable in a combined amount of $15.2 million to five plaintiffs, each a distributor of competing beverage products. These distributors sued alleging that CCE and TCCC engaged in unfair marketing practices. The trial court's verdict was upheld by the Texas Court of Appeals in July 2003; we and TCCC have applied to the Texas Supreme Court for leave to appeal to that court. We believe our accruals are adequate to cover the damages awarded by the trial court if its verdict is allowed to stand. The claims of the three remaining plaintiffs in this case remain to be tried and four additional competitors have filed similar claims against us. We have not provided for any potential awards under these additional claims. We intend to vigorously defend against these claims.

In June 2003 Riverwood International Corporation filed a patent infringement suit against MeadWestvaco Corporation in the United States District Court for the Northern District of Georgia. We currently hold a multi-year supply contract with MeadWestvaco for the supply of paperboard cartons, including the cartons known as the “fridge pack.” Riverwood’s suit seeks a preliminary injunction enjoining MeadWestvaco from supplying us with fridge pack packaging. MeadWestvaco has denied the material allegations of Riverwood’s complaint and has opposed the preliminary injunction. We have indemnification rights against MeadWestvaco in the event we suffer monetary damages, and we have taken measures to ensure that we will have sufficient packaging available for our cans if the parties are unable to resolve the dispute and a preliminary injunction is granted against MeadWestvaco.

In addition to these cases outlined above, we are a defendant in various other matters of litigation generally arising out of the normal course of business. Although it is difficult to predict the ultimate outcome of litigation matters, management believes, based on discussions with counsel, that any ultimate liability would not materially affect our financial position or liquidity.

We recognize funding previously received under the Jumpstart programs with TCCC as cold drink equipment is placed and over the period we have the potential requirement to move equipment. Under the programs, we agree to certain performance and reporting provisions. Should provisions of the programs not be satisfied, and alternative solutions not be agreed upon, the contract allows TCCC to pursue a partial refund of amounts previously paid. No refunds have ever been paid under these programs, and we believe the probability of a partial refund of amounts previously paid under the programs is remote. We believe we would in all cases resolve any matters that might arise with TCCC.

Under the Sales Growth Initiative (SGI) agreement with TCCC, we are eligible to receive up to $170 million of "Volume Growth Funding" in 2003 which is to be earned by attaining mutually established sales volume growth targets for brands owned by The Coca-Cola Company. The annual and quarterly target minimums are established for each program year through mutual agreements with TCCC based on expected sales volume. Sales volume growth is determined through a formula with adjustments for brand conversions, brand acquisitions, new brand introductions, and performance in excess of the previous year's performance. If these minimum targets are not met, the SGI agreement provides for penalties of $1 per equivalent case that are offset against the Volume Growth Funding of $170 million available under the program. Under the SGI agreement, quarterly funding commitments are advanced at the beginning of each quarter less penalties from any year-to-date shortfall to targets. We currently expect we will earn $130 million of the $170 million "Volume Growth Funding" available to us under the SGI agreement for 2003 after adjustments for penalties.

Our tax filings are routinely subjected to audit by tax authorities in most jurisdictions where we conduct business. These audits may result in assessments of additional taxes that are subsequently resolved with the authorities or potentially through the courts. Currently, there are assessments or audits which may lead to assessments involving certain of our subsidiaries, including our subsidiary in Canada, that may not be resolved in the foreseeable future. We believe we have substantial defenses to the questions being raised and intend to pursue all legal remedies available if we are unable to reach a resolution with the authorities. We believe we have adequately provided for any ultimate amounts that would result from these proceedings, however, it is too early to predict a final outcome in these matters.

On September 30, 2003, we reached a settlement agreement in principle related to our claims against our insurance carriers for the losses we incurred in the 1999 Belgian recall. Under the agreement, we are to receive $47.5 million upon the execution of a final settlement agreement in exchange for a release of our claims. We expect this to occur in the fourth quarter of 2003. We do not anticipate any additional recoveries associated with the product recall in Belgium.

Accounting Developments

In January 2003, the EITF issued No. 02-16 (EITF 02-16), "Accounting by a Customer (Including a Reseller) for Cash Consideration Received from a Vendor." EITF 02-16 addresses accounting and reporting issues related to how a reseller should account for cash consideration received from vendors.

Under EITF 02-16, our income statements classify funding received from TCCC and other licensors in cost of sales. These amounts were previously included in net operating revenues or as a reduction of selling, delivery, and administrative expenses. Additionally, amounts we receive from TCCC for dispensing equipment repair services are included as revenue. We are applying EITF 02-16 to all existing programs and all amounts within reported periods are classified consistently between periods.

In January 2003, the FASB issued Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." FIN 46 requires variable interest entities to be consolidated by the primary beneficiary of the entity in certain instances. FIN 46 is effective for all new variable interest entities created or acquired after January 31, 2003. For variable interest entities created or acquired prior to February 1, 2003, the provisions of FIN 46 are to be applied by us in fourth quarter 2003. We participate in manufacturing cooperatives and have ownership in a vending partnership. Amounts owed by these entities at September 26, 2003 total $194 million as detailed in Note N. We are currently evaluating the implications of the adoption of FIN 46 on our financial position, cash flows, and results of operations. Should we determine under FIN 46 we are required to consolidate the manufacturing cooperatives and vending partnership, our debt balances will increase by the amounts then owed by these entities.

In December 2002, the FASB issued Statement No. 148 (FAS 148), "Accounting for Stock-Based Compensation – Transition and Disclosure – an Amendment of FASB Statement No. 123". FAS 148 amends, among other things, the disclosure provisions of FAS 123 and APB 28, "Interim Financial Reporting." The additional disclosures required under FAS 148 have been included in the footnotes to the financial statements.

Competition

The non-alcoholic beverage category of the commercial beverages industry in which we compete is highly competitive. We face competitors that differ not only between our North American and European territories, but also within individual markets in these territories. Moreover, competition exists not only in this category but also between the non-alcoholic and alcoholic categories.

Marketing, breadth of product offering, new product and package innovations, and pricing are significant factors affecting our competitive position, but the consumer and customer goodwill associated with our products' trademarks is our most favorable factor. Other competitive factors include distribution and sales methods, merchandising productivity, customer service, trade and community relationships, the management of sales and promotional activities, and access to manufacturing and distribution. Management of cold drink equipment, including vending and cooler merchandising equipment, is also a competitive factor. We face strong competition by companies that produce and sell competing products to a concentrating retail sector where buyers are able to choose freely between our products and those of our competitors.

In 2002, our sales represented approximately 13% of total nonalcoholic beverage sales in our North American territories and approximately 8% of total nonalcoholic beverage sales in our European territories. Sales of our products compared to combined alcoholic and nonalcoholic beverage products in our territories would be significantly less.

Our competitors include the local bottlers of competing products and certain of our customers that have private label products. For example, we compete with bottlers of products of PepsiCo, Inc., Cadbury Schweppes plc, Nestle S.A., Groupe Danone, Kraft Foods Inc., and private label products including those of certain of our customers. In certain of our territories, we sell products we compete against in other territories; however, in all our territories our primary business is the manufacture, distribution, and sale of products of The Coca-Cola Company. Our primary competitor in each territory may vary, but within North America, our predominant competitors are The Pepsi Bottling Group, Inc. and Pepsi Americas, Inc.

CAUTIONARY STATEMENTS

Certain expectations and projections regarding future performance we referenced in this report are forward-looking statements. These expectations and projections are based on currently available competitive, financial, and economic data, along with our operating plans and are subject to future events and uncertainties. Among the events and uncertainties which could adversely affect future periods are:

- An inability to achieve price increases,
- an inability to achieve cost savings,
- marketing and promotional programs that result in lower than expected volume,
- efforts to manage price that adversely affect volume,
- an inability to meet performance requirements for funding from TCCC,
- the cancellation or amendment of existing funding programs with TCCC,
- material changes from expectations in the costs of raw materials and ingredients,
- an inability to achieve the expected timing for returns on cold drink equipment expenditures,
- an inability to place cold drink equipment at required levels under our Jumpstart programs with TCCC,
- an inability to meet volume growth requirements on an annual basis under the SGI program with TCCC,
- an unfavorable outcome from the European Union investigation, the Belgian competition law investigation, the California wage and hour case, the Texas unfair marketing practices case, or the Riverwood/Mead patent infringement case,
- material changes in assumptions used in completing impairment analyses of intangible assets,
- an inability to meet projections for performance,
- potential assessment of additional taxes resulting from audits conducted by tax authorities,
- unfavorable interest rate and currency fluctuations,
- competitive pressures that may cause channel and product mix to shift from more profitable cold drink channels and packages,
- weather conditions in markets we serve,
- potential for market recalls of products,
- unfavorable market performance on our pension plan assets,
- and changes in debt rating.

In addition to the above cautionary statements, all forward-looking statements contained herein should be read in conjunction with the cautionary statements found on page 73 of our Annual Report for the fiscal year ended December 31, 2002.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have no material changes to the disclosure on this matter made in "Management's Financial Review – Interest Rate and Currency Risk Management" on Page 67 of our Annual Report to Shareowners for the year ended December 31, 2002.

Item 4. Controls and Procedures

We, under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, evaluated our "disclosure controls and procedures" (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the Exchange Act)) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures are effective in timely making known to them material information required to be disclosed in our reports filed or submitted under the Exchange Act.

Part II. Other Information

Item 1. Legal Proceedings

The civil enforcement action threatened by the City of San Diego against our subsidiary BCI Coca-Cola Bottling Company of Los Angeles has been settled by BCI's agreement to pay the city approximately $153,000. This matter, which was first reported in our first quarter 2003 Form 10-Q, arose out of an alleged discharge of product into a creek by a BCI can crushing unit. Final settlement documents are expected to be signed during the fourth quarter of 2003.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibit (numbered in accordance with Item 601 of Regulation S-K):

Exhibit Number	Description	Incorporated by Reference or Filed Herewith
12	Earnings to Combined Fixed Charges and Preferred Stock Dividends.	Filed herewith.
31.1	Certificate of Lowry F. Kline, filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certificate of Patrick J. Mannelly, filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32.1	Certificate of Lowry F. Kline, furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
32.2	Certificate of Patrick J. Mannelly, furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.

(b) Reports on Form 8-K:

During third-quarter 2003, we filed the following current reports on Form 8-K:

Date of Report	Description
July 8, 2003	Press release announcing webcast to analysts and investors on July 16, 2003 (Items 7 and 9). Filed July 9, 2003.
July 15, 2003	Press release announcing election of James E. Copeland, Jr. to Board of Directors and election of Paula G. Rosput as Audit Committee Chair (Items 5 and 7). Filed July 16, 2003.
July 16, 2003	Press release announcing second quarter 2003 results (Items 7 and 9). Filed July 16, 2003.
July 24, 2003	Reconciliation of non-GAAP financial measures to most directly comparable financial measures calculated and presented in accordance with GAAP (Items 5 and 7). Filed July 24, 2003.
August 28, 2003	Press release announcing webcast to analysts and investors on September 4, 2003 (Item 9). Filed August 28, 2003.
September 4, 2003	Press release announcing that management will affirm the full-year 2003 financial outlook (Item 9). Filed September 4, 2003.
September 19, 2003	Underwriting agreement dated August 9, 2001 (Items 5 and 7). Filed September 19, 2003.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COCA-COLA ENTERPRISES INC.
(Registrant)

Date: October 31, 2003

/s/ Patrick J. Mannelly
Patrick J. Mannelly
Senior Vice President and Chief Financial Officer

Date: October 31, 2003

/s/ Rick L. Engum
Rick L. Engum
Vice President, Controller and
Principal Accounting Officer