Operator

At this time, I would like to welcome everyone to The Coca-Cola Company's Fourth Quarter and Full Year 2011 Earnings Results Conference Call. Today's call is being recorded. If you have any objections, you may disconnect at this time. [Operator Instructions] I would like to remind everyone that the purpose of this conference is to talk with investors and, therefore, questions from the media will not be addressed. Media participants should contact Coca-Cola's Media Relations Department if they have questions. I would now like to introduce Jackson Kelly, Vice President and Investor Relations Officer. Mr. Kelly, you may begin.

Jackson Kelly

Good morning, and thank you for being with us today. I'm joined by Muhtar Kent, our Chairman and Chief Executive Officer; and Gary Fayard, our Chief Financial Officer. Following prepared remarks this morning, we'll turn the call over for your questions.

Before we begin though, I'd like to remind you that this conference call may contain forward-looking statements, including statements concerning long-term earnings objective and should be considered in conjunction with cautionary statements contained in our earnings release and in the company's most recent periodic SEC report.

In addition, I would also like to note that we have posted schedules on our company website at www.thecoca-colacompany.com, under the Reports and Financial Information tab in the Investors section, which reconciles certain non-GAAP measures, financial measures that may be referred to by our senior executives in our discussions this morning, and from time-to-time in discussing our financial performance to our results as reported under generally accepted accounting principles. Please look on our website for this information.

Now I will turn the call over to Muhtar.

Muhtar Kent

Thank you, Jackson, and good morning, everyone. Today, I'm pleased to share The Coca-Cola Company continues to operate from a position of real strength. Our brands continue to get stronger. Our strategies continue to be sound, and our execution continues to be focused and effective. All of this continues to drive sustainable growth and continues to bring us closer to achieving our 2020 Vision. One day, one week, one month and one quarter at a time. Thanks to the extraordinary determination and resolve of our 146,000 company associates around the world, we delivered volume and revenue growth this quarter in every one of our 5 geographic operating groups. And we achieved financial results for both the quarter and the full year in line with or ahead of our long-term growth targets, making this the seventh consecutive quarter we have either met or exceeded our long-term growth targets.

Our global sparkling beverage portfolio kept growing, up 2% for the quarter and a solid 4% for the full year. Our global still beverage portfolio is also performing well, up 6% for the quarter and a strong 8% for the full year. And we gained global volume and value share in nonalcoholic ready-to-drink beverages, while also gaining global share in both sparkling and still beverage categories. We achieved these results for both the quarter and the full year against the backdrop of a volatile global economic landscape. Even as we believe that the unease in the global markets will continue in the near term, the breadth of our global footprint and the strength of our brands create a business that was built for times like these, resilient and resolute to grow.

Our solid performance in 2011 reflects the consistent investments we have made over time to strengthen the health of our brands, starting with brand Coca-Cola, the very oxygen of our business, up 3% in both the quarter and the full year. In fact, brand Coca-Cola grew by at least 24 million servings in 24 different countries this past quarter. Our brand health and brand value have been created over the long-term through strong and consistent investments in our business, rather than through short-term incremental actions. And this is why we remain so committed to our long-term brand investment strategies. Our 2011 performance results underscore how our company, together with our global bottling partners, is well aligned and positioned to lead in this difficult environment.

As we enter into the third year of our 2020 Vision, our roadmap for winning together remains clear to us and our committed bottling partners. The assumptions that shaped our vision have not changed. Our expectations for strong performance have not wavered. The key to our calculus for growth and achieving our 2020 Vision will be to ensure that we keep creating balanced growth across both emerging and developed markets, as well as sparkling and still categories.

We successfully achieved this balance in 2011. For the full year, we delivered almost 1 billion unit cases of incremental organic volume growth, or the equivalent of adding another Japan to our business. And importantly, we delivered positive full year growth in key developed markets like North America, Japan and Germany, while also generating double-digit full year growth in key emerging markets like India and China. And we will continue to make significant investments in our future, all across the world.

In fact, in order to achieve our 2020 Vision, we anticipate our global system will add about 100,000 jobs in this decade as we invest to support the tremendous opportunity we see in nonalcoholic beverages, one of the fastest-growing industries in consumer packaged goods.

So let's review our fourth quarter and full year results. Worldwide, we grew volume 3% this quarter, in line with our long-term growth target. For the full year, we grew worldwide volume by 5%, including the benefit of cross-licensed brands, primarily Dr. Pepper in North America. Excluding these brands, we delivered strong full year volume growth of 4%, also in line with our long-term target.

As for our profit results, we grew comparable earnings per share by 10% for both the quarter and the full year, ahead of our long-term target. As we close the second year of our 2020 Vision, this also marks the second consecutive year we've delivered double-digit comparable earnings per share growth.

Now let's briefly review performance results across our operating groups, beginning first with North America where our team remains focused on driving profitable and sustainable growth. North America volume was up 1% in the quarter, making this North America's seventh consecutive quarter of growth. And for the full year, North America's organic volume growth was also up 1%.

The North America business gained total market volume and value share in sparkling, still and nonalcoholic ready-to-drink beverages in both the quarter and the full year. And we delivered these strong results while in the process of successfully integrating the largest acquisition in our company's history. Our sparkling beverage results in North America were even for the quarter, with brand Coca-Cola volume up 1%. We achieved these results while also earning an increase in retail pricing of 4% in sparkling beverages through the effective execution of our occasion-based brand, package, price and channel strategies.

As for Coke Zero, it was up high-single digits in North America this past quarter and up double digits for the full year, making this the fifth consecutive year of double-digit growth. We also drove positive growth for Fanta, which was up 3% in 2011, its second consecutive year of positive growth.

Our still beverages in North America delivered 3% growth in the quarter and 4% growth for the full year while gaining share for the seventh consecutive quarter. POWERADE continues to be a leading driver of this solid growth, up 11% in the quarter and 12% for the full year. And POWERADE once again captured both volume and value share in the sports drinks category, both for the quarter and for the full year. Our key brands delivered double-digit growth in the quarter led by Gold Peak, which grew double digits for the 19th consecutive quarter.

As we've always said, there's no other western developed market in the world that boasts as dynamic the demographics as those present in North America between now and 2020. Young, vibrant, diverse, educated and entrepreneurial. We like these attributes and have every reason to remain excited about the long-term outlook of our flagship market.

Turning now to our Pacific Group where in 2011, our business again delivered consistent growth across a diverse set of markets. Overall, our Pacific Group volume was up 5% in both the quarter and the full year, and these results were led by China, up double digits in the quarter and for the full year, making this 9 out of the last 10 years that our business in China has delivered double-digit growth.

Our efforts to enhance the consumer experience with our sparkling beverage brands keep paying dividends, with sparkling beverages up double digits in China for both the quarter and the full year. Importantly, we're seeing strong growth across our entire sparkling portfolio, with Coca-Cola, Sprite and Fanta all delivering double-digit growth in both the fourth quarter as well as in the full year 2011.

At the same time, our still beverage portfolio brands are sustaining their solid momentum, also delivering double-digit growth for the full year. These results confirm that we are executing the right strategies and have the right capabilities in place in China to deliver sustainable double-digit growth over the long-term.

Japan's fourth quarter results were up 5%, resulting in slightly positive full year growth, rounding to even. This is a better-than-anticipated full year result in light of the tragic national disasters that occurred last March. This also underscores the strength and resilience of our people and brands across the entire Japanese bottling system. Notably, we realized greater momentum across several key channels in Japan this quarter, including convenience stores and vending as we further increase our focus on single-serve beverages.

Moving now to Latin America where in 2011 we once again expanded our volume and value share leadership position. Volume in this total region was up 4% in the quarter and 6% for the full year. This strong performance was once again led by Mexico, up 4% for the quarter and 9% for the full year. Our business in Mexico gained volume and value share in both sparkling and still beverages for both the quarter and the full year. In fact, our still beverage portfolio in Mexico reached nearly 1 billion unit cases in 2011, a short 4 years after the successful integration of Jugos Del Valle into our winning portfolio.

The rapid evolution of our brands in Mexico is a great testament to our team's ability to execute clear, occasion-based channel strategies across all beverage categories in this key market. We're also advancing our momentum in Argentina, which delivered double-digit full year growth while capturing volume and value share in both sparkling and still beverages for the 12th consecutive quarter.

And finally, Brazil, volume was up 1% for the full year. Despite a general slowdown in the economy and unfavorable weather, our business in Brazil keeps outperforming the industry, gaining share across both sparkling and still beverages in both for the quarter as well as the full year.

Let's now turn to the Eurasia and Africa Group. In 2011, we made sound progress against our goal to strategically invest for tomorrow while gaining share today. Volume in this region grew 4% in the quarter and a solid 6% for the full year. Importantly, our growth in Eurasia and Africa was driven by the continued strong momentum of brand Coca-Cola, up 5% in the quarter and 7% for the full year 2011.

Our overall performance in this key region was once again led by India, which delivered 20% growth for the quarter, resulting in double-digit growth for the full year. 2011 was the fifth consecutive year that India achieved double-digit growth. And that’s been the case throughout 2011, growth in India was well balanced across our entire portfolio. Sparkling beverages in India were up over 20% this quarter while brand Coca-Cola was up a strong 15%. And still beverages in India were up 16% this quarter, benefiting from a healthy growth across our juice portfolio, including Maaza, up 19%.

Russia was down low-single digits in the quarter, fourth quarter, cycling last year's very strong 31% growth. On a full year basis, our business in Russia was up mid-single digits. Our business in Russia is being led by the strong growth of brand Coca-Cola, which delivered double-digit growth in 2011. Brand Coca-Cola is now more than twice the size of our primary competitor's cola brand in Russia. Notably, our overall business in Russia keeps outperforming the rest of the industry, gaining both sparkling and still beverage volume and value share.

Turning to Turkey. We gained volume and value share this quarter in both sparkling and still beverages. For 2011, Turkey again delivered double-digit growth as it did the previous year in 2010. And despite geopolitical challenges in the region, our Middle East and North Africa business unit delivered a solid 7% in the quarter and 8% for the full year.

A clear example of our commitment to invest in tomorrow in this exciting Middle East region is our recently announced agreement to acquire approximately half of the equity of Aujan Industries. Aujan holds the #1 position in the still beverage business across the entire Middle East. Their brands hold a top 3 position in every market where they compete. This strong partnership with Aujan, coupled with the strength of our bottling partners, will make the Coca-Cola system a leader in the fast-growing still beverage category in the Middle East.

Let's now turn to Europe, a region of the world that is still facing a very uncertain economic environment. Yet, for The Coca-Cola Company, it is also a region that serves as a testament to how well our system is positioned to face these serious economic challenges. Our business in Europe grew 1% in the quarter, making this Europe's sixth consecutive quarter of volume growth, resulting in a full year growth rate of 2%. We achieved these results by strategically tailoring our price and package offerings to meet the needs of each market and their varying economic conditions. Our growth in Europe was widespread, with positive fourth quarter and full year growth across several key markets in Northwest Europe and Spain. And we saw the continued growth of Innocent, supported by the successful launch of not-from-concentrate juice in Great Britain. Our growth in Europe was once again led by Germany, up a very strong 9% for the quarter and up 6% for the full year, representing our best full year growth result in Germany since 1992.

While some of this growth should be attributed to favorable weather and consumer sentiment, there's no doubt that our bottling restructuring efforts as well as effective marketing campaigns have played a key role in this improvement. We're confident that our business in Germany is in a sound position to continue delivering long-term sustainable growth.

Looking ahead to 2012 and 2013. Despite the lingering debt crisis coupled with economic and political uncertainty, we are confident that we have the right brands, the right structure, the right strategies and right capabilities in place to continue delivering profitable growth in Europe over the longer term.

Now let's turn to an overview of how we are building our brands. As we've said before, we always place our brands first in all that we do, across more than 200 countries all around the world. This is how we've built the world's most valuable beverage brand portfolio, with 15 $1 billion brands, more than any other beverage company. Our top 4 brands: Coca-Cola, Sprite, Fanta and Diet Coke, all once again exceeded $10 billion in global retail sales in 2011. A key component of how we strengthen our global brand portfolio is through innovative consumer engagement. We continuously strive to engage with our consumers in an integrated manner across all social media platforms. A recent example of our efforts in this front was this past weekend's very successful Super Bowl campaign where we engaged fans like never before. Through a unique online viewing experience, fans got to chat with our animated polar bears and see their game reactions. And they watched the bears move from the digital realm of the TV as they starred in 3 new well-received and highly rated TV commercials. And an estimated 300,000-plus fans joined the polar bears live, far exceeding expectations. And by the second quarter, the Coca-Cola Facebook feed was receiving 3,400 hits per second. This is just one of the -- a string of marketing achievements for our company.

Recently, we were humbled by the Advertising Age naming The Coca-Cola Company as its 2011 Marketer of the Year. And it's gratifying to see our global marketing efforts recognized by this industry-leading publication as we strive to develop and deploy the world's most innovative and effective marketing.

Let me update you now on our progress around winning at the point of sale. Our system continues to develop critical capabilities to better support over 20 million customers we partner with each and every week to deliver these servings. We measure our progress against this effort by tracking our results across several high-impact, pragmatic and locally actionable metrics. One metric we have referenced several times this past year is our immediate consumption volume growth. And this metric is meaningful as it drives trial, drives recruitment and system profitability. In 2011, our immediate consumption beverages were up 4% globally, driven by focused in-store activation efforts and cold drink equipment expansion. In fact, as a global system, we've placed over 1.2 million new pieces of cold drink equipment in 2011 and have placed over 2.2 million since 2010, the first year of our 2020 Vision.

Another key metric we monitor closely is the expansion of our right execution daily, or RED program in short. Some of you may remember RED as our world-class commercial process designed to improve execution at the outlet level. Today, operations representing over 1/3 of our global volume utilize RED. And for comparison, when we initiated our 2020 Vision just 3 years ago, less than 15% of our global volume was distributed through operations using RED. So as we move into 2012, our RED program will remain an area of increasing emphasis, focus and growth for our system.

Before concluding our operating results review, I'd like to update you on our productivity goals. A leading priority of our company is to design and implement an effective and efficient business system, with productivity as one of our core pillars of our 2020 Vision. As such, in 2012, we're implementing a new 4-year productivity and reinvestment program that we will -- we expect will achieve between $550 million and $650 million of total incremental annualized savings by the end of 2015. I'm pleased and excited to announce this program from a position of continued growth and momentum towards realizing our 2020 Vision as we consistently deliver results in line with or ahead of our long-term targets. This program will further enable our efforts to strengthen our brands and reinvest our resources to drive long-term profitable growth.

We remain relentless in our efforts to become more efficient, leaner and adaptive to changing market conditions, while at the same time building a continuous improvement in cost management culture in keeping with our 2020 Vision. Gary is going to share further details about this new 4-year program in a few moments.

Finally, I also want to highlight some of the important progress we're making in the area of sustainable packaging, water stewardship and climate protection. By the end of 2011, we've shipped nearly 10 billion PlantBottle packages, helping reduce our annual emissions of carbon dioxide, while also decreasing our dependency on oil-based resin. As noted in our latest Sustainability Report, we improved our water use efficiency for the eighth consecutive year, reducing the average amount of water required to produce each beverage serving. We estimate that we replenished 35% of the water used in our finished products due to some 380-plus community water partnerships in 94 countries as we work toward our goal of water neutrality by 2020. And we increased our production volume while reducing our system-wide global carbon emissions by 2%, putting us a step closer to our goal of growing our business but not our carbon.

These are just a few examples of how we're building our business responsibly by making a positive difference in the communities that we serve -- we proudly serve. These efforts are helping us engage with consumers, reduce our cost of doing business and improve our bottom line.

We are keenly aware of how uncertain the global economic landscape remains today. That said, as we look ahead, we see a world looking for hope, for optimism and for renewal. The Coca-Cola Company and the Coca-Cola system is uniquely positioned to refresh this thirsty world. We're refreshing the thirst of our investors consistently by delivering high-quality returns to shareowners, while also generating steady cash flows and paying a steady healthy dividend. We're refreshing the needs of thirsty global consumers through our diverse brand portfolio and the world's most innovative and effective marketing. We're refreshing the needs of a thirsty system by increasing our levels of global investment along with our dedicated bottling partners. We're refreshing our operations through a culture of continuous improvement. And central to this is extending and driving productivity efforts to design and implement a more effective and efficient business system. And we are refreshing the needs of our communities through global and industry sustainability leadership.

The nonalcoholic ready-to-drink industry grew by $35 billion in total retail value in 2011. We're pleased to say that our Coca-Cola system represented more than 40% of this total industry growth, underscoring that our 2020 Vision is working well. And while 2011 was another strong year of performance for The Coca-Cola Company, we believe we are just getting started and that our best and brightest days lie ahead.

We have a lot to be thankful for, and confident about healthy and beloved brand, a clear roadmap for continued growth, a well-aligned global bottling system, dedicated and passionate associates and strong financial results and discipline. Taking into account all of these assets to our business, we remain resolute in our desire and confident in our ability to achieve our long-term growth targets and further enhance the value of your investment in The Coca-Cola Company.

With that, let me now turn the call over to Gary.

Gary P. Fayard

Thanks, Muhtar, and good morning, everyone. We once again delivered quality results this quarter and for the full year, in line with or ahead of our long-term growth targets. In fact, our full year volume and profit results were in line with or exceeded our long-term growth targets for the sixth consecutive year. We continue to achieve these consistent high-quality results during a period of still mixed economic recovery, which is a real testament to our global system's ability to execute our strategic plans in alignment with our 2020 Vision.

So let's review our earnings results in more detail. We reported comparable earnings per share of $0.79 this quarter, up 10% versus the prior year. Our full year comparable earnings per share growth also was up 10%, ahead of our long-term growth targets. For the quarter, comparable currency neutral operating income was up 14%, bringing our full year comparable currency neutral operating income growth to 12%, also ahead of our long-term growth target. For clarity, the impact of currency on our comparable operating income results was a 3% headwind for the quarter and a 3%

benefit for the full year, right in line with the quarterly and full year outlook range we've provided during our last earnings call in October. Our business delivered comparable currency neutral net revenue growth of 6% this quarter, in line with our long-term growth target, including a 5% increase in concentrate sales and positive price mix.

On a full year basis, our comparable currency neutral net revenue growth came in at 29%, including a 5% increase in concentrate sales, positive price mix and the impact of the CCE transaction. And again, for clarity, the impact of currency on our comparable net revenue results was a 1% headwind for the quarter and a 3% benefit for the full year.

Our combined international and bottling investments group price product mix was a positive 3% for the quarter. And our North American price product mix came in at a positive 2% in the quarter, driven by a 4% increase in our pricing to retailers for our sparkling beverages in North America.

Our consolidated geographic mix was down 1%, which resulted in a consolidated price mix at the midpoint of our long-term target range of 1% to 2%. For 2012, we anticipate our consolidated price mix results will remain in this target range of 1% to 2%.

Turning to the rest of our P&L. We expected our consolidated comparable gross revenues to decrease slightly in 2011, which they did due to increased commodity cost, as well as the impact of our acquisition of CCE's North American bottling operations. Importantly, we expect our 2012 consolidated comparable gross margins will remain in line with 2011, even after taking into consideration further commodity cost inflation, which I'll discuss in a few minutes.

Our comparable currency neutral SG&A expenses were even in the quarter and up 30% for the full year. As explained in prior quarterly calls, this full year increase reflects the impact of acquiring CCE's former North American business, which we did not fully cycle until the fourth quarter of 2011. The increase in SG&A also reflects our continued investments around the world. On this front, for the full year 2011, we grew our direct marketing expenses ahead of unit case growth, sustaining our commitment to invest in the health and the strength of our brands.

As for operating expense leverage, it came in positive this quarter for both North America and the Bottling Investments Group. As expected, operating expense leverage for our international operations came in slightly negative in the fourth quarter due to the timing of expenses. And operating expense leverage for international came in at even for the full year as planned.

For 2012, we expect to capture low-single digit operating expense leverage as we keep strategically investing in brand-building activities around the world and efficiently managing our operating expenses.

Our net interest income came in at a positive $66 million, slightly above the full year forecast we provided in our last earnings call. For 2012, our best estimate is that net interest income will come in between $20 million and $40 million, primarily due to lower interest rates in some international locations. We expect this income to be spread relatively evenly across the quarters in 2012, and we'll update you each quarter as appropriate. Finally, we closed 2011 with an underlying effective tax rate of 23.9% and expect our 2012 underlying effective tax rate to fall between 24% and 25%.

Moving to our cash flow from operations. Year-to-date, this came in at $9.5 billion. As a reminder, this cash flow result includes $769 million contribution made to our pension plans in the first quarter of 2011. Net of these additional pension plan contributions, we grew our net cash flow from operations a positive 7% for the full year.

With regards to our share repurchase program, our net share repurchases totaled $2.9 billion in 2011, at the high end of the $2.5 billion to $3 billion range communicated during our last earnings call. And in 2012, we again expect to repurchase a net share amount within the same $2.5 billion to $3 billion range.

Now let me take a moment to update our outlook on several additional items that may help you model our business in 2012, starting with a quick reminder about this year's calendar. Even though 2012 is a leap year, our first quarter of 2012 will have one less day when compared to the first quarter of 2011. And the fourth quarter of 2012 will have 2 more days when compared to the fourth quarter of 2011.

Now let me come back with our outlook on commodities. As we indicated in our last earnings call, our incremental commodity costs for 2011 came in at approximately $800 million. As a reminder, these costs were related to the raw material and conversion costs associated with sweeteners, metals, juices and PET plastic.

As we look ahead to 2012, we anticipate the underlying commodities related to these inputs will remain somewhat pressured, driven primarily by increases in the cost of juices and sweeteners. As a result, we expect the full year 2012 incremental impact of commodity costs on our results to range between $350 million and $450 million. Having said that, we believe we have the right strategic plans in place to mitigate the impact of these incremental commodity costs and remain confident in our ability to achieve our long-term growth targets.

Turning now to currency. These have continued to fluctuate with the dollar strengthening, although more moderately against many key currencies. We're mostly hedged for 2012 on the euro and yen, with good coverage on several other currencies. After considering these hedged positions, we currently expect currencies to have a low single-digit negative impact on operating income for the first quarter of this year and a mid-single digit negative impact for the full year. As per our normal practice, we'll update you both on our commodity and currency forecast on a quarterly basis as we go through the year.

Now let me update you on our productivity goals. As we closed 2011, we've now successfully completed our 2008 to 2011 4-year global productivity program. We completed this program on plan and with actual annualized savings of over $500 million, exceeding our initial savings target of $400 million to $500 million. As Muhtar mentioned earlier, we're now launching a new 4-year productivity and reinvestment program. In light of this, I want to take a moment and walk you through the components of the new program.

First, a new 4-year global productivity initiative starting this year. This initiative will target between $350 million and $400 million in annualized savings focused around 4 primary areas: one, global supply chain optimization; two, global marketing and innovation effectiveness; three, OpEx leverage and operational excellence; and four, data and IT systems standardization. We're in the initial stages of defining the one-time costs associated with capturing these savings, and we'll provide an update on these costs in our next earnings call.

Second, as we move through 2011, we accelerated our CCR integration efforts to support brand-building initiatives, reinvest in marketing and sales capabilities, as well as to partially offset some of last year's increasing commodity costs. As a result, we effectively realized nearly all of the $350 million in annualized savings in 2011, almost 3 years ahead of schedule. This is a testament to the great work of our CCR team and their ability to effectively realize and capture synergies while simultaneously delivering profitable growth.

Further, we have successfully identified incremental CCR integration synergies in North America, primarily in the area of our North American product supply, which will better enable us to service our customers and consumers. As such, we now believe our CCR integration efforts will capture an incremental $200 million to $250 million above our original $350 million target. And we expect to capture these incremental annualized synergies starting this year in 2012 and fully realize them by the end of 2015.

Correspondingly, we're also increasing our estimate of total one-time cost associated with the capture of CCR synergies from $425 million to $800 million as we implement new initiatives to capture these higher synergies. Therefore, combining both our new global productivity initiative and our newly expanded CCR integration efforts represents a total incremental annualized savings of $550 million to $650 million. We expect to phase in the capture of these total incremental savings over 4 years, starting in 2012 through the end of 2015.

Going forward, we'll report our progress in capturing these total incremental savings under one joint productivity and reinvestment program.

As for how we intend to invest the savings generated by this new program, first, and in line with our 2020 Vision, these funds will enhance ongoing system-wide brand-building initiatives. And second, as these savings are realized, they may also help mitigate potential incremental near-term commodity costs.

As we look back on 2011, we are greatly encouraged by our business achieving yet another solid year of quality results. There is no better proof that our 2020 Vision is working than our company's continued ability to consistently deliver results that meet or exceed our long-term growth targets even while facing volatile market conditions. And as you consider how to model our business going forward, I want to be very clear that our system remains fully committed to continuing our relative historic price premium for our brands in the marketplace. For as we have communicated several times in the past, we strongly believe and have consistently proven that the best way to drive long-term sustainable value is by earning price with our consumers in concert with a robust occasion-based brand package and channel strategy that drives profitable sustainable growth. That is why we remain confident we can keep delivering results in line with our long-term growth targets. Our system is healthy and financially strong. We continue to generate cash, invest in our brands, execute our 2020 Vision and growth strategies and pay a healthy dividend. Our seasoned management team, over 146,000 motivated company associates and highly capable global bottling partners are making the right actions and executing the right strategies to build on our strengths, to refresh a thirsty world and to drive our 2020 Vision.

Before concluding our prepared remarks, I want to remind you that I'm looking forward to presenting at CAGNY in Boca Raton on Wednesday, February 22; as well as at the CAGE Conference in London on Wednesday, March 21. I hope to see many of you there at these great investor and analyst events.

Operator, we're now ready for questions.

Question-and-Answer Session

Operator

[Operator Instructions] And our first question today comes from Mark Swartzberg with Stifel, Nicolaus.

Mark Swartzberg - Stifel, Nicolaus & Co., Inc., Research Division

Muhtar, I guess 2 questions on the overall growth we saw in the quarter. We had been seeing 5s and 4s in terms of unit volume growth. We saw plus 3% in the quarter. I know comparisons were a factor, but can we zero in on the emerging markets trends you're seeing? And you highlighted the emerging markets, markets were per caps or below 150. You highlighted that was a plus 4% in the quarter. It was a plus 6% for the year. So is it possible to generalize on what's going on in those less developed markets and some of the plans you have to improve on that plus 4%?

Muhtar Kent

You mentioned 2 questions. The one is on emerging markets. Is there another one?

Mark Swartzberg - Stifel, Nicolaus & Co., Inc., Research Division

Yes, and the second is -- I guess the 2 parts are, a, what's driving that slowdown from kind of a plus 6% to a plus 4%? And then b, as you think about trying to see that 4% become a better number in coming quarters, what are some of the things you think that are going to help you do that?

Muhtar Kent

Yes. I mean, I think, first, I don't think you can draw any trend. And we're pleased with our volume growth of 3%, which is in line with our long-term growth targets. And I think it's important to note the following: We're cycling an organic volume growth of 5% in the prior year, and full year volume is 4%, at organically high end of our long-term growth target for the year. And I'm really particularly pleased that all operating groups grew in the quarter. So a cornerstone of our vision is balanced growth across all geographies and balanced growth across our portfolio. We achieved that both for the quarter and for the year. And I don't think you can draw any conclusions. And also, we achieved this kind of growth in the year with not only just a very volatile economic environment, volatile commodity environment, but also one-offs like the issue in the Japan, the flooding in Thailand, rightsizing in a huge market like China where now our transactions are significantly ahead of our volume, which is a testament to the health of the business. And so yes, we've had some -- there has been some dislocations in some Middle East markets because of the volatility there, because of what's happened like Egypt and like other parts in North Africa. We believe that we see that improving. There's been -- South East Europe has been under tremendous pressure. Again, those markets are under 150 per capita because of all the volatility that's going on in Europe and around Greece. But I think we shouldn't draw any conclusions. As we look into 2012, we see healthy trends continuing in Latin America, healthy trends continuing in Eurasia and Africa -- African continent and also Middle East and Eurasia. We see healthy trends in most of the Pacific Rim and area, and we see healthy trends right here in North America. Right now, we see better trends in terms of the consumer mobility, eating out more and just less confusion of the consumer here in North America than we did 12 months ago. And we see that manifesting itself in our Foodservice business. And Europe, finally, I think, is going to be more volatile. And I think we will probably see first half of the year being more challenged in Europe than the second half of the year. That's sort of the way I would sum it. But I do -- in Europe, we have some great markets continuing to grow like Germany, like Scandinavia, like Northwest Europe. And then we still have challenging markets in the Southern Rim. Although again we had moderate growth in Spain also in the fourth quarter. So I believe that we will achieve our long-term growth targets over time in terms of volume, as well as also in terms of our ability to generate price mix across the world.

Mark Swartzberg - Stifel, Nicolaus & Co., Inc., Research Division

That's great. And if I could follow up, zeroing in on some of those externals that you're describing, those dislocations you mentioned in regions like the Middle East and some of the other more recently more challenging markets, when you think about what's going on in some of those markets from a broader consumer standpoint and kind of what the Coca-Cola Company can do about those things, how are your packaging initiatives changing? And how are you thinking about spending money at the pull level in terms of how you're proposing folks take an added interest in your products in those markets?

Muhtar Kent

Number one, Mark, our brands are getting stronger. We're continuing to invest, and you will see us continue to invest. And what happens in a quarter is not the result of our investment in that quarter or the previous quarter, but what are our investments 3 or 4, 5, 6 quarters ago. And we will continue to invest. Our brands continue to gain share. And if you look at our share results overall, right now, in the world, both in sparkling and in still beverages, they're all-time high. Brand metrics for sparkling as well as still beverages are trending in a very healthy manner. So brand health investments, stronger system, better alignment, all basically works in our favor even in times of volatility. And we're seeing that manifest itself.

Operator

Our next question comes from Bill Pecoriello with Consumer Edge Research.

William Pecoriello - Consumer Edge Research, LLC

Question. Looking out to 2012, we're likely going to see significant stepped up competitive spending in North America, maybe in some other markets. Gary, you talked about sustaining a price premium in the market. Muhtar, you talked about the long-term brand-building strategy. So how are you thinking about balancing profit growth goals, against sacrificing any market share in the event that the stepped up spending is greater than you expected in any one market any one given year? To what extent do you use portfolio management, et cetera?

Muhtar Kent

Look, you are mostly, Bill, talking about North America here, right?

William Pecoriello - Consumer Edge Research, LLC

Yes. I mean, there could be stepped up spending in select international markets, but it probably would be mostly in North America. It's yet to be seen.

Muhtar Kent

Yes. So let me address North America first. We've achieved a pretty healthy price mix in the fourth quarter, 2% including a rate increase in retail pricing of sparkling beverages at 4% in North America. And our brand strength continues, with brand Coca-Cola up 1% in the same quarter. And I believe -- I think it would be right to assume that this kind of rational pricing would continue in terms of rate for 2012. And that's what I would say because I think there is never room in business for irrationality over the long term. And that's how I would project. And I think we have -- we're going into this from a point of strength. Our brands are stronger. Our system is much stronger. Our metrics for customer service are much, much better, and I see us continuing with our momentum. And I think pricing actions should continue into 2012 in terms of rationality. And we anticipate taking additional pricing on key segments of the business through this year in accordance with our normal commercial practices. And we manage a very broad portfolio of our business. That's how I would reference it. In terms of international, I think you heard Gary talk about a 3% price mix in international, and I believe that, that's a testament again to the strength of our international business, which continues to be able to generate good price mix on top of good volume and still growing our market share. Those are the key metrics for international.

Operator

Our next question comes from Bonnie Herzog from Wells Fargo.

Bonnie Herzog - Wells Fargo Securities, LLC, Research Division

I just wanted to drill down a little bit more on -- hoping you can provide a little bit more color on the price mix globally, that you reported up 1% in the quarter considering your geography mix was negative. So I guess I'd like to hear what some of the dynamics are that drove a negative geography mix? And then also, I'd be curious to hear how your price mix was impacted by your increased effort behind your smaller packages in a few of your key markets like North America and China.

Gary P. Fayard

Sure. Bonnie, why don't I take that one, initially anyway. If you look, where we actually came out was -- on consolidated price mix, it was right at 1.5% positive. So if you take that 3% for international including BIG, 2% for North America and then put like a negative 1% on geographic, you get right at -- it's 1.5% is where it comes out. And I would characterize it this way: that is a very good thing for the long-term. And that may sound unusual for me to say. But what it means is that we are continuing to invest and grow all of the emerging markets around the world. Most of those do have margins below the U.S. or Europe, for example, the more developed markets. But we're not milking the business. We're continuing to grow the business. At the same time, get very healthy margins in the business, and you can see those coming through the bottom line. So we continue to strengthen the whole business globally. As long as we're doing the right thing, I think you're going to see a negative geographic mix for a very long time, because what you want to see is healthy growth in emerging markets. You want to see very good growth in India. You want to see very good growth in China, et cetera. And at the same time, as Muhtar said, and critically important, then growth actually across every geographic region in which we operate. But when you put all that together, you will get negative geographic growth, and

I think that's a great thing. But in total, as long as it's coming out in our 1% to 2% range, in the quarter it came out right in the middle of that, we're exactly where we want to be.

Muhtar Kent

Yes, Bonnie, just to complement what Gary said, I think the key takeaways from how we think about our business and the health of our business overall is that as long as we can continue to achieve our volume targets, which we believe we can, and coupled with the kind of price mix, positive price mix that Gary talked about that we achieved for the year and for the quarter, I think -- coupled again with the investments that we are making, have been making and are continuing to make in the business, add on to that the productivity and reinvestment program, add on to that the increased weight of our total marketing, because imagine, every year in the last 3, 4 years, we've been adding more -- around 1 billion cases to our total business, that brings with it more marketing, more distribution, more production, all of that, and then the positive share gains, then we feel very confident that we can continue to deliver our long-term targets, despite all the volatility in the world.

Gary P. Fayard

And Bonnie, let me just come back to the last part of your question. I forgot to -- on rightsizing in -- I'll characterize it this way. In China, what we're able to do is actually take the entry-level pack from a 600 ml down to a 500 ml size bottle at the same price. So we actually gave the consumer something they actually preferred at the same price, which implicitly carries a price increase inside of that. So from there, we actually generated margin. For the U.S., what we're very focused on is ensuring we're giving the consumer -- this is back to that occasion-based, right package, right channel, right time, right place, giving the consumer what they want. This is the way you drive profitable, sustainable growth and deliver margins rather than just taking a couple of sizes, stacking it high and selling it cheap.

Operator

Our next question comes from Bryan Spillane with Bank of America.

Bryan D. Spillane - BofA Merrill Lynch, Research Division

I just wanted to touch on the balance comments that you made earlier. And I guess, if you look at 2011, one of the real encouraging things is that the share of incremental profit in 2011 versus 2010 was pretty broad-based. So most regions contributed to incremental profit in 2011. If you look out to 2012, is that broadly, looking at the world this year, that you'll see more incremental profit growth from more regions, and I guess that helps offset some of the volatility in Europe? And then also, just connected to that, gross profit, I guess a little surprised that you're expecting gross margins to be flat, given the moderation in input cost. So if you could talk a little bit about that as well.

Muhtar Kent

This is Muhtar. Let me just start answering your question and then Gary can come in also. But I think in terms of the overall businesses concerned, we believe that we can definitely continue to achieve a balanced portfolio and balanced geographic growth. And I think it is really critical for us to be able to do that, as we've done in '09, '10 and '11. And we have reason to believe that we can grow across Western markets, and we can grow across, certainly across at a higher rate, across our emerging markets, and that you'll see that continuing. And as we continue to gain scale in the emerging markets, you will continue to see our margins improving in those markets as they have been doing in the last 3, 4 years. So I will just say that yes, definitely balanced across geographies, North America, Japan, Europe. And then certainly, again, broad-based in the portfolio, both in sparkling and in still beverages. And still beverages growth that I mentioned in Latin America, for example, and the fact that it's an almost -- it's got to 1 billion cases in Mexico after 4 short years after Jugos Del Valle got integrated successfully into our business and now it's in many, many markets, flourishing in many markets across Latin America, is just another testament of still how much growth Latin America has still to offer. And the good news is that again, the growth -- as we build on growth on Jugos Del Valle, it hasn't stopped in any way the growth of sparkling beverages that continue to flourish and continue to prosper in Latin America.

Gary P. Fayard

So Bryan, it's Gary. Let me just add to that a couple of things. When you're talking about -- first on balanced growth, the other thing I'd say is as you think about obviously the most volatile region or economically challenged region this year will be Europe -- but also remember that this is a year where there are 2 events taking place in Europe, the Olympics and the Euro Cup are both this year and we happen to be the sponsor of both of those. And so I think it's one of those things that's going to help us in that market as well. Relative to gross margins, I'd say what you should expect to see is you should have seen increasing margins. But what's happening is with that $350 million to $450 million of commodity pressure, what we're doing is we believe we can offset that and hold our margins with the pricing actions that we're taking in the market, as well as the productivity efforts that we're taking as well. So it's really those commodity pressures that, again, granted are half of what they were in '11, but still substantial in 2012.

Bryan D. Spillane - BofA Merrill Lynch, Research Division

And Gary, I guess in terms of the gross margin, the geographic mix I guess would also be a slight drag on that as well. Is that right?

Gary P. Fayard

It actually is. Yes, it is.

Muhtar Kent

And Bryan, just to close it, don't underestimate the fact that what I mentioned about immediate consumption growth. That is a critical element that has higher margins, higher prices, and it improves the mix of our business. And that is continuing at a very healthy rate, particularly also in Western markets like North America, as well as Europe. And that is again a key testament to the strength of our system, which requires very disciplined execution in the marketplace on a day-to-day basis. And I was recently in Western Europe in the marketplace with John Brock, our partner in CCE, and we saw great examples of how both the activation has already started around the Olympics, but also great execution in the marketplace from an immediate consumption perspective, as well as the brand, price, pack, occasion, channel architecture really working in our favor.

Operator

Our next question comes from Judy Hong from Goldman Sachs.

Judy E. Hong - Goldman Sachs Group Inc., Research Division

Gary, a bit of a follow-up to Bryan's question, but really drilling into North America profit number. In fourth quarter, first clean quarter in lapping CCE acquisition, your profit was up 25%. I think the benefit that you called out in Q1, the timing shift on marketing, was about 7 points. So even excluding that, it looks like the profit was up pretty nicely in fourth quarter. So maybe a little bit of color as to what drove that profit improvement in Q4. And then as you think about 2012, you've got moderating inflation, you've got pricing that went into the marketplace, you've got cost synergies and cost savings coming through, why wouldn't we expect to see a pretty healthy profit growth in North America in 2012?

Gary P. Fayard

Okay. Thanks, Judy, very insightful question. Now let me see if I can give an insightful answer. Here's what I'd tell you. Relative to the fourth quarter performance on North America, you do see very healthy increase. A lot of that is actually what we're cycling. Because a lot of the marketing in the fourth quarter in legacy CCE, when we acquired it, there was a lot of marketing that was spent in the fourth quarter of 2010 that CCE had already planned and then we executed against in that fourth quarter. This year actually got spread through the year. So it was a timing of marketing, and so there are a few of those type anomalies. If you remember, if you go back I think I said in the third quarter call, that the fourth quarter of this year will be the first quarter that's actually comparable, but there are still some unusual things in the fourth quarter of 2010 that you need to go back and make sure you look at. So I just -- I'd say, everyone on the call, if you're interested in that, go back and look at some of those things. And what you'll see, it'll actually bring that profit increase down. It's still a nice increase and profitable, but it'll bring it down some in the fourth quarter of 2011. Relative to 2012, let me just say I hear you, and we are very enthusiastic about our business in North America. It is operating well. They were able to do one of the largest vertical integrations in the history of business and do it flawlessly, get basically 4 years of synergies in the first year, increased those synergies and at the same time continue to execute and take share in the market in a very profitable way. So I feel very good about North America, I'm bullish on North America. And we've got a very capable team over there executing every day.

Judy E. Hong - Goldman Sachs Group Inc., Research Division

Okay. Gary, just a follow-up on currency. The mid-single digit impact for the full year 2012 sounds like the hedged position is a bit of a drag. If you just take the spot rates, it sort of calculates to more like a low-single digit rate for the full year. So is that the correct assumption? And then to the extent that if there is an upside to currency, is it fair to assume that, that's going to come more from the emerging market currencies that you don't really hedge?

Gary P. Fayard

Yes, Judy. Actually, the hedge positions we have are in the money today. So on the euros particularly, we're in the money on that. So better than current spot. But where the drag is coming from and what you're not seeing is that it's really all those emerging market countries. And you'd be surprised at a lot of little countries that actually can start having, you add them all up and they can have a pretty large impact, which is moving you from -- I think you're probably seeing low-single digits, and I'm seeing mid-single digits full year, even though it's low-single digits first quarter. But if you look at Brazil, which is one of the big ones, it's been a pretty big move. Brazil strengthened significantly during last year then weakened significantly, and now it's coming back some. But it's a lot of these smaller emerging market currencies that are giving that impact. Now with that said, if you -- let me just tell you, give you some idea of the volatility. The swing of currencies on our earnings in 2012 in the last month is over $100 million in the last 30 days. And that's an improvement, by the way. Because we're seeing those kind of volatilities, we're seeing a lot of those emerging market currencies starting to come back, and they're coming back as the world is starting to accept a little risk where there was total risk aversion a month -- 6 weeks ago. So is there some upside? I hope so, but I don't know today. Because of the volatility, we just don't know. But I think as we move through the year, we'll continue -- but the volatility is going to continue as well.

Operator

And our final question today comes from Caroline Levy from CLSA.

Caroline S. Levy - CLSA Asia-Pacific Markets, Research Division

A couple of things. In Japan, you had excellent volume growth and yet margins in the Pacific region were awful. And that to me was -- and when I say awful, they were down a lot year-over-year. That to me is surprising, especially given you had single-serve growth in Japan. So if you could address that, that would be really helpful. And then 2 other markets that looked surprisingly soft, Brazil went flat, which it really had been sort of bucking difficult economic trends. Did something change in Brazil? And then finally, it looks like Philippines were down fairly close to 20%. So if you could just address those 3 markets please?

Muhtar Kent

Sure, Caroline. Let me start. I think Pacific volume grew a healthy 5% in both Q4 and the full quarter. And yes, Japan actually -- very positive in Japan, and it's a testament again to the strength of our system in Japan, to what we're doing in Japan, to the leadership of our business as well as our system in Japan. And I think that we ended up slightly positive despite all the dislocations in Japan. And that again basically bodes well going forward as to the strength of our business there. I think in terms of your question, how that relates to the Pacific, you need to look at I think the full year results of the Pacific. It was, from an income perspective, overall positive. And it's about the timing, and it's about marketing. Expenses also. How they're sort of distributed over the year. In terms of Brazil, I would say that Brazil -- I could just summarize by saying volume was up 1% for the full year. General slowdown of the economy and unfavorable weather did impact our business, but we are outperforming the industry, gaining share across all categories for the quarter and the full year. And I think you should expect sequential improvement in Brazil as we move through 2012. As far as Philippines is concerned, we've had essentially a difficult year as we continue to transform that business as it needs to be transformed into a healthy situation for the long term. And think about our German business, it took us a while to get it going again. We believe that certainly, the worst has passed us in the Philippines and that we should have -- in terms of also the tough macroeconomic environment post the elections has lingered on. But we believe that 2012 will be a better year in the Philippines than -- 2012 will be a better year than 2011. And I think Gary just wants to add something.

Gary P. Fayard

Yes, Caroline, it's Gary. I just want to correct one thing. On the Philippines, I think you said you were looking at it, you were thinking it was down 20% or so. Let me just -- Philippines in the fourth quarter and full year were down high-single digits. So high-single digits. It was not anything close to 20%.

Muhtar Kent

Good. Thank you, Gary and Jackson. So in closing, our strong 2011 performance results and our consistent belief in the solid fundamentals of this great business provide us with the confidence we need to reaffirm our belief in our 2020 Vision. We're refreshing a thirsty world with a capable, resilient and advantaged system. We're laser-focused on delivering our 2020 Vision, and we remain committed to driving shareowner value through consistent, continuous investments for growth, dividend distributions and share repurchases. And I'd like to thank you for your continued trust and confidence in The Coca-Cola Company. And thank you for joining us this morning.