Operator

At this time, I would like to welcome everyone to the Coca-Cola Company's Third Quarter 2010 Earnings Results Conference Call. Today's call is being recorded. If you have any objections, you may disconnect at this time. All participants will be in a listen-only mode until the formal question-and-answer portion of the call. (Operator Instructions). Due to the interest in this call, we request the limit of one question per person.

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 like to now introduce Jackson Kelly, Vice President and Director of Investor Relations. Mr. Kelly, you may begin.

Jackson Kelly

Good morning, and thank you for being with us again 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 will turn the call over for your questions.

Before we begin, I would like to remind you that this conference call may contain forward-looking statements, including statements concerning long-term earnings objectives 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.thecocacolacompany.com under the reports and financial information tab in the investors section, which reconciles certain non-GAAP financial measures that maybe referred to by our senior executive 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. First, let me begin by saying that we are very pleased with our third quarter performance. We successfully completed our acquisition of Coca-Cola Enterprises, North America business, and the sale of our Norway Sweden bottling operations to

CCE, on plan and in line with our commitments and we close this transaction on the heels of executing a strong quarter.

We continue to build on our momentum, delivering solid volume revenue and profit growth this quarter with our results exceeding all of our long-term targets and generating sustainable value for our shareowners.

This quarter, once again underscores how we are advancing our 2020 vision from a position of strength as we enter a new era of growth for the Coca-Cola Company. Together in close alignment with our global bottling partners, we are executing with excellence around the world. Our strategies, our brands, our marketing, our innovation, our partnerships and our people are defining new growth opportunities today, and shaping our system vision for this decade.

Our brand equity is growing stronger around the world as evidenced by a measurable increase in consumer preference for our brands this quarter as well as more potent global growth for our flagship brand Coca-Cola on a year-to-date basis.

We are now intensely focused on driving a fast and seamless integration in our North America operations, and this evolution of our franchise system is an important milestone in realizing our 2020 vision, strengthening our commitments to best serve our customers and our consumers and facilitating our ability to achieve sustainable and profitable growth in our flagship market.

Turning to our current results, this quarter's comparable currency neutral operating income growth was 14% ahead of our long-term growth target. We grew our quarterly volume a solid 5% also ahead of our long-term growth target fueled by organic unit case volume growth across both North America and our international operations.

We increase net revenues a healthy 8% on a comparable currency neutral basis in the quarter bringing our year-to-date comparable currency neutral revenues to 5%. This is in line with our long-term growth target. And once again we generated significant cash from our operations with cash flow up 15% year-to-date.

Now, I will share our performance results in more detail across our market starting with our flagship market. North America volume grew 2% this quarter, the second consecutive quarter of positive organic growth. On a year-to-date basis, our North America business is now up 1%. These results are due to the continued successful execution of our well-defined brand pack and price strategy focus on driving profitable growth.

Our sparkling beverages in North America grew volume and value share, both against the total category as well as versus our primary competitor. And to be clear, when we speak about share swing gains versus our primary competitor in North America, we refer to our performance across all channels, not just measured channels, which represents less than 40% of our North America business.

Brand Coca-Cola health measures keep improving as we increased our favorite brand score versus our primary competitor amongst the most critical consumer segments. At the same time, Coca-Cola Zero delivered double-digit volume growth for the 18th consecutive quarter. Band Sprite had the second consecutive quarter of positive growth, and is now positive on a year-to-date basis and Fanta had its strongest quarter of the year growing 4%.

We further extended the footprint of our innovative Coca-Cola Freestyle Fountain Dispenser, which is on track to be in 15 markets by the end of this year providing a greater choice of brands to our customers and our consumers. This all reaffirms our confidence that we are executing the right strategies with our bottling partners to drive growth across our entire North America sparkling beverage portfolio.

Turning to North America still beverages, these also continue to accelerate up a strong 8% for the quarter and 5% year-to-date. We have now grown volume share for 11 of the past 13 quarters and value share for 12 of the last 13 quarters.

Our North America juice and juice drink business delivered positive growth for the quarter, led once again by double-digit growth from our Simply trademark. Our North America energy portfolio also accelerated this quarter up 15% including double-digit growth by NOS.

In the North America tea category, our Gold Peak brand delivered double-digit growth in both its bottle can and food service delivery forms. I also would like to highlight how our North America still beverage portfolio works in concert to generate value. First our Glaceau brands were up mid-single digit this quarter in North America continuing a yearlong trend of sequential improvement. Secondly, Powerade was up over 30% in the quarter outperforming the North America sports drink category while gaining share against our primary competitor for the eighth consecutive quarter.

This performance is not a new turn of events or simply due to price discounting, but rather the results of implementing a clear, consistent and competitively sustainable strategy focused on innovation, consumer engagement as well as brand building.

In fact, since acquiring Glaceau in mid-2007, our joint Glaceau and Powerade businesses have gained more than seven points of volume share swing against our primary competitors combined sports drink and functional hydration offerings. This is the power of valuable brands and strong system execution working together in the marketplace.

Now, as we begin to benefit from our acquisition of CCE's North America business, we have an important opportunity to take our execution across our entire North America portfolio to the next level. As we have consistently said, we have the right long-term strategy in place in our flagship market, and we are confident that we are well positioned for the next era of winning.

Now, let me turn to Eurasia and Africa, an operating group consisting of nine business units with 89 countries spanning from Africa through the Middle East and India up to Russia. This group grew 12% volume in the third quarter with strong performance across both sparkling and still beverages. Year-to-date growth now stands at 11%. All nine business units in Eurasia and Africa grew this quarter with countries representing more than half of the group's volume increasing by double digits.

This broad-base growth was led by Russia up 30% this quarter and 13% year-to-date. We outgrew our primary international competitor in Russia this quarter. Importantly, this high quality growth was led by the strong performance of our core sparkling brand, which drove almost half of this quarter's absolute volume growth. In fact, brand Coca-Cola, the single largest nonalcoholic RTD brand in Russia was up 34% this past quarter, gaining both volume and value share.

We are also making steady progress in the Russia juice market, the integration of our Multon juice business, which began this past quarter, is advancing as planned. And this quarter we also acquired Nidan a leading juice brand in Russia. This transaction will enable us to further expand our juice offerings in this important market.

We also grew double digits this quarter in Turkey, Southern Eurasia complementing high single-digit growth in the Middle East. India meanwhile achieved its 17th consecutive quarter of growth despite facing record rainfall during this summer's monsoon season and cycling 37% growth in the comparable 2009 period. Importantly, India captured share in both sparkling and still beverages. And on a year-to-date basis we have grown Trademark Coca-Cola 18% in India while our Maaza juice brand is up 24% demonstrating the broad-base strength of our portfolio in this critical market.

Our commitment to India is unwavering. Last month, we announced plans to invest up to $120 million in a new plant in southern India and we are excited about the significant and sustainable opportunities this region has to offer over the long term.

Another continent we are excited about and keep investing in heavily is Africa. Over the past 10 years, our system has invested more than $5 billion in the African continent and we plan to invest another $12 billion as a system in the next decade. As for this quarter's performance in Africa, we saw double-digit growth in east and central Africa and mid-single-digit growth in north and West Africa.

South Africa delivered 6% unit case volume growth benefiting both from the momentum generated by our FIFA World Cup activation programs as well as our ongoing work to improve our relative market and small store activation capabilities in this key markets.

Moving to our Pacific group, overall volume growth was up 11% in the third quarter bringing our year-to-date volume growth to 8%. These results were supported by a return to double-digit growth in China up 12% in the third quarter. China captured volume and value share gains in both sparkling and still beverages.

Our sparkling beverages grew high single digits in China led by the strong performance of both brand Coca-Cola and Sprite with Sprite remaining the number one sparkling brand in China for the 14th consecutive quarter. Our still beverages in China were up as strong double digits led by the continued momentum of our Minute Maid Pulpy brand.

We are one of only a few true multi-category beverage players in Russia, twice as large and growing faster than our primary international competitor. And while we are pleased to report such good results this quarter, our focus in China is primarily on building our business with great brands across multiple categories to drive strong performance over time.

The measure of our success in this country will be how we grow our total business between now and 2020. We are confident we have the right strategies in place to deliver sustainable double-digit growth in China over the long term.

We were also pleased to see Japan return to growth up a very strong 11% for the quarter and 3% year-to-date. While this quarter's volume growth was our highest in Japan in over a decade, we recognize that along with the rest of the beverage industry our business benefited from record high temperatures this summer. That said, our brand portfolio gained further traction with the Japanese consumer.

For example, Coca-Cola Trademark was up 11% this quarter, a third consecutive quarter of positive growth driven by effective and exciting summer marketing program and successful FIFA World Cup activation. And our water business in Japan also drove profitable growth with this summer's launch of I LOHAS Mikan, a new mandarin orange flavored water extending the presence of our industry leading and eco-friendly single served I LOHAS brand.

Despite the success we have so far had in Japan this year, it is important to point out that economic headwinds remain challenging for the time being. As for the Philippines, we delivered a fourth consecutive quarter of double-digit growth with Coca-Cola Trademark growing 12% and still beverages up 20% supported by strong gains in tea, juices and juice drinks as well as water.

We also announce our commitment to increase our investments in this critical country by $1 billion over five years as we remain focused on investing ahead of demand. Moving now to Latin America where the quarter volume grew a steady 4% gaining share in total nonalcoholic ready-to-drink beverages, despite adverse weather conditions in Mexico, Columbia and most of Central America. Brand Coca-Cola was also up 4% for the quarter.

Brazil delivered very strong results with volume of 13% for the quarter and 12% year-to-date. This also marked the third consecutive quarter that Brazil has gained volume and value share in total nonalcoholic beverages.

Mexico volume was even for the quarter cycling 9% growth from last year and impacted by heavy rain during the summer season. Mexico has now gained total nonalcoholic ready-to-drink beverage volume share for 14 of the last 15 quarters and value share for 15 consecutive quarters. We are confident that Mexico will return to normalized growth over the balance of the year. Lastly, our Latin, South Latin region which includes Argentina and Chile delivered solid mid-single-digit growth.

Moving to Europe, we still see customers and consumers pressured by the difficult economic conditions impacting various countries in this geography. For the quarter, our volume was slightly positive rounding to even versus the prior year. Our performance in sparkling beverages in Europe was led by Trademark Coca-Cola which is up 1% for the quarter and on a year-to-date basis.

Our still beverages in Europe saw a positive growth across categories including double-digit growth in energy and tea as well as positive results in both sports drinks and juice and juice drinks. Importantly, our still beverages gained both volume and value share in Europe this past quarter.

We were pleased to realize low to mid-single-digit growth this quarter across most of our Western European markets including France, the Nordics and Great Britain. These encouraging results were offset by ongoing economic challenges in South and Eastern Europe.

In Spain, despite the ongoing economic crisis, our business once again improved its share trends capturing total nonalcoholic ready-to-drink beverage share this quarter. Our Nordics business grew a solid 6% in the quarter. Norway and Sweden have now transitioned to CCE's ownership.

The move of these bottling operations is consistent with the principles we have always shared regarding our bottling investments group. That is to sell our selected company-owned bottling operations at fair value and at the right time to strategically and financially align bottling partners. As we have said many times before, we will only sell our bottling operation when it is a successful and sustainable business.

The Norway and Sweden operations are just that. So, on behalf of our company, I would like to personally thank all of our Coca-Cola associates in Norway and Sweden for their great efforts. They are the foundation upon which a strong business was built and we look forward to partnering with them now that they have joined a new CCE organization.

As for Germany, our remaining European bottling operation, it sustained its momentum delivering its fifth consecutive quarter of positive volume growth.

You have heard me say time and time again that we always put our brands first in everything that we do, across each and every one of our operating groups. As a result, our sparkling beverages grew 3% in the quarter with international sparkling beverage volume up 4%.

As for Coca-Cola Zero, it continues to be one of the fastest growing global sparkling beverages in the world. Earlier, I referenced Coke Zero's uninterrupted string of success in the North America market. This momentum extends around the world with the brand of 6% in international markets on a year-to-date basis.

We are also successfully expanding our still beverage portfolio with total still beverage unit case volume increasing by 11% in the quarter led by double-digit growth in sports drinks and water as well as high single-digit growth in juices and juice drinks.

I mentioned before how Powerade has been the growth leader of the sports drink category in North America, but this brand success story is also a global one. Powerade has almost doubled its global share since 2000, and this momentum extended into the third quarter supported by the flawless execution of Powerade global FIFA World Cup campaign across 34 markets.

In summary, the sound results across our operations and the balanced growth across our sparkling and still beverages are a testament to our seasoned operating team and global franchise partners. Together, we are executing our 2020 vision in a disciplined, aligned and decisive manner. We are growing our business while holding a more than three to one volume and value share advantage internationally over our primary global competitor.

And while we grow our business, the strength of our flagship brand is only getting stronger. This past quarter alone, Coca-Cola was named South Africa's top brand by the Sunday Times. And Coca-Cola retained its number one ranking in inter-brands rankings of the best global brands for the 11th consecutive year.

Despite these recognitions, we can assure you that we are not content, in fact we remain constructively discontent. We realize and appreciate that many near-term challenges remain with our consumers and customers around the world.

So as we build, further build our business momentum across the world, we are also committed to building a better tomorrow. When we are doing this is by delivering on our promise to be the global leader in sustainable water use and the industry leader in packaging energy and climate protection.

This past quarter, our PlantBottle package, a newly designed PET plastic bottle made partially from plants, won a Greener Package Award reaffirming our position as a sustainable packaging leader and representing yet another step in our journey to create the bottle of the future.

Since making its debut in Denmark in December 2009, our PlantBottle package has rolled out in a variety of sizes across our sparkling and still beverage portfolio. By the end of this year, we will have 2.5 billion PlantBottle packages in the market and we expect to double this number in 2011.

The presence of these packages this year alone is equivalent to eliminating almost 30,000 metric tons of carbon dioxide, CO2, and approximately 70,000 barrels of oil. So, our commitment to lead in climate protection is one we have worked on diligently for years. We made a public commitment in 2008 that we would place an additional 100,000 HFC-free coolers in the marketplace by the end of 2010.

I am pleased to report that together with our bottling partners, we have fulfilled this commitment five months ahead of schedule having placed our

100,000 incremental HFC-free unit in the marketplace this past quarter bringing our total number of HFC-free coolers in the marketplace to 220,000 units.

Another way we are building a better tomorrow is by partnering with our communities. A great example of this is our recent launch of Project Nurture in Kenya. This is a mango and passion fruit and juice sourcing partnership with the Bill & Melinda Gates Foundation. Through this creative initiative, we are helping develop local fruit sourcing farms to support our expanding juice businesses around the world.

Equally important, we are improving the incomes of more than 50,000 fruit farmers in Kenya and Uganda. We are also building for a better tomorrow by putting up people first. In fact, I spend as much time developing our management team and talent as I do leading our business. Our people are the absolute key competitive advantage and an enabler to achieving our 2020 vision.

The real opportunity in developing our people is finding leaders with a global mindset and experience who can effectively lead a multinational, multicultural, multilingual team of associates and bottling partners. To do this, we have a consistent set of criteria we apply when it comes to talent management seeking leaders with a breadth of experience and perspective who can think beyond their geography and also operate in different and dynamic environments.

And then, our reputation attracts and retains talent, but we cannot rely on this as our only strategy. Just as we continue to focus on building our brands, we are also investing in our brand as a 21st century employer, which is why I was pleased to see us receive such a high ranking on Universum's second annual survey to identify the world's most attractive employers. The 2010 survey was based on data from nearly 130,000 college students all around the world.

The Coca-Cola Company moved up five spots since 2009 to number eight in the world according to the surveyed business students, number two amongst consumer goods companies and only the beverage company ranked in the top 20.

Let me close by saying that we are confident in our systems ability to win together, align and focus on executing against our consistent growth strategies to achieve our 2020 vision.

Despite facing extended economic headwind, we are on course to deliver on our commitment to grow volume, revenue, share and profits in 2010. The integration of our North America business is fully underway and well on track. We have created the right operational structure, which will accelerate our ability to make agile, strategic decisions to build on our strong momentum in this marketplace.

As we look ahead, we see a world that is yearning not just for the beverages provided by The Coca-Cola Company, but also for the values and ideals that our brands represent, values and ideals like community, like fun, happiness and the hope for a better tomorrow. This is what inspires the strong and unyielding belief in the growth of our company and our system as well as the long-term value it can create for our shareowners.

So with that, I'd like to turn the call over to Gary.

Gary Fayard

Thanks Muhtar. Good morning everyone. As Muhtar said, we once again delivered a quarter of consistent quality, volume and profit growth. Our volume revenue and profit results all came in ahead of our long-term growth targets this quarter, reaffirming that our highly capable leadership team is executing the right strategic plans with our bottling partners to achieve our sustainable long-term goals.

These results demonstrate that we are building on our 2010 momentum and advancing our 2020 vision. As outlined in our released, we reported comparable earnings per share of $0.92, up 12% versus the prior year. For the quarter, our business delivered strong comparable net revenue growth of 8% in the quarter, driven by a 7% increase in concentrate sales and a 1% positive price mix impact. Our comparable operating income was up a strong 14%, bringing our year-to-date comparable growth to 15%, while currency had a minimal impact on operating income this quarter, it's had a 4% positive impact year-to-date. Further our comparable gross profit increased 10% with year-to-date gross profit up 9%, again currency had a minimal impact on gross profit in the quarter but has had a 2% positive impact year-to-date.

As for our cash flow from operations, this increased 15% year-to-date to $7.2 billion, this growth was primarily driven by our improved performance including the effects of currency.

Now let me go through some detail around our quarterly results and year-to-date performance. Our sequential improvement in price mix was in line with our expectations with the ongoing impact of geographic mix more than offset by our positive global revenue growth, management strategies. This improvement brings our year-to-date price mix results to even versus a prior year fully consistent with our expectations shared in previous earnings calls.

As we communicated before, we expect our price mix to remain even for the full year.

Our comparable currency neutral costs of goods was up 3% for the quarter and is now up 1% year-to-date fully in lined with our communications in previous quarterly calls when we said that we expected our cost of goods to grow in a low single-digit range for the full year.

Comparable currency neutral SG&A expenses were up 8% in the quarter and up 3% year-to-date reflecting increased levels of marketing expand driven by the cycling of low marketing expenses during the same period last year, which we anticipated and also out lined for you in our last quarterly call.

As far our total market expand including both our direct and point-of-sale marketing, this continuous to be positive on a year-to-date basis as we remain committed to investing in our brands for long-term growth. For this quarter we captured 4% points of operating expense leverage, this was a little better than our expectation for the full year that I mentioned last quarter and was driven by greater top line profit growth continued strong focus on cost management and the benefits of our productivity initiatives.

Importantly this underscores the unique strength of our global system a system able to simultaneously run highly effective and efficient operations while driving solid top line results. Going forward, we now expect our full year 2010 operating expense leverage to command at the low to mid-single-digit range. Lastly the lowering of our year-to-date effective tax rate from 23.2 to 23% benefited our earnings per share by little less than a penny.

Now let me take a minute to highlight a few additional factors we see in the fourth quarter of this year. First I want to remind you that has highlighted in our previous quarterly calls, our comparable result for 2010 reflect the impact of the deconsolidation of certain entities primarily bottling operations due to new accounting guidance that became effective the beginning of this year as far past the requirements.

We've now reflected the appropriate changes within our GAAP and non-GAAP schedules to provide a comparable income statement for external modeling purposes and it posted to schedule in the investor section of our website that takes into account, this change in accounting guidance to this year and adjusting prior year results.

Secondly as per my earlier remarks, currency had a minimal impact on our comparable results this quarter. As thought and as we communicated in our prior quarterly call, we believe that currency will have a slightly positive impact on operating income on a full year basis with this benefit weighted toward the first half of 2010.

We expect currency to have a minimal to low single-digit negative impact on operating income in the fourth quarter. Looking-forward what we don't expect to see a repeat of the currency volatility, we saw in early 2009 and earlier this year, we would expect some further volatility going forward as economics are merged from the global recession differently.

Please note that we routinely monitor our exposure to currency actively hedge odd currency such as the Euro and Yen and proactively balance our coverage as appropriate, we'll keep doing so in this environment in line with our long-term hedging strategies and we'll keep you updated on our hedging activities. Importantly we will keep managing and investing in our business at the local market level and in local currencies to drive long-term growth and increase the consumption of our brands.

On productivity we are well on track, and on plan to deliver $500 million in annual savings from our initiatives by the end 2011, lastly with regard to our share repurchase program, we were out of the market depending the close of our transaction with Coca-Cola enterprises. With this transaction of close we are in a profit of reentering the market and now expect to repurchase approximately $2 billion of share by the end of 2010.

Well, on the subject to CCE, let me share a few items regarding the transactions. First the deal closed on October 2, 2010 which was the first day of our fourth quarter ,while this transaction was structured as primarily cash list under terms of the deal we agree to make a cash payment to CCE in the advance that the actual debt assumed upon acquisition was less than the previously agreed upon amount.

Therefore, in anticipation of closing the transaction, a cash consideration of $1.3 billion was paid to CCE substantially related to the debt level assumed. This payment was made on October 1st, the last day of our third quarter. Concurrently and as expected we also received about $900 million in cash from CCE for the sale of our Norway and Sweden bottling operations. Both of these transactions are reflected in the quarter's cash flow statement and balance sheet.

As for the recurring result we report today, these were not impacted by the CCE transaction. When we report our fourth quarter and full-year results, these will be the first fully reflecting corporation of CCE's North American business as well as the divesture of our Norway and Sweden bottling operations.

Secondly, when we announced our fourth quarter and full-year result, we will continue to detail our results by our five existing geographic operating groups with the North American operating group fully incorporating our newly constituted Coca-Cola refreshments and Coca-Cola North America Organizations.

Finally with regard to synergies, as we have announced previously and reiterated in our earnings release today, we continue to expect synergies of at least $350 million per year phased in over the next four years. We know that many of you are looking for additional modeling information regarding our newly integrated North America business, please note that before the end of this year, we intend to share with you further details regarding our capital and debt structure plans, as well as the impact of other items regarding the modeling of our new North American operations.

In conclusion, we delivered strong volume growth and [Inaudible] profit growth through the first three quarters of this year, both our operating income and earnings per share growth rates are ahead of our long-term growth targets on an ongoing currency neutral basis. Our revenue growth has sequentially improved over the course of the year and is now fully in line with our long-term growth targets.

All of this is a testament to our seasoned management team's ability to effectively manage and execute our strategies within a challenging market environment. Together with our global bottling partners, we are maintaining our disciplined investment strategies and executing the right actions to drive our business for both today and tomorrow. As such, we remain confident that we will keep enhancing the health of our brands and importantly drive long-term profitable growth and value for our shareowners.

Operator, we are now ready for questions.

Question-and-Answer Session

Operator

And thank you sir. We will now begin the question-and-answer session. (Operator Instructions). And our first question comes from Bill Pecoriello with Consumer Edge Research.

Bill Pecoriello – Consumer Edge Research

Good morning. Muhtar, you had a very strong quarter in North America, relative to where the industry is growing. Can you talk about what the Coke system is doing in the non-measured channels to drive this outperformance and why you think it's sustainable? Thanks.

Muhtar Kent

Good morning, Bill. I think you are right in pointing out that we had a good quarter in North America; volume grew 2%, second consecutive quarter positive and I highlight organic growth, and year-to-date volume growth was 1%. I think, if you sort of dig double click and dig down for the quarters, total sparkling was even Trademark and then for the year-to-date when you look at, like Trademark Coca Cola on a year-to-date basis is even versus minus three for the same three quarters the prior year.

So, one of the things that is continuing to drive this is our success in our brand price pack channel architecture that we have talked about for a number of quarters that we are implementing. I think another one is our continued strength in our brands. We continue to invest in our brands and it’s paying off, Coca-Cola remains the number one favorite brand and has widened that lead over its nearest competitor, ratio is now 1.6 to 1 versus 1.4 in a year-to-date 2008 for example.

Favorite brand scores are again up. Coke Zero favorite brand scores continue to grow at a significant rate. So all of that is paying off and I think it’s important that we have a strategic focus that is consistent on building powerful brands, creating the value with our customer relationships and also a high performance system that is capable of working together to serve our customers and consumers.

And I am happy also to point out that in the third quarter as the industry returned to more rational pricing, CCNA, our North American Operation, Coca-Cola USA gained valued share in total NARTD and volume and value share in the sparkling as well as still categories.

So, when you look back at say some of the media reports back in the middle of 2008, say June, July, 2008, one of the priorities I outlined at that time, if you look into the clippings and go back into recent history, I said it is to stabilize and return to a sustainable growth our North American Operations.

I think that, in no way are we declaring victory, we are in the process of stabilizing as you can see from the numbers. And we are cautiously confident that even in the depth of the most severe crisis that we’ve recently had in the last couple of years in North America and the US consumer is still confused by the way that we are – our investments are paying off, our alignment with our bottling partners is paying off. And now I think we can accelerate that with this historic transaction.

So, I am particularly pleased that as we have gone into this transaction at the end of this quarter, this past quarter, that we go into that transaction from a point of strength, from a position of strength. And as I said the transaction will further enable us to accelerate our momentum, I believe.

Bill Pecoriello –Consumer Edge Research

Then Gary, if I can just quickly follow up. I know you said you are going to update us at year end on some of the deal math, but originally you had said the deal would be accretive by 2012. Interest rates have move down since there, do you see it as likely to be accretive on 2011 earnings?

Gary Fayard

Thanks Bill. I'll tell you what I'm going to do, I'm going to give you an update on the answer of that question actually when we get together later in the year. We are putting together all of the numbers now, and to really answer it, you have got to go through all of the synergies. You have got to go through all the purchase accounting adjustments and everything else. Some of those are not complete yet. So while you're right, interest rates have come down which will be helpful. Let me delay the answer to that question until later this year, but for sure 2012 is accretive whether it's going to become accretive in 2011, I don't know yet.

Bill Pecoriello – Consumer Edge Research

Okay, thanks.

Operator

And next is Carlos Laboy from Credit Suisse.

Carlos Laboy – Credit Suisse

Good morning everyone.

Muhtar Kent

Good morning.

Carlos Laboy – Credit Suisse

Muhtar, could you provide us maybe some more granularity on the Philippines? Can you expand on the infrastructure development that's facilitating this type of volume growth, maybe talk a little bit about the profitability levels that you might be or improvements that you are seeing out of the Philippines? And on a related basis you are talking more or your management seems to be talking more about transactions and tracking transactions better not just volume; can you speak to how you are using this metric internally and maybe give us a sense of what it's telling you about transaction growth versus volume growth?

Muhtar Kent

First, on the Philippines Carlos, I think as we have noticed, we posted a strong quarter of plus 19% growth in the third quarter, which was actually our fourth consecutive quarter of double-digit growth. The BIG team, Bottling Investment Group team, led by Ariel [ph] and his associates, I think have done a good job in stabilizing the business first in the Philippines and now we've been returning it to sustainable growth.

Coca Cola grew 12% in the quarter due to [Inaudible] on multi-serve packages to protect Diet [ph] Coke with [Inaudible] and I think our still beverages grew 20%. We have also recently announced our commitment to the Philippines to increase our investments to the tune of about $1 billion over the next five years. And I think that again tells you that we believe in the future of the Philippines. We believe in the future of the Philippines consumer as well as the Philippines in total as a country. And I think we are excited what the future offers in the Philippines.

As far as transactions are concerned, at the end of the day you've got to remember that consumers don't buy unit cases, they buy transactions, packages at certain price points. And I think it's really – that's why it's so important for us to track the consumer behavior patterns of consumption in different channels on a transaction basis. And I think that we are certainly seeing the benefit of tracking that metric in the United States, especially as we have offered more choices as part of our brand price pack channel architecture in the United States that's working well. And you will continue to see a focus on that metric as we widen it across the world.

Gary Fayard

And Carlos this is Gary. And just to be definitional for everyone who is on the call, when as you talk about transactions, the way we define transactions is that a 2 liter package, if you bought a 2 liter bottle, that's one transaction. If you bought a 14 or 16-ounce bottle, that's one transaction. If you buy 12 pack of cans, that's one transaction, and it really then drives into our brand pack pricing architecture, and how you drive value for the brand. So it's critically important and one of those metrics that we are actively reviewing every month.

Carlos Laboy – Credit Suisse

Thank you, that's helpful.

Operator

And the next question comes from John Faucher from JPMorgan.

John Faucher – JPMorgan

Good morning, thank you. Wanted to dial down on a couple of different markets where we saw some, a little more volatility in results than we are used to seeing or at least in Russia's case more positive volatility. So you guys had mentioned weather is a factor in Japan, Russia and Mexico. Can you just talk a little bit about sort of how you would have seen the normalized trends in those three markets and particularly for Japan and Russia, sort of how you see things normalizing over the next couple of quarters? Thanks.

Muhtar Kent

John, good morning. You've heard we say about Russia and Ukraine, particularly in the past that these markets are linked to more, we should try to think of these are being more volatile markets though go into the crisis quicker, deeper and they'll come out of the crisis quicker and deeper. We are seeing an exact play of that happening.

And I think that Russia over the next sort of three-year period they will normalize to growth rates of sort of double digits I think as we move forward. But again, you'll see some volatility in Russia play out over the next three years. But I think a more gradual return to a high single digit and double-digit growth rate.

As far as Mexico is concerned, you ask the question. I think, during this quarter Mexico and certain regions of Northern South America, the northern part of South America, suffered from very unusual high rainfalls which were, in fact in some cases in Mexico particularly severe enough to disrupt distribution over some prolong periods.

And of course also this past quarter, again to remind you that Mexico was typing 9% growth. In the prior year, I've said and I think in the call earlier that Mexico, we believe that Mexico will return to a more normalized rate of growth that we have seen in the past periods over the last two, three years.

And I think Japan certainly benefited from the extraordinarily positive weather, lack of rainfall and also very high sustained temperatures during the key summer months, July, August. I think that Japan, but again not all of the growth was related to that, some of the programs we are really getting traction, especially in the Kanto region, in Tomei [ph] as well as Coca-Cola bottlers Tokyo and also some of the other outline like Coca-Cola central Japan.

And therefore I think Japan we should see Japan, despite the very challenging consumer landscape deflationary environment should return to more of an even to 1% to 2% growth rate normalize over the coming period.

John Faucher – JPMorgan

Okay, so that's over the coming period or do you think that's over the next couple of quarters?

Muhtar Kent

I think the next coming period meaning sort of the one to three-year period.

John Faucher – JPMorgan

Okay.

Muhtar Kent

And then China I think based on the cycling of plus 29%, 30% on the prior quarter in the quarter four certainly we will see some moderation there, but as I said our focus is to benefit from our multi-category positions in China, successful multi-category positions in China and drive sustainable profitable double-digit growth over time leading into 2020.

John Faucher – JPMorgan

Great, thank you.

Operator

And our next question comes from Judy Hong with Goldman Sachs.

Judy Hong – Goldman Sachs

Thanks, good morning. Muhtar just going back to North America as we think about the volume trended 2% certainly is encouraging, but it seems like the price mix benefit has been pretty minimal here. So as you look out over the next six to 12 months and you continue to focus on this brand channels pack architecture, would you assume that you see an acceleration in terms of the price mix benefit?

And then over the longer term if you think about the North American business now that you have integrated the CCE North American operation, what do you think is sort of the right revenue growth projection for that part of the business?

Muhtar Kent

Well, I won't give you a sort of look-forward statement on the United States business. All I can tell you, Judy, is that, I think in this past quarter net revenues for the quarter increased 2% which reflected a 2% increase in our concentrate sales, and a positive price mix which sort of rounded to even, which was partially offset by deconsolidation of certain entities due to a change in our accounting guidance and I will have Gary comment on this too.

But I think it's really important that price mix will gradually strengthen, I believe, in the United States as sparkling and still – both our sparkling and still portfolios grow, and as we get traction in terms of a more nimble and faster system in the United States as we transform our business and reap the benefits of successful integration.

But it's really important to note that it is personally very pleasing for me that we can lead in to this transaction with two consecutive quarters of growth. And also importantly this growth is balanced and that you've got like Trademark Coca-Cola year-to-date on an even basis compared to say minus three for the first three quarters of prior year, and Coke Zero still doing very well in double-digit growth.

And so I think and then our still beverage strategy is really working very well. The total still beverage is up 8% on a year-to-date basis up 5% and that's driven our success in both the juice segment as well as sports drinks. As I mentioned, energy, tea, all working together, coming together to generate this balance growth in the United States.

And I think, again you can expect the price mix to gradually strengthen, but it's really important that we continue to invest in our brands and in our infrastructure in North America and that's effective, our marketing is paying dividend. The strength of our brands are paying dividends, and especially in this third quarter, this past third quarter were there was price rationalization in the industry that we can still generate 2% organic growth was particularly encouraging.

Judy Hong – Goldman Sachs

Okay.

Muhtar Kent

Gary, you want to comment on some?

Gary Fayard

Yeah, Judy just a couple of things. First, there was a negative one point from structural change and that was the deconsolidation of Honest Tea this year versus it was consolidated last year just to make that adjustment. The other, I think, and it's just expanding on what Muhtar just said, I think if you look at our pack price architecture particularly on the smaller entry level $0.99 pack, while that has some negative pressure actually on gross profit and price mix is absolutely the right thing to do, really helping with recruitment, really helping us drive transactions as Carlos was asking about earlier. And I think it's one of the things together with I think very successful marketing programs is driving those brand preference score.

So, this is one of those examples where North America went down over a long period of time and it's going to take us some time to really get it back, but I'm really optimistic and confident because of where we are starting from right now.

Judy Hong – Goldman Sachs

And Gary, just a quick follow-up. You called out the favorable timing of G&A in North America, the benefits in the quarter from a profit perspective. Is there a way to quantify how much that helps the profitability in the quarter?

Gary Fayard

No, and really what we had is, we had some reversals of some compensation plans last year. And it was both in North America and in the corporate segment. And in fact, reversed in the third quarter and then reinstated in the fourth quarter. So you've got some timing swings between quarters.

Judy Hong – Goldman Sachs

Okay. Thanks.

Gary Fayard

Thanks.

Operator

And next is Kaumil Gajrawala from UBS.

Kaumil Gajrawala – UBS

Hi, good morning everybody.

Muhtar Kent

Good morning.

Kaumil Gajrawala – UBS

What's on Europe as you move through the quarter, would you say that trend is strengthened or weakened maybe month to month? And then second thing, shipments were about 100 basis points it looks likes ahead of [Inaudible] sales, is that something that you reverse in 4Q? Thanks.

Muhtar Kent

Kaumil, I think it's fair to say that as far as the general trends are concerned, if you had looked at the Q2 trend of minus 1 and the Q3 trend of even certainly that's an improvement going sequential improvement. And I think, again Europe has been a little bit; continue to be a Tale of Two Cities type of the West being performing better continuatively with higher per capita, as we mentioned markets like France and Benelux and Great Britain.

But also at the same time, East and Southeast Europe still very challenged from Iberian Peninsula to Greece and Southeast Former Eastern Europe countries like Romania and Czech Republic, Hungary, Central Europe, all remained more subdued and consumer confidence being still very challenging in that environment.

Kaumil Gajrawala – UBS

Got it, and on the shipments?

Muhtar Kent

Gary, you want to comment on the shipments?

Gary Fayard

Yes, I would expect shipments to pretty much be in line in the fourth quarter with volumes like I think year-to-date; they are pretty much in line and should be in the fourth quarter as well.

Kaumil Gajrawala – UBS

Got it. Thank you.

Gary Fayard

Thanks.

Operator

And our next question comes from Christine Farkas from Bank of America.

Christine Farkas – Bank of America

Thank you very much. Gary, just a couple of housekeeping items. I wanted to confirm currency, was that actually neutral on the top-line as well as profits in the quarter? And could you comment on CapEx targets? Certainly, we hear a lot about Coke's planned investments in a number of emerging markets, and I'm curious if that's putting some upward pressure on your overall CapEx targets in bigger picture.

Gary Fayard

Hi Christine, currency on revenue was pretty much minimal. And currency basically for the quarter was minimal as its very little impact. And we expect a little bit in the fourth quarter it looks like, but it's not going to be major. Relative to CapEx, most of those investments we talk – when we talk about investments in all those countries, it's really system investments as our sales and the bottlers, and much of that is actually bottler investment.

We'll go through later this year and talk about CapEx for next year. But I would expect CapEx for this year to be pretty much in line with what we had talked about earlier in the year. And CapEx for next year will go through as we pull all of our plans together for 2011, which you and I can see significant changes.

Christine Farkas – Bank of America

Okay. Thanks for that. And just a quick follow-up on South Africa. Certainly volumes, last quarter were flat and now we've seen a nice acceleration post the World Cup. I'm wondering if there is something structural or economic happening there and what's the sustainable type of direction?

Muhtar Kent

Christine, hi. I think we were very pleased with the effective execution of our World Cup programs. And I think it has, again helped our brands on a sustainable basis in South Africa. The sparkling category showing recovery with improvements in the new 1.25 liter returnable glass bottle and also as I said the FIFA World Cup programs, I think Fanta is performing well after we made some, again pack changes. Activities in general have yielded good results, and consumers still trading down to more affordable options. We see that, especially in juices and waters, and we still see some heavy discounting going on.

But I would say overall the consumer psyche is beginning to recover from the hard economic conditions of 2009. As you would recall that last year GDP shrank by about 2 – between 2% to 2.5%. If I recall in 2010, GDP is estimated to be at around plus 4%. And we are benefitting from that also.

Christine Farkas – Bank of America

Okay. Great. Thanks for that Muhtar.

Operator

And our next question comes from Mark Swartzberg with Stifel Nicolaus.

Mark Swartzberg – Stifel Nicolaus

Yes, thanks good morning everyone. Gary, I had a modeling question and Muhtar something on North America. And I hear you Gary on unit volume and gallonage in line are roughly in line fourth quarter. I'm wondering, when I look back I see unit volume and gallonage in line in the first quarter, in line in the second quarter and then that up seven versus up five here in the third quarter and yet they're described as year-to-date in line. Any thoughts on that? Again, the go forward is the key here. But any thoughts on, my number is wrong or what's going on there?

Gary Fayard

Hi Mark, good morning. I'll have to go back and look at it by quarter. What I looked at was just the third quarter and year-to-date. And while it's two points ahead in the quarter gallons versus cases, it's right at exactly the same year-to-date, and I would expect fourth quarter to be right in line as well.

And what you're seeing is just the seasonality of the business. And as the business was accelerating in the third quarter, the bottlers are obviously just ordering more and more concentrate, because they had been behind in ordering up this first two quarters.

So I don't think there's anything unusual in that at all. And I think, as I said, it's come back in line year-to-date and I would expect it to stay in line in the fourth quarter.

Mark Swartzberg – Stifel Nicolaus

Fair enough. Okay, great. And then, Muhtar, couple of things on North America, I mean, as has been discussed here and we have seen trends have been very good profit wise for nearing two years now here. Are you seeing any pressure to step up structurally investment in North America either from retailers or competitors or otherwise as you look forward and now have some added synergies coming from CCE?

Muhtar Kent

I think, first we got to see what it – it's really important to point out, Mark, that over the crisis in the depth of the crisis 2009 full year and this year, we have continued to invest heavily in our brands in North America. It's really important that be understood well. I mean, to the two notes, if you take marketing and total CapEx of the bottling system combined in 2009, numbers around north of 2.5 billion. This year it will be getting close to maybe another sort of 10% higher than that in total. I'm talking about marketing as well as CapEx investments en route to market production efficiency, IT, marketing, brands, all of that.

So again, I've said before, we cannot, we have to really capitalize on this current economic crisis and that's what you've seen us doing all around the world including in the United States, and continue to invest in our brands in our system and that's paying off.

When you look at the whole world when we, again globally gained total value share and held volume share in the quarter as the 13th consecutive quarter of value share gain globally. So you're seeing that paying off. And as Gary said, most of these investments, a lot of these investments are coming from the system. We generate as a system north of $20 billion of cash, annually $20 billion.

And that's what, when we announce $5 billion in Mexico for the next five years, $6 billion in Brazil for the next five years, $3 billion in China over '09, '10 and '11. These are system investment numbers that are driving our business, because you heard me say before critically important to judge the appetite of our bottling system for more territory and investments. And that is at an all-time high, and our brands are at an all-time high in terms of their current metrics around the world, including here in the United States.

Mark Swartzberg – Stifel Nicolaus

Great. And then, that's helpful. And lastly, with corn having done what it's done in the last kind of two months or so, [Inaudible] going up accordingly, do you plan a price increase to retailers here in North America this fall before year end? Any thoughts on pricing to retail before we get to next year?

Muhtar Kent

I think it's too early to judge any of that. We are just continuing to execute and I think you're seeing a lot of volatility in international markets on both currency and on commodities, commodities somewhat driven by big reason the weather, but also driven by volatility in currencies as you know, because commodities are priced in US dollars. So we are looking at all of that and we have seen this movie before and we will certainly make appropriate measures to ensure that our business remains in health.

Mark Swartzberg – Stifel Nicolaus

Fair enough. Thank you guys.

Muhtar Kent

Thanks. So with that in closing, I'd like to just say that we had a strong third quarter and remain on course to grow volume, revenue share and profits in 2010. The integration of our North America business is on track and our new operational structure in North America will accelerate our ability to build on our momentum in this marketplace.

So as we look ahead, we see tremendous opportunity for the Coca-Cola Company in all of our markets and geographies. We remain intently focused on working with our capable system partners to build our brand, execute our strategic priorities and drive long-term sustainable growth and value for our shareowners.

Thank you for joining us this morning.