Operator

At this time, I would like to welcome everyone to The Coca-Cola Company's First Quarter 2012 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 speak 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 Mr. 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 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.thecoca-colacompany.com, under the Reports & Financial Information tab in the Investors section, which reconciles certain non-GAAP financial measures that may be referred to by our senior executives in our discussion 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'll turn the call over to Muhtar.

Muhtar Kent

Thank you, Jackson, and good morning, everyone. Let me begin by saying that I'm pleased with our first quarter results. I've never been more excited about the prospects for our brands, as well as our system, or more proud of our people who are driving our consistent and quality performance results. We continue to deliver volume, value and profit growth as we enter the third year of our 2020 Vision, and we once again saw positive volume growth across every one of our 5 geographic operating groups. We also continue to gain volume and value share globally in the nonalcoholic ready-to-drink beverages and in every sparkling and still beverage category in which we compete. We are winning with our global sparkling beverage portfolio, which was up a solid 4% this past quarter, led by the global growth of brand Coca-Cola, which was up also a healthy 4%. And we are continuing to win with our global still beverage portfolio, which grew a strong 9% this quarter. As we stand a little less than a quarter of the way into our journey towards our 2020 Vision, today's results demonstrate yet again how we are passionately and effectively refreshing a thirsty world with a capable, resilient and advantaged global bottling system.

Before reviewing our quarterly operating results, let's take a few moments to address today's mixed global economic environment. With respect to Europe, we are observing ongoing macroeconomic uncertainty as 2012 unfolds. Austerity measures implemented across the region are weighing on consumer confidence, which recently reached its lowest level since the first quarter of 2009. Despite the challenges in Europe, we are executing on all fronts to drive performance and share gains. So while we expect the macroeconomic conditions will remain difficult in Europe throughout 2012, we remain cautiously encouraged by our performance in this market.

Turning to the United States. Despite its struggle with a sustained period of relative high unemployment, we're pleased to see some early signs of a slowly improving macroeconomic environment. We remain firmly committed to building strong brands and creating value in the United States to capture more than our fair share of the industry's profitable growth.

Finally, let me touch on recent macroeconomic developments across a couple of key BRIC markets. In China, we've all seen economists lower their 2012 GDP growth rate forecast. While we agree that there has been some moderate slowdown in China, we also believe that this is a national progression and that it is a positive for the long-term sustainable growth of the country. As we move through 2012, we anticipate that our business in China may not be immune to this cooling economy, and therefore, we may also see our volume results in China moderate to some extent. Having said that, we are confident that China will continue to serve as a double-digit growth market for our business over the long term. As for Brazil, which underwent a cooling-down period of its own in 2011, there are now signs of improving consumer sentiment. We expect this trend to hold as we move through the balance of 2012 with our business in Brazil continuing to gain market share.

In summary, we always find ourselves operating in a fast-evolving global environment, one with some economies slowing, other economies stabilizing while sustaining high unemployment and still others improving and well on their way to recovery. In all cases, we remain intently focused on realizing our 2020 Vision, and we will keep investing through these challenging times to drive long-term advantaged and sustainable growth. So if we have learned anything these past few years, it is that during times of ongoing uncertainty, consumers are even thirstier for brands that inspire real moments of optimism and happiness.

Turning now to our total company performance results. Our volume grew 5% in the quarter, ahead of our long-term target and fueled by organic volume growth in all 5 geographic operating groups. As for our financial results, we grew comparable currency-neutral net revenue by 7%, and we grew comparable currency-neutral operating income by 8% once you adjust for the cycling of lower commodity cost in the prior period. As such, we remain confident in our ability to deliver full year 2012 operating income results in line with our long-term targets.

Now let's review our performance results across our global markets in more detail, beginning with North America, our flagship market. Our North America business was up 2%, delivering an eighth consecutive quarter of growth. Importantly, our North America system once again led the industry, capturing volume and value share in nonalcoholic ready-to-drink beverages. Our sparkling beverages in North America were up 1% in the quarter, with brand Coca-Cola also positive in the quarter while further improving its brand health scores. The momentum behind both Coke Zero as well as Fanta continues, with these brands up 9% and 4%, respectively, this quarter, and we also earned higher pricing in North America, which enabled us to generate a positive 3% price mix for both bottled and canned sparkling beverages, as well as our total North America beverage business. Our still beverages in North America were up 6% in the quarter, gaining both volume and value share while delivering industry-leading results across many categories. In sports drinks, POWERADE grew double digits yet again this quarter while once again capturing volume and value share. Our glacéau trademark grew 9%, also capturing volume and value share, led by another quarter of double-digit growth for both smartwater and vitaminwater zero. And our key performance again accelerated this quarter, up double digits, led by Gold Peak, which grew double digits for the 20th conservative -- consecutive quarter. And in water, DASANI also expanded double digits this quarter with the national rollout of our innovative PlantBottle that is positively impacting purchase intent and brand equity. As we've said many times before, we believe North America is a growth market for our business. Despite a challenging competitive and macroeconomic backdrop, our results both validate this belief and provide us with every reason to remain optimistic about the long-term outlook for America.

Now let me turn to our Pacific Group, which grew 8% in the quarter, including 6% growth for brand Coca-Cola. In China, the overall beverage industry was not immune from the impact of the economic slowdown we mentioned earlier, as well as the unseasonably cold weather that occurred during this quarter's Chinese New Year celebration. Despite this, our business in China delivered a solid 9% growth this quarter while cycling a strong first quarter last year. And importantly, our rightsizing efforts are generating strong incremental transactions in line with our expectations. Sparkling beverage transactions were up double digits this past quarter, driven by the expansion of our 300 ml package. This helped us capture both volume and value share in the sparkling beverage category this quarter.

Just a few weeks ago, I was pleased and honored to inaugurate our 42nd bottling plant in China in Yingkou. This new plant is now our largest production facility in China, with an expected annual production capacity of more than 5 billion servings of sparkling and still beverages. This new LEED-certified plant is part of our system's 3-year $4 billion China investment plan and reaffirms our strong commitment to China.

Japan's first quarter results were up 3%, building on the great work done by our system to restore and strengthen our business during a very challenging 2011. Our Japan business gained both volume and value share in the nonalcoholic beverages this quarter. And this growth in Japan was broad-based, with numerous sparkling and still beverages delivering positive results, including brand Coca-Cola up 2%, Fanta up 6%, I LOHAS water up 4% and Georgia coffee up 3%. Additionally, our Japan business grew across all channels, including convenience stores and vending. Also during the quarter, our Japan business unit was recognized with our company's highest honor, the 2011 Woodruff Cup based on the business unit's achievement of key performance metrics as set forth in our 2020 Vision. As such, we remain confident that our system in Japan is well aligned and in strong -- in a strong position to deliver full year, low single-digit growth in 2012.

I also want to call out 2 other markets within this diverse and dynamic geographic region of the world. First, our business in the Philippines is growing again, up mid single digits this past quarter, reflecting how the hard work put in by our Bottling Investment Group keeps yielding strong results. While we believe there is still much opportunity left to be captured in the Philippines, we also believe that our business there is on the right track and that we are successfully building the capabilities needed to deliver consistent and sustainable growth. Second, our business in Thailand grew over 20% in the first quarter, and brand Coca-Cola was up over 30% as we build momentum in this market while investing for the future. We have plans in place to expand our beverage production capabilities in this fast-growing market, consistent with our system's culture of targeted investment that underpins our 2020 Vision.

Moving now to Latin America, our volume grew 5% for the quarter, including 4% growth for brand Coca-Cola. In the process, we gained additional share in nonalcoholic ready-to-drink beverages, as well as in both sparkling and still beverages in Latin America this quarter. Latin America's solid first quarter results were driven by our consistent growth in Mexico, improved results in Brazil, and high single-digit growth in both our Latin Center and South Latin regions. In Mexico, we delivered 3% growth, cycling 14% from last year. We captured additional nonalcoholic ready-to-drink beverage volume and value share in Mexico, and this is a further testament to our team's ability to execute clear occasion-based channel strategies across all beverage categories in our highest per capita market.

As for Brazil, we reiterated many times last year that as this country's economy improved, so would our results. This quarter's 4% volume growth in Brazil validates this belief, and importantly, our continued volume and value share gains in Brazil are a testament to our sustained long-term growth strategies which never wavered during last year's economic slowdown. Looking ahead, we expect our 2012 growth results in Brazil to remain steady at low to single – mid-single digits as the Brazilian economy recovers. And our commitment to the future of Brazil has never been stronger, as shown by our system's recent announcement to accelerate our investments in Brazil to nearly $8 billion through 2016.

Our Eurasia and Africa business grew a strong 9% in the quarter, including solid 9% growth for brand Coca-Cola. Our overall group results were led by robust growth across the entire region, including growth in India, Russia, South Africa, the Middle East and North Africa. Overall performance was once again led by India, which grew 20% in the quarter, delivering balanced growth across all categories. I was particularly encouraged by brand Coca-Cola's 27% growth in India this past quarter, and our still beverages in India were up over 20% in the quarter, led by Maaza up over 30%. Russia was up 3% this quarter, cycling last year's strong 27% growth. Our business in Russia continues to be led by the strong momentum of brand Coca-Cola, which once again delivered double-digit growth. Additionally, our Dobriy juice brand delivered 9% growth and as a result, our overall business in Russia keeps outperforming the rest of the industry, gaining nonalcoholic ready-to-drink beverage volume and value share. Finally, we saw positive volume across growth in every other business unit in our Eurasia and Africa group, including double-digit growth in South Africa, as well as in the Middle East and North Africa region. We are excited about the future opportunities for our business in this dynamic growing part of the world.

Moving now to Europe. Volume was up 1%, gaining share in nonalcoholic ready-to-drink beverages. Notably, this is Europe's seventh consecutive quarter of positive growth. And this growth was led by Germany, which was up 3% for the quarter, capturing, once again, share in the nonalcoholic ready-to-drink beverages, as well as in both sparkling and still beverage categories. Brand Coca-Cola was up 4% this quarter in Germany, benefiting from both our effective marketing campaigns and our consumer recruitment initiatives. In total, this marks Germany's fifth consecutive quarter of positive growth. This consistency validates how our ongoing bottling restructuring efforts have enhanced our ability to create value during difficult economic times. Another region where our business is showing signs of moderate improvement despite challenging economic conditions is Central and Southern Europe. Most markets in this region posted positive growth, including Italy which was up 4% for the quarter. Another very important geography where we achieved positive results is Spain, up 6% for the quarter. We are closely monitoring our business in both of these markets in light of recently announced austerity measures. Importantly, we believe we have the right brands, the right strategies and the right capabilities in place to continue delivering long-term sustainable growth in Europe.

As we look ahead to this summer, both in Europe as well as across the world, we are very excited about the unique opportunity to grow the value of our brands even further through our investments in the 2012 London Summer Olympic Games. For context, during the 2008 Beijing Summer Olympics, we activated 36 markets across the globe. For this year's Summer Olympics, we plan to activate almost 100 markets, leveraging content, experiences and conversations generated through our global program. This fully integrated 2012 global Olympic marketing program will be all about recruiting teams by tapping into emotional passion points like sports and music. An early success of this program is the over 160,000 YouTube views of Mark Ronson's behind-the-scenes footage as he developed our new Olympics theme song. These views were generated without any active promotions on our part and, once again, are a clear example of how we are successfully engaging consumers with innovative, compelling and shareable social media content.

As we work to engage with our consumers, we're also committed to building a better tomorrow. Last month, we released our 2012 Global Water Stewardship and Replenishment Report, detailing our ongoing work to reduce, recycle and replenish the water we use around the world. To date, our company has launched 386 Community Water Partnership projects in 94 countries. These projects have improved water access for 1.6 million people, including more than 0.25 million women and children in Africa. In 2011 alone, our Community Water Partnership projects replenished 35% of the water used in our finished product beverages. These projects also benefited the communities we serve by providing sustainable agriculture training and resources to more than 12,000 farmers and by supporting the reforestation of over 30,000 hectares.

As we build a better tomorrow, our efforts and performance are being recognized. This past quarter, we were humbly honored to receive several acknowledgments. Firstly, Fortune Magazine's survey of the Most Admired Companies listed us at #4 in their 2012 rankings, up from #6 in 2011 and up 20 spots from where we ranked just 5 years ago. In these same rankings, Fortune Magazine's survey once again rated us as the #1 most admired beverage company in the world. Secondly, Forbes also announced just 2 weeks ago that our company had risen to #7 on their publication's list of America's Most Reputable Companies based on a consumer survey by Reputation Institute. This ranking is up from #25 in 2011. We also saw our standing improved within the Harris Interactive reputation study, an annual survey that measures the corporate reputations of the 60 most visible companies in the U.S. In their latest survey, our company climbed to #3, up from 15th the previous year.

While all of us at The Coca-Cola Company are proud of these achievements, we understand that they only represent a snapshot of where we are today rather than where we aspire to be tomorrow. As I have stated many times before, the complexity and the challenge of today's mixed global economy also brings real opportunities and exciting growth prospects. What was true on Day 1 of our 2020 Vision is still true today. Our system has only just begun to achieve its potential. We have a clear roadmap for growth, a productivity and reinvestment program that is driving efficiencies and a global bottling system that is well aligned and poised for execution. This strong alignment has not only enabled us to effectively navigate the volatility of these past several years, it has also put us in a position of real strength. That is why we are confident that our Coca-Cola system will continue to passionately refresh a thirsty world and create value for all of our consumers, customers and shareholders.

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

Gary P. Fayard

Thanks, Muhtar. Good morning, everyone. We delivered strong results this quarter, underscoring once again that our global system is well positioned to execute our strategic plans and alignment with our 2020 Vision. We reported comparable earnings per share of $0.89 this quarter, up 3% versus the prior year. And as Muhtar shared earlier, our earnings growth was driven by broad-based volume growth across all of our 5 operating groups. In fact, we had volume growth across nearly all of our business units within our global operations this quarter.

Comparable currency-neutral operating income was up 5% this quarter. On a comparable basis, the impact of currency on this quarter's operating income results was a 2% headwind, in line with outlook we provided during our last earnings call in February. In addition, and also as for the outlook we provided through this quarter, we cycled lower commodity cost in the first quarter of 2011. Adjusting for the 3% impact relating to the cycling of these lower commodity cost, our comparable currency-neutral operating income was up 8% in the first quarter of 2012. When you also consider that this quarter had one less selling day than the first quarter of 2011, we are very pleased with this operating income result.

Comparable currency-neutral net revenue grew 7% this quarter, including a 3% increase in concentrate sales and 3% positive price mix. The currency impact on this quarter's comparable net revenue result was a 1% headwind. This quarter's 3% consolidated price mix is particularly encouraging, especially when considering today's challenging macroeconomic conditions. Looking ahead, we still expect our full year 2012 consolidated price mix results to come in between 1% and 2% in line with our long-term target range.

This quarter's comparable gross margin was in line with our full year 2011 gross margin, consistent with the outlook we provided earlier this quarter. As a reminder, we expect our full year 2012 consolidated comparable gross margin to remain in line with full year 2011.

Our comparable currency-neutral SG&A expenses were up 4% in the quarter as we sustained 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 2012, we still expect to capture low single-digit operating expense leverage as we further invest in strategic brand building initiatives around the world and effectively manage our operating expenses.

Our net interest income came in at $27 million this quarter ahead of our initial forecast, primarily due to a benefit related to our interest rate swaps. As such and based on our current best estimates of interest rates in our international operations, we now expect our full year 2012 net interest income to come in at the higher end of the $20 million to $40 million range we provided in our last earnings call. In addition, we expect our net interest to come in close to even in the second quarter. We'll continue to update you on net interest outlook on a quarterly basis.

Our underlying effective tax rate currently stands at 24.8% within the 24% to 25% range we communicated during our last earnings call.

As for our cash flow from operations, this increased 13% year-to-date. Please note that this cash flow result is net of the approximately $130 million in incremental contributions made to our pension plans this quarter when compared to the contributions we made to our pension plans in the first quarter of last year.

With regard to our share repurchase program, our net share repurchases during the quarter totaled nearly $850 million, including accruals for stock options and treasury shares that did not settle prior to the close of the quarter. This places us well on track to achieve the $2.5 billion to $3 billion range for full year 2012 as we communicated during our last earnings call.

Now let me take a moment to remind you of our full year outlook on currencies and commodities which we provided in our last earnings call. With regard to commodities, in our last call, we said that we expected the full year 2012 incremental impact of the Big 4 commodity cost on our results to range between $350 million and $450 million. And just a reminder, the Big 4 commodities are aluminum, sweetener, juice and PET. While our commodity cost outlook remains unchanged, if current trends hold, we may see this outlook slowly improve in the coming months. And we'll update you on any changes to our outlook during our next earnings call.

As for currencies, based on our hedge positions, current spot rates and the cycling of our prior year rates, we continue to expect currencies to have a mid single-digit negative impact on operating income for the full year. Furthermore, we expect to see this impact come in at the high end of this mid single-digit range in the second quarter.

Let me highlight one additional item for those that model our business. In light of the recent change to our global tea joint venture with Nestlé, and as a reminder, earlier this year, we announced our agreement with Nestlé to refocus the geographic scope of this joint venture primarily to Europe and Canada while phasing out the joint venture in most other territories by the end of 2012. Accordingly, we have eliminated the joint venture volume from our reported results for both 2011 and 2012 in those territories where the joint venture is being phased out. Please note that this change did not impact the company's reported volume results this quarter on a consolidated level or for any individual operating group.

Finally, with regard to our new productivity and reinvestment program, we reconfirm our expectations to capture total incremental annualized savings of $550 million to $650 million, phased over a 4-year period, starting in

2012 through the end of 2015. As noted in our last call, these funds will serve to enhance our ongoing system-wide brand building initiatives as we reinvest in our business to drive long-term profitable growth. We're still in the initial stages of defining the total onetime cost associated with the capture of these incremental annualized savings, and we'll provide an update on these costs during our next earnings call.

In summary, as we begin the third year of our 2020 Vision, we are greatly encouraged by our business achieving yet another solid quarter of quality volume, value and profit results. Our system remains healthy and financially strong. We're generating cash, investing in our world-class brands and executing our consistent growth strategies from a position of real strength. And importantly, we continue to pay a healthy dividend. Our seasoned leadership team and highly capable global bottling partners are taking the right actions and executing the right strategies to successfully realize our 2020 Vision. So while we're still navigating through an ongoing mixed global economic recovery, we remain confident in our ability to deliver full year results in line with our long-term growth targets.

Operator, we're now ready for questions.

Question-and-Answer Session

Operator

[Operator Instructions] And sir, our first question comes from Bill -- from Bryan Spillane, Bank of America.

Bryan D. Spillane - BofA Merrill Lynch, Research Division

I just had just a question. You had a very strong first quarter, and I think what was really encouraging was how broad-based your volume growth was and especially seeing markets like Japan, North America, Germany, Philippines, all sort of growing simultaneously. Think about the balance of the year. Muhtar, could you talk a little bit about how you view that performance carrying out through the balance of the year, maybe some of the factors that you've got in place or some of the activity you have in place to continue to drive that through the balance of the year? And then secondarily, maybe Gary, if you could just talk about if it's a -- given your potentially better view on cost balance of the year and the potential for some volume performance continuing to be well -- doing well this year, just better drop through profitability, I guess as we move through the year, if we can just talk a little bit about that as well.

Muhtar Kent

Bryan, good morning, thanks. This is Muhtar. I think what I'd like to just get -- the message I'd like to get across is that we leave behind the first quarter of 2012 with confidence and with momentum in our business. And I think it is broad-based growth, as you mentioned. In fact, the top 10 countries in our business generated about 65% -- a little over 65% of the total incremental growth cases -- organic unit case growth in the quarter. And that is more broad-based than in the past. And that's a good sign. And I think we've always said that there's tremendous -- I see -- everywhere I go, I see tremendous opportunity for our brands. Our system is strong. Our system -- this is the result of investments that our system continues to make every quarter and also generating revenue, and we're able to crack this calculus for growth. And everywhere we go in this difficult macroeconomic environment, it's important to note that The Coca-Cola system is one of the most important net contributors to the economy. Globally, we're one of the top 10 private employers, nongovernmental employers, and we create -- based on our vision, we will create an additional 120,000 new jobs in the next 10 years. And more and more, governments are recognizing that unemployment is the #1, #2 and #3 priority. And I think with that, with our system, we're earning our right every day in every market. And that's important. As I -- obviously, the macroeconomic conditions around the world is challenged. The recovery is slow. Unemployment remains high and is -- I believe will remain high as we go through this year. But the premise, Bryan, on which we've built our 2020 Vision holds true today. What we said is no matter how you slice and dice it, there will be about 1 billion new people coming into the middle class. We'll have about 800 million new urbanized consumers in the decade. This decade that we're talking about, 2010 to 2020. Now the quarter we just left behind, about 22 million new urbanized consumers and about 22 million to 25 million new middle class have been created in the world, and we were there to serve their needs and refresh them. So yes, challenged environment; yes, slow recovery; yes, some slowing down in emerging markets. But when we talk about slowing down, you go down from a 9% to an 8.5% or an 8.2%, I think there is still tremendous amount of growth and middle class creation around the world, whether you take Africa, Latin America, Asia, and we're there. And in the western markets, we've always said our balanced -- our vision calls for balanced growth, balanced in geographies, balanced in portfolio. And once again, we were able to validate that, that is something that we are able to execute with our -- passionately with our bottling partners. So I'll now pass it over to Gary to answer the second part of your question.

Gary P. Fayard

Bryan, I guess I'd say a couple of things. As we look, it is still a challenged economic environment across the world. We have seen -- if you think back, actually first quarter of 2010, things looked like, economically, they were getting better and then they didn't. First quarter of 2011 looked like things were getting better and then they didn't. And then we've seen the significant volatility around commodities and currencies across the world over the last several years as well. So I think -- I guess where we are is trying to be somewhat conservative and try to say we're 3 quarters -- or 3 months into the year, 1 quarter into the year, the kind of the smallest quarter in fact, and I think we need to continue to go through the year. Are things looking better? Yes, it looks like interest is a little -- interest income is going to be a little bit better. It looks like if things hold, commodities will probably be better. So things are actually looking pretty good, but I think at this point, our view was, we kind of hold with where we are. We kind of get through another quarter to kind of see how the year is going. Is the economic recovery that we're starting to slowly see in the U.S. going to continue or not? So that's kind of where we are. We're kind of being -- trying to be conservative and recognize that we are in this as a marathon and not as a sprint. This is about long-term value creation.

Muhtar Kent

Just one point I'd add to -- that to, Bryan, is that 4 years ago, we made some bets in terms of our strategy, our 2020 Vision, and I think those are now positioning us to win. And I'd say that in this volatile world environment, I think we see -- we are definitely a great hedge and a balanced hedge in what's happening in the world.

Bryan D. Spillane - BofA Merrill Lynch, Research Division

And just -- Gary, just as a follow-up, if it's -- if there's upside -- or Gary and Muhtar, if there's upside, more inclined to invest some of that back particularly given the momentum you have in some of these markets, is that -- is there more room to invest if there's more funds generated?

Muhtar Kent

Well, I'm happy to say that we are investing. If you look at our marketing spend and if you look at how we're controlling all OpEx in the right way and then spending on our brands and you'll see that some of those numbers in the first quarter, too, coming to life and that's basically how we've always managed this business, investing in our brands, investing for the long term, ensuring that we -- our brands remain healthy and get healthier all the time, which they are. And that generates, again, a great system alignment, a great investment picture from our -- the total cash that we generated with our bottling partners. And I said it before, the results that you see this quarter, this past quarter, are not coming from the investments we made in this quarter. They're coming from the investments that we made 4, 5, 6, 7 quarters ago, and the same is going to be true from 4 quarters or 5 quarters from now based on investments we're making today.

Operator

Our next question comes from Caroline Levy, CLSA.

Caroline S. Levy - Credit Agricole Securities (USA) Inc., Research Division

Muhtar, the last time we met, you said that you were headed off to Asia and you did share quite a bit of your enthusiasm with us already, but can you talk a little more in depth about the prospects for Japan, China, and what the other real big drivers of growth will be going forward, and how owning your bottlers in some key markets within China and Japan is impacting the business?

Muhtar Kent

Caroline, yes, I just spent a good bit of time in Asia a couple of weeks ago. And I think you've seen the Pacific Group's volume growth up 8%, which was broad-based in the quarter with the numbers that we've shared with you for places like -- not just China and Japan up 9% and 3%, respectively, but also for Thailand and the Philippines and so forth. And I think importantly, again, very encouraged that brand Coca-Cola is up 6% in that massive geography, and reported net revenue for the quarter up 12%. And I think -- and good price mix across. So it's important really to be able to ensure that when you have -- when we talk about sustainable growth, we mean growth not just in volume, not just in a certain category, but broad-based growth and also growth in the revenue line that can be matched or better than the volume line, and I think we've seen that. And yes, no question, everyone you talk to, whether it's the shop owner in any particular part of China or whether it's the government, or whether it's some national government, there is a little cooling down. Is that -- I think that's healthy. And I think that's healthy for the real estate market in China. That's healthy for the banking industry in China. That's healthy for the long-term sustainable growth of the economy in China, which I have no doubt is going to continue. So we see China as a fantastic opportunity. As I said, we've just opened our largest-to-date facility in China, 42nd, and the largest of them all, and LEED-certified on top of it. And that's again one sign of our commitment, many more such factories to come in our $4 billion announced investment program for China. And so I see China as certainly playing an important role for our 2020 Vision. And particularly pleased about Japan, where I met with all our bottling partners in Tokyo and presented their Woodruff Cup awards to each one of our bottling partners. And again, category by category, we see very good improvement in our business in Japan. So the terrible tragedy of 2011 allowed us to galvanize our system and strengthen our system and continue to grow our system. And importantly, every channel, important channel, like convenience, like vending, is now expected to grow in Japan. And that's a very important thing for our business -- and categories, whether it's coffee with Georgia or sparkling or tea. Again, we're generating growth. So prospects, I think overall, we've always said the picture of success in Japan is low single-digit growth. And I believe that we're poised well to achieve that target for Japan. And then I went to Thailand, where we're having, as I said, very good growth prospects and share gains, tremendous share gains in that important market, with a very healthy consumption habit for sparkling beverages. And I see -- whether it's other markets like Vietnam or Indonesia or West Asia, I see great prospects for our growth. And I'll soon be also heading towards West Asia in a couple of months. And again, you heard the results that we've been able to post this past quarter in India, continue to have very healthy brand metrics for Coca-Cola, as well as our still brands there in that incredibly prospective geography. So I think Asia, overall, little cooling, healthy and great long-term prospects for both our business, as well as I think leading the world out of some of the current global macro issues.

Operator

Our next question comes from Judy Hong from Goldman Sachs.

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

Muhtar -- sort of couple of questions, Muhtar or Gary, on North America. One, just in terms of the underlying industry performance and your performance in North America, obviously, the macro has been getting a little bit better but just in Q1, do you think that there was any benefit from a weather perspective, if you've seen a big shift from take-home into immediate consumption? And then talking about your performance in the context of the competitive backdrop, where, obviously, Pepsi has talked about spending more money, so what sort of impact are you seeing from a competitive perspective in North America? And then Gary, just on the profitability side in North America, if you can just walk us through the puts and takes in Q1 as it relates to cycling of the commodities and kind of for the balance of the year, how should we think about the phasing of commodities and the margins in North America as we go forward?

Muhtar Kent

Judy, let me just take the first part of the question. I think we continue to see validation, a little more validation, on what I indicated also in the previous call. There are some signs, healthier signs, from the U.S. consumer right now than it was 12 months ago at this time in terms of more travel, more mobility, more bookings. And mobility is an important factor for our business for consumer goods. And also, I think eating out, a little healthier numbers in terms of that, that we were seeing compared to, say, 12 to 16 months ago. Having said that -- and I do believe that, that trend is likely to continue, providing we can sort of keep -- have some prices on the -- at the pump for gasoline where -- about where they stay now. So I premise that with that caveat. I think for -- we have always said that United States is a growth business. Despite the current macroeconomic challenges, we've been posting growth quarter after quarter. I'm very pleased that this past quarter also that sparkling beverages was positive, brand Coca-Cola was positive. And we've started putting together the framework for our growth in North America way before the acquisition of the CCE business in North America. I want to reiterate that once again. The brand, price, pack, channel architecture, the -- beginning -- getting our brands to a healthier position than they were previously, getting the right package to be sold at the right outlet and the right channel at the right price, all of that architecture we started working on 3 to 4 years ago. And I think we are seeing some results out of all of that work. And as I've said, we believe that the positive sentiment that we see compared to a year ago of the U.S. consumer, slightly positive sentiment would probably continue is what I would estimate, providing other conditions hold, particularly the price of gasoline. Gary?

Gary P. Fayard

Yes. Judy, I'd say just a couple of things. And the first, I just want to congratulate our colleagues in North America because I think if you -- as you think about it and think about this quarter, it was sparkling plus 1, brand Coca-Cola positive growth in the quarter. And those are things that not that long ago, I think everyone listening in this call would have said it's impossible to do. And it's really working. Everything that Muhtar is talking about is actually working. And our brand score is getting better because of the things we have been doing over the last few years. But then, if you look at, "All right, great, Gary, got that, but let's talk about the financial results and you're showing that on a comparable basis, operating income is down 9% quarter on quarter. So how do you talk about that?" Well, on that one, that is the issue that I alerted, I think, all of you to earlier this quarter. The way the commodities hit last year, that $800 million of commodity pressure that we had last year, it all was in quarters 2, 3 and 4, basically, none of it in the numbers in Q1 in North America. So when you adjust for that for just commodities, that minus 9 actually gets to only slightly negative. And then you have to recognize that there was one less day. You adjust for that and actually, North America suddenly flips into it was actually positive. You take that then you look at remainder of year, and you recognize that we've gotten the pricing so that the commodities aren't going to be that as big an issue going forward, remainder of year. And all the other things we've been doing, we would expect to see North America in very good positive territory, remainder of year. Things are going, knock on wood, exactly the way we planned for them, too, at this point.

Muhtar Kent

Just one last quick add onto that, Judy. Importantly to note, the strategic focus in North America remains consistent on continuing to build strong brands, creating value with our customers and building our systems, continuing to build our system capability. And so the strategic focus remains in place. Secondly, in this past quarter, I'd note also that IC growth was ahead of total volume growth in North America. That also helped generate a good price mix for our total business. And also, of course, I just want to make sure I mention the share gains that are continuing across the board in North America for us.

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

Great. Gary, just on -- so if I think about that 3%, the cycling of the lower commodity impact on your operating profit, that's about $75 million. And when you think about you're saying North America would have been slightly down x that cycling. So the impact on North America from that would have been about $50 million and the rest would be in BG -- BIG?

Gary P. Fayard

Yes, the rest would have been in BIG.

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

Okay, and the phasing of the $400 million of commodities this year is much more evenly spread out. I guess we'll see depending on the commodity cost as we go forward, but it's much more evenly spread out. So we should start to see really the much more benign impact starting in Q2.

Gary P. Fayard

Very well put. That's exactly right, exactly right. And then as I kind of mentioned when -- to Bryan's question earlier, if then commodities hold with where they are today, that actually $350 million to $450 million, so call it

$400 million, actually could be coming down to the lower end and becoming more favorable versus what we've been talking about.

Operator

Our next question comes from Bonnie Herzog from Wells Fargo.

Bonnie Herzog - Wells Fargo Securities, LLC, Research Division

I wanted to go back to a question on China. I was actually hoping you could talk about the competitive landscape given Pepsi's new strategic alliance with Tingyi and how that may impact your business and strategy. I guess thinking about it, the alliance of the 2 strong competitors, wouldn't this accelerate the pace that you execute your game plan? And also, could you give us some color on how you will allocate the $4 billion investment among your different initiatives there? For instance, will you spend more on infrastructure than brand building in the next few years?

Muhtar Kent

Okay, Bonnie. I think we have a strategy for China. That strategy is not changing with what's happening across the industry. I want to reiterate that. That strategy is valid and still in place. And obviously, it will evolve as we introduce a wider variety of packages to promote affordability, it has the consumer experience with our brands, all with a focus to drive incremental increased transactions and profitable growth. And to continue building brand equity with consumers, I think this is critical for us and that will -- you will see us continue to do that. I believe that we're confident in our ability to deliver double-digit growth over the long term, and I think continuing introduction of a wider variety of packages to promote affordability and I think immediate consumption growth. So we will continue driving all of those priorities. As far as the investments are concerned, $4 billion, that I would say probably it's -- you could allocate about 50% into infrastructure and 50% into the brand building area. That's probably a good split. And if you looked at the past 3 years, that's probably where it ended up.

Operator

Our next question comes from John Faucher with JPMorgan.

John A. Faucher - JP Morgan Chase & Co, Research Division

Gary, just wanted to follow up on Judy's question a little bit, which was -- and I apologize if I missed this. If we strip out the commodity stuff, what have you, the revenue growth was still great but the operating profit, I think, was still down. So is that a profit mix issue? Is that simply an investment issue? And then Muhtar, I just was wondering if you could clarify something because in your comments, you guys hadn't stated explicitly that you would gain share in sparkling, but you just mentioned that you had share gains across the board. So is that a safe assumption then that you guys did in fact have share gains in North America in sparkling?

Gary P. Fayard

Yes, John. Let me start -- well, in fact, I'll go ahead and answer that last part first. We did have share gains pretty much across the board, across the world and the U.S. So we did have share gains in sparkling. On the commodity issue relative to North America, and if I don't exactly answer the question, just come back and tell me, but basically, if you strip out the commodity impact, North America's OI for the quarter instead of being down 9 would have been down 1. It's exactly what it would have been. And if then -- if you add in an extra day, it would have been positive. So what you're seeing is that 1 day, actually 1 less day, is having a huge impact on the P&L because you've got basically all of the costs going through for the full quarter with a day less sales is basically what's happening, which is why when you go to Q2 and 3, actually, it becomes much more normalized and the commodities are not an issue at all. In fact, it kind of reverses a little bit because you had more of that hitting in Q2 and 3 last year, with none of it hitting in Q1 last year. So it's kind of a cycling thing, but that's why when you adjust for all that, our view is and what we had planned and what we saw all along is that North America actually started to improve significantly after Q1 into the remainder of the year. And that's kind of what -- that's exactly what we're seeing today.

John A. Faucher - JP Morgan Chase & Co, Research Division

Okay, so if we look at that impact, I know you have 2 extra selling days in Q4, right?

Gary P. Fayard

Right, that's right.

John A. Faucher - JP Morgan Chase & Co, Research Division

So if we map out the cadence over the course of the year, it seems like what we probably should see and you factor in your FX guidance, is it -- should we be looking at the numbers sort of a little more back-end loaded, a little more Q4 weighted with a little bit tougher Q2 when you put all this stuff together? Is that kind of the right cadence then?

Gary P. Fayard

Yes, John, it is. It is. Now the CFO is going to come out in me, okay, because when my own guys -- and I get a rolling estimate here. And when I see that, I say, "Oh, you've given me a hockey stick," and so we're -- you try to manage against that as you're managing the business appropriately. But the cadence of the business this year actually is exactly as you just said it. That's exactly right. It is more back-end loaded because of how the commodities hit and went through the P&L last year and the 1 day less in the first quarter, 2 extra days in the fourth quarter. Some of the reason -- I have to hedge a little bit on this, is because there was 1 less day, you had a little bit of an Easter shift to help probably the first quarter slightly, but you really can't measure it. So I'd say basically, what you're saying is exactly right.

Muhtar Kent

And just to add on the North America front, John, I think it's important to note that we -- North America, I want to reiterate, had a great quarter in terms of both volume, revenue, overall NARTD share gains. And also, we see, importantly, a rational pricing environment in North America. A 3% price mix gain is very important, and I think those things should really give indication of health of the business as we move into the second and third quarters, important second and third quarters of the year. And therefore, I am pleased with the results in North America. And again, I think Gary explained the anomaly of comparability there in terms of the operating income number.

Operator

And our final question comes from Bill Schmitz with Deutsche Bank.

William Schmitz - Deutsche Bank AG, Research Division

Can you just talk about the global competitive environment relative to what you thought it was going to be heading into the year? I know you discussed North America a little bit. Can you broaden that globally? And I have a follow-up.

Muhtar Kent

Yes, well, it's hand-to-hand combat out there every single day and everywhere -- but everywhere I go, everywhere our operators go, everywhere our leadership goes, we see opportunity. We see opportunity for our brands that are stronger. We earn our price every day. We're generating revenue growth. We're net contributors to the economies, and our brands are healthy. And our IC business is growing ahead of our total business, and that's a good thing for the world. Our IC business globally grew 6% in the world compared to 5% global volume growth. And by the way, this volume growth that we just had in the first quarter is one of the highest organic volume growths we've had in the last, say, 8 to 10 quarters that I look back, because this is all-pure organic growth and it is strong and there is momentum. And I think, as I've said, the competitive environment, I think, out in the world is obviously, consumers are reticent to go out, to spend money. The environment is not healthy, particularly in Europe in terms of consumer sentiment, but our business is able to continue to invest and also ensure that we generate value for our customers in Europe, in this case large customers, large format, small format. And one of the really important metrics that we always follow is immediate consumption, which is a healthier mix. It's growing ahead of our total business. And once again, that is a testament to the strength of our system because you can always -- it's much easier to go and gain distribution in the future consumption channel, but in order to ensure that you supply and work in partner with every single small format store takes a very strong and a very different kind of system, which is the one we have.

William Schmitz - Deutsche Bank AG, Research Division

Great, and maybe just a little more granular, I mean, relative to what you expected headed into the year, because it seems like maybe in Europe, the promotional and pricing environments may be a little bit worse and then we obviously saw Pepsi show their cards, and perhaps the competitive environment in North America is a little better. Is that fair?

Muhtar Kent

I think the environment in Europe is not any better for sure. But look at some of the numbers that I shared with you earlier, up 6% in Spain, up 4% in Italy, up -- Germany continues to grow, Southeast Europe beginning to show signs. I've said before, Europe is a tale of 2, 3 cities at least. You've got Eastern Europe beginning to come out, led by Russia. You've got Southern Europe beginning to stabilize, and Central and Northern Europe is still -- and led by Germany is -- I think the sentiment is slightly improving. So overall, the Southern Europe still remains an importantly challenged area, but our business system is very strong in Southern Europe, and we're benefiting from that. In the U.S., as I said, consumer sentiment in terms of mobility, in terms of travel bookings, in terms of travel with -- on the highways, in terms of eating out, is better than it was 12 to 16 months ago.

Gary P. Fayard

This is Gary. I want to come back, John Faucher, on your question. I want to correct one thing. In North America's share, I went back and looked at the numbers as we were looking at this. We gained value and volume share in total nonalcoholic beverages. We gained significant volume and value share in still. In sparkling, it was a slight loss of share. And the reason I said that we actually gained share is internally, as I was thinking about it, I was actually taking some pipeline, filling out. That's not the way you should look at it. So there was a slight loss of share.

Muhtar Kent

Thank you, Gary and Jackson. In closing, this quarter's results provide yet another proof point that our company and our system are on track to deliver our 2020 Vision. The tremendous opportunity we see ahead for our company in all of our markets remain intact. As always, we thank you for your interest and investment in our company. There is no greater responsibility than earning and maintaining your trust and your confidence. You can rest assured that our entire leadership team is working diligently to protect and grow the value of your investment in our company. Thank you for joining us this morning.