Operator

At this time, I would like to welcome everyone to the Coca-Cola Company's Fourth Quarter and Full Year 2010 Earnings Results Conference Call. [Operator Instructions] I would now like to introduce Jason (sic) [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 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 objective, and should be considered in conjunction with cautionary statements contained in our earnings release and in the company's most recent periodic SEC report. In addition, I would also like to note that we have posted schedules on our company website at www.thecocacolacompany.com, under the Reports and Financial Information tab in the Investors section, which reconcile 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 our discussing our financial performance to our results as reported under Generally Accepted Accounting Principles. Please look on our website for this information.

Now with that, I'll turn the call over to Muhtar.

Muhtar Kent

Thank you, Jackson, and good morning, everyone. I'm pleased to report that once again, the Coca-Cola Company delivered strong results this quarter and ended 2010 having realized another year of solid growth and success.

In 2010, we met or exceeded all of our long-term growth targets. And we achieved these results against a backdrop of an unbalanced global economic recovery and while completing our acquisition of CCE's North America business.

At the same time, we once more gained volume and value share in Global non-alcoholic beverages. We also gained global volume in both the sparkling and still ready-to-drink beverage categories. Together, with our global bottling partners, we are decisively executing our 2020 Vision and are advancing our momentum.

Our brands are stronger and healthier, fueled dynamically by our marketing and innovation. Brand Coca-Cola, the very oxygen of our business, grew 4% for both the quarter and the full year, the highest full year growth our wonderful flagship brand has achieved in over a decade. Our investments are rising as we keenly focused on expanding our profitable operations in a sustainable way across more than 200 markets where we do business today.

Our business in North America is growing again. We delivered positive organic volume growth for the full year in North America. This complements the rapid and successful work we're doing to integrate our North America business, all designed to bring greater growth, profitability and value to our flagship market. And today, our system is more aligned than it has been in a decade. In 2010, the first year of our 2020 Vision, we executed and performed as one closely coordinated global system. No question, the journey to our 2020 Vision is underway.

Turning now to our performance results. I'm happy to report that our volume growth grew a strong 6% in the quarter. Excluding the benefit of our new cross-licensed brands, primarily Dr. Pepper brands in North America, our quarterly volume growth was a strong 5%. This was fueled by organic volume growth in every one of our five geographic operating groups.

As for the full year, we also grew our global volume 5%, again ahead of our long-term growth target and delivered over $1 billion unit cases of incremental organic volume growth. That is more than the equivalent of adding another Japan to our business.

We increased fourth quarter net revenues 45% on a comparable currency neutral basis. For the full year, we grew comparable currency neutral net revenues 14% in line with our long-term growth target, even after excluding the benefit of structural changes, principally due to the CCE transaction and the benefit of new cross-licensed brand.

This quarter, we reported comparable earnings per share of $0.72, up 9% versus the prior year and at the high end of our long-term growth target. On a full year basis, we delivered comparable earnings per share growth of 14%, well ahead of our long-term growth target.

And our fourth quarter comparable currency neutral operating income growth was 10%. This brings our full year comparable currency neutral operating income to 11%, also above our long-term growth target. In fact, this is the fifth consecutive year we have either met or exceeded our long-term profit growth target.

These strong fourth quarter and full year 2010 performance results further strengthened the foundation of our business and provide us with great momentum as we embark on 2011, the second year of our journey to 2020.

Now let's review our performance results across our global markets in more detail beginning with North America, our flagship market. North America volume was up 8% this quarter, with organic volume growth of 3%, excluding the benefit of our new cross-licensed brands. This was North America's third consecutive quarter of positive organic growth. On a full year basis, our North America volume was up 2% and organic volume was up 1%, excluding again the benefit of our new cross-licensed brands.

The same time, this past quarter, we completed the acquisition of CCE's North America business on plan and on schedule. Today, we're very pleased to report that our new operating structure and our leadership teams are well in place, and that our integration efforts are proceeding exactly as planned.

Sparkling beverages in North America, excluding the benefit of our new cross-licensed brands, were up 1% in the quarter and even for the full year. Including the benefit of our cross-licensed brands, North America sparkling beverages were up 8% for the quarter and 1% for the full year. Importantly, North America grew sparkling volume and value share for the quarter and full year versus the total category, as well as versus our primary competitor. Trademark Coca-Cola in North America was up 1% in the quarter, led by Coke Zero, which delivered double-digit volume growth for the 19th consecutive quarter. Sprite had a third consecutive quarter of positive growth up 4% for the quarter and 2% for the full year. Fanta also delivered positive growth for the quarter and the full year.

We also extended the footprint of our innovative Coca-Cola Freestyle fountain dispensers. This game-changing innovation is now available in more than 400 locations across 20 U.S. markets, providing a greater choice of brands to our customers and our consumers. Plans for further expansion in 2011 are well on track with availability expected to reach more than 80 U.S. markets by the end of 2011. All of these developments reaffirm the fact that our system is executing the right strategies to sustainably drive growth across our entire North America sparkling beverage portfolio.

Turning to North America still beverages. I'm pleased to report a strong 7% increase for the quarter and 5% growth for the full year. We have now grown volume share for our still beverages for 12 of the past 14 quarters and value share for 13 of the last 14 quarters. Our North America Juices and Juice Drink business delivered positive full year growth of 2%. This was fueled by our Simply brand up double-digits for the full year.

In the North America Tea category, we saw 11% growth in the quarter and 12% for the full year, led by Gold Peak, which more than doubled its volume in 2010. Our glacéau brands grew 19% in the quarter, and our vitaminwater trademark growth up double digits was led by the further expansion of vitaminwater zero. In addition, smartwater delivered another quarter of strong double-digit growth.

POWERade was up a solid 20% in the quarter, outperforming the North America's sports drinks category and gaining share versus our primary competitor for the ninth consecutive quarter. For the full year, POWERade delivered strong 19% growth, including over 60% full year growth for POWERade Zero, our innovative zero calories sports drink.

These strong results in North America are a testament to our long-held belief that through strong marketing and focused execution, we can accelerate our leadership position within North America and drive profitable and sustainable growth in our flagship market.

Now let me turn to Eurasia and Africa. This operating group saw broad-based growth, up 14% in the fourth quarter and 12% for the full year. Once again, all nine business units in this operating group delivered positive volume growth. Importantly, brand Coca-Cola was up 12% for the quarter and up 10% for the full year, benefiting from our strategic investments across the entire region. This strong performance in Eurasia and Africa was led by Russia, up 31% this quarter and finishing the full year up 16%. We once again outperformed the market in Russia this quarter, led by the continued strong performance of our core sparkling brands. Brand Coca-Cola in Russia was up 37%, for the quarter and up 26% for the full year. This performance represents the largest ever single-year incremental volume growth for brand Coca-Cola in Russia. It is no surprise therefore that Coca-Cola was recently awarded the Best Soft Drink of the Year at Russia's Brand of the Year Award ceremony. As such, we believe we are ideally positioned to outperform our primary international competitor in Russia.

India, meanwhile, returned to double-digit growth, up 12% in the fourth quarter and 17% on a full year basis. This market has now achieved double-digit growth in nine of the last quarters. And India captured share growth across our sparkling and still portfolio in both the quarter and on a full year basis. This shows, demonstrates that India is delivering high-quality growth consistently across our entire portfolio rather than relying on select growth from any single category.

Sparkling beverage growth in India was led by trademark Coca-Cola and trademark Sprite, both up double digits in the quarter and for the full year. In fact, our brands now represents four of the top five sparkling brands in

India. And our still beverage growth in India benefited from the further expansion of our Maaza juice brand, up double digits in the quarter and for the full year.

We also grew double digits in both the quarter and the full year in Turkey, Southern Eurasia and the Middle East. As for performance in Africa, South Africa delivered 8% unit case volume growth for the quarter and 5% for the full year, building on our momentum coming out of last summer's FIFA World Cup activation program, as well as our ongoing in-market investments. We also saw double-digit growth in East and Central Africa and high single-digit growth in North and West Africa, providing a very strong and consistent finish to our full year performance throughout the African continent.

Moving to our Pacific Group, overall volume growth was up 1% in the fourth quarter, cycling 11% from the previous year, bringing our full year volume growth to 6%. These results were driven by a second consecutive quarter of positive growth for Japan, which was up 2% for the quarter and 3% for the full year. This growth in Japan was widespread across our beverage portfolio. Leading the way was Coca-Cola trademark, up 5% in Japan this quarter, a fourth consecutive quarter of positive growth. On a full year basis, Coca-Cola trademark was also up 5%, making this the fourth consecutive year Coca-Cola trademark has grown 3% or more in Japan. We are encouraged by the recent momentum in this highly profitable developed market. But having said that, we remain cautious about the current and ongoing economic challenges in Japan.

Turning to China. Our full year volume grew 6%, with fourth quarter volume down 3%. You will recall this quarter that we are cycling 29% volume growth from the prior year. As we indicated in our first quarter 2010 earnings call, it is not uncommon to see quarter-to-quarter volume swings in China. This is especially true between the fourth quarter and the first quarter of every year, given that fluctuating end of year trading activity, driven by the very timing of Chinese New Year. That said, our Sparkling Beverages and Juice and Juice Drinks captured volume and value share in China in the fourth quarter.

For the full year, 2010, we grew our business in China by over $100 million incremental unit cases, our seventh consecutive year of achieving this level of incremental unit case growth. And cumulatively over the last two years, we've expanded our volume in China by 24%, significantly widening the gap with our primary international competitor. Over the same two-year time period, our compounded annual growth rate in China was 11%, in line with our long term double-digit growth objectives for China.

This last quarter of 2010 marked a significant milestone for our business in China as Minute Maid Pulpy, a brand born and launched in China achieved $1 billion brand status in only five years. Minute Maid Pulpy is now our company's 14th billion-dollar brand. The rapid scalability of the Pulpy brand across 18 other markets is actually a testament to our systems' ability to rapidly adopt and scale brand innovation from any part of the world.

Looking ahead to 2011, we are adapting our in-market strategies to make sure that we keep building on our strong foundation and remain well positioned to win in China between now and 2020. As more remote areas of China experience accelerated economic growth, we are investing heavily to expand the scale of our distribution. In the fourth quarter of 2010 alone, we opened three new plants to further enhance our ability to serve China's growing consumer and customer base.

As the retail trade in the coastal regions further evolves from traditional local outlets to newer and larger channels, we're also investing heavily to grow in the hyper and supermarket channels. And as the Chinese consumer demands increasingly varied and sophisticated offerings, we are innovating and introducing a wider variety of packaged choices that will drive increased transactions and build brand equity.

Our team in China is executing all of these strategic actions to build greater brands across categories to drive strong and sustainable growth in this important market. As we've said before, the real measure of our success in China will be how we continue to seize growth opportunities in that region between now and 2020. While we may see some quarter-to-quarter fluctuations, we're confident that we have the right strategy, the right execution plans and the right capabilities in place today, and are better positioned than our competitors to deliver long-term sustainable double-digit growth in China.

Our positive full year results in Japan and China were further complemented by our performance across the region. For example, the Philippines, Thailand, Korea and Vietnam each grew double digits for the full year. These four specific countries combined grew well over $100 million incremental unit cases in 2010. This demonstrates the strength and value of our Pacific Group's broad geographic portfolio.

In addition, Brazil, Russia, India and China, commonly referred to as the BRIC nations, grew 10% as a whole for the full year. It is worth noting that these four BRIC countries represented over $400 million cases of incremental growth in 2010 or almost 40% of our company's total incremental volume growth for the year.

Moving now to Latin America. Volume grew a steady 5% for both the quarter and the full year. We also gained volume and value share in the total non-alcoholic ready-to-drink beverages, as well as sparkling and still beverages. This broad-based growth was led by brand Coca-Cola, up 4% for the quarter and 5% for the full year.

Brazil delivered strong results, with volume up 7% for the quarter and 11% for the year. This also marked the fourth consecutive quarter that Brazil has gained volume and value share in total non-alcoholic ready-to-drink beverages.

Mexico volume was up 8% for the quarter and 3% for the full year as weather conditions normalized from the previous quarter. Mexico has now gained non-alcoholic ready-to-drink beverage volume share from 15 of the last 16 quarters and value share for 16 consecutive quarters. Our South Latin business, which includes Argentina and Chile, delivered mid-single digit growth for both the quarter and the full year, rounding out another solid and consistent year for our Latin America operating group.

Moving to Europe, we saw positive growth in the quarter despite ongoing economic challenges. Volume was up 2% for the quarter and even for the full year. Our performance in sparkling beverages in Europe was led by trademark Coca-Cola up 2% for the quarter and 1% for the full year. Our still beverages in Europe were up 5% for the quarter, with tea up 9% and energy drinks up double digits.

France was up mid-single digits for both the quarter and the full year, making this the fifth consecutive year of positive growth in this key developed market. Additionally, trademark Coca-Cola was up 5% for the full year. Great Britain delivered low single-digit growth for both the quarter and the full year, supported by growth across both our sparkling and still beverage portfolios.

And while economic challenges remain across many parts of Europe, we're starting to see initial signs of recovery. In fact, several Central European countries including the Czech Republic and Slovakia, saw double-digit growth in the quarter, and others such as Romania, Switzerland, Austria, grew mid- to high-single digits in the quarter. And Germany closed the year up 1% its first full year of positive volume growth since 2007. Importantly, we gained volume and value share in Germany to both the quarter and the full year.

Now let's turn to an overview of our brands and their performance. As we've said before, we always place our brands first in all that we do across each and every one of the 206 countries around the globe. As a result for the total company, our sparkling beverages grew 3% in the quarter, excluding the benefit of new cross-licensed brands, with international sparkling beverage volume up 4%.

Coca-Cola Zero continues to be one of our fastest growing global sparkling beverages. Earlier, I referenced Coke Zero's uninterrupted string of success in North America. In fact, this momentum extends around the world with Coca-Cola Zero up 9% for the quarter and up 7% for the full year across our international markets. And in 2010, Fanta grew 4% for the quarter and 3% for the full year and became our company's third brand to surpass $2 billion annual unit case sales, along with Coca-Cola and Sprite.

We're also successfully expanding our global still beverage portfolio. Total worldwide still beverage unit case volume increased 9% in the quarter and 10% for the full year, led by the further expansion of our global Juice and Juice Drinks and Sports Drinks businesses. In 2010, we grew our overall Juice and Juice Drink business by double digits in the quarter and 9% for the full year. These results build on a very successful decade for our global Juice and Juice Drink business, which delivered a compounded annual growth rate of greater than 9% over the past decade.

Our global Sports Drink business registered a very strong result in 2010, up 14% for the full year. These results, driven by our global FIFA World Cup programs, were balanced across key geographies, including North America, Japan, Spain and Mexico.

We also saw ongoing success with the global expansion of vitaminwater with international sales nearly doubling in 2010. vitaminwater is now present in 20 international markets, with plans to launch into four new markets in the first quarter of 2011. This great momentum in our brand portfolio is further supported by a balanced customer-growth plans and our disciplined execution culture. For example, our full year results with our top 10 global retail customers saw high single-digit volume and revenue growth.

Our sales of immediate-consumption beverages grew 4% for the full year, driven by our focused in-store activation efforts and cold drink equipment expansion. In fact, as a global system, we placed over 1 million new pieces of cold drink equipment in 2010 with more than 1/3 of these placed in China, India and Brazil.

We're also focused on expanding our right execution daily for Red program. Red is our world class commercial process designed to improve execution at the output level. Our internal pilot studies show that bottlers implementing Red saw an average volume growth of more than 10% over the life of the pilot period. Today, operations representing nearly a quarter of our global volume utilize Red. And going forward, this program will be an area of increasing emphasis and growth for our system.

Our results across operations and with our customers around the world point to a well-aligned and focused global Coca-Cola system, vigorously and passionately executing a common set of strategies and delivering on our 2020 Vision.

One of the ways we established such a strong foundation in 2010 was through the innovative and world-class methods: We engage and connect with our consumers each and every single day. Last December for example, we accomplished our most ambitious social media project ever named Expedition 206. Over 365 days, three Coca-Cola Happiness Ambassadors, traveled more than 275,000 miles and visited 186 countries on a mission to seek out and document sources of happiness around the world. Our Happiness Ambassadors brought their adventure to life for fans and followers in real time across social networking sites, bringing millions of people together in a way that only a brand with Coca-Cola's global reach could hope to accomplish. One of the sites in which the story came to life was our Coca-Cola Facebook fan page, where we currently have over 22 million fans, making us the most popular consumer brand page on Facebook.

And to put this in perspective, 22 million Coca-Cola fans is roughly equivalent to the average viewership of American Idol, one of television's most popular programs. And our Facebook fan page is growing each and every week, with over 75% of our current fan base under the age of 25. This is another great example of how we are successfully engaging and building brand love with a whole new generation of consumers.

As we further build our business momentum across the world, we're also committed to building a better tomorrow. Last month, we announced that we are expanding our collaboration with International Federation of Red Cross and Red Crescent Societies, the world's largest humanitarian agency. Together, with our global bottling partners, we worked with the Red Cross and Red Crescent Societies in more than 50 countries. This partnership has helped provide disaster relief immediately after earthquakes in Haiti, Italy, China and Pakistan, droughts in Kenya, and more recently, flooding in Australia. We're proud to partner with this great organization to extend its worldwide reach. I'd like to invite all of you to visit our website to learn more about these and many other initiatives and programs we have in place to advance our sustainability goals and efforts.

2011 marks the 125th anniversary of Coca-Cola, a refreshing and affordable luxury available to consumers everywhere for just cents at a time. However, Coca-Cola's 125 journey is actually testament to our youth, not our age.

There's something special about our enterprise that is in a state of constant renewal and dynamic growth. As we begin the second year of our 2020 Vision, we do so from a position of real strength and real momentum.

We see opportunities ahead as exciting as those our predecessors must have seen 125 years ago, and we intend to capitalize on these opportunities by: first, investing further in our marketing, sales and infrastructure capabilities; secondly, by advancing our sustainability efforts to drive our business and extend our social license to operate everywhere; third, by embedding ourselves even further into our customers' growth strategies; and last but not least, by continuing to innovate across every aspect of our global enterprise.

Whether you've been a part of our journey for most of our 125-year history or a more recent investor, we sincerely thank you for your trust and confidence in our business. And as we look ahead to 2020 and beyond, we remain relevantly focused on advancing our global momentum to deliver long-term sustainable growth and value for you and all of our share owners.

So with that, let me just turn the call over to Gary. Thank you.

Gary Fayard

Thanks, Muhtar. Good morning, everyone. To recap Muhtar's earlier remarks, we once again delivered consistent quality volume, revenue and profit growth both in the fourth quarter and for the full year.

Our volume and profit results were in line with or exceeded our long-term growth targets for the fifth consecutive year, reaffirming that our global leadership teams across our system are executing the right strategic plans to achieve our 2020 Vision. Today, we will discuss our comparable currency neutral results for the fourth quarter and the full year. This is consistent with how we've historically communicated our results, as in our opinion, this provides a more complete picture of our underlying business performance.

That said, before going into the details of our financial highlights, we acknowledge that this quarter's comparable currency neutral results include significant structural changes principally related to our recent CCE transaction. For this reason, we're also providing the net impact of these structural changes to help you better understand our results and our performance in relation to our long-term growth targets.

To be clear, when we refer to the impact of structural items, these include: the acquisition of CCE's North American operations, new cross-licensed brands, principally Dr. Pepper, the sale of our Norway and Sweden bottlers, the elimination of CCE equity income and some other smaller structural items.

So let's start with our earnings results. As outlined in our release this morning, we reported comparable earnings per share for the quarter of $0.72, up 9% versus the prior year. As we shared during our December 2010 modeling call, excluding the impact of one-time items, we anticipated that our recent transaction with CCE would be slightly dilutive to our comparable fourth quarter 2010 results. Today, we confirm that our transaction with CCE was in fact diluted by $0.02 per share to our comparable fourth quarter 2010 results.

For the quarter, our comparable currency neutral net revenues were up 45%, driven by strong 6% increase in concentrate sales, 2% positive price mix and a 37% benefit from structural items. Our full year comparable currency neutral net revenues increased 14%. This growth was composed of a 5% increase in concentrate sales in line with unit case sales, 1% positive price mix and an 8% benefit from structural items. This 1% full year price mix result came in just slightly ahead of our full year outlook, sustaining a year-long trend of sequential improvement. This reflects the recent strength of our developed markets, which helped offset the impact of expected and ongoing geographic mix, given growth in our emerging and developing markets.

As for 2011, it would be reasonable to expect positive price mix results consistent with that as implied by our long-term growth targets.

We delivered consistent gross profit growth with our comparable currency neutral gross profit increasing 36% for the quarter and 14% for the full year, including a structural benefit of 28% in the quarter and 7% in the full year. It's important to note that all five of our geographic operating groups have positive comparable currency neutral gross margin growth for the full year. As for our comparable currency neutral operating income, this grew 10% for the quarter and 11% for the full year. This benefit from structural items was 3% in the quarter and 1% in the full year.

Currency had a 1% positive impact on operating income in the quarter and 3% positive impact in the full year, which results in comparable operating income growth of 11% for the quarter and 14% for the full year.

Comparable currency neutral cost of goods sold increased 60% in the quarter, primarily driven by 52% increase related to structural changes. Comparable currency neutral cost of goods sold increased 15% for the full year, reflecting a 12% increase related to structural changes, bringing our full year cost of goods result in line with outlook we provided in our last earnings call.

Our comparable currency neutral SG&A expenses increased 52% for the quarter, including a 45% impact related to structural items. These results were in line with our expectations and primarily driven by continued investment in our bottling operations, the timing of marketing expenses versus the prior year and higher payouts tied to performance in conjunction with our long-term incentive compensation programs.

For the full year, comparable currency neutral SG&A were up 16%, including a 12% impact related to structural items. With regards to operating expense leverage, please remember that we're referring to the point difference between our gross profit growth and our operating income growth of a comparable currency neutral basis, excluding the impact of structural items.

For the full year, comparable currency neutral operating expense leverage was in line with our expectations down three points, which includes an adverse six-point impact due to the impact of the structural items. Our healthy operating results across each and every one of our operating groups helped drive our cash flow from operations, up 16% to $9.5 billion.

For the full year 2010, we repurchased $3.1 billion in company stock, which is more than the $2 billion we indicated in our last earnings call. Given the performance of our stock in 2010, we experienced greater activity in our stock option programs at yearend; therefore, we ramped up our repurchases in response to that stock option activity. While many of you rightly decreased our year end share count in your models due to our previously announced share repurchase plans, this greater stock option program activity resulted in our share count, actually remaining almost constant at year end. This higher year end share count versus your modeled expectations equates to an earnings per share impact of between $0.01 and $0.02.

As for 2011, we expect to repurchase between $2 billion and $2.5 billion in stock over the course of the full year, and we'll update you on our progress during future quarterly earnings calls.

Now let me take a minute to follow-up on some of the items we called out during our December 2010 Modeling Conference Call. First, we referenced that in the fourth quarter of 2010, we would benefit from an estimated $5 billion, one-time, noncash gain related to the revaluing of our CCE shares at the closing date fair value. We can now confirm today that this benefit did indeed result in a one-time gain of approximately $5 billion. I'll remind you that this one-time gain does not impact comparable earnings results.

In our December 2010 call, we also mentioned that we would incur a transaction-related gross profit in inventory and fair value adjustment to our cost of goods in the fourth quarter based on our inventory levels at year end. And I can confirm that this adjustment impacted our fourth quarter results by $235 million.

Now let me provide some further updates on a few factors we see impacting our 2011 results. First, we expect to see some different phasing of revenue and gross profit capture in upcoming quarters. As we explained in our December call, prior to the transaction with CCE, revenue and profit related to the sale of our products was recognized when our concentrate shipped to CCE, which we reported as concentrate sales, or in the case of our finished goods product at the time, we shipped the finished goods to CCE. Now that we own the manufacturing and distribution assets to produce and sell these products, the revenue tied to their sale and therefore, their associated concentrate profit, is not recognized until they're sold as physical cases. For example, last year, most of our pre-Easter holiday concentrate sales to CCE were captured in our first quarter 2010 results. This year, most of our Easter holiday-related finished goods sales will likely follow in the second quarter 2011 results. And last year, most of our pre-July 4 holiday concentrate sales to CCE were captured in our second quarter 2010 results. This year, much of our July 4 holiday related finished goods sales will likely fall in the third quarter of 2011 results.

With regard to commodities, our recent acquisition of CCE's North American business has resulted in an adjustment to our company's overall cost structure, especially in North America. Today, approximately 35% of our total company's cost of goods is made up of both the raw material and conversion cost associated with the following four inputs: sweeteners, metals, juices and PET. As you would expect, the bulk of these cost reside within our North American and Bottling Investment Group businesses. We anticipate the underlying commodities related to these inputs will continue facing pressure and volatility in today's marketplace. As a result, we expect the full year 2011 impact of increased commodity cost on our total company results to range between $300 billion and $400 billion.

As per our comments during our December call, prior to the close of our transaction with CCE, we were precluded from hedging the exposures associated with these commodities. We are now actively hedging many of these commodity exposures, much like we traditionally have done with global currencies where we have a history of prudently managing exposure. In addition, it's important to note that many of our derivatives related to these commodity exposures do not qualify for hedge accounting under U.S. GAAP requirements, and therefore, we are required to recognize the unrealized change in fair value of the derivatives in our results. As such, our reported results now reflect any associated unrealized gains or losses related to these hedging activities.

In the fourth quarter of 2010, the unrealized gain related to our hedging activities for CCR commodity exposures that did not qualify for hedge accounting was $29 million. We have excluded this gain from our comparable fourth quarter 2010 earnings, even though including it would've improved our fourth quarter comparable earnings as we felt this was the right thing to do in order to provide you with a better understanding of our operating results.

We've called out this $29 million gain in our GAAP and non-GAAP schedules and we'll reflect these gains in future comparable earnings in the same period that we realize a corresponding change in value of the underlying exposure.

A related question some of you have asked with regards to the recent rise in commodity prices is the corresponding impact this may have on our 2011 pricing strategies. I can assure you that our long term pricing strategy remains unchanged. Simply said, our goal is to always provide consumers with the right product at the right time, in the right package and at the right price. In this way, we will keep driving sustainable volume and value growth in every market and category in which we compete.

Now let me provide an initial outlook on currencies, including the impact from our hedged positions and the cycling of our prior year rates. We expect currencies to have an even to slightly positive impact on operating income for the full year and in the first quarter of 2011. We will maintain our disciplined approach to SG&A expenses in 2011. Further, we reaffirm our commitment to capture between $140 million and $150 million of cost synergies related to our CCE transaction this year.

Further, we remain well on plan and on track to deliver $500 million in annual savings from our productivity initiatives by the end of this year. And while we continue to cycle the benefits of these ongoing productivity initiatives, we expect to capture positive operating expense leverage in 2011, consistent with what is implied by our long-term growth targets.

From a capital expenditure standpoint, and as I discussed during our December call, our annual capital expenditure needs will increase in 2011 as we incorporate CCE's former North American operations. As I also mentioned during our December 2010 call, we plan to make additional investments to further enhance our operational effectiveness, the net results of these North American specific expenditures will be an increase of approximately $1 billion to our 2011 capital expenditure program.

In addition, we plan to make further strategic investments in 2011, primarily related to expanding our production and sales capabilities within our Bottling Investments Group. As a result, we expect our 2011 capital expenditures to range between $3 billion and $3.2 billion.

Finally with regard to our tax rate, please note that the variances between our reported and underlying tax rates for both the fourth quarter and the full year was due to the impact of various items affecting comparability. The most significant of which was the $5 billion one-time, noncash gain related to the CCE transaction that I discussed earlier. Looking ahead to 2011, our current best estimate is that the full year underlying effective tax rate will range between $23.5% and 24.5 %.

Before I close my prepared remarks this morning, some of you have asked us to provide additional commentary regarding our long-term growth targets. First of all, we have always viewed these targets as multiyear or long-term targets. We run our business with an aim toward achieving the highest returns for our share owners over time. This philosophy has served us well in the past, and we believe is the right way to run a sustainable, productive and dynamic business. This however, does not mean that we do not closely monitor our quarterly results. As we manage our business quarter-to-quarter, our focus is much more on understanding and identifying short-term macroeconomic trends that may call for us to adjust our short-term tactics as we execute our long-term strategies. And while we often compare our annual performance results alongside our long-term growth targets, our most important consideration is ensuring that every year, we make the right long-term decisions to attain our goals, to achieve our 2020 Vision and beyond.

In closing, our strong 2010 performance results and our consistent belief in the solid fundamentals of this great business provide us with the confidence to reaffirm our company's long-term comparable currency neutral growth rate, which are and have been 3% to 4% volume growth, 5% to 6% revenue growth, 6% to 8% operating income growth and a high-single digits earnings per share growth.

Operator, we're now ready for questions.

Question-and-Answer Session

Operator

[Operator Instructions] Our first question today is from Bill Pecoriello with Consumer Edge Research.

William Pecoriello - Consumer Edge Research, LLC

Gary, I know you just had mentioned the long-term target. You delivered really strong 7% organic sales growth here against a tough compare, and that was despite China being down 3% and profit was ahead of the long-term targets. So looking out to 2011, should we expect this kind of growth to be sustained? Will you be disappointed if it wasn't? You mentioned some commodity pressure in investments in the past to 2020, but still looking at the type of growth you're delivering here, what gives you the confidence in sustaining it? And would you be disappointed if it wasn't held at this rate in 2011?

Muhtar Kent

Bill, let me just provide some context over that question first. This is Muhtar. I think what you need to sort of look at is what is driving that growth? And I think what's driving that growth is really, in still a somewhat mixed economy around the world, challenging economy around the world, is the alignment that we're executing with our bottlers, the alignment that we have to strengthen alignment, the investments that we've been making in our brands in our infrastructure over the past, not just the year but multiple years, the strength of the brands, the strength of the geographic portfolio, all of that is coming to the four, I think, in terms of what you're seeing. Now again, in terms of the world economy, Gary mentioned commodities. There's currency, also in terms of the challenge, inflation coming out of commodities, political issues, uncertainties in some parts of the world as we've seen recently, the incredible amount of cash just sitting on the sidelines, about $2 trillion just in the United States, generally still some lack of confidence. But at the same time, as I mentioned, in 2009, we saw a tremendously difficult environment in some parts like Russia, Eastern Europe. We see some signs of improvement in certain parts of the world, better than they've been in the past and many emerging markets continue to grow. And consumer confidence is good in many of the emerging markets. So I think as we execute our long-term strategy, as we build on our momentum, our strategy is working, and that's what you're seeing coming out with a 5% organic growth in our business for the full year. And again, north of $1 billion unit cases added to our business, which we feel good about in terms of what has been achieved in 2010. But we remain resolutely focused on our execution and continue to drive results with our bottling partners.

Operator

Our next question is from Carlos LaBoy with Credit Suisse.

Carlos LaBoy - Crédit Suisse AG

Muhtar, you're showing tremendous improvement here in your Bottler Investment Group territories. Can you comment on whether there is a new urgency coming into 2011? Or how high a priority there is to make you refranchise some of these territories as you look out over the next couple of years?

Muhtar Kent

As we've always said, Carlos, our intention is to ensure that we have a very strong, well-aligned franchise system operating on all cylinders across the world. We have tremendous belief in that, and as we see the great execution coming out of our Bottling Investment Group in all the markets that they are in, we will evaluate accordingly and even, I mentioned, even Germany coming out with growth for the first time in a number of years is a testament to that execution capability. And when the time is right, we will certainly find the right home and the right financial conditions for those markets that are operated currently, successfully by our Bottling Investment Group.

Operator

Our next question is from John Faucher with JPMorgan.

John Faucher - JP Morgan Chase & Co

I want to ask a question about the North American pricing. And you talked about, in your commentary, talking about doing the right thing for the long term with pricing. So let's focus a little bit more on the short term here. If I look at the pricing on the quarter, if you assume non-carb positive mix in North America, that would imply -- and plus concentrate pricing to the non-COBO bottlers, that would imply that bottle/can pricing was likely down a little bit in the quarter. So can you talk about your outlook for bottle/can pricing? How that's changed since you've taken over the CCE North American operations? And then Gary, just a little more color on the CapEx piece, your run rate on CapEx for 2011 will actually be sort of greater than your incoming trend plus all of CCE's CapEx. So can you highlight how much of that increase would you say is sort of CCE-related, and how much of that is sort of these additional opportunities that you mentioned?

Gary Fayard

Let me start with pricing. And in fact, if you get underneath it, in fact in North America, we did have positive pricing. We will have positive pricing in North America in 2011 as well. What we're trying to say is that basically, our pricing will be rational but it will also be pricing that's rational, not only in terms of competitors in the competitive marketplace, but also rational pricing in terms of the consumer. And there, we would much rather -- in rational, I mean, take -- let's say not react totally to, I hope, short term volatility in commodities, but take more consistent rational pricing over a period of time over a number of years, which we believe is the right thing for our customers, it's the right thing for our consumers and in fact, will return much greater value to us and actually to the beverage industry over a longer period of time. So we're being very rational about it, we will take that price, and we are increasing pricing in 2011 in North America. So I can confirm that directly. Relative to CapEx, the increase from -- in fact the CapEx, if you look at it, was about $2.2 billion in 2010. And we're talking about going to $3 billion to $3.2 billion in 2011. CCE North America, Legacy CCE North America was around $600 million, $650 million. There's a large piece of that increase then from, let's say, from $2.8 billion to $3 billion to $3.2 billion. A large part of that, more than half of it actually is incremental CapEx that is related to the integration efforts of CCE North American sales. It is -- a lot of it's IT of having rationalizing the various systems to get us all within North America on the same system. Those types of things -- so in fact, what I would expect you will see is over the next couple of years, those investments actually will peak over about two years or they'll start going back down. Then we do have some real opportunities to increase both production and sales execution in a lot of our work. BIG markets, which are growing rapidly as Muhtar talked about in his section. So we're continuing to increase there, as I say, both in production capacity as well as sales execution capability, cold drink equipment, et cetera in those markets to continue to invest in the long term. And then back to the question asked earlier by Carlos, over some period of time a lot of those bottlers will actually be refranchised. And you'd see CapEx go down again relative to that.

John Faucher - JP Morgan Chase & Co

You had said that pricing was positive in the quarter in North America, so that's implying that the mix was negative?

Gary Fayard

No actually what we're seeing is that actually price mix in North America, I think, was actually flat in the quarter. So you got some mix and everything going on within that, but talking about 2011, we are taking positive pricing.

John Faucher - JP Morgan Chase & Co

So it probably was down in the quarter, but should be up in 2011?

Gary Fayard

Yes.

Operator

Our next question was is from Kaumil Gajrawala with UBS.

Kaumil Gajrawala - UBS Investment Bank

A little bit more on pricing. As it relates to being rational, would you say you're taking pricing up enough to offset commodities based on your view of the consumer? Or is there some that you feel you need to absorb this year?

Gary Fayard

Number one -- thanks, Kaumil, if this was a pretty good year, I hate to ask you what a really good year would be. With that, I don't want to actually get into specifics of exactly what the pricing is because the pricing is not just straightforward. I can't just give you a percentage because what you've got is you've got different pricing by category of beverages. You also have different pricing by channel. You also have different packaging, particularly by package where you got different elasticities on different packages. And we're taking different amounts of pricing on each one of those, what we believe is the right thing to do for the market for customers, for consumers and for the company. So overall, we are pricing at a level that we think is the right thing to do long term, but we are not pricing at a level to say, "Okay, I have to make up for all of this commodity pressure because commodities go up, commodities go down." And I don't want you to then ask me the same question, "Are you taking your pricing down because commodity prices went down?" That's not what you do if, in fact, you're trying to continue to build a stronger and stronger brands over the long term, which is what we're into and not a quarter-by-quarter, "Oh my God, what did commodities do this quarter?"

Muhtar Kent

Kaumil, just one other point about pricing, but also about mix, which is important. We've seen signs, not fully out of the woods, but certainly signs of improvement in our Immediate Consumption business across the world. That business, of course, is higher revenue per unit case and also higher margin. And I think that you will see, I believe that as we move through 2011, that we will continue to see those signs, and therefore, mix will help us also in the way our business moves through 2011.

Gary Fayard

Kaumil, I'd add one other item as well. I think everything, pretty much we've been talking about on this subject is relative to North America. When you get outside of North America, you actually start getting into a different set of answers. Because in those, in many other markets, you've got very different market dynamics. You've got very different inflation rates, et cetera. And so you get into different answers and really is, you have to kind of go country-by-country specifically.

Operator

Our next question is from Mark Swartzberg with Stifel, Nicolaus.

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

Building on that notion of a good year, I was wondering if you could step back for us, Muhtar, maybe, Gary, you too, and talk a little bit about the incentive structures you see today inside of Coca-Cola and the incentive structures out there at your bottlers and things you have some influence over to try to build on the success you've had over these last couple of years, kind of promote that notion of constructive discontent? What tweaks do you think are being made, might be made, to incentive structures within Coke and then in your relationship with bottlers that will allow you to deliver on the opportunity you see for yourself over the next few years?

Muhtar Kent

First, just let me take the second piece first, the bottlers. I think what I'm very, I'm consciously pleased with the alignment we have with our bottlers. Obviously, there's always room for improvement, but we're really acting as a holistic, very coordinated system. And I think it's a really win-win approach. And we've always said, we cannot over the long term succeed unless our bottlers succeed in the marketplace. And I think that is the philosophy that permeates through the Coca-Cola organization across every single country where we operate, whether it's a single bottler, multiple bottlers, whether it's a mixture of BIG and franchise bottlers or pure franchise bottlers. So I think that is certainly something that we will guard and build on very, very carefully. In terms of incentive structures, simply said, Mark, I think what you're seeing is we are aligning more and more our incentive structures to our 2020 Vision. It's not about budgets, it's not about the numbers, it's all about achieving and surpassing our 2020 Vision. And that's what we're building, reconfiguring evolving our incentive structures to match the 2020 Vision requirements. And that's what you'll see us engaged in a very material way.

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

And can you share with us, Muhtar, as we think about North America specifically in 2020 and of course now, owning the bottler or most of your bottling ops [ph] here, how we might see some of those structures change over the near to intermediate term here in North America?

Muhtar Kent

All I can tell you is that on North America, Mark, I'm very pleased with our execution and also our integration both simultaneously. And so we have a new company with new people, new organization, a great passion to succeed in the marketplace. And as we continue to execute and continue to grow sustainably our business in North America, which we've always believed in and said, I've always said that, this should be viewed as a growth market. It’s got wonderful demographics, and it will have even better ones, better demographics as we move into the next decade. We will continue to work very diligently to make sure that the structure meets the needs for us to achieve our 2020 Vision, and we're working on that too. But I can't give you any further details.

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

If I could, this commodity topic, obviously a big topic, and some of this Q&A helpful. But if I could press a little bit more, when we think about that $300 million to $400 million number, it sounds like that is a net number, so to speak. It's net of the pricing you anticipate to take around the world and it's net of any offsetting mixed benefits. Is that a fair understanding of what you're portraying in that $300 million to $400 million number?

Gary Fayard

Mark, this is Gary. No actually, what I was giving you was actually the gross number. So the impact -- what we see today is that the gross impact to the company from commodities will be in that $300 million to $400 million range, again primarily North America and our Bottling Investments Group. That will be offset to the extent we have positive pricing, et cetera.

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

Lastly, as we -- I don't know, Muhtar, if we -- how difficult it is to generalize, but this rising commodity pictures is obviously not just a cost issue, it's a purchasing power issue. Can you perhaps just wax a bit here generally about markets where you're seeing it proving more challenging from a purchasing power standpoint and markets where you think it's a lot more manageable, vis-à-vis your ambitions for growth?

Muhtar Kent

We have not seen any -- it's too early to say what the results are and how all of this is going to evolve. And we have to see, obviously a lot of harvest coming up in the next few months, it will have a bearing. There's a lot of -- what you see around the world, there's a short-term and there's a long-term. Over the long-term, no question, demand going up in the world, middle class will continue to put pressure on commodity long term. Short term, there's different things happening that create what we see today, and they will be short term, and they can change. They can go either way. And short term, what are we seeing? Elimination of subsidies, vagaries of the weather, speculation, all of those coming together that's driving up some, creating some of the current situation. Now we haven't yet seen any of the major, any of the big social consequences that we saw two, three years ago because it's too early and also it's a different environment than it was back then. So I think our business is really built for these kind of times. As I said moments of pleasure a sense at a time, and I think that, that's the key. We're not selling big-ticket items and over 50% of what we sell is impulse. And as long as we execute well, we will continue to drive our results.

Operator

And our final question today is from Judy Hong with Goldman Sachs.

Judy Hong - Goldman Sachs Group Inc.

Muhtar, just on China, obviously, you had a pretty tough comp here, but the full year gross was also below what we've been seeing in that market historically. I'm just wondering if you can just talk about maybe whether you're seeing increased competitive pressure. Obviously Tingyi has been pretty aggressive in their growth strategies. You got Pepsi stepping up investments. Is the competitor pressure building in that market more than you anticipated? And some of the adaptation that you talked about to your in-market strategies, is that sort of a function of just a competitive landscape getting tougher?

Muhtar Kent

First, Judy, China is a long-term growth story. And we feel very good about our growth prospects in this market. If you look at last two years, compounded with generated double digits, we're also a multi-category player, being number one in two categories, sparkling and juice, and number three in water. And that we're twice the size of our -- more than twice the size of our primary international competitor. We've got the best distribution, best infrastructure in China. We opened just three very large modern plants in the last quarter of last year, and we believe that growth in China is not only to be measured in quarters. We were cycling 29%, which was a huge number from prior year. But it's about delivering consistent, sustainable double-digit growth over the long term, and I think we see great prospects in China. And if you look again over the last sort of two, three years, yes, the competitive environment is increasing in China. But I think we're well prepared with our brands, with our portfolio, with our infrastructure, with our partners to ensure that we can continue to win in China in that great market.

Judy Hong - Goldman Sachs Group Inc.

Gary, just on the buyback plans for 2011, just given how much cash you have on your balance sheet and how much cash you're generating, it just feels like $2 billion to $2.5 billion is very conservative. So I'm just wondering what is kind of holding the board back from committing to a higher buyback here?

Gary Fayard

Well first, the board hasn't met yet. The board meets next week. Number two, I think it's always prudent to start out the year in a kind of a conservative fashion. And as we go through the year and get into it, that's where we'll update you each quarter as we go through it. I think we just kind of see how we came out and how we're doing through the year, and we'll just update you as we go through.

Muhtar Kent

Thank you, Gary, and Jackson. Before we conclude our call, I'd just would like to remind you that Steve Cahillane, our President and Chief Executive Officer of Coca-Cola Refreshments will join me as we present at Cagney on Wednesday, February 23. We'll provide a further overview of how we're advancing our global momentum around the world, as well as here in North America. Both Gary and Sandy Douglas, our President of Coca-Cola North America, will also be in attendance at Cagney. In addition, Gary and Steve will also present at the upcoming CAGE Conference in London on Wednesday, March 30. We'll look forward to seeing many of you at these great 2011 investor and analyst events. And in closing, I'd like to say that we feel good about how the Coca-Cola Company is performing today and where we are headed tomorrow. We do see tremendous opportunities ahead in all of our global markets, and we remain intently focused on executing our key strategic priorities, all while generating long-term profitable growth for our system and sustainable rewards for our shareowners. Thank you for joining us this morning.