



## **Coca-Cola Annual Report 2012**

**Form 10-K (NYSE:KO)**

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549  
**FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the fiscal year ended December 31, 2011  
OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
For the transition period from to  
Commission File No. 001-02217

(Exact name of Registrant as specified in its charter)

<b>DELAWARE</b> (State or other jurisdiction of incorporation or organization)	<b>58-0628465</b> (IRS Employer Identification No.)
<b>One Coca-Cola Plaza</b> <b>Atlanta, Georgia</b> (Address of principal executive offices)	<b>30313</b> (Zip Code)

**Registrant's telephone number, including area code: (404) 676-2121**

**Securities registered pursuant to Section 12(b) of the Act:**

<u><b>Title of each class</b></u> COMMON STOCK, \$0.25 PAR VALUE	<u><b>Name of each exchange on which registered</b></u> NEW YORK STOCK EXCHANGE
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**Securities registered pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes  No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark if the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of the common equity held by non-affiliates of the Registrant (assuming for these purposes, but without conceding, that all executive officers and Directors are "affiliates" of the Registrant) as of July 1, 2011, the last business day of the Registrant's most recently completed second fiscal quarter, was \$148,385,503,727 (based on the closing sale price of the Registrant's Common Stock on that date as reported on the New York Stock Exchange).

The number of shares outstanding of the Registrant's Common Stock as of February 20, 2012, was 2,263,204,221.

**DOCUMENTS INCORPORATED BY REFERENCE**

**Portions of the Company's Proxy Statement for the Annual Meeting of Shareowners to be held on April 25, 2012, are incorporated by reference in Part III.**

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## FORWARD-LOOKING STATEMENTS

*This report contains information that may constitute "forward-looking statements." Generally, the words "believe," "expect," "intend," "estimate," "anticipate," "project," "will" and similar expressions identify forward-looking statements, which generally are not historical in nature. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future — including statements relating to volume growth, share of sales and earnings per share growth, and statements expressing general views about future operating results — are forward-looking statements. Management believes that these forward-looking statements are reasonable as and when made. However, caution should be taken not to place undue reliance on any such forward-looking statements because such statements speak only as of the date when made. Our Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our Company's historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described in Part I, "Item 1A. Risk Factors" and elsewhere in this report and those described from time to time in our future reports filed with the Securities and Exchange Commission.*

## PART I

### ITEM 1. BUSINESS

In this report, the terms "The Coca-Cola Company," "Company," "we," "us" and "our" mean The Coca-Cola Company and all entities included in our consolidated financial statements.

#### General

The Coca-Cola Company is the world's largest beverage company. We own or license and market more than 500 nonalcoholic beverage brands, primarily sparkling beverages but also a variety of still beverages such as waters, enhanced waters, juices and juice drinks, ready-to-drink teas and coffees, and energy and sports drinks. We own and market four of the world's top five nonalcoholic sparkling beverage brands: Coca-Cola, Diet Coke, Fanta and Sprite. Finished beverage products bearing our trademarks, sold in the United States since 1886, are now sold in more than 200 countries.

We make our branded beverage products available to consumers throughout the world through our network of Company-owned or controlled bottling and distribution operations as well as independently owned bottling partners, distributors, wholesalers and retailers — the world's largest beverage distribution system. Of the approximately 56 billion beverage servings of all types consumed worldwide every day, beverages bearing trademarks owned by or licensed to us account for more than 1.7 billion.

We believe that our success depends on our ability to connect with consumers by providing them with a wide variety of options to meet their desires, needs and lifestyle choices. Our success further depends on the ability of our people to execute effectively, every day.

Our goal is to use our Company's assets — our brands, financial strength, unrivaled distribution system, global reach and the talent and strong commitment of our management and associates — to become more competitive and to accelerate growth in a manner that creates value for our shareowners.

We were incorporated in September 1919 under the laws of the State of Delaware and succeeded to the business of a Georgia corporation with the same name that had been organized in 1892.

#### Acquisition of Coca-Cola Enterprises Inc.'s North American Business and Related Transactions

On October 2, 2010, we acquired the North American business of Coca-Cola Enterprises Inc. ("CCE"), one of our major bottlers, consisting of CCE's production, sales and distribution operations in the United States, Canada, the British Virgin Islands, the United States Virgin Islands and the Cayman Islands, and a substantial majority of CCE's corporate segment. CCE shareowners other than the Company exchanged their CCE common stock for common stock in a new entity named Coca-Cola Enterprises, Inc. ("New CCE"), which after the closing of the transaction continued to hold the European operations that had been held by CCE prior to the acquisition. The Company does not have any ownership interest in New CCE. Upon completion of the CCE transaction, we combined the management of the acquired North American business with the management of our existing foodservice business; Minute Maid and Odwalla juice businesses; North America supply chain operations; and Company-owned bottling operations in Philadelphia, Pennsylvania, into a unified bottling and customer service organization called Coca-Cola Refreshments ("CCR"). In addition, we reshaped our remaining Coca-Cola North America ("CCNA") operations into an organization that primarily provides franchise leadership and consumer marketing and innovation for the North American market. As a result of the transaction and related reorganization, our North American businesses operate as aligned and agile organizations with distinct capabilities, responsibilities and strengths.

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In contemplation of the closing of our acquisition of CCE's North American business, we reached an agreement with Dr Pepper Snapple Group, Inc. ("DPS") to distribute certain DPS brands in territories where DPS brands had been distributed by CCE prior to the CCE transaction. Under the terms of our agreement with DPS, concurrently with the closing of the CCE transaction, we entered into license agreements with DPS to distribute Dr Pepper trademark brands in the U.S., Canada Dry in the Northeast U.S., and Canada Dry and C' Plus in Canada, and we made a net one-time cash payment of \$715 million to DPS. Under the license agreements, the Company agreed to meet certain performance obligations to distribute DPS products in retail and foodservice accounts and vending machines. The license agreements have initial terms of 20 years, with automatic 20-year renewal periods unless otherwise terminated under the terms of the agreements. The license agreements replaced agreements between DPS and CCE existing immediately prior to the completion of the CCE transaction. In addition, we entered into an agreement with DPS to include Dr Pepper and Diet Dr Pepper in our Coca-Cola Freestyle fountain dispensers in certain outlets throughout the United States. The Coca-Cola Freestyle agreement has a term of 20 years.

On October 2, 2010, we sold all of our ownership interests in Coca-Cola Drikker AS (the "Norwegian bottling operation") and Coca-Cola Drycker Sverige AB (the "Swedish bottling operation") to New CCE for \$0.9 billion in cash. In addition, in connection with the acquisition of CCE's North American business, we granted to New CCE the right to negotiate the acquisition of our majority interest in our German bottler at any time from 18 to 39 months after February 25, 2010, at the then current fair value and subject to terms and conditions as mutually agreed.

### **Operating Segments**

The Company's operating structure is the basis for our internal financial reporting. As of December 31, 2011, our operating structure included the following operating segments, the first six of which are sometimes referred to as "operating groups" or "groups":

- Eurasia and Africa
- Europe
- Latin America
- North America
- Pacific
- Bottling Investments
- Corporate

Our North America operating segment includes the CCE North American business we acquired on October 2, 2010. Except to the extent that differences among operating segments are material to an understanding of our business taken as a whole, the description of our business in this report is presented on a consolidated basis.

For financial information about our operating segments and geographic areas, refer to Note 19 of Notes to Consolidated Financial Statements set forth in Part II, "Item 8. Financial Statements and Supplementary Data" of this report, incorporated herein by reference. For certain risks attendant to our non-U.S. operations, refer to "Item 1A. Risk Factors" below.

### **Products and Brands**

As used in this report:

- "concentrates" means flavoring ingredients and, depending on the product, sweeteners used to prepare syrups or finished beverages, and includes powders for purified water products such as Dasani;
  - "syrups" means beverage ingredients produced by combining concentrates and, depending on the product, sweeteners and added water;
  - "fountain syrups" means syrups that are sold to fountain retailers, such as restaurants and convenience stores, which use dispensing equipment to mix the syrups with sparkling or still water at the time of purchase to produce finished beverages that are served in cups or glasses for immediate consumption;
  - "sparkling beverages" means nonalcoholic ready-to-drink beverages with carbonation, including carbonated energy drinks and carbonated waters and flavored waters;
  - "still beverages" means nonalcoholic beverages without carbonation, including noncarbonated waters, flavored waters and enhanced waters, noncarbonated energy drinks, juices and juice drinks, ready-to-drink teas and coffees, and sports drinks;
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- "Company Trademark Beverages" means beverages bearing our trademarks and certain other beverage products bearing trademarks licensed to us by third parties for which we provide marketing support and from the sale of which we derive economic benefit; and
- "Trademark Coca-Cola Beverages" or "Trademark Coca-Cola" means beverages bearing the trademark Coca-Cola or any trademark that includes Coca-Cola or Coke (that is, Coca-Cola, Diet Coke and Coca-Cola Zero and all their variations and line extensions, including Coca-Cola Light, caffeine free Diet Coke, Cherry Coke, etc.). Likewise, when we use the capitalized word "Trademark" together with the name of one of our other beverage products (such as "Trademark Fanta," "Trademark Sprite" or "Trademark Simply"), we mean beverages bearing the indicated trademark (that is, Fanta, Sprite or Simply, respectively) and all its variations and line extensions (such that "Trademark Fanta" includes Fanta Orange, Fanta Zero Orange and Fanta Apple; "Trademark Sprite" includes Sprite, Diet Sprite, Sprite Zero and Sprite Light; and "Trademark Simply" includes Simply Orange, Simply Apple and Simply Grapefruit).

Our Company markets, manufactures and sells:

- beverage concentrates, sometimes referred to as "beverage bases," and syrups, including fountain syrups (we refer to this part of our business as our "concentrate business" or "concentrate operations"); and
- finished sparkling and still beverages (we refer to this part of our business as our "finished products business" or "finished products operations").

Generally, finished products operations generate higher net operating revenues but lower gross profit margins than concentrate operations.

In our concentrate operations, we typically generate net operating revenues by selling concentrates and syrups to authorized bottling and canning operations (to which we typically refer as our "bottlers" or our "bottling partners"). Our bottling partners either combine the concentrates with sweeteners (depending on the product), still water and/or sparkling water, or combine the syrups with sparkling water to produce finished beverages. The finished beverages are packaged in authorized containers bearing our trademarks or trademarks licensed to us — such as cans and refillable and nonrefillable glass and plastic bottles — and are then sold to retailers directly or, in some cases, through wholesalers or other bottlers. Outside the United States, we also sell concentrates for fountain beverages to our bottling partners who are typically authorized to manufacture fountain syrups, which they sell to fountain retailers such as restaurants and convenience stores which use the fountain syrups to produce beverages for immediate consumption, or to fountain wholesalers who in turn sell and distribute the fountain syrups to fountain retailers.

Our finished products operations consist primarily of the production, sales and distribution operations managed by CCR and our Company-owned or controlled bottling and distribution operations. CCR is included in our North America operating segment, and our Company-owned or controlled bottling and distribution operations are included in our Bottling Investments operating segment. Our finished products operations generate net operating revenues by selling sparkling beverages and a variety of still beverages, such as juices and juice drinks, energy and sports drinks, ready-to-drink teas and coffees, and certain water products, to retailers or to distributors, wholesalers and bottling partners who distribute them to retailers. In addition, in the United States, we manufacture fountain syrups and sell them to fountain retailers, such as restaurants and convenience stores who use the fountain syrups to produce beverages for immediate consumption, or to authorized fountain wholesalers or bottling partners who resell the fountain syrups to fountain retailers. In the United States, we authorize wholesalers to resell our fountain syrups through nonexclusive appointments that neither restrict us in setting the prices at which we sell fountain syrups to the wholesalers nor restrict the territories in which the wholesalers may resell in the United States.

For information about net operating revenues and unit case volume related to our concentrate operations and finished products operations, respectively, refer to the heading "Our Business — General" in Part II, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this report, which is incorporated herein by reference.

Most of our branded beverage products, particularly outside of North America, are manufactured, sold and distributed by independently owned and managed bottling partners. However, from time to time we acquire or take control of bottling or canning operations, often in underperforming markets where we believe we can use our resources and expertise to improve performance. Owning such a controlling interest enables us to compensate for limited local resources; help focus the bottler's sales and marketing programs; assist in the development of the bottler's business and information systems; and establish an appropriate capital structure for the bottler. The Company-owned or controlled bottling operations, other than those managed by CCR, are included in our Bottling Investments group.

In line with our long-term bottling strategy, we may periodically consider options for reducing our ownership interest in a Bottling Investments group bottler. One such option is to combine our bottling interests with the bottling interests of others to form strategic business alliances. Another option is to sell our interest in a bottling operation to one of our other bottling

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partners in which we have an equity method investment. In both of these situations, our Company continues to participate in the bottler's results of operations through our share of the strategic business alliance's or equity method investee's earnings or losses.

The following table sets forth our most significant brands in each of our major beverage categories:

SPARKLING BEVERAGES*		STILL BEVERAGES*		
Core Sparkling	Energy Drinks†	Juices and Juice Drinks	Coffees and Teas	Waters
Coca-Cola	Burn	Minute Maid <sup>1</sup>	Nestea teas <sup>2</sup>	Ciel <sup>1</sup>
Sprite	Nos <sup>4</sup>	Minute Maid Pulpy	Georgia coffees <sup>3</sup>	Dasani <sup>1</sup>
Fanta <sup>5</sup>	Real Gold <sup>3</sup>	Del Valle <sup>9</sup>	Leão / Matte Leão teas <sup>7</sup>	Ice Dew <sup>8</sup>
Diet Coke / Coca-Cola Light		Simply <sup>4</sup>	Sokenbicha teas <sup>3</sup>	Bonaqua / Bonaqa <sup>1</sup>
Coca-Cola Zero		Hi-C	Dogadan teas <sup>10</sup>	Kinley <sup>11</sup>
Schweppes <sup>12</sup>		Dobriy <sup>6</sup>	Ayataka teas <sup>3</sup>	
Thums Up <sup>13</sup>		Cappy <sup>1</sup>		
Fresca				
Inca Kola <sup>15</sup>		<b>Other Still Beverages</b>		<b>Sports Drinks</b>
Lift		glacéau vitaminwater		Powerade <sup>1</sup>
Barq's <sup>4</sup>		Fuze <sup>4</sup>		Aquarius <sup>14</sup>

\* Includes, for each brand, all flavor variations and line extensions. Unless otherwise indicated in a footnote below, products under the brands are sold in markets across two or more geographic operating groups.

† In some markets, certain of our energy drink products are still beverages.

<sup>1</sup> In some markets, certain products sold under this brand are sparkling beverages.

<sup>2</sup> Nestea products are distributed in the United States under a sublicense from a subsidiary of Nestlé S.A. ("Nestlé"), and in various other markets worldwide through Beverage Partners Worldwide ("BPW"), the Company's joint venture with Nestlé. The Nestea trademark is owned by Société des Produits Nestlé S.A. In January 2012, the Company and Nestlé announced that they are refocusing BPW on markets in Europe and Canada. In Taiwan and Hong Kong, the Company will enter into a license agreement with Nestlé for Nestea. In all other territories, the joint venture will be phased out by the end of 2012. In addition, the sublicense agreement for Nestea in the United States will terminate at the end of 2012. In some markets, certain Nestea products are sparkling beverages.

<sup>3</sup> Sold primarily in Japan.

<sup>4</sup> Sold primarily in North America.

<sup>5</sup> In some markets, certain Fanta products are still beverages.

<sup>6</sup> Dobriy juice products are manufactured, marketed and sold primarily in Russia, Ukraine and Belarus by Multon, a Russian juice business operated as a joint venture with Coca-Cola Hellenic Bottling Company S.A. Certain products sold under this brand are sparkling beverages.

<sup>7</sup> The Company manufactures, markets and sells Leão / Matte Leão teas in Brazil through a joint venture with our bottling partners.

<sup>8</sup> Sold in China.

<sup>9</sup> The Company manufactures, markets and sells juices and juice drinks under the Del Valle trademark through joint ventures with our bottling partners in Mexico and Brazil.

<sup>10</sup> Sold in Turkey.

<sup>11</sup> Kinley is also a sparkling beverage in certain countries.

<sup>12</sup> The Schweppes brand is owned by the Company in some countries (excluding the U.S., among others). In some markets, certain Schweppes products are still beverages.

<sup>13</sup> Sold primarily in India.

<sup>14</sup> In some markets, we offer water products or sparkling beverages in addition to sports drinks under the brand Aquarius.

<sup>15</sup> Sold primarily in Latin America (Chile, Ecuador and Peru).

Consumer demand determines the optimal menu of Company product offerings. Consumer demand can vary from one locale to another and can change over time within a single locale. Employing our business strategy, and with special focus on core brands, our Company seeks to build its existing brands and, at the same time, to broaden its historical family of brands, products and services in order to create and satisfy consumer demand locale by locale.

During 2011, our Company introduced a variety of new brands, brand extensions and new beverage products. The Latin America group launched Frugos Sabores Caseros, a juice nectar targeted to capture the homemade juice category, in Peru, and leveraged its existing portfolio through search and reapply initiatives such as Powerade ION4, glacéau smartwater, Del Valle Limon & Nada and Burn, an energy drink. In the Pacific group, Fanta, a fruit-flavored sparkling beverage, was relaunched in Singapore and Malaysia after a significant period of absence from those markets; Real Leaf, a green tea-based beverage, extended its footprint with launches of two varieties in Vietnam; and in South Korea we introduced three flavor variants of the Georgia Emerald Mountain Blend ready-to-drink coffee beverage and Burn Intense, an energy drink. The Europe group saw the launch of Powerade ION4 in Denmark, Norway, Sweden and France, with France also launching Powerade Zero. In the Eurasia and Africa group, Turkey saw the launch of Cappy Pulpy, and India launched Fanta Powder, an orange-flavored powder formulation. Schweppes Novida, a sparkling malt drink, was launched in Kenya and Uganda; and in Uganda we also launched Coca-Cola Zero. In Egypt, we launched Cappy Fruitbite, the Company's first juice drink with real fruit pieces in that market, and Schweppes Gold, a sparkling flavored malt drink. In addition, in Ghana, we launched Schweppes Malt, a dark malt drink.

In furtherance of our commitments to sustainability and innovation, our PlantBottle technology, which allows us to replace 100 percent petroleum-based PET plastic with PET plastic that contains up to 30 percent material derived from plants, is becoming more widely used around the world. By the end of 2011, PlantBottle packaging was available in 20 countries, and nearly 10 billion PlantBottle packages had been shipped. Also in 2011, the availability of our Coca-Cola Freestyle fountain dispenser expanded in the United States to over 2,000 locations in 44 states. In addition, we added 19 beverages to bring the number of regular and low-calorie beverage choices available on Coca-Cola Freestyle to 125 in honor of the Company's 125<sup>th</sup> anniversary.

We measure the volume of Company beverage products sold in two ways: (1) unit cases of finished products and (2) concentrate sales. As used in this report, "unit case" means a unit of measurement equal to 192 U.S. fluid ounces of finished beverage (24 eight-ounce servings); and "unit case volume" means the number of unit cases (or unit case equivalents) of Company beverage products directly or indirectly sold by the Company and its bottling partners (the "Coca-Cola system") to customers. Unit case volume primarily consists of beverage products bearing Company trademarks. Also included in unit case volume are certain products licensed to, or distributed by, our Company, and brands owned by Coca-Cola system bottlers for which our Company provides marketing support and from the sale of which we derive economic benefit. In addition, unit case volume includes sales by joint ventures in which the Company has an equity interest. We believe unit case volume is one of the measures of the underlying strength of the Coca-Cola system because it measures trends at the consumer level. The unit case volume numbers used in this report are derived based on estimates received by the Company from its bottling partners and distributors. Concentrate sales volume represents the amount of concentrates and syrups (in all cases expressed in equivalent unit cases) sold by, or used in finished beverages sold by, the Company to its bottling partners or other customers. Unit case volume and concentrate sales volume growth rates are not necessarily equal during any given period. Factors such as seasonality, bottlers' inventory practices, supply point changes, timing of price increases, new product introductions and changes in product mix can impact unit case volume and concentrate sales volume and can create differences between unit case volume and concentrate sales volume growth rates. In addition to the items mentioned above, the impact of unit case volume from certain joint ventures, in which the Company has an equity interest, but to which the Company does not sell concentrates or syrups, may give rise to differences between unit case volume and concentrate sales volume growth rates.

#### **Distribution System and Bottler's Agreements**

We make our branded beverage products available to consumers in more than 200 countries through our network of Company-owned or controlled bottling and distribution operations as well as independently owned bottling partners, distributors, wholesalers and retailers — the world's largest beverage distribution system. Consumers enjoy finished beverage products bearing our trademarks at a rate of more than 1.7 billion servings each day. We continue to expand our marketing presence and increase our unit case volume in developed, developing and emerging markets. Our strong and stable system helps us to capture growth by manufacturing, distributing and marketing existing, enhanced and new innovative products to our consumers throughout the world.

The Coca-Cola system sold approximately 26.7 billion, 25.5 billion and 24.4 billion unit cases of our products in 2011, 2010 and 2009, respectively. Sparkling beverages represented approximately 75 percent, 76 percent and 77 percent of our worldwide unit case volume for 2011, 2010 and 2009, respectively. Trademark Coca-Cola Beverages accounted for approximately 49 percent, 50 percent and 51 percent of our worldwide unit case volume for 2011, 2010 and 2009, respectively.

In 2011, unit case volume in the United States ("U.S. unit case volume") represented approximately 20 percent of the Company's worldwide unit case volume. Of the U.S. unit case volume for 2011, approximately 70 percent was attributable to sparkling beverages and approximately 30 percent to still beverages. Trademark Coca-Cola Beverages accounted for approximately 49 percent of U.S. unit case volume for 2011.

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Unit case volume outside the United States represented approximately 80 percent of the Company's worldwide unit case volume for 2011. The countries outside the United States in which our unit case volumes were the largest in 2011 were Mexico, China, Brazil and Japan, which together accounted for approximately 31 percent of our worldwide unit case volume. Of the non-U.S. unit case volume for 2011, approximately 77 percent was attributable to sparkling beverages and approximately 23 percent to still beverages. Trademark Coca-Cola Beverages accounted for approximately 49 percent of non-U.S. unit case volume for 2011.

In our concentrate operations, we typically sell concentrates and syrups to our bottling partners, who use the concentrate to manufacture finished products which they sell to distributors and other customers. Separate contracts ("Bottler's Agreements") exist between our Company and each of our bottling partners regarding the manufacture and sale of Company products. Subject to specified terms and conditions and certain variations, the Bottler's Agreements generally authorize the bottlers to prepare specified Company Trademark Beverages, to package the same in authorized containers, and to distribute and sell the same in (but, subject to applicable local law, generally only in) an identified territory. The bottler is obligated to purchase its entire requirement of concentrates or syrups for the designated Company Trademark Beverages from the Company or Company-authorized suppliers. We typically agree to refrain from selling or distributing, or from authorizing third parties to sell or distribute, the designated Company Trademark Beverages throughout the identified territory in the particular authorized containers; however, we typically reserve for ourselves or our designee the right (1) to prepare and package such beverages in such containers in the territory for sale outside the territory, and (2) to prepare, package, distribute and sell such beverages in the territory in any other manner or form. Territorial restrictions on bottlers vary in some cases in accordance with local law.

Being a bottler does not create a legal partnership or joint venture between us and our bottlers. Our bottlers are independent contractors and are not our agents.

While, as described below, under most of our Bottler's Agreements we generally have complete flexibility to determine the price and other terms of sale of the concentrates and syrups we sell to our bottlers, as a practical matter, our Company's ability to exercise its contractual flexibility to determine the price and other terms of sale of its syrups, concentrates and finished beverages is subject, both outside and within the United States, to competitive market conditions.

#### ***Bottler's Agreements Outside the United States***

The Bottler's Agreements between us and our authorized bottlers outside the United States generally are of stated duration, subject in some cases to possible extensions or renewals of the term of the contract. Generally, these contracts are subject to termination by the Company following the occurrence of certain designated events. These events include defined events of default and certain changes in ownership or control of the bottler.

In certain parts of the world outside the United States, we have not granted comprehensive beverage production rights to the bottlers. In such instances, we or our authorized suppliers sell Company Trademark Beverages to the bottlers for sale and distribution throughout the designated territory, often on a nonexclusive basis. Most of the Bottler's Agreements in force between us and bottlers outside the United States authorize the bottlers to manufacture and distribute fountain syrups, usually on a nonexclusive basis.

Our Company generally has complete flexibility to determine the price and other terms of sale of the concentrates and syrups we sell to bottlers outside the United States. In some instances, however, we have agreed or may in the future agree with a bottler with respect to concentrate pricing on a prospective basis for specified time periods. In some markets, in an effort to allow our Company and our bottling partners to grow together through shared value, aligned incentives and the flexibility necessary to meet consumers' always changing needs and tastes, we worked with our bottling partners to develop and implement an incidence-based pricing model for sparkling and still beverages. Under this model, the concentrate price we charge is impacted by a number of factors, including, but not limited to, bottler pricing, the channels in which the finished products are sold and package mix. Outside the United States, in most cases, we have no obligation to provide marketing support to the bottlers. Nevertheless, we may, at our discretion, contribute toward bottler expenditures for advertising and marketing. We may also elect to undertake independent or cooperative advertising and marketing activities.

#### ***Bottler's Agreements Within the United States***

During the year ended December 31, 2011, CCR, our bottling and customer service organization for North America, manufactured, sold and distributed approximately 87 percent of our unit case volume in the United States. The discussion below regarding the terms of Bottler's Agreements and other contracts relates to Bottler's Agreements and contracts for territories in the United States that are not covered by CCR.

In the United States, with certain very limited exceptions, the Bottler's Agreements for Trademark Coca-Cola Beverages and other cola-flavored beverages have no stated expiration date. Our standard contracts for other sparkling beverage flavors and for still beverages are of stated duration, subject to bottler renewal rights. The Bottler's Agreements in the United States are

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subject to termination by the Company for nonperformance or upon the occurrence of certain defined events of default that may vary from contract to contract.

Under the terms of the Bottler's Agreements, bottlers in the United States are authorized to manufacture and distribute Company Trademark Beverages in bottles and cans. However, these bottlers generally are not authorized to manufacture fountain syrups. Rather, in the United States, our Company manufactures and sells fountain syrups to authorized fountain wholesalers (including certain authorized bottlers) and some fountain retailers. These wholesalers in turn sell the syrups or deliver them on our behalf to restaurants and other retailers.

Certain of the Bottler's Agreements for cola-flavored sparkling beverages in effect in the United States give us complete flexibility to determine the price and other terms of sale of concentrates and syrups for Company Trademark Beverages. In some instances, we have agreed or may in the future agree with a bottler with respect to concentrate pricing on a prospective basis for specified time periods. Certain Bottler's Agreements, entered into prior to 1987, provide for concentrates or syrups for certain Trademark Coca-Cola Beverages and other cola-flavored Company Trademark Beverages to be priced pursuant to a stated formula. Bottlers that accounted for approximately 3.7 percent of total unit case volume in the United States in 2011 have contracts for certain Trademark Coca-Cola Beverages and other cola-flavored Company Trademark Beverages with pricing formulas that generally provide for a baseline price. This baseline price may be adjusted periodically by the Company, up to a maximum indexed ceiling price, and is adjusted quarterly based upon changes in certain sugar or sweetener prices, as applicable. Bottlers that accounted for approximately 0.1 percent of total unit case volume in the United States in 2011 operate under our oldest form of contract, which provides for a fixed price for Coca-Cola syrup used in bottles and cans. This price is subject to quarterly adjustments to reflect changes in the quoted price of sugar.

We have standard contracts with bottlers in the United States for the sale of concentrates and syrups for non-cola-flavored sparkling beverages and certain still beverages in bottles and cans, and, in certain cases, for the sale of finished still beverages in bottles and cans. All of these standard contracts give the Company complete flexibility to determine the price and other terms of sale.

In an effort to allow our Company and our bottling partners to grow together through shared value, aligned incentives and the flexibility necessary to meet consumers' always changing needs and tastes, we worked with bottling partners that produce and distribute most of our non-CCR unit case volume in the United States to develop and implement an incidence-based pricing model, primarily for sparkling beverages. Under this model, the concentrate price we charge is impacted by a number of factors, including, but not limited to, bottler pricing, the channels in which the finished products are sold and package mix. We expect to use an incidence-based pricing model in 2012 with bottlers that produce and distribute most of our non-CCR unit case volume in the United States.

Under most of our Bottler's Agreements and other standard beverage contracts with bottlers in the United States, our Company has no obligation to participate with bottlers in expenditures for advertising and marketing. Nevertheless, at our discretion, we may contribute toward such expenditures and undertake independent or cooperative advertising and marketing activities. Some U.S. Bottler's Agreements entered into prior to 1987 impose certain marketing obligations on us with respect to certain Company Trademark Beverages.

#### ***Promotions and Marketing Programs***

In addition to conducting our own independent advertising and marketing activities, we may provide promotional and marketing services or funds to our bottlers. In most cases, we do this on a discretionary basis under the terms of commitment letters or agreements, even though we are not obligated to do so under the terms of the bottling or distribution agreements between our Company and the bottlers. Also, on a discretionary basis in most cases, our Company may develop and introduce new products, packages and equipment to assist its bottlers. Likewise, in many instances, we provide promotional and marketing services and/or funds and/or dispensing equipment and repair services to fountain and bottle/can retailers, typically pursuant to marketing agreements. The aggregate amount of funds provided by our Company to bottlers, resellers or other customers of our Company's products, principally for participation in promotional and marketing programs, was \$5.8 billion in 2011.

#### **Significant Equity Method Investments**

We make equity investments in selected bottling operations with the intention of maximizing the strength and efficiency of the Coca-Cola system's production, distribution and marketing capabilities around the world. These investments are intended to result in increases in unit case volume, net revenues and profits at the bottler level, which in turn generate increased concentrate sales for our Company's concentrate and syrup business. When this occurs, both we and our bottling partners benefit from long-term growth in volume, improved cash flows and increased shareowner value. In cases where our investments in bottlers represent noncontrolling interests, our intention is to provide expertise and resources to strengthen those businesses. When our