Operator

At this time, I would like to welcome everyone to The Coca-Cola Company's Fourth Quarter 2013 Earnings Results Conference Call. Today's call is being recorded. If you have any objections, please disconnect at this time. All participants will be on a listen-only mode until the formal question-and-answer portion of this call. (Operator Instructions).

Due to the interest in this call, we request a limit of one question per person. I would like to remind everyone that the purpose of this conference is to talk with investors and therefore questions from the media will not be addressed. Media participants should contact Coca-Cola's Media Relations Department, if they have questions.

I would now like to introduce Jackson Kelly, Vice President and Investor Relations Officer. Mr. Kelly, you may begin.

Jackson Kelly

Good morning and thank you for being with us today. I'm joined by Muhtar Kent, our Chairman and Chief Executive Officer; and Gary Fayard, our Chief Financial Officer. Following prepared remarks by Muhtar and Gary this morning, we'll turn the call over for your questions. Ahmet Bozer, Executive Vice President and President of Coca-Cola International; Sandy Douglas, Senior Vice President, Global Chief Customer Officer and President, Coca-Cola America; and Irial Finan, Executive Vice President, the Coca Cola Company and President of Bottling Investments and Supply Chain will also be available for the Q&A session.

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 a cautionary statement 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 under the Financial Reports and Information tab in the Investors section of our company website at www.coca-colacompany.com. These schedules reconcile certain non-GAAP financial measures which may be referred to by our senior executives during this morning's discussion to our results as reported under Generally Accepted Accounting Principles. Please look on our website for this information.

I would now like to turn the call over to Muhtar.

Muhtar Kent

Thank you, Jackson, and good morning, everyone. I want to start off today by recognizing that many of you are attending the CAGNY conference this week, given the timing of our earnings call and the fact that I will also presenting at CAGNY this coming Friday, we will keep our prepared remarks a little bit shorter to ensure that we have adequate time for your questions and that we can get you back into the conference.

With 2013 behind us I am now looking forward to joining forces with our global system associates as we work to restore momentum to our business in 2014. 2013 was clearly marked by ongoing persistent macroeconomic challenges and our business was not immune to these pressures. Nevertheless we delivered sound financial results and we grew global value share in non-alcoholic ready-to-drink beverages for a 26th consecutive quarter.

Our volume -- our worldwide volume grew 1% in the fourth quarter and 2% for the full-year. We delivered full-year comparable currency neutral operating income growth of 6% after excluding the impact of structural changes off of a comparable currency neutral ex-structural revenue growth of 3% for the full-year. And we delivered full-year comparable currency neutral EPS growth of 8% in line with our long-term growth targets. This performance underscores our ability to generate sound financial results even in a challenging environment.

Our sparkling brands grew 1% in the full-year cycling 3% with brand Coca-Cola adding nearly a 100 million unit cases. In fact all of our billion dollar Sparkling brands except for Diet Coke Coca-Cola Light grew in 2013 contributing more than 140 million incremental cases in the full year. As of the end of 2013 we've gained core sparkling value share for 17 consecutive quarters. For the full year our portfolio of still beverage brands contributed over 300 million incremental cases or 5% growth while cycling 10% growth in the prior year. Importantly, we gained volume share and value share for the year.

Our tea volume grew 11% for the full-year with solid performance across our entire tea portfolio. Juice and juice drinks grew 5% for the full year with strong performance by Minute Maid, Simply, [indiscernible] Minute Maid Pulpy Rani and InneSense. We are proud of our robust portfolio of leading juice and juice drink brands.

Sports drinks grew 2% for the full-year with Powerade continuing its solid and consistent growth performance.

Packaged water grew 5% for the full-year as we focused on growing over premium water brands and on expanding our PlantBottle and Ecoflex packaging.

While 2013 was an unusual and challenging year, it has certainly not deterred us from our commitment to our 2020 vision. Many economies around the world remained volatile in 2013, developed markets are slowly starting to recover from this turbulent time and consumer expenditures remain moderated. And emerging markets faced substantial challenges as they dealt with fluctuating currencies and other structural issues.

However, we remain optimistic and excited about the future of our business and brands in emerging markets after all per capita consumption for our brands remains relatively low in most emerging countries. That said, these emerging market conditions simply reinforce our commitment to remain focused on our long-term strategies and to keep investing through these tough times to ensure that we continue to deliver long-term sustainable growth.

In Europe we saw a 1% volume decline for the year. However, we gained sparkling and still value share and we were pleased by improving volume performance in certain key markets. A better second half of the year helped our North-West Europe and Nordics business unit close 2013 with 1% volume growth while Germany continued to outperform delivering 6% volume growth for the quarter and 2% growth for the year. Our successful share of Coke campaign last summer contributed to full-year trademark Coca-Cola volume growth of 1% in North-West Europe and Nordics and 5% in Germany.

We also launched share of Coke in our Iberia business unit in the fourth quarter of the past year and as in other markets the campaign has generated tremendous excitement contributing to strong double-digit immediate consumption growth and to trademark Coca-Cola growth of 2% in the quarter.

Moving now to Eurasia and Africa, full-year volume grew 7% cycling 10% in the prior year and we grew volume and value share in non-alcoholic ready to drink beverages for the full-year. All our business units delivered solid full-year volume growth including double-digit volume growth in our Middle East and North Africa business units.

In Russia, strong Olympic and Christmas campaigns activated across the country view double digit growth in trademark Coca-Cola for the year and enabled us to gain core sparkling volume share while maintaining value share. Fittingly, leading up to this Olympic year our business achieved an all-time high market share for non-alcoholic ready to drink beverages. We recently completed a successful Olympic torch relay bringing the torch to thousands of Russian towns and cities and I was pleased to have an opportunity to host our customers and our bottling partners in Sochi last week where I saw our best ever activation of an Olympic asset. Our local team and bottlers are doing an excellent job in Sochi.

Our Pacific Group grew 3% in the full year cycling 7% in the prior year. We were pleased to see improving trends across key markets including India, China and Japan as the year progressed.

For the full year our volume in Japan grew 1% with Sprite, Minute Maid and ISACA each growing by double digits. China contributed 3% volume growth for the full year cycling 4% in 2012 and grew 5% in the fourth quarter. We delivered balanced growth across sparkling and still beverages thanks to strong campaigns and a renewed focus on execution.

We're engaging teams and driving category excitement in China through campaigns like our Mini-Me Coca-Cola campaign which contributed to double digit immediate consumption growth in the fourth quarter and our popular Share a Coke campaign last summer.

And India cycled 16% full year growth with a 4% volume increase in 2013 closing out the year with our 30th consecutive quarter of volume growth. It is remarkable to think of the business that we have built in India over the last two decades. In 2013 our system generated nearly $1.8 billion in revenue and we have four of the top five core sparkling brands, the number one juice drink brand, a commanding non-alcoholic ready to drink share and so much, so much fun tapped opportunities still ahead.

Turning now to Latin America, we grew 1% for the full year [cycling] 5% in the prior year. Argentina, Mexico and Brazil all come to mind as we consider what worked for us and what was challenging in 2013 in Latin America. We were pleased with our performance in Argentina where despite challenging economic conditions our brands performed well resulting in 7% volume growth for the full year. Sparkling was an important volume driver in Argentina with Coca-Cola's Sprite and Fanta each growing mid to high single digits. Cola-Cola Life met our expectations and is playing a meaningful role as it is not just delivering incremental volume, but also enhancing the positive feelings that consumers have for Coca-Cola.

We're excited about the potential of Coca-Cola Life as it has shown great promise in bringing people back into the category. It's another example of how we are working to be part of a solution to the obesity issue giving consumers a blend of sugar and natural zero calorie sweeteners.

Returning to our business in Argentina our still brands grew double digits with strong performance in packaged water with the launch of the Bonaqua Ecoflex bottle as well as solid growth in juice and juice drinks and sports drinks.

In Mexico, volume growth was even for the year with still beverage volume growth offset by sparkling. Despite a solid start to 2013, we had a challenging second half of the year mostly due to severe weather. We continue to see opportunity in Mexico where our strong brands, world class execution and an improving economy bode well for the future.

Our bottling partners have adjusted their pricing as a result of the newly implemented tax and we are closely monitoring any further adjustments as needed. While we expect the change to adversely impact our volume in Mexico in the short term, it is too early to tell what the exact impact will be at this time.

I will wrap up my commentary in Latin America with an update on our business in Brazil where consumers have been impacted by a slowing economy, rising prices and reduced disposable income. Full year volume was down 2% due to a disappointing 6% drop in the fourth quarter. Our local team working closely with our bottling partners has now launched an upgraded affordability strategy enhancing our [Asian] brand price pack and channel architecture. We are optimistic that this strategy together with our World Cup program will enable us to return to growth in Brazil in 2014.

Turning now to North America, we remain steadfast in our commitment to building long term value in our flagship market and a commitment that calls for building strong brands, trading customer value and enhancing our system capabilities. Sandy Douglas is leading our North American business where we will again benefit from a strong customer and strategic brand expertise. Adding Paul Mulligan and Irial Finan's disciplined focus on execution at the point of sale will enable us to refine these strategies and to enhance their impact. The combined experience and expertise of this leadership team and a joint accountability for driving value will ensure that we are laser focused on continued improvement of our overall performance in this important market. We will therefore continue to assess and to evaluate the operating results in North America as an integrated business.

In October of 2010, we established a four to five year timeframe to commence the refranchising of our bottling operations in North America. 2014 is the fourth year and as the North America operating model evolves, it will not only streamline our focus but if will also expedite refranchising to independent bottling partners. To date, we've closed on the first transaction of our 21st century beverage partnership model at the end of 2013 and we are very encouraged with the seamless transition of the territory.

Looking ahead, we are well aligned on the transition with the other four bottlers that we announced back in 2013. We expect to reach agreements with those partners shortly and for those transactions to begin closing later in the year that we're in. We will also eminently announce new bottling partnerships whose ownership reflects the diversity of the consumers and customers we proudly serve in North America.

We expect North America to deliver consistent volume, revenue and transaction growth with the balance volume and price mix that you would expect from an industry leader. We also firmly believe that the business will deliver consistent profitable growth over the long-term. 2013 was a challenging year in North America and I am not satisfied with our overall performance. Nevertheless we gained volume and value share while generating positive price mix of 1% across our portfolio and positive price mix of 2% for our sparkling brands. However, our volume was even versus prior year and operating income fell short of our targets.

Sparkling beverage volume fell 2%, largely due to softer diet coke volume. We have implemented a multi-faceted approach to address category headwinds and the various misperceptions that fuel them. This effort is targeting both obesity and ingredient concerns and increase aggressive sweetener innovation, transparent consumer communications, continued packaging evolution and new partnerships with credible third parties around the world who will use meaningful facts to defend and protect the sparkling category.

While we work to nurture our sparkling business back to growth, our still beverage business continues to perform well. Still beverages grew 5% for the full year as our diverse portfolio of still beverage brands continues to outperform the competition.

Thanks to continuous innovation and to growing brands like Powerade, Simply, Gold Peak and Smartwater, the fourth quarter marks the 15th consecutive quarter in which our still beverage portfolio gained or maintained volume and value share in North America.

As we approach the mid-point of our 2020 vision, we remain fully committed to taking the necessary bold actions to realize our vision. One such action is our recently announced global partnership with Green Mountain Coffee Roasters. This partnership is a real game changing innovation in the non-alcoholic beverage category. Consumers are demanding more beverage variety, functionality and convenience. And we believe Green Mountain is the perfect strategic partner to collaborate with and to capitalize on the many transformative opportunities we see available in the marketplace. Importantly for the Coca-Cola Company with this exciting partnership we're leveraging new technology to create a transformative platform for consumers to enjoy our great brands through new consumption occasions and new channels.

By combining Coca-Cola's brand leadership and global footprint with Green Mountain's cutting edge technology and innovation capabilities, together we will capitalize on the many exciting opportunities in the single serve pod-based segment of the cold beverage industry as well as explore other future opportunities to collaborate on the entire [current] platform. As evidenced by this recent announcement, our management team is constantly identifying and constantly evaluating creative ways to formulate and fuel the power of partnerships that keep us at the forefront of consumer trends, driving the dynamic global beverage industry.

We are fortunate to participate in a global and resilient industry fuelled by a robust long-term demographic trend. We are part of a great business system and unparalleled in its reach and its commitment to invest and we are the stewards of some of the world's most loved brand.

Thus there is no doubt that the lingering effects of the global recession in 2009 have created a challenging environment over the last two years. In addition obesity and ingredient concerns have raised some questions about growth in developed markets. Throughout this time period our Company has consistently delivered on our profit objectives and we will not allow ourselves to become distracted or to make decisions focused on short-term gains. Instead we have thoroughly evaluated what we need to do to accelerate sustainable growth and we're acting with urgency and decisiveness.

Historically we know that when we invest in our brands, commit to near flawless execution and control what we know we can control, we can accelerate our growth. With this in mind we aligned on five strategic priorities to restore our momentum and to keep us on the path to achieve our 2020 vision. These priorities focused on the growth drivers for our system, sparkling beverages, still beverages and global system execution. And on securing and strengthening the financial assuming capital necessary to deliver long-term sustainable growth.

Our five strategic system priorities to restore momentum are; firstly, accelerate sparkling growth led by Coca-Cola; secondly, strategically expanding our profitable still portfolio; third, increasing media investments by maximizing productivity; fourth, winning at the point of sale by unlocking the power of our system; and five, investing in our next generation of [layers].

Let me just spend a few minutes providing some detail on each of these system priorities. First, we will accelerate sparkling growth led by Coca-Cola. There is quite simply no other brand in the world like Coca-Cola, the world's most universal beverage brand. We are fortunate to be its stewards. And indeed, in many markets around the world, brand Coca-Cola remains magical but we need to work even harder to enhance the romance of the brand in every market around the world. Our global marketing community is laser focused on doing their best work while reallocating resources to the most impactful campaigns and mediums.

A good example of this great work is Share a Coke, which I have referenced several times in my remarks earlier. Since the initial launch of Share a Coke in Australia back in 2011, we've now executed the campaign in 21 other markets. There is -- this is much more than the marketing campaign. In fact, it's a system-wide collaborative effort to engage consumers in a meaningful and a very authentic Coca-Cola way.

Markets that have launched Share a Coke have experienced increased household penetration, higher immediate consumption volume and improved brand love scores as a direct result of this campaign. This is the kind of marketing that we love to invest in and we look forward to again sharing a Coke with millions of consumers around the world this year. Same time we're working hard to empower our consumers and we're making progress against our four commitments to further contribute to healthier, happier and more active communities.

To that end we've placed a special emphasis on innovation efforts to enhance low or no calorie versions of our brand as well as on supporting active healthy living programs all around the world.

Our second priority is to strategically expand our profitable still portfolio. We are the world's largest still beverage Company with $11 billion still brands and many more in the pipeline. We have shown in juices that when we approach an objective and a goal systematically aligning with our partners, planning from end-to-end, we win and we win big. Today, the Coca-Cola Company is also the world's largest juice and juice drinks company almost twice the size of our closest competitor. We are the stewards of $4 billion juice and juice drink brands and we are working diligently to raise that number. We're bringing the same disciplined thinking to other categories partnering across our system and across our supply chain to establish a scalable formula for value creation in new categories. This effort involves reexamining every stage of a beverage's lifecycle and developing category specific plans that balance organic growth, innovation and acquisition.

Our third system priority is to increase media investments by maximizing productivity. We are in a business where great marketing works. So, we have committed to increasing our media spending behind our brands by up to $1 billion by 2016. We will fund this increased investment through a combination of supply-chain optimization, system standardization, diligent resource and cost allocation as well as improved utilization of our global marketing network. This incremental productivity goal will further enable us to drive long-term profitable growth and momentum towards realizing our 2020 vision. Gary will share further details about this new opportunity in a few moments.

Our fourth priority is to win at the point of sale by unlocking the power of our global system. Working together with our marketing partners, we are continuously building capabilities and leveraging best practices to improve our execution. In the last four years alone, our system has invested over $50 billion to enhance our competitive position in markets all around the world. As you know execution in the global marketplace is about doing many common things uncommonly well and doing them in an aligned way across our great system. It is about presenting our brands in the right package, in the right outlook, in the right channel, at the right price, cold available and within an arm's reach of our consumers. This is why we're calling 2014 the year of execution at the point of sale beginning with brand Coca-Cola.

Our final, but perhaps most important priority is to continue to invest in our pipeline of leaders. There is nothing more critical to our business than our people and we have to continue to hire the best, retain the best, train the best, and manage with the best. Our Company and leadership must inspire our people to live our values of focusing on the market, working smart, acting like owners and being passionate ambassadors for our Company and for our brand.

As we look forward to 2014 and beyond, we remain very confident in our ability to drive our volume growth trajectory back in line with our long-term growth model. The overall beverage industry remains healthy generating both volume and value growth. Our diverse portfolio of $17 billion brands combined with our unparalleled scale provides us with many opportunities to accelerate market share gains. We have identified opportunities to significantly enhance our productivity initiatives and we made important commitments to increase our brand investment. Consequently, we are no less enthusiastic about the future ahead of us and the beverage industry then when we embark on our 2020 vision back four years ago.

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

Gary Fayard

Thanks, Muhtar, and good morning everyone. As Muhtar shared earlier, 2013 presented numerous challenges to our industry and to our business and as a result, our full year volume growth was below our expectations. However, before we put 2013 behind us I wanted to reflect on a few items that I shared with you all at CAGNY last February. Specifically, I've talked about how our unwavering focus on long-term value creation for our shareowners and apart from competing in a great industry, there were three specific points I emphasized.

First, we are focused on delivering value creating volume growth and despite volume growth being below our expectations in 2013 we delivered full year operating income and EPS growth in line with our long-term growth targets.

Secondly, our goal is to take volume share and although we fell short on volume, we again gained global value share in non-alcoholic ready-to-bring beverages into 2013.

Lastly, I emphasized the critical role that the evolution of our franchise system plays in creating sustainable long-term growth. Our Company and our system made solid progress on this front throughout 2013.

We sold 51% of our Philippines bottling operations to Coca-Cola Thums Up. Our four bottling partners in the greater Tokyo area merged to form Coca-Cola East Japan. Our seven bottling partners in Spain and Portugal merged and the integration of that bottler is underway. We merged our company own bottling operations in Brazil with an independent local bottler to form the second largest bottler in Brazil. And we also continue to advance the system of the future work in North America. Having said that, let's quickly review a few key drivers of our financial performance this year.

Unit case sales and concentrate sales were in line on a consolidated basis in the fourth quarter and for the full year. Our comparable currency neutral operating income was up 6% in the quarter and for the full year after excluding the impact of structural items.

Comparable currency neutral earnings per share grew 7% in the quarter and 8% for the full year, and we generated $10.5 billion in cash from operations which was down 1% primarily due to the impact of foreign currency exchange rates and increase in tax payments and the impact of deconsolidation of bottling operations in the Philippines and Brazil.

Now let me take the moment to update everyone on our productivity initiatives before I move to our outlook for 2014. First let me start by saying, we made significant progress on our previously announced productivity and reinvestment programs, in fact I'm pleased to report that by the end of 2013 we have substantially accomplished the objectives of the program and captured the savings associated with those objectives.

Secondly as Muhtar mentioned earlier, we're expanding our previously announced productivity and reinvestment program to drive an incremental $1 billion in productivity by 2016 that will be redirected primarily in to increased media investments.

Our incremental productivity goal consists of two relatively equal components. First, expanded savings through global supply chain optimization data and information technology system standardization and resource and cost reallocation which will be reinvested in global brand building initiatives with an emphasis on increased media spending and also will be increasing the effectiveness of our marketing investments by transforming our marketing and commercial model to redeploy resources into more consumer facing marketing investments to accelerate growth.

As we look ahead to 2014, let me take a minute to update you on a few outlook items as you model our business. After considering our hedge positions, current spot rates and the cycling of prior year rates, we partly expect a currency headwind at the operating income of approximately 10 points in the first quarter of 2014 and seven points for the full year.

In terms of coverage, we're fully hedged on the euro and the yen, almost totally covered on sterling and also have near term coverage in place across several other major currencies.

We anticipate that operating leverage on a currency neutral basis will be flat to slightly positive. We expect net interest income will contribute roughly equivalent of penny per share to our full year 2014 earnings per share and will be evenly distributed throughout the year. We expect the tax rate for 2014 to hold steady at approximately 23%.

With respect to structural items, we'll be still cycling the impact of some bottling divestitures during the first six months of 2014 and even though these structural items will not have a significant impact on earnings per share, they will result in a one point headwind at both net revenue and operating income for the full year. To be clear, our 2014 outlook for the impact of structural items does not include the potential impact of refranchising bottling assets in North America related to our system of the future work. We will continue to provide updates as we move forward throughout the year.

As for cash, as I've shared with you over the years, we utilize a very disciplined and consistent framework, first we reinvest in the business which includes making the necessary investments to strengthen our brands to accelerate growth. It also includes capital investments which we expect to be in the range of $2.5 billion to $3 billion this year.

Second, we reward share owners by paying a healthy dividend, we've increased our dividend every year for more than half a century and we will recommend another increase in the dividend this year at our Board meeting this week.

Next, we evaluate opportunities to grow through acquisitions, partnerships and joint ventures. We do these as enablers to help accelerate growth when appropriate and where there is a need within our existing portfolio.

And finally we put what's left over into share repurchase, in 2014 we expect share repurchases to be in the range of $2.5 billion to $3 billion. Although our 2014 outlook for net share repurchase is below 2013, I would remind everyone that our 2013 buybacks represented a 15% increase from the prior year and was partially funded by cash inflows related to bottling divestitures.

Also given the forecasted exchange headwinds in 2014, we believe this is the right approach and we'll obviously continue to update you as we move forward throughout the year.

In terms of quarterly saving our first quarter in 2014 will have one less selling day and our fourth quarter will have one additional selling day. In addition we expect the impact of the Easter holiday to fully benefit the second quarter of 2014 and we'll be cycling the reversal of certain expenses related to long term compensation in the first and second quarters of 2014.

In closing we continue to be focused on doing the right things for the health of our business and to ensure we can deliver sustainable long term growth to create value for our shareowners. I believe our Company and our system are well positioned to capitalize on the opportunities within our great industry. I look forward to seeing many of you at CAGNY later this week and at CAGE in March.

Operator, we're now ready for your -- for questions.

Question-and-Answer Session

Operator

(Operator Instructions) Our first question today is from Bill Schmidt from Deutsche Bank.

Bill Schmidt - Deutsche Bank

Hi, good morning, can you guys talk about, through the outlook geography by geography and then maybe how the pace of growth is going to differ between volume and pricing given some of the big currency moves and also obviously the tax in Mexico and I have a follow up if I could.

Muhtar Kent

Sure Bill, good morning, this is Muhtar. Let me just first just take a step back and just say that in a way we've had a speed bump we know that would have come on our road to 2020. We dealt with commodities in 2011 and '12, volatility in weather has become a norm, uncertain economies, internal also execution issues caused us to underperform versus our expectations in 2013, I'll start with -- by saying that.

We have looked at everything, we've looked at our people, priorities, marketing, selling and innovation and we have refreshed our plans, and with a simple but scales offset of priorities on marketing our brands, system execution by our franchisees and bottling partners and Company owned bottlers and on innovation of all kinds, business models like the one that you -- we've recently announced with Green Mountain, brands, equipment, packaging, the lot.

Our long term outlook is our performance algorithm which we have and will deliver going forward and 2014 will be a year of steady improvement as we get back up to speed. But make no mistake, our leadership team is confident, accountable, our system will market well, we will sell well and we are going to achieve our 2020 vision.

Now let me just take you through a quick tour of the world, and I will ask Ahmet also to comment.

Starting with Asia, I think China is going to sustain its growth. India, in terms of its macroeconomic outlook, and I think we will continue to benefit from that. In India I think there's election coming up and usually when there are elections, there's a little bit of easing of fiscal discipline, I think that will play into a little bit of added disposable incomes.

In South-East Asia certainly we've seen quite a lot of political turmoil especially in Thailand. I think that will, as we go into 2014, my expectation is that that will ease a little bit. Indonesia, also there's an election coming up, but I think Indonesia is certainly having some macroeconomic issues that will probably continue into 2014. And then Philippines, I think we'll see some slightly improved outlook in the Philippines versus 2013.

In Japan, I think obviously everyone is looking very closely at the new policies of the Prime Minister and his government. There's a new tax coming up, but we'll see how that impacts but certainly we all feel that are operating in Japan feel that there is some hope for a little bit of more inflation in the economy that will benefit also businesses like ours, although recently then last economic numbers from Japan were a little bit below expectations.

And in Africa, youngest continent, we're very well positioned and we feel that we will continue to grow well in the years to come in the African continent and benefit from also improvements in governance across the whole continent.

And in Eurasia, there is elections coming up in Turkey. Lots of, again, political issues in the Middle East will continue. And Russia I think, all Russians can be very proud of the Olympics that are taking place. And I think that we will, as we move forward, as [our eyes are now] there in Russia looking at some of the great activations that we've had in our business. And I think Russia our business will continue to grow, in Russia with all the investments that we are making with our bottling partners.

Europe is a tale of -- continued tale of two cities. It's like a phase of seven zones, I think the high unemployment and low growth is going to continue but it's not going to get worse. As far as Northern Europe, Britain is certainly ahead of all the other economies in terms of the growth outlook. And I think Germany also is in that area. We will continue to benefit from the robustness of policies in those two economies and the rest of the continent is somewhat behind Germany and England.

And in Latin America, again, 2014 is going to be year leading into an election, in early 2015. We'll have also the benefit of the World Cup, and our biggest [February activation] globally on the World Cup. And Southern Cone, Argentina, Chile; we should continue to see the benefit of all the programs we have in place and also continued inflation environment in those two areas. And Mexico I think, President Pena Nieto's programs are taking effect over the reforms, both long-term I think that is a benefit to our business, to the economy, to the people of Mexico. And again as I said in my commentary, it's too early to say about the impact of the price increase we've had there. So I hope that that gives you a good tour of the world.

And then finally in terms of our flagship market in the United States, clearly the best right now as far as we can see, the best western developed economy in the world we think we will see slightly improved mobility in the

United States in 2014 versus 2013. And we hope that will also mean a little bit of increased spending for consumer products as we go into 2014. And again we will benefit from all the robustness in our marketing program and our increased expenditure and quality of marketing as we move into 2014 for our flagship market.

Ahmet, you want to add some commentary?

Ahmet Bozer

Yes. I will add few things, I guess, to really compare some of these issues that have existed even last year, how they are different now? For example emerging market currencies; when the first news on discontinuation of [paper] came out last year around May or June; there was a bit of a shock in emerging markets. We see that over the last seven or eight months these emerging markets are sort of finding ways to deal with it, by no means it's certain, by no means it's perfect. But it certainly feels a little bit more under control compared to when it first came up and the interest rate and things like that have been baked into those expectations. So, I guess the message there is countries and our business we're finding ways to deal with that new reality of less liquidity coming out of United States.

I would just add Muhtar to your comment on Europe north south divide, that is very much true but we are sort of beginning to see sort of different shades of grey in the south as well. There are some encouraging signs in Spain, sort of less so in Italy at this point in time although there is a new Prime Minister there and we're hopeful with the new programs to be announced if they are. And the Eastern Europe, it continues to struggle in terms of consumer confidence and economic. So north continues to do well and south is even showing different performance now.

The other point that Muhtar mentioned is political uncertainty, it's another common thing to many of our emerging markets. They eventually could impact the economic realities but again so far in countries like Turkey and Thailand it's been fine. And let me just in the interest of giving time to other questions, let me just stop it here.

Muhtar Kent

Sandy, do you want to add any commentary to North America. I think it's important to say in North America that we believe in the North American market, we believe in the demographics, we believe this is a growth market; we have grown in all but two quarters of the last 15 quarters in the United States. We believe we can do better and we're intent and thus we'll be focused on achieving that. Sandy?

Sandy Douglas

Yes. Thanks Muhtar. We have a great business in North America and our focus in accelerating the business is on our brands, on our customers and on our capability. And I'm really happy to be working with Irial and Paul and our all of our U.S. bottlers. I think Irial and Paul bring a tremendous amount of selling and executional energy that will help us build on our momentum.

On my end, over the last six to seven weeks, Paul and I have met with our major customers. We've met with our bottlers and we've gone through the brand plant in detail looking at opportunities to focus and strengthen them and to move resources to emphasize advertising and brand building on our largest brands. And I think with the plan in place our focus as a system Irial, Paul and I, and our bottlers is to improve all aspects of our execution, whether it's marketing or sales or in the marketplace. And we believe as a result of that that we will improve steadily over time and we share the confidence that Muhtar expressed in the long term health of North America. It's a great market. It will grow. And I think we can be confident about our long term future there.

Operator

And our next question is from Bryan Spillane from Bank of America.

Bryan Spillane - Bank of America

Just a follow up to Bill's question. I guess if we think about 2014 there is a lot of moving parts with exchange rates and some of the volatility in emerging markets. Maybe Gary could you talk a little bit about how we should think about currency neutral and also maybe sort of neutral of the effects of structural change? Are you still looking at a currency neutral sort of on-algorithm year in operating profits? And also just some of the other major drivers behind volume that might influence that cost of goods sold inflation, price mix, country mix that sort of thing? I think that would be helpful.

Gary Fayard

Yes. Bryan thanks and let me say back and go through all of those. So, let me start at the top, when you're the industry leader you have to believe in rational pricing and believe we should get pricing for our brands because our brands are worth it and we would expect to have positive price mix this year to go with the volume that we'll have this year. When you look at commodity, it's fairly benign from what we're saying for 2014 so not a big deal. But now the currency among the worst we've seen in years and there is not a whole lot you can do about it when all the emerging market currencies kind of melt down as they did earlier at the end of December or early January.

But with that said, let me be very clear, ours is a growth business, is a business model that is built on growth and we know that we cannot save our way to prosperity. We will have productivity but that productivity will be reinvested for growth and while we are reinvesting for growth in our marketing, we have our goals are also in addition while we're increasing the marketing we will also have a goal and is a goal up for this year up hitting our long term growth model this year. So we're going to significantly increase our marketing but at the same time the goal is we will hit long term growth model this year.

Operator

Thank you. Our next question is from John Faucher from JPMorgan.

John Faucher - **JPMorgan**

Thanks, just one quick follow up to Gary's question and then a question for Muhtar or Gary's answer rather. Gary, does that include a Mexico impact in hitting your long-term algorithm in 2014?

And then Muhtar, responding to Gary's question about ramping up the marketing, I guess how do we view, there is a sense out there in the market that given the headwinds for the category that adding more marketing could be sort of pushing on a string so to speak. So what is it that you are seeing that says these headwinds that you are facing can be offset with higher marketing? Thanks.

Gary Fayard

John its Gary, thanks for the question. First as Muhtar said in the prepared remarks, it's too early to tell what's going to happen in Mexico. We have planned around Mexico of what we believe is the most likely day. But we have a portfolio of brands that are marketed and sold across 200 countries and our job is to manage that portfolio. So unless something unforeseen should happen, I think the answer has to be yes, it includes what could happen to Mexico, if that changes, we'll update you obviously, but we're going -- what we believe would happen today.

Muhtar Kent

And just add to Gary's answer and to the second part of your question John, I'll just tell you very simply that the Coca-Cola way is to grow our way to success and we invest for growth together with our [bumping] partners and we have great -- the greatest system in the world and we have had tremendous amount of experience to say that a good marketing, good selling works for our business and it will work for our business. We have numerous cases to prove that and we're going to continue to build on our marketing in both quantity and quality. This is a global increase in marketing and in every country that we operate in large or small, we know it works and when we invest in marketing, our global partners invest and feed on the street, in more coolers in more trucks, and more line and that's what we see happening and that's what we will see we believe happening to our business as we restore steady momentum in through 2014 and beyond.

Operator

Thank you. Our next question is from Judy Hong from Goldman Sachs.

Judy Hong - **Goldman Sachs**

Just a few questions, first, just the North America Gary, the profitability decline in fourth quarter was pretty surprising. So maybe you could give us a little bit of color in terms of the components of the profits decline in North America.

And just broadly in North America from a profitability perspective, the business hasn't really grown since the acquisition of the bottler. So as you think about the next couple of years, thinking about the refranchising opportunities and all the productivity savings, are we at a point where we can actually see growth in this business from a profitability perspective in 2014? Or is this more of a transition year or so with the investment that's going on?

Gary Fayard

Judy its Gary, let me take the first part of that question. On the fourth quarter profit -- operating profit decline, it was down 12% I think in the fourth quarter. And by the way I know the answer to this one specifically, because I asked the same question some time back, and got into my new detail on it. And 100% of that change is because of -- it's an all in OpEx or primarily all in OpEx and it's what we're cycling from 2012, there were some incentive compensation, accrual reversals in the fourth quarter of 2012 that did not happen in 2013 and that cycling caused a significant change in OpEx swing year-on-year in the fourth quarter only and it's what swung North America to that 12% operating income loss.

So I think it's much more reasonable to actually look at North America, look at it for the full year and you will get a better picture of actual performance versus the fourth quarter. When you look at the full year then you will see --

that is where we've got some challenges as Muhtar said around volume and particularly in sparkling around diets and lights but that's what we are specifically on.

Muhtar Kent

Just let me add to in terms of the outlook and that is that as I said we are confident about and excited about first our performance algorithm worldwide but also in terms of steady improvement as we get back up to speed in the United States. And I think that that will -- when we start restoring the momentum in the United States which we believe is going to happen, well that will also bring the results in the -- financial results that we will be happier with as we move into 2014 and beyond. It's going to take a while, this is not a fix -- an immediate fix but we know that it's going to be a steady improvement.

Judy Hong - **Goldman Sachs**

And just in terms of the media investments, is there any color you can give us in terms of the breakdown by regions, by categories, is North America likely to get the proportionate amount in terms of the media spending increase in 2014?

Muhtar Kent

Can't give you the specifics on the geographic mix Judy, but as we announced it's about $1 billion by 2016 and it is a global number. And again there will be a good distribution and we will be again also looking and tracking through franchise leadership, resulting also system increase and investments in all the key markets.

Operator

Thank you. Our next question is from Dara Mohsenian from Morgan Stanley.

Dara Mohsenian - Morgan Stanley

Hi, I also wanted to touch on profit in North America. It sounds like in 2013, you view the profit challenges as more driven from a volume perspective but given the diet soft drink where you seem to be more secular around longer term health concerns, I am just wondering if going forward you may manage more for profitability and lean more on pricing than driving volume growth. Is there any change as you look at the algorithm between pricing and volume and which metric you will focus on going forward?

Muhtar Kent

Thanks, Dara. Sandy you want to take it and then [indiscernible] if you want to comment.

Sandy Douglas

Yes, I think the key to the North America growth algorithm is investing in our brands and our feet on the street and a key element to that is getting our pricing, so that we can have the revenue to be able to reinvest in sustainable growth. Where we had issues over the years in my experience in North America is when we did not get the price we needed, when our marketing execution was not what it needed to be and therefore the feet on the street started to get reduced and ultimately it hurt sustainable growth.

Our plan going forward and it’s going to take some time and we're focused on improving it, is to make sure that we get the price and that we execute the marketing well and feed the feet on the street which creates the virtuous cycle in the United States just like it does around the world. [Gary] do you want to add to that?

Unidentified Company Representative

I guess the only comment I would say, Muhtar already mentioned that we are an industry leader and industry leaders have to set the tone in terms of price, in terms of how to market their brands in any given market. And actually 50 days, in less than 50 days into my new involvement in North America, I am really excited about the future. I am excited about the enthusiasm, the passion of our people. Our job, mine, Paul’s, Sandy’s is really is to make sure that excitement translates into performance and into results. And as Sandy said, it’s not going to happen overnight but I feel we've already started on the journey and over the next quarters, the next couple of years, you will see very positive momentum in our market in North America.

Dara Mohsenian - Morgan Stanley

And then move to our post the investment in Green Mountain, I was just hoping to get an update on how important a role acquisitions might play in meeting your 2020 vision goals? You mentioned the focus on partnerships earlier in the call, I was hoping you could elaborate there and if acquisitions are greater priority here given some of the difficult macro-conditions and somewhat favourable environment with your healthy balance sheet and still lower rate here.

Muhtar Kent

Look, nothing different than before, so no change. I think we're obviously very excited with the new opportunities for consumption as will be brought to us by the partnership with Green Mountain over time. I think the key is to feel the power of partnerships. The Coca-Cola Company and System is an incredible integration of power of partnerships in every respect and therefore this is yet another one. And so think about if you look at household consumptions in particularly, Western markets, there is a tremendous opportunity to gain incremental consumption occasions for our brand through these kind of partnerships and this is what the Green Mountain partnership is all about.

When you look at how beverages are consumed at home and when you look at trends in the next 10 years, people are going to spend more time at home. They are going to work more from home. Home is going to be an even more important place for people for consumers and I think we need to present there with different technologies, different packaging, different ways to serve our brands and that's why this is important and partnerships like these are going to be important for us over time going forward.

And so, our thinking has not really evolved or changed in terms of bolt-on acquisitions, if we see opportunities, we will get them like InneSense like [Ocean] and so forth. And we will continue to seek new power of partnerships, to leverage new power of partnerships also going into the remaining part of our 2020 vision for the next six years.

Operator

Thank you. Our next question is from Ali Dibadj from Bernstein.

Ali Dibadj - Sanford Bernstein

So I guess the frustration I am hearing from many investors and a lot of questions on this call, is that there is a feeling that the Company isn't doing enough to change itself despite that the world around it has really changed and many like us we secularly, to sort of continued emphasis on the Coca-Cola way in history which is respectable in volumes, market shares, and even more marketing blaming short-term externalities but it's been a little while now that we've seen tougher volumes, North America will profit continue to shrink, there is only $1 billion cost savings when some competitors are doing more from a pro rata basis. There is limited movement on refranchising and help innovation so far. So I guess might the company ever believe that it needs to focus on new levers of shareholder value creation like pricing up even more lower promotions, massive cost cutting, big portfolio innovation change and indeed returning more cash to shareholders. So, I know there's lots there but should investors expect bigger bolder change that pay out to meet this truly different world and so what specifically should we be looking for to just kind of sharing your confidence about the story or should we just expect kind of same status quo going forward?

Muhtar Kent

First, Ali I disagree with you. I think we have a great portfolio brand, we have a great system, the best consumer product system in the world and I believe that our programs will work and had worked. We have significantly outperformed and grown since 2012 and yes we've had speed bump and certainly that makes us even more focused and more resolute to continue on our road to 2020. And I think that we have -- I will share at CAGNY on Friday the real reasons why we believe in our future and so that's all I would say.

Ali Dibadj - Sanford Bernstein

But I don't disagree with you about the strength of the brands at all actually, Muhtar. And I don't disagree with you about the strength of the system. I'm just looking the results and I'm trying to figure out whether enough is changing, enough is different and whether you guys do actually view the world is different enough and [indiscernible] but I actually don't disagree with you.

Muhtar Kent

I understand and I understand it's easy for people to have very short memories but we have the experience and we know what we are doing and we will continue to do what we believe and we are focused and we will execute the best and we will achieve our 2020 vision, that's what this is all about. So that's what I would say and we have talked about pricing, you've heard all colleagues also talked about pricing and I think we don't want to repeat ourselves.

Unidentified Company Representative

Thank you Gary, Ahmet, Sandy, Irial and Jackson, we've delivered sound full year financial results. We're implementing the strategic actions that will enable us to restore momentum in 2014 and we see many reasons to believe that we can accelerate our growth over time, achieve our long-term growth model targets and realize our 2020 vision. Our global beverage industry is healthy, the trends that have historically fuelled this, continue to be strong and our global systems commitment and reach are unparalleled.

This commitment has never wavered and the strategic decision that we have made over recent years have not only enabled us to deliver solid financial results that also advanced our competitive position, enhanced our capabilities and strengthened our result as a global system to achieve our 2020 vision. That is our promise to our investors, to our customers, to our consumers and the daily objective of the more than 700,000 associates of The Coca Cola system all around the world. As always, we thank you for your interest, your investment in our Company and for joining us this morning.