Operator

At this time, I would like to welcome everyone to The Coca-Cola Company's full-year and fourth quarter 2012 earnings results conference call. Today's call is being recorded. If you have any objections, you may disconnect at this time. All participants will be in a listen-only mode until the formal question-and-answer portion of the call.

(Operator Instructions) Due to the interest in this call, we request 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 Mr. Jackson Kelly, Vice President and Investor Relations Officer. Mr. Kelly, you may begin.

Jackson Kelly

Good morning and thank you for being with us today. I am joined by Muhtar Kent, our Chairman and Chief Executive Officer; Gary Fayard, our Chief Financial Officer, Ahmet Bozer, President of Coca-Cola International, Steve Cahillane, President of Coca-Cola Americas and Irial Finan, President of our Bottling Industries Group. Following prepared remarks by Muhtar and Gary this morning, we will turn the call over for your questions.

Before we begin, I would like to remind you that this conference call may contain forward-looking statements, including statements concerning long-term earnings objectives and should be considered in conjunction with cautionary statements contained in our earnings release and in the company's most recent periodic SEC report.

In addition, I would also like to note that we have posted schedules on our company website at www.coca-colacompany.com, under the Reports and Financial Information tab in the Investors section, which reconciles certain non-GAAP financial measures that may be referred to by our senior executives in our discussion this morning, and from time-to-time in discussing our financial performance to our results as reported under Generally Accepted Accounting Principles. Please look on our website for this information.

Now, let me turn the call over to Muhtar.

Muhtar Kent

Thank you, Jackson and good morning, everyone. Let me start by saying that we are pleased with our reported results today. In a year marked by further uncertainty in the global economy, once again, we delivered solid volume, solid revenue and solid profit growth. We grew our worldwide volume by 3% in the quarter and 4% for the full year. We generated, in comparable currency neutral, net revenue growth of 5% in the quarter and 6% for the full year in the process delivering net revenues over $48 billion in 2012, consistent with the outlook we provided last quarter, we delivered full year comparable currency neutral operating income growth of 6%. This growth also translated into our company-generating record comparable operating income of more than $11 billion for 2012. Importantly, we met our long-term volume revenue and profit targets for the full year, an accomplishment we are proud of meeting or exceeding every year since we announced our 2020 Vision.

In fact, since the first quarter of 2010, and the start of our 2020 Vision, during one of the most difficult macroeconomic environments in recent history, we have firstly grown our daily servings by more than $200 million serving more consumers daily on a global basis than at any other time in our history.

Secondly, increased our global volume and value share of both, our Spark or our core sparkling and nonalcoholic ready-to-drink beverages to their highest levels since 2003, and thirdly we added over $30 billion to our company's market capitalization.

We are well on our way to doubling our systems' revenues by 2020 to $200 billion, reflecting the ongoing commitment of our entire global system to keep investing together for a better tomorrow, and we are crystal-clear on why we do what we do, so it is our mission to refresh the world, inspire moments of optimism and happiness and to create sustainable value while making a lasting difference.

This year, we once again led industry growth and expanded our volume and value share gains globally in nonalcoholic, ready-to-drink beverages. We gained global share in the sparkling beverage category, where our portfolio was up 3% for the full year. This is the third straight year our sparkling beverages had grown by at least 550 million incremental cases. This has added more than 13 billion new servings annually to our global business for the past three. This growth of our sparkling beverages has consistently and reliably been led by brand Coca-Cola, which grew a very healthy 3% for the full year of 2012.

We also gained global share in still beverages with our portfolio growing a solid 10% for the full year. This year, this full year growth was led by

POWERADE and DASANI, which were both up double digits and our Glaceau trademark brands, which were up mid-single digits. In fact, our still beverage portfolio growth was well-balanced with mid-single to double-digit growth across every single still beverage category in which we compete.

As we have shared for some time now, we recognize that consumers across the globe continue to feel the effects of a still uncertain global economy. 2012 saw the extension of prolonged uncertainty in Europe, the ongoing transition of the economy in China [one] recovery in the United States and ongoing challenges for Japanese consumers.

We expect this volatility to extend through 2013. Having said, the nonalcoholic ready-to-drink beverage category on the whole continues to be vibrant and grow in line with the levels we forecasted when we first developed our 2020 Vision. Our experience also teaches us that it is critical to seize opportunities during these uncertain times in order to lead and to succeed in any macro environment. To do so, we will together with our bottling partners keep investing in our business, so that we not only grow bigger, but also we grow better, better at collaborating, better at innovating and better at listening to our consumers and customers as well as bottling partners. And most importantly, better at executing with precision. So, while 2013 will once again be a year of challenges, we are confident that we will continue to generate consistent quality growth in this, the fourth year, of our 2020 Vision.

So now, let us review our performance results across our global markets in more detail beginning first with North America flagship market. Our business in North America delivered its 11th consecutive quarter of growth, up 1% for the quarter and 2% for the full year. As a result, our North America business achieved its best ever full-year volume sales results. In addition, we sustained 2% positive price mix in 2012, resulting in our North America beverage business generating 6% full-year comparable currency neutral net revenue growth. Importantly, we achieved this growth while also realizing full-year volume and value share gains in nonalcoholic ready-to-drink beverages.

In fact, since we initiated our 2020 Vision back at the end of 2009, our U.S. business has seen consumer dollar spent across measured channels increase from approximately $56 to $60 per person in 2012. This represents over $1.5 billion of value created by our brand portfolio in these measured channels alone. I am personally very pleased with our ability to deliver quality results, as well as to consistently create real value across our entire North America business.

This year's growth in North America was led by our still beverage portfolio which was up 8% in both the quarter and also for the full year. This is the fifth consecutive year that our North America still beverage portfolio has either maintained or gained, both volume and value share.

Our POWERADE brand grew double digits in both the quarter and for the full year making this POWERADE's third consecutive year of double-digit growth. More importantly, POWERADE is the North America sports drink category in both absolute volume and value growth for full year 2012. This was further evidenced of how today's consumers are increasingly demonstrating a growing preference for this innovative sports drinks brand.

Our premium Smartwater brand achieved a fifth straight year of double-digit growth. Our juice and juice drinks portfolio also delivered a year of positive growth with our Simply trademark up 7% on a full-year basis. As such our total juice and juice drinks portfolio gained volume and value share in both the quarter and full-year.

Finally, our tea portfolio in North America sustained its momentum, up double digits while gaining volume and value share in both the quarter and full year. This result was led by Gold Peak which was up 36% in 2012 cycling 48%, making this Gold Peak's sixth consecutive year of double-digit growth. Our sparkling beverage business in North America delivered absolute value growth in 2012 with full year in volume down 1% offset by a positive 2% price mix. Importantly, our strategy to provide meaningful and purposeful choice to consumers continued to yield benefits.

Our core sparkling beverage immediate consumption transactions were up 1% for the full year enabling us to capture sparkling beverage volume and value share in North America in both the quarter and for the full year. Coke Zero sustained its momentum, up high single digits for the full year. We also saw accelerated growth in Fanta, which was up mid-single digits for the full-year.

As we look ahead, we remain positive that North America is the long-term growth market for our sparkling beverage business. We will keep investing in the category and in our winning sparkling portfolio and continue to promote active, healthy well-being in all the communities that we proudly serve.

Moving now to Latin America, our volume grew 5% in the quarter and for the full year. The incremental volume we generated in Latin America this year was equivalent to adding a business the size of Canada to this region's volume base. Our total business in Latin America set a new record with volume sales exceeding 8 billion unit cases or the equivalent of 192 billion servings on a full-year basis for the first time in our company's history.

Our sparkling beverages in Latin America grew a healthy 3% in 2012 with brand Coca-Cola also up 3% both for the quarter and for the full year. Also our still beverages in Latin America delivered double-digit growth in both the quarter and for the full year. These well-balanced results translated into Latin America capturing volume and value share in nonalcoholic beverages for the eighth consecutive year.

We also saw balanced result across all four of our Latin American business units, each generating mid to high single-digit growth for the full year. Our two largest markets in Latin America, Mexico and Brazil, were both up a solid 5% this quarter, while also growing volume and value share in nonalcoholic ready-to-drink beverages. On a full-year basis Mexico was up 4% supported by consistent brand Coca-Cola growth, up 8% in the quarter and the full year. Brazil grew 6% for the full year with sparkling beverages up mid-single digits in both, the quarter and the full year. And last December, also three of our bottling partners in Brazil, including two operated by our Bottling Investments Group, signed an agreement to combine their operations. When completed, this transaction is going to you create the second-largest Coca-Cola bottling operations in Brazil. The proposed combination with former company with a greater ability to invest in the market and accelerate growth, reflecting our franchise systems' continued evolution in our system's commitment to long-term sustainable growth in Brazil.

Now let me turn to our Pacific Group, which grew 2% in the quarter and 5% for the full year. In Japan, our full year volume grew 2% in line with the outlook we provided in our previous earnings calls. This resulted in our business in Japan delivering a third consecutive year of record high sales volumes. Our business in Japan also gained full year share in nonalcoholic ready-to-drink beverages. This result was driven by volume growth across most channels, including drugstores, convenience retail outlet and supermarkets.

I am also proud to announce that Ayataka, our premium green tea brands as well as LOHAS, our innovative water brand achieved $1 billion brand status in late 2012. These are the fourth and fifth billion dollar brands we have added to our portfolio since announcing our 2020 Vision. Also, with regard to Japan, last December the four Japanese bottlers from the Greater Kanto region announced an agreement to merge into one integrated and publicly listed company called Coca-Cola East Japan.

While this agreement is still pending final approval by each of the four bottlers shareholders, once compete, Coca-Cola East Japan will become our fifth largest global bottling partners in terms of annual revenue. We support this bottler led consolidation in Japan, and see it as one example of net of the many ways our franchise system continues to evolve in full alignment with our 2020 Vision.

Moving now to China, during our last earnings call we shared our clear expectations that China's ongoing economic transition will have a short-term impact on our industry and on our business. Since then we've seen disposable consumer spending remain quite challenged in China, especially in the export-driven coastal areas where higher proportion of our beverages are proceeding. As a result, our China volume was down 4% in the fourth quarter, also impacted by unseasonably poor weather, the cycling of double-digit growth from last year and the timing of the Chinese New Year.

On a full-year basis, our volume in China grew mid-single digits, cycling double-digit growth from last year. Our strong sparkling beverage portfolio in China continued to expand our nearly 2 to 1 share advantage over our time ridge international competitor. This portfolio is very well-positioned in China with leading brands in every major sparkling flavor categories, including Sprite number one sparkling brand in China, Coca-Cola recently rated by Chinese consumers as their most favorite brand and Fanta, which registered double-digit growth in 2012 exceeding 100 million annual unit cases for the first half. And, we are committed to investing and innovating across our broader still beverage portfolio in China to strengthen our presence across all categories.

As we look ahead to 2013, we still expect the ongoing uncertainty in China to have a short-term impact on our industry and on our business, although we do expect to see improvements in consumer disposable income as the year progresses. As such from here on, we expect our business to deliver sequential improvement in 2013. As we had stated before, we have every confidence in the long-term resilience of our China business and we remain very excited about our long-term opportunities in distribution.

Across the rest of the Pacific Group, we realized several new milestone performances in fast-growing markets. South Korea was up double digits in 2012 with our business sales achieving over 200 million annual unit cases for the first half. Thailand, also delivered double-digit growth, up 22% for the full year resulting in record value share and full year unit case volume results.

Philippines also achieved strong results, growing 5% for the full year while also capturing volume and value share in nonalcoholic ready-to-drink beverages. As many of you know, we recently sold 51% of our bottling business in the Philippines to Coca-Cola FEMSA. While every bottling transaction is unique, this transaction is yet another example of our long-standing and fundamental belief in the strength of our global franchise system. We look forward to this new partnership with Coca-Cola FEMSA as we jointly invest and further strengthen our business in the Philippines to create sustainable, long-term growth and value.

Our Eurasia and Africa business also extended its strong momentum, growing a very solid 10% in the quarter and up 11% for the full year including full year double-digit growth for brand Coca-Cola. During both the quarter and the full year, our business in Eurasia and Africa grew both volume and value share in total nonalcoholic ready-to-drink beverages.

On a country level, Russia was one of the key drivers of this group's performance up 8% in 2012 led once again by outstanding growth of brand Coca-Cola, which grew 20% for the full year. The momentum behind our Dobriy juice brand accelerated further with 13% growth for the full year. Viewed in total, we have outpaced the nonalcoholic ready-to drink-industry in Russia grew for three consecutive quarters. As a result, our business in Russia now has achieved an all-time high market share.

Our business in India, which grew 16% on a full-year basis, continued its long stretch of strong growth realizing both volume and value share gains across both sparkling and still beverage. Importantly, India has now delivered six consecutive years of double-digit volume growth starting back in 2007.

Moving now to Europe. Our business was down 5% in the quarter and was down 1% for the full year reflecting the region's ongoing macroeconomic uncertainty. While we recognize the real challenges of today's European environment, it is important place our results in the proper context and to recognize the resiliency of our industry and our business in Europe. Since the start of 2009, when austerity measures, unemployment and fiscal concerns began to weigh heavily European consumer confidence, Europe has seen a GDP decline.

In contrast during the same four year period, our business in Europe has outpaced the broader industry making our company one of a select few able to deliver positive growth between 2009 and 2012. We successfully grew our business in Germany up 1% in 2012, despite cycling 6% growth in 2011, while gaining full year share in nonalcoholic beverages. This makes it three consecutive years that Germany has deliver full year volume growth. As such we remain confident that our business in Germany is in a sound position and capable of delivering long-term sustainable growth.

Looking ahead, we expect Europe's economic uncertainty to extend well into 2013. At the same time, we expect that the European economy and consumer sentiment will gradually improve that our business is well-positioned to return to volume growth as that occurs. We are also confident that our leadership team and our system will keep investing to outperform the industry in 2013 as Europe continues along the road to recovery.

Before concluding my prepared remarks, I would like to highlight our company's sustained efforts and result to work to find meaningful solutions to the conflict issue of obesity. There is an important conversation going on about obesity and we want to be part of the solution. Together with partners in government, civil society, our own industry and other business, I am personally committed to leveraging all our resources to lead and make a difference here. We are committed to use evidence-based science to guide the choices we offer. We are committed to investing in innovation of our sweeteners, products, packaging and equipment that fosters active, healthy living. We are committed to bringing real choice to consumers everywhere and educating them on how the choices we offer can play a role in a sensible balanced diet and active, healthy lifestyles. We are committed to transparency about the nutritional content of our products and we are committed to responsible marketing of our products.

In closing, we are pleased that our business has done so well in recent years and that we remain well on track to achieve our 2020 Vision. Together, we as a system have delivered on our priorities and we are achieving real success. With passionate commitment and our collective focus, we are propelling ourselves forward during these challenging economic and social times.

As we look back to January 2010, we began our 2020 Vision, we had reasons to be proud of our collective achievement and yet remain constructively discontent. We completed new largest transaction in our history leading to the formation of Coca-Cola Refreshments in North America. We added five new $1 billion brand our portfolio. We maintained Coca-Cola as the world's most valuable brand and distinction is earned from very Interbrand every year since 2000, and we launched multiple programs to support the global communities we serve such as our 5x20 initiative to empower 5 million women by 2020 and provide entrepreneurial training to help growth the local businesses.

All that said, we are keenly aware of how today's turbulent economic landscape is likely to extend through this year. As such, our 2013 strategic priorities remain absolutely clear. First will continue to grow sustainably and provide meaningful solutions that enhance the health and well-being of the community we proudly serve.

Second, we will win with Coca-Cola while actively promoting the brand and the category. Third, we must absolutely keep winning and executing with excellence with point-of-sale. Fourth, we need to keep maximizing the value of our global beverage portfolio. And sixth, we will encourage and inspire our system and associates to deliver our mission and our vision.

So, there is still a great runway ahead of us both, for our sparkling beverages as well as across the entire range of our broader portfolio. After all, global consumer expenditures are expected to grow strongly between 2013 and 2012, driven by further economic growth in developing emerging countries as well as expected middle class expansion in populous economies.

So, while we are proud of our strong record of delivering results through the first three years of our 2020 Vision, we know that we are really just getting started. All of us at the Coca-Cola Company and the Coca-Cola System remain diligent about what we need to do in order to achieve our results and to effectively and efficiently manage our business for sustainable long-term success for all our stakeholders.

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

Gary Fayard

Thanks, Muhtar, and good morning, everyone. We are pleased to have once again delivered quality performance results in 2012, making this seventh straight year that our volume and operating income results have been in line with or ahead of our long-term growth targets. Achieving such consistent performance during a time of ongoing macroeconomic uncertainty is a real testament to our global systems' ability to execute our strategic priorities and alignment with our 2020 Vision.

Therefore, we remain confident that we will continue to deliver full year volume, revenue and operating income results in line with our long-term growth targets.

So let's review our results in more detail starting with our comparable earnings per share which came in at $0.45 this quarter, up 15% versus the prior year. Our full year comparable earnings per share came in at $2.01, up 5% despite facing what we estimate was about a 4% currency headwind for the full year.

Our comparable currency neutral net revenues grew 5% in the quarter. The currency impact on this quarter's comparable net revenue results was a 1% headwind. Our full year comparable currency neutral net revenue growth was up 6% in line with our long-term growth target. On a comparable basis, the impact of currency on our full-year net revenue results was a 3% headwind.

Our comparable currency neutral operating income was up double digits this quarter consistent with the outlook that we shared in our earnings call last quarter. As Muhtar shared a few moments ago, on a full-year basis our comparable currency neutral operating income came in at 6% as expected and in line with our long-term growth target.

During our last few earnings call we shared a more specific full year 2012 outlook across several financial items to help those of you who model our business. I am pleased to say the results were right in line with or slightly ahead of the outlook that we provided. So I want to take a moment to recap these results and where applicable provide more and further insight into our full year 2013 outlook.

With regard to volume growth, our full year 2012 concentrate sales growth was in line with our full year unit case volume growth as per our comments last quarter. Our consolidated price mix was up 1% for the full year 2012 consistent with our prior year full year outlook. For 2013, we expect to keep earning low single-digit consolidated price mix as called for on our long-term growth model as we continue executing our occasion-based brand, price, package and channel strategies with precision around the world.

Our comparable currency neutral SG&A expenses were up 5% on a full-year basis. This increase in SG&A reflects our ongoing commitment to keep investing for a better tomorrow as we grew our direct marketing expenses in 2012, while simultaneously capturing incremental marketing efficiencies. We also added additional feet on the street, primarily in North America, to ensure support of our growing business in this important market. Our SG&A results for the quarter and full year also included a benefit from the reversal of certain expenses related to our long-term incentive plans as well as a one point unfavorable impact of structural items primarily in our Bottling Investments Group and in North America.

Our full year comparable gross margin was roughly in line with the estimate we provided during our previous earnings calls. Our operating expense leverage was a positive nine points this quarter as we benefited from having two additional selling days. The full year operating expense leverage came in at a positive one point. For 2013, we expect our positive operating expense leverage to be even to slightly positive as we sustain our strategic investments in brand building activities around the world and efficiently manage our operating expenses.

As you as you model our 2013 operating results and our corresponding operating expense leverage, let me also remind everyone that our 2013 calendar will have one less day when compared to 2012, specifically our first quarter 2013 will have two less days when compared to the first quarter of

2012, then the fourth quarter of 2013 will have one more day when compared to the fourth quarter of 2012.

Moving now to net interest which came in at a positive $31 million in the fourth quarter. This was ahead of our initial expectations and raised our full-year net interest income to $74 million. For 2013 our best estimate is that net interest will come in as an expense ranging between $30 million and $50 million for the full year of 2013. We will update this outlook each quarter as we move through the year.

For 2012, underlying effective tax rate held steady at 24% and we expect the tax rate for 2013 to be approximately the same. Our cash flow from operations increased 12% on the full year 2012 partially benefiting from favorable timing relating to certain working capital items. Looking ahead to 2013, we expect our cash flow growth rate to be more in line with our earnings growth rate.

Now let me take a moment to update on impact of several additional items that may help you model our business in 2013 starting with commodities. Incremental cost related to our big four commodities, which are sweeteners, metals, juices and PET came in at around $225 million for the full year 2012 in line with what we had provided previously.

Looking ahead to 2013, and after considering our hedge positions, we anticipate a more moderate year of commodity inflation with incremental related to our big four commodities coming in at closer to $100 million. As for currencies, we saw headwinds of 4% on our fourth quarter comparable operating income and 5% for the full year 2012, our comparable operating income, consistent with our previously provided an outlook.

In preparing for 2013, we are fully hedged on the euro, yen and sterling, and also have the near-term coverage in place across several other currencies. After considering these hedged positions, current spot rates and last week devaluation announcement in Venezuela, we now expect currencies to be a 4% headwind on operating income for the first quarter of 2013, and at even minus 1% headwind for the full year, but it would even quarter before Venezuela maybe slightly negative with Venezuela.

We'll also report a $100 million to $225 million devaluation loss in the first quarter related to the monetary asset held in Venezuela. Our normal practice, we'll update our currency forecast on a quarterly basis as we go through 2013.

Our full year share repurchases net of employee option exercises totaled $3.1 billion in 2012, just slightly above the $2.5 billion to $3 billion range we communicated at the outset of the year. In 2013, we expect our net share repurchases to range between $3 billion and $3.5 billion.

Now let me take a moment to highlight a few other items that will also inform you about our business in 2013. First, as previously announced starting this year, we will have organized our company around three major operating businesses. Coca-Cola International, consisting of Europe, the Pacific and Eurasia and Africa operations. Coca-Cola Americas, consisting of our North America and Latin American operations, and our bottling investments group, which will continue to oversee our company-owned bottling operations outside of North America.

As this organizational change does not impact our reporting segments, we'll continue to disclose of performance results for all five geographic operating groups as well as for our Bottling Investment Group. That said, starting with the first quarter 2013, we will reflect our India and Southwest Asian business results within our specific operating group instead of within our Eurasia and Africa operating groups.

Prior to our to our next earnings call, we will provide information reclassifying the last three years of our results for these two geographic operating groups to facilitate through historical comparison of our results to our future results.

Second, as previously mentioned by Muhtar, there have been several transactions announced these past few months, including bottler mergers in Japan and Brazil and the sale of 51% of our bottling business in the Philippines. To be clear, we do not expect these transactions to have a material impact on our 2013 earnings results. However, these actions will generate a structural headwind on our year-over-year net revenue and operating income growth rates. As such, we anticipate these transactions to have a 3% structural impact on our full year 2013 net revenue. Likewise our full year operating income results should be a 1% structural impact with this decline offset by a corresponding improvement in equity income. As I mentioned, we do not see these transactions having a material impact on 2013 earnings per share.

As a final update and as part of our previously announced global productivity and reinvestment program, we are reorganizing our Coca-Cola Refreshments business in the United States to align itself and operating functions around three geographies. Ws. We take this action as part of our consistent effort to improve our processes and systems and to ensure greater operating effectiveness and productivity across our North American operations. This new alignment is in keeping with the ongoing evolution of our North

American business model as we invest even further to enhance our capabilities and deliver against our 2020 Vision.

In closing and as Muhtar said earlier, we are delivering on our strategic priorities and achieving real success. As we move into 2013, our global bottling system is healthier than ever, and our financial priorities remain clear. We will invest in our core business with plans to spend around $3 billion in capital expenditures in 2013. We will strategically invest with our global bottling system to increase our share position across key growth categories. We will pay a healthy dividend and as previously announced we will repurchase shares between $3 billion and $3.5 billion in 2013.

Our system is committed to investing together for a better tomorrow and our proven ability to achieve consistent quality results provides us with the confidence that we will continue to successfully execute our growth strategies with precision in line with our 2020 vision.

Before concluding our prepared remarks, I want to remind you that Ahmet, Steve and I look forward to seeing you when we present at the upcoming CAGNY conference in Boca Raton on Friday, February 22 and Irial and I also look forward to being with you when we present together at the CAGE conference in London on Tuesday, March 19.

Operator, we are now ready for questions.

Question-and-Answer Session

Operator

(Operator Instructions) Our first question is from Bill Schmitz of Deutsche Bank.

Bill Schmitz - Deutsche Bank

Good morning. Muhtar, I know you have been doing a lot of globe hopping recently. So maybe you can just talk about the global macro, maybe some granularity about regional growth rates. I know you were at Sochi and Davos, just can you give us some color on how you sense things are going to trend over the next year. I know you have kind of covered this but maybe some more granularity?

Muhtar Kent

Yes, Bill, I think I have recently been to Korea, to Australia, in the last 10 days to also Southern Russia and Sochi but I think essentially in Europe there is a sentiment there that people are beginning to feel that it is not going to get any worse, that there will be some expansion happening as we move forward and sort of just purely fiscal restraint and monetary restraint. So that feeling is beginning to emerge but I think it is going to be long recovery.

Certainly in China we are seeing the transition happened from a purely export led economy to one that is more balanced with consumer spending and a combination consumer spending as well as export led, a balanced economy I think there was challenges in that transition initially where there was a divergence between GDP growth and pure disposable incomes for a while but I think, long-term that's going to be very beneficial for every one, this transition in China.

I think in general Japan is going to also, the consumer sentiment will continue to be mobile and volatile there and it is subdued. For the rest of the world, whether it's Africa, the youngest billion, Latin America, Eurasia, our Middle East, we see and of course, Asia, Southeast Asia and other parts of Asia, Indian subcontinent, we see growth, we see very disciplined, monetary policy, balanced budgets, good banking system and the consumer is more positive, and so it's modeled, and it's mixed here into United States, we see some signs of improvement.

We need to wait and evaluate the impact of the payroll taxes as well as the higher gasoline prices. It's too early to say that it's a recovery that is at best look on, but we feel that it could get better. That's how we see the world, and based on that we continue to invest for opportunity, we continue to invest based on our long-term models and plans with our bottling partners to continue to generate both, volume, top line and income growth.

Bill Schmitz - Deutsche Bank

Great. Thanks very much. Then a follow-up with the change in the structure of CCR North America, I mean, does this change your philosophy on sort of how long you are going to own the asset and maybe how it's going to be operated going forward.

Muhtar Kent

Sorry. Are you talking about just the restructuring?

Bill Schmitz - Deutsche Bank

Exactly, three different regions, I guess there were seven businesses and now there is three. Does that change your view on how long that asset stays with GCC?

Muhtar Kent

Yes. It's got nothing to do with that that at all. Think if it as last year we announced a new productivity reinvestment program that includes continued synergies from our North America CCR, Coca-Cola Refreshment operations to be able to enable us to continue to invest in our brands to grow in North America, 11 consecutive quarters of growth.

When we first talked about growth in North America back in '09, people thought that we were trying to go to the moon without lighter, and now its reality 11 quarters of consecutive growth and we intend to continue that. We see this as a growth market and therefore enabled us to continue to invest in our brands. This is just ordinary course of business. Think about it exactly like that

It's not a big deal, ordinary course of business and therefore it's got nothing to do with the United States' bottling structure. It's just part of our ongoing business and I'll have Steve Cahillane is here with me on this call, as well as, Ahmet Bozer in area of finance, so I can ask Steve to also comment.

Steve Cahillane

Yes. You said it very well. This is very much an effectiveness play. Two years ago, when we put these businesses together, we had a simple mantra. First was, we're going to make it work. Then we were going to make it better than then we were going to make it best. We've learned a lot over the course of last two-and-a-half years. One of our most successful organizations is our food service organization, which is aligned around three geographic units. we're moving our national retail sales and our field sales organization also around the same two units which will really build our total efficiency and effectiveness, our ability to work together, our ability to continue to invest in this market, invest against our brands, put more feet on the street, so we are very excited about new organization in Bangalore, to get us from making it better to making it.

Operator

Your next question comes from Bill Pecoriello of Consumer Edge Research.

Bill Pecoriello - Consumer Edge Research

Good morning, everybody. I just wanted to re-clarify one thing first Gary. Hitting the long-term FX neutral operating profit target you expect to do that in 2013 as well as in the long run. And then in with closing euro operating expense leverage guided for '13 despite the savings, you're signaling step up spending, so just want to get an idea of where you are focusing that incremental spending on. Thanks.

Gary Fayard

Thanks, Bill. Yes. And, I was trying to be pretty clear, but let me be very clear. We expect to hit our long-term growth target targets both, in 2013 and long-term. That applies to 2013 as well, so we are comfortable with that and we would expect to be able to deliver that. The second thing is, we have always had demand to invest through a crisis. We've been in a global crisis for a number of years now, but we've got history and we've seen what happens when you invest through the crisis when you come at the other end, as Muhtar says, we see things slowly improving across the globe, but we expect to come out that the other end much stronger than we were even going in. And so, we are going to continue to drive efficiencies, productivity and then reinvestment that back to grow the business and growing the brand. The brands are stronger than they have ever been but we think we can drive it even further. So we are going to continue to invest behind the brands.

Muhtar Kent

Just one point to add on that, Bill. I always say, as you go up the air gets thinner. Always remember, we are adding on top of significant increases from prior years all the time. Just on sparkling beverages alone, we have added over 0.5 billion cases each year. So we are cycling that every year and we are continuing to grow. I think that is really important and in three years, the worse that gets probably macroeconomic environment we have seen for a long time, we were able to generate volume growth in line with our growth expectations, revenue growth in line with our growth expectations and income growth and generating record revenues of $48 billion record income as well as record cash flow. So I think it needs to be taken into that context. Continue to crack the calculus for growth.

Operator

Your next question comes from Judy Hong of Goldman Sachs.

Judy Hong - Goldman Sachs

So, Muhtar, I know you spoke a lot about the macro environment but maybe you can speak a little bit about the competitive environment particularly around U.S. sparkling, China and parts of Western Europe where you have seen some step up in competitive pressure and how that's affected your volume performance and how you see that trending in 2013?

Muhtar Kent

I think in the United States where, as you have heard, we continued to gain both volume and value share. All over the world, our share is at an all-time high. Everywhere across the world in NARTD as well as in the different categories that were operating in and competing in and we choose to compete in. Similarly in China in sparkling we have widened our gap to our nearest international competitor in sparkling. In Europe, I there has been a month or two where we have had some challenges but overall for the whole year, we have again gained share across the whole of broader Europe, in Western Europe as well as Eastern Europe and in Southeast Europe across the whole continent, in both volume and value share.

To be frank, we see competition is healthy and it keeps us on our toes, it keeps us executing better and being better, becoming more efficient and more productive and all we strive every single day as the business system together with our assembly by bottlers around the world as we strive to get better at making decisions, quicker so that we can be more nimble and more innovative. As you know we have launched more than 800 types of different products over the last four or five years.

Many of them are new innovative products that are gaining great traction as they are in the United States. Look at the performance of our still business. Look at the relative performance of our sparkling business. I mentioned that between 2009 and 2012, spend per person on our brands went up from $56 to $60. So transactions are up the United States.

Our brand, price, package and channel allocation architecture is working in the United States. So both in China transactions are ahead of our volume as well as in the United States immediate consumption business. So judge us not only by pure volume, judge us by the quality of our volume and transaction growth. We sell and the end-consumers buy packages and products, a combination of packages and products, each one at a time. They don’t buy liters. So that is really important thing to understand and how we think about it.

Judy Hong - Goldman Sachs

Okay, and then Gary just following up on currency guidance for the full year. So it seems like the first quarter guidance is actually a little bit worse than I thought. So can you just help us understand, is that based on our hedge position and with the Yen moving pretty sharply how much are you hedge spending in?

Gary Fayard

Judy, we are actually fully hedged on the Yen, Euro and Sterling. So coming back to the last Yen position that we have are actually on the money, they are in a good place. So that’s not an issue. When you look at the first quarter, it was actually, I said 4%, it was pre-Venezuela, 4.5%. So the Venezuela devaluation obviously is a big one when devalued 50%. So that's number one. But number two, the real impact is not what you would expect. It's not the yen, the impact are the rates that were cycling in the emerging markets particularly, Latin America. If you look at Brazil, look at Mexico, goes look at the rate at early last year and then they started devaluing South Africa as well.

So, if you look at those you will see improving trend, so towards the latter part of 2013, based on where spot is today, we actually turned positive all with kind of even to minus 1 for the full year, but it's frontend loaded negative and then it is improving throughout the year.

Judy Hong - Goldman Sachs

And then on Venezuela, Gary, just the impact you are purely looking at translational impact or some sort of margin impact as you have the pricing control in place?

Gary Fayard

We've got a wealth of monitor assets. That was 100 to 125, and so if you look in the Wall Street Journal article this morning, we just were on a list of other companies that have the same issue, so that's kind of a one-time items, but I am just telling you has occurred, will occur. Then the translation impact of the revenues will be about 1% drag in the first quarter.

Operator

Your next question comes from John Faucher with JPMC.

John Faucher - JPMC

Thank you. Just two questions here. Gary, just sort of more of a housekeeping type of thing, as you look at the commentary on the net interest line, it seems as though that can create a situation and there is probably not much leverage if any below the operating lines. If you could just sort of confirm that.

And then secondly, as we look at the organic top line growth in terms of just simply the bottler case sales, volume less price mix decelerated. It looks like to me at least every quarter this year, so can you talk about how you see that trending up as we go through the course of 2012. You got difficult comparisons in the first half of the year, and sort of how that's going to play into your comfort level of hitting that 6% to 8% currency neutral operating profit target. Thanks.

Gary Fayard

Sure, John. Yes. Let me see if I can get the first half of your question. First, the low operating income growth, you are right, because we will see net interest flow from interest income to interest expense. There are a couple of things going on in there. Primarily its rates and just rates are down, particularly in some of the emerging markets where we've got some cash, which was generating a lot of interest income. You saw that happening during the latter part of this year and all the reason that interest income was actually a lot better than in the fourth quarter than I told you to expected to be was actually we put on some interest rate swap hedges a couple of years ago. There is a small ineffectiveness piece to that hedge and ineffective piece has to go through the P&L. That was actually pretty large this quarter, positive and it gave us lot of interest income, so that's part of what you are seeing.

In equity income, you are going to get some leverage just going to be up because of structural items that talked about from some of the transactions that have occurred. Then if we go to the second half of your question was tell me again?

John Faucher - JPMC

Just looking at the deceleration in the organic top line growth and again how that maps out over the course of the year and the comfort on, let's say, the 6% there?

Gary Fayard

Well, I think there are a couple of different things. There, I think, we are going to see improving and slowly improving trends in many of the markets around the world. Europe, I think, will improve. My expectation is that Europe will improve in 2013 from well, we had pretty good improvement from the fourth quarter of 2012. So I would say, you are going to actually see sequential improvement in Europe, you are going to see sequential improvement in China for sure.

I think that U.S. is poised now also in a pretty good place. Number one, I think, volumes in 2012 dipped a little bit in the fourth quarter. Our view is that is not the start of a trend. We think that just it happened but it is not the start of a trend and we would expect volume actually to be okay in 2013 and we think it will sequentially start coming back and be better and be okay in 2013.

Irial Finan

John, just to add on that. I think very little is always said about the 120 or so countries which have a per capita around 125 in our business where volume growth for just 2012 will again 7%. These countries represented about a little more than one third of our total global volumes. Countries that we never talk about. Whether it is Sub-Sahara or whether it is in Asia or Middle East or Central Asia and so forth. But we grew in these countries 9% in 2010, 7% in 2011, 7% in 2012. We keep on growing. This is the beauty of our portfolio, in fact. So while you may have a quarter where China doesn't grow, or where Europe doesn't grow, we still continue to be able to deliver on our long-term growth model, both volume and also for revenues. Imagine what would have happened to our volume if Europe did grow this past quarter and China. So this is that the benefit of having this portfolio which is getting stronger and bigger as we continue to invest with our bottling partners in alignment.

John Faucher - JPMC

Okay, and then finally one housekeeping question. Gary you mentioned the equity income line. That's coming out of the operating profit line. So as you look at hitting your target, I am assuming that's before the bottler deconsolidation, right? So that 6% to 8%, minus one for the bottler minus one for the FX, is kind of how we should look at it?

Gary Fayard

Yes, John. That is exactly right. So when I said, hit the target, we hit the target before structural but then you would have to adjust for structural. That's with pretax or net income being sign. This is just what is the geographies within the P&L.

Operator

Thank you. Your next question comes from Ali Dibadj with Bernstein.

Ali Dibadj - Sanford Bernstein

Can you give us a little bit more of a sense of against the go forward evolution of the brands globally and in the U.S.? If you look at Germany, that strength this quarter and you wanted to do some system changes there, Japan showing inconsistent changes and that's a struggle, China is struggling a little bit and there were competitive system changes there, also the U.S. sparkling bottling just got tough and you have got it back to a year ago. Gary has pointed volume trends are a trend or not, it just seems that given all that, you might actually for next few years with very large changes through the Coca-Cola system and the industry overall, so if you were to close your eyes and see with us, how would you see the structure of the system of the future looking versus what it is today?

Gary Fayard

Ali, I have always said that the fact that we are a total believer in the franchise system. It is a beautiful system when you get to work as we have aligned in four divisions, aligned with its goals and aligned in its ownership objectives and goals. That's what we have. Therefore we will continue to drive this bottling system with an aligned vision which we have. As I said, we have got three years that we have accomplished that and seven years to go and we are confident that we can continue to accomplish.

As we move through the system, you have already heard us talk about what we see in the business for the U.S. system where we have a role, again, for our bottling partners. We still have the same time table for that. I won't repeat that the time table was. We said about four to five years since the time that we close the transaction and you can figure we still believe that this doable.

As we move along different parts of the world, you see us creating stronger systems like Brazil, stronger systems like Kanto. That is a huge milestone in the 55 year history of our Japanese business getting the four Kanto bottlers to unite and to take cost out of it and continue to invest to drive top line growth for our system.

You will see us doing well as we move forward. Again refranchising Philippines is another example, so don't think of this as seismic changes in our bottling system. We will continue to fine-tune and evolve as needed as necessary to drive the goals that we have outlined.

Ali Dibadj - Sanford Bernstein

It's helpful, I guess I am still struggling with what can we look forward to changes in terms of not being as reactionary, but maybe thinking going forward and maybe if you can help me? You mentioned the U.S. you mentioned a little while ago, so it's been about two years since you closed the CCE North America transaction.

Can you give us a sense of where you think you are ahead of plan and where you are behind plan? Certainly for many investors this quarter was probably (inaudible) because operating margin starts inflect positively, but is it sustainable without any more meaningful restructuring and bigger things? How do you think about the volume trends we have been seeing so far in sparkling when that changes anything how you think not reactionarily, but going forward about the structures here. A different example of.

Gary Fayard

Well, first, let me just say everywhere we are doing, none of it is reactionary to these four, whether it's Brazil, whether it's Philippines, whether it's Japan and we've got more to talk about too, we are not in a position to talk about right now. All of that is actually prices and U.S. is all about prices. And I can tell you very clearly, once again that as I mentioned in Judy's question judges not only by the meters, judges also by the transaction, judges by how we are doing in terms of value of the business that we are creating and the consumer spend that's coming into our business into our brand and the health of our brands. This is ultimately a brand business. Our brands are healthier than they have ever been both, in sparkling as well as in still beverages.

So, I repeat, we see opportunities in the United States for us to keep growing and also for us to keep generating value in both sparkling and in still beverages, and that's how we see it and whatever it takes for us to be able to investment, proactive long-term investment is the key, whatever it takes for us to be able to continue our targeted thoughtful, purposeful investments you will see us continuing to do that, so that we our brands remain healthy, our system remains nimble and flexible as far as rest the market as far as production NSR distribution.

Operator

Your next question comes from Bryan Spillane of Bank of America.

Bryan Spillane - Bank of America

Hi, good morning. A kind of question on just the productivity program, just really looking for an update. First, I think if you test the two elements of it, both what was initially announced last year plus the extension of the CCR integration, your expectation was $550 million to $650 million annualized savings by the end of 2015, so is that still the same or has there been any change to what you are expecting in terms of total savings?

Gary Fayard

Bryan, this is Gary. No changes at all. You are exactly right. What we announced the beginning of last year productivity and reinvestment was $550 million to $650 million. The total company, including North America we are still on track in fact well on track on that program. It was a 2012 through 2015 program and we are continuing to execute against that.

So, we are on track. We are taking the savings and from the supply chain optimization, the marketing effectiveness, operational excellence, data and that the system standardization was area of that of that whole program in addition to what we were doing in CCR, and we have taken that and we are reinvesting behind innovation as well as marketing of or brands. And that's still working well.

What we talked about in North America just today is just a normal part in evolution of that program and we'll continue to do that around the world to drive effectiveness, because it really helps in several different ways

It's not only about saving money. It's about operating more effectively, so we can operate faster. Being more productive means we can make decisions quicker and those are things we are driving for. We want to be fast, flexible and very big.

Bryan Spillane - Bank of America

How much did it continue to drive? How much savings did you drive in 2012?

Gary Fayard

Outside of North America, we probably had about $40 million to $50 million in savings in 2012. Then North America continues to drive synergies and doing fairly well against their part of their targets as well.

Bryan Spillane - Bank of America

It is fair to say you think certainly it will be a bigger, (inaudible) you pulled the savings to spend back than you had in '12?

Gary Fayard

Yes, it will be.

Bryan Spillane - Bank of America

Okay, and then just one last one. Just how much, in terms of charges are you expecting to take over the life of the plan relative to the savings?

Gary Fayard

Let me, Brain, answer it this way. As we continue to update you on where we are how big the plan is. So we will call it back to the 650 today but as you know, a few years ago, we had another program as well that we concluded and started this one. So we continue to look for efficiencies and effectiveness. But everything we look at when we evaluated, we would expect that the one time cost ought to be in a ratio of no more of 1 to 1.5:1 payback. So you are taking about 12 to 18 months on something that's then continuous benefit to the P&L going forward.

Muhtar Kent

Thank you, Gary, Ahmet, Steve, Irial and Jackson. In closing, we had a strong 2012 and we once again delivered quality full-year performance results. Our business continues to grow, even in the midst of ongoing global economic challenges. Our system is aligned and it is on track to achieve our 2020 Vision. Together, we are consistently investing in our brands on a global scale through world-class marketing and commercial strategies.

As we get closer to the midpoint of our 2020 Vision, our system remains resolutely focused on refreshing our achievements, creating value for our customers, maintaining strong partnerships with our bottling partners, strategically investing for the future and expanding shareholder value. As always, we thank you for your interest and your investment in our company and for joining us on this call.

Operator

Thank you for participating in today's conference call with The Coca-Cola Company. Audio playback is available via the company's website thecoca-colacompany.com. You may now all disconnect.