Operator

At this time, I would like to welcome everyone to The Coca-Cola Company's First Quarter 2014 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 on 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 now would 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; Gary Fayard, our Chief Financial Officer, who as you know has elected to retire next month, as well as Kathy Waller, who will be recommended for the role of CFO at next week's Board meeting.

Following prepared remarks by Muhtar and Gary this morning, we will turn the call over to you 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 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 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 maybe 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.

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

Muhtar Kent

Thank you, Jackson, and good morning, everyone. I appreciate you joining us for an update on our first quarter performance. As you know, we started 2014 with a clear objective of restoring the momentum of our global business.

This morning, I'm pleased to report that our growth momentum is improving in line with our expectations. In the midst of continued headwinds, we achieved sequentially stronger 2% volume cycling 4% volume growth in the prior year quarter, despite the shift of the Easter holiday into the second quarter of this year.

Comparable currency neutral net revenue growth of 2% after excluding the impact of structural items, growth of an incremental 100 million unit cases or the equivalent of 27 million incremental servings per each day and both volume and value share gains in nonalcoholic ready-to-drink beverages with value share gains ahead of volume share gains. These topline results underscore our system's ability to leverage our occasion, brand, price, pack, channel architecture across our entire portfolio of leading brands.

They are also a reflection of our ability to drive performance, improve incidents and simultaneously enhance price mix which increased 2% globally in the quarter and we increased our marketing investments, while decreasing other SG&A costs consistent with our commitment to identify savings opportunities and to increase support for our brands.

From a geographic perspective, volume in our developed markets was down 1%. However, volume grew in key developed markets including Japan and Australia, while volume in North America was even.

Importantly, volume grew 3% in our developing and emerging markets with China up 12% and Brazil up 4%. Both India and Russia also grew volume in the mid single-digit range while gaining nonalcoholic ready-to-drink volume and value share.

We remained steadfastly focused on the five strategic priorities we announced on our fourth quarter earnings call and later, which I outlined at CAGNY. As a reminder, those five strategic priorities are as follows.

Firstly to accelerate sparkling growth led by Coca-Cola, strategically expand our portfolio -- profitable sales portfolio, thirdly, increase brand investments by maximizing productivity, fourth, win at the point-of-sale by unlocking the power of our system and last but not least, invest in our next-generation of leaders.

I'll devote the majority of my remarks today to talking about these strategies and the progress we're making in restoring our momentum. As usual, you'll find further operating group performance details in our earnings press release issued earlier this morning. These five important strategic priorities serve as a means to further sharpen our focus. They also serve as beacons to collectively align the efforts of our more than 700,000 system associates all around the world.

Now beginning with our first priority, we are determined to accelerate sparkling beverage growth led by Coca-Cola and we've established comprehensive strategies to do so. The foundation of this plan is to invest in and deliver great marketing to support our sparking brand.

We're adding a sharpened focus with our bottling partners to increase sparkling brand penetration, as well as cold drink availability. We're overlaying disciplined occasion, brand, price, packed channel strategies, supported by revenue growth management capabilities to drive sustained value growth.

We're continuously innovating to meet evolving consumer needs and also we're engaging with partners and stakeholders to promote trust and to address category misperception. These strategies to accelerate sparkling growth are solid and we expect to see improving results throughout the year.

Highlights of actions we took in this past quarter included terrific Sochi Olympics Campaign executed across all over Russia supported by solid trade activations that resulted in 7% sparkling volume growth and 9% brand Coca-Cola growth, the 17th consecutive quarter of growth for brand Coke.

A successful recruitment strategy in China where immediate consumption tax grow sparkling volume growth of 6%, brand Coke growth of 3% and transaction growth of 10% and ongoing sparking innovation in Japan that contributed to 3% sparkling growth in the first quarter.

We clearly see growth potential in the sparkling category and along with our system partners we are investing in the wide-ranging sparkling innovation, world-class marketing and unparalleled local execution to satisfy our consumers thrust for refreshment. It is still early in our journey to restore sparkling momentum, yet we are tenaciously focused on building and improving upon this quarter's performance.

This is underscored by the programs and the marketing campaigns that are already underway in the second quarter like our FIFA World Cup Campaign that has 175 countries participating, the broadest reach of any campaign in Coca-Cola's history.

We're happy to share that the FIFA World Cup Trophy Tour is visiting the United States this week with stops in Washington D.C. yesterday, Miami today and Atlanta and LA later in the week, from here, the FIFA World Cup Trophy Tour is heading to Brazil on the final leg of its 90-country journey.

The activation of this exciting global property coupled with initiatives such as our Share a Coke program with individualized personalized Coca-Cola bottles and cans continue support and innovation on Sprite and Fanta, and a wide range of new package introductions across our entire sparkling portfolio is going to bring excitement and engagement to our sparkling brands all around the world.

Moving now to our second priority to strategically expand our profitable still beverage portfolio. Our still beverage brands account for approximately a quarter of our total global volume currently.

Today, we are the global value leader in still beverages with $11 billion still brands more than any of our competitors. In the first quarter of this year, our still beverage volume grew 8%, while gaining both volume and value share.

Given our leadership position in the industry, we are keenly focused on working with our global system partners to build strong profitable and competitively advantaged brands in fast growing and profitable still beverage category.

We're building on our leading juices and juice drinks portfolio growing volume 3% in the quarter. This was fueled by exceptional brands like Simply which grew double digits in North America and Minute Maid Pulpy which grew 8% in China. This also marks our 9th consecutive quarter of value share gains in juices and juice drinks.

Our growth global still -- global tea portfolio grew 4% as we delivered double-digit growth across Honest and Gold Peak in North America, as well as Ayataka and Sokenbicha in China -- in Japan, I beg your pardon. This resulted in the 10th consecutive quarter of global ready-to-drink value share gains in tea.

We are leveraging our packaging leadership to expand our PlantBottle and crushable bottle packaging, creating an important point of value differentiation for brands ranging from Dasani, North America to I Lohas in

Japan and we are developing a new profit enhancing beverage drop platform that now includes the Dasani, Powerade, Minute Maid and VitaminWater brands. As you will note, we continue to innovate across our still portfolio to further drive and enhance our leading position.

Our third strategic priority is to increase brand investments by maximizing productivity. On the brand side and as announced earlier this year, we will grow our investments by $400 million in 2014 and by $1 billion by 2016.

We began to ramp up our investments in the first quarter to support robust marketing programs like our Sochi Winter Olympics campaign across multiple markets. We're also increasing our media investments and quality in North America as evidenced by our Super Bowl ads. It's beautiful and going all the way.

In Latin America, the first of our operating groups to launch the FIFA World Cup activation, viral marketing efforts targeting Millennials included short films that have already exceeded 10 million views on YouTube. And also, our worldwide marketing team is collaborating with our partners to deliver enhanced consumer experiences. A couple of examples that leveraged new technology platforms include Misfit Wearables which produces the Shine fitness tracker and Spotify, the world's leading on-demand music streaming service.

Our strategic partnerships with these two companies in which we've made minority equity investments will enable us to forge even more meaningful connections with our consumers. While it's too early to speak to results from our increased level of investments, we are confident in our plans and approach, which is based on robust analytics across our top markets. The insights from this analysis have equipped us with necessary information to prioritize both the quantity and quality of our investments across markets, across brands and across media channels.

With regards to productivity, we are diligently seeking, identifying and securing efficiencies across all parts of the business. This effort is focused on standardizing and streamlining our processes, while also clarifying roles and accountabilities.

Let me just provide you with three examples of how we're doing this across North America. We've instituted an ownership cost management focus, thanks to which our associates are identifying and delivering significant savings.

Second, about 50% of our plants in North America have completed an operational excellence diagnostic with the remainder scheduled to do so by 2015. This is resulting in savings of approximately $1 million for each location and following each implementation to focus on year-over-year productivity continues.

And third, in our warehouse and delivery operations, we've focused on our layout and process standardization. Thanks to initiatives ranging from real-time data transfer to smart selling, we can now optimize warehouse capacity, work more efficiently and reduce out-of-stocks. These are just a few examples of the productivity work that we're doing to identify and extract savings that will be redeployed and reinvested to drive long-term growth.

We've also made progress on our fourth priority, which is to win at the point-of-sale by unlocking the power of our system. Our focus on winning at the point-of-sale is not new. What is new is the increased emphasis on flawless execution across our system.

This includes an accelerated focus on capturing new outlook and greater alignment in the execution of new brand and packaged launches. We're also intent on exceeding our Right Execution Daily or RED targets and ensuring that our products are well placed as well as merchandized to optimize our sales.

This fourth priority emphasizes the importance of capability building and collaboration on all frontlines where our sales associates, drivers, merchandisers are often the final link in ensuring that our Coca-Cola and all our brands are always within an arm's reach of desire.

The first quarter, we saw many concrete examples of how together with our bottling partners, we are winning at the point-of-sale, including excellent execution of our Sochi marketing campaign leading to significant share gains across almost all beverage categories in Russia, occasion, brand, price, pack, channel, architecture changes in many countries, including a significant focus on immediate consumption package reductions leading to immediate consumption volume growth ahead of future consumption growth and an improved RED penetration and scores. Right Execution Daily now covers approximately 40% of our volume, an increase of about three points over the past year.

And our FIFA World Cup Trophy Tour program has now reached 90 countries, where our bottling partners have activated the program in 400,000 retail outlets. Importantly, the partnership required to win at the point-of-sale extends beyond our bottling partners to include our customers, the more than 24 million retail outlets that we proudly visit on a weekly basis. We are continuously collaborating with our customers to identify ways to add value to their business.

Our fifth and final priority is to invest in our next generation of leaders both here in the U.S. and all across the world. In this context, I want to remind everyone that today is Gary's last quarterly earnings call and I want to commend and acknowledge him on an outstanding 14 years as the Coca-Cola Company's CFO.

e sincerely thank Gary for his many years of outstanding leadership service, his steady focus, countless insights and the enormous value he has helped to generate for our company and all of our shareowners. Collectively, he and his finance leadership team have carried out a thoughtful and purposeful transition.

I'm going to recommend that our Board elect Kathy Waller as our new CFO next week. And this is a great example of the talented and experienced bench strength that we are building with our next generation of talented leaders. I hope all of you welcome Kathy to the role of Chief Financial Officer.

As our fifth priority outlines, we're committed to investing in our next generation of leaders across all levels of the Coca-Cola Company and Coca-Cola system. So as you can see, we're making progress across each of these clinical strategic priorities and look forward to providing you with further update as we progress throughout this year.

Now, let me address a couple of other topics across our operating groups. First, there is the question of profitability in North America, where comparable currency neutral operating income declined 8% in the quarter. This decline was largely due to the impact of one less selling day and the shift of Easter into the second quarter.

We've been encouraged by the results of targeted marketing efforts in several North American markets in recent months. And we're excited about the trends that we are seeing.

Enhanced marketing and disciplined retail pricing strategies in North America resulted in volume that was even to brand Coca-Cola. At the same time, we achieved a 2% increase in sparkling price/mix. We also gained sparkling value share ahead of volume share making this our 16th consecutive quarter of value share gain.

Our priorities in North Americas remain very clear. As we shared in our year end call, our focus remains on building strong brands, creating customer value and enhancing our capabilities. We're streamlining the way we work and identifying ways to operate more effectively and efficiently in our sales warehouse and delivery operations.

I also want to speak to our results in Europe, where our volume was down 4% as our business was adversely impacted due to the Easter shift and by ongoing macroeconomic challenges. Volume in France increased 4% and volume in Germany was even with prior year.

During the quarter, our Europe group realized 10 points of price/mix, thanks to the consolidation of Innocent and to a broad focus on earnings price -- earning price across our business units in Europe. We seek to continuously earn price/mix by balancing disciplined pricing with packaging changes. A recent example of this is the transition from a straight-wall 2-liter to a contour 1.75-liter at the same price in Great Britain at the end of the first quarter.

As we look ahead, we're cautiously optimistic about our outlook in Europe despite the continuing volatile operating environment. The strong and integrated programs that we have developed together with our bottling partners fuel this optimism. These initiatives will help us leverage our marketing assets, implement critical and innovative packaging and dispensing initiatives and execute impactful marketing programs during the year to come.

Number of these initiatives in Europe began in the first quarter, including the FIFA World Cup promotions and three-time World Cup winner Germany offering our Coke Zero consumers a chance to win one of the 200 tickets to Brazil, a new Fanta marketing campaign and in-and-out flavors successfully launched in Austria, Switzerland, Romania and Hungary, as well as Cappy Pulpy's geographical expansion in the southern European belt.

However, we're seeing most of the benefit coming during the remainder of the year due to various factors such as the timing of Easter, a ramp-up in World Cup activations as well as the timing and intensity of our marketing programs.

Before handing over the call to Gary, I want to also remind you about our recently announced partnership with Keurig Green Mountain which closed in the first quarter. We believe Keurig Green Mountain is the perfect strategic partner to collaborate with, to capitalize on the many opportunities we see available in the market and we look forward to providing you with further updates later in the year.

As I complete my prepared remarks, I want to reinforce that there is so much runway ahead of us and the Coca-Cola system is well positioned to capture more than our fair share of growth. This is a business that has barely tapped into its full potential.

Globally, consumer populations are growing, purchasing power is increasing and spreading to a new middle class. Urbanization continues to intensify and lifestyles and consumer preferences are changing in ways that significantly favor our expanding and evolving beverage portfolio. We have an unparalleled reach with leading global brands and a bottling system that is investing for sustainable growth.

Having said that, we do not take anything for granted. We fully understand that attaining our 2020 Vision will require more than just counting on industry growth. Indeed, it is up to all of us, up to our global system leaders and up to each of our associates to make the right decisions and to take the right actions that are going to enable us to seize the abundant opportunities that are before us.

Gary will now provide you with some additional details on our first quarter financial performance.

Gary Fayard

Thanks, Muhtar, and good morning everyone. In the first quarter of this year, we began executing and delivering the strategic plan that we outlined and shared with you on our 2013 year end call and at the CAGNY and CAGE Investor Conferences earlier this year. Our clear and focused commitment remains a long-term value creation and the strategic priorities, which Muhtar just outlined today and they are tailored to do just that.

While much work remains to be done, we're confident in our strategies and are fully committed to this plan, as we firmly believe that the Coca-Cola Company is a sustainable and great long-term growth business. As mentioned, we grew unit case volume 2%, a sequential improvement from last quarter and cycling 4% growth in the prior year.

Global price mix increased by 2% and we gained both volume and value share in non-alcoholic ready-to-drink beverages in the first quarter, a constructive start towards restoring our momentum in 2014.

Comparable currency neutral net revenue grew 2% after excluding structural items, while concentrate sales were even with the prior year. We do expect concentrate sales and unit case sales to be in line for the full year. Comparable currency neutral operating income grew a solid 7% after excluding structural items, while also including an increase in marketing investments in support of our brands.

Comparable currency neutral earnings per share grew 5% with currency creating a 10 point headwind on comparable EPS. And for the math people in the room, you'll notice that comparable EPS declined 4%, implying a 9 point headwind. So, I just wanted to point out that the 10 point headwind is in the rounding.

We generated $1.1 billion in cash from operations and our net share repurchases through the first quarter were $713 million. Our cash from operations increased significantly versus the prior year quarter, primarily because we made a large contribution to our pension plan in the first quarter of last year.

Cash from operations also benefited from efficient management of working capital and these benefits were partially offset by unfavorable exchange. Because our largest pension plan is currently fully funded, I do not foresee any significant cash contributions to our pension plan in the near term. As it relates to overall cash management, as we have discussed in the past, we follow disciplined guidelines for how we use our cash to create sustainable shareowner value.

First, we're reinvesting in the business to further strengthen the equity of our brands and to accelerate growth. This includes capital investments and new cooler placements, route-to-market enhancements, brand and packaging innovations and marketing investments that include not only more marketing but better quality marketing as well.

Importantly, along with our increased investments, our bottling partners are also stepping up their investments, thus further enhancing growth for the overall system. Second, we continue to reward shareowners by paying a healthy dividend, which is $1.22 per share this year, a 9% increase over last year. It's worth noting that we've increased our dividend every year for more than half a century.

Third, we evaluate opportunities to grow through bolt-on acquisitions, strategic partnerships and value-added joint ventures when appropriate. Recent examples include the Keurig Green Mountain partnership, which opens up an exciting new packaging format for our brands, investments to further enhance our leading juice portfolio like Innocent and Rani and investments that allow us to broaden our reach like ZICO and Core Power. And finally we conduct meaningful regular share repurchase.

As we look to the second quarter of 2014, we plan on continuing to execute our five strategic priorities and our full year plan remains firmly intact. First, let me address operating leverage. As you can see in our release, we achieved four points of operating expense leverage in the quarter as we benefited from the timing of year-over-year expenses.

Consistent with what we shared with you on our year end 2013 call, our outlook for operating expense leverage for the full year 2014 has not changed. We expect to achieve even the slightly positive operating expense leverage for the full year as we increase brand investments.

Secondly, let me address the outlook for currency. We now estimate based on current spot rates and hedging that currencies will have a seven point headwind on operating income both in the second quarter and for the full year. Our analysis reflects and includes the negative impact of the Venezuela currency devaluation, partly offset by improvements in other currencies as compared to the outlook we provided at the time of our year end earnings release.

While we are very cautious in forecasting currency movements, we have managed through more than $2 billion of currency headwinds at the topline in the last two years. And as you know, we anticipate significant currency headwinds for the remainder of this year. As we look further into the future, we think it is unlikely that we'll have the same level of headwinds going forward.

Third, I would like to comment on structural change. As we previously disclosed, the bottling transactions completed in 2013 are anticipated to have an unfavorable 1% structural impact on both our full year 2014 revenues and operating income. As a reminder, this impact hits the first and second quarter results as the Brazilian bottler transaction took place on July 3rd of last year.

As Muhtar noted earlier, I have elected to retire next month after a very special and memorable 20 years at the Coca-Cola Company. And I want to congratulate Kathy Waller on being recommended to the Board for election as the company's new CFO and to reinforce my full confidence in her leadership in this position given her 25 years at the company.

I have to say, as a retiring officer with this company, it is comforting to know that I leave the CFO office in great hands and that we have built a talented and deep finance leadership organization that will support both Kathy and Muhtar. It also gives me great comfort to look around this room this morning during our conference call with Muhtar, Irial, Ahmet, Sandy, Kathy and Jackson and to think about the experience, focus and dedication of this company's senior leadership.

It's been a tremendous honor to serve as CFO of the Coca-Cola Company over the past 14 years and I have greatly enjoyed building long lasting relationships with all of you across our investment community.

In closing, I'll also leave you with a few thoughts. First, I have every confidence that our ability to reignite sparkling growth beginning with brand

Coca-Cola. Second, we are continuing to build leadership positions in still beverages, much like we have done in the sparkling category since 1886.

And third, our franchise system is not only the strongest it has ever been but it also provides us with a global footprint and an invaluable local resource, all at the heart of a real value creation model. And lastly, there is nothing quite as refreshing as an ice cold Coca-Cola.

So to all of you on this call, I sincerely thank you for your candor, your partnership and your thoughtful questions over the last 14 years. And I encourage you to continue to reach out to the senior leadership team for meaningful dialogue, or ways to further enhance our business and to build long-term value for you and all of our shareowners.

Operator, we are now ready for questions.

Question-and-Answer Session

Operator

(Operator Instructions) The first question today is from Bill Pecoriello with Consumer Edge Research.

Bill Pecoriello - Consumer Edge Research

Good morning and congratulations again Gary and Kathy.

Gary Fayard

Thank you, Bill.

Kathy Waller

Thanks, Bill.

Bill Pecoriello - Consumer Edge Research

Muhtar, if you could talk about what gives you the confidence that Coke can hit its long-term growth algorithm in 2014 specifically? And also, when you look at the improving momentum during the first quarter, how much would you attribute to any relief you are seeing in external headwinds versus the impact of the internal actions that you are taking? Thanks.

Muhtar Kent

Thanks, Bill. Good morning. First, let me say again that I am pleased to report that our growth momentum is improving in line with our expectations. And in the midst of still continued volatility headwinds, achieving sequentially stronger 2% volume growth, that means delivering an incremental 100 million unit cases in the past 90 days or so, that means incrementally every single day, an additional 27 million actual servings for each day.

As the base grows, we are still very proud that we can continue to drive growth. And this is a quarter that's where Easter has shifted, where we're cycling 4% from prior year, whereas as I said, macro volatility continued and where we had the harshest winter in the northern hemisphere, particularly in the U.S. We don't think this is a great result but satisfying as one step in the right direction to restore momentum.

Germany, U.S. was flat in the past quarter. We think given what we went through and what economies and consumer and climate. Turkey was up 2%, Japan was up 3%, France was up 4%, Brazil was up 4%, India and Russia was up 6%, China was up 12%. These show and give us the proof points that our actions are working. And I think this is the quarter again, where only a small fraction of our incremental marketing was deployed.

I would say probably around -- so 5% of our total incremental marketing for the year was deployed in this first -- in this quarter. As we ramp up the quality and also quantity of our marketing, I believe that certainly we are going to drive better alignment. We have really good plans in place fully aligned with our bottling partners and I would be disappointed as would be all my colleagues and associates if we don't go back into the corridor of our long-term growth algorithm for volume growth.

But also importantly, we are driving not just volume growth but we are driving immediate consumption growth, which is really important for our business. When you look at say in this past quarter, our top five countries growing, as China up 18% in IC growth, Indonesia up 9% in IC growth, Vietnam up 8%, Brazil up 5%. These are really important numbers because it's sustainable growth, it's profitable growth and it's growth in transactions, which is directly married to the health of the brands and health of our portfolio.

So from that perspective again, I want to just register a cautious optimism that I feel we would be disappointed if we do not fall back into the corridor of our long-term growth algorithm for the remainder of the year in terms of the volume growth picture and also the other key metrics that follow on from there.

Bill Pecoriello - Consumer Edge Research

Thank you.

Operator

Thank you. The next question is from Bryan Spillane with Bank of America Merrill Lynch.

Bryan Spillane - Bank of America Merrill Lynch

Hi. Good morning. And Gary and Kathy both -- congratulations to both of you.

Gary Fayard

Thanks, Bryan.

Bryan Spillane - Bank of America Merrill Lynch

Just wanted to drill in a little bit further on Latin America and I guess sort of three topics. One in Mexico with volumes -- the volume decline was a little bit less than we thought, so if you could just talk about whether -- what we are seeing now is sort of the expected elasticity, or if there is something else in the future that might change the elasticity, so has the consumer really seen the full effect of the pricing?

And then second, if you could just talk a little bit about some of the drivers of price-mix in the Latin America segment in the quarter, how much of it was driven by Venezuela? And then finally, just in terms of the Brazil comp being better sequentially, how much of that do you think is just that, maybe the consumer is a little bit better, was there anything specific that Coke did in the first quarter to drive the better performance in Brazil?

Muhtar Kent

Bryan, good morning. Last question first, on Brazil. I think Brazil was out the gate first in terms of the FIFA World Cup activation, a lot of noise around that, lot of activation in stores. And I think that certainly we also see a little less malaise in terms of the macro environment. And again, in terms of also the relationship between durables and non-durable consumer goods was a little bit more in favor for us. So we feel that's going to continue and that Brazil will have a better year and I think the government is also aware of what they need to do, as they lead into one of the biggest events in their history, which is hosting a memorable event like the World Cup.

As far as Mexico is concerned, I think sparkling volume for us was sort of in the mid-single digits decline for the first quarter. The important thing here is that because of the strength of our brands, because of also the incredible richness of our package portfolio and our occasion, brand, price, pack, channel architecture, the strength of that in Mexico, we are seeing that we are gaining market share versus both local competitors and our international competitor in Mexico as well. And again, we could start -- till early days related to Mexico but I would say that we are again executing with great precision and passion in Mexico with our great bottling partners.

And then in terms of price-mix, including that favorable geographic mix, other points came as a result of high inflation in local markets. And again, I'll ask Gary to comment related to the Venezuela piece.

Gary Fayard

Bryan, Venezuela definitely contributed positively in the quarter to positive price-mix. Now with going forward, that will no longer really be the case because we have adjusted the -- as of the end of the quarter, we have adjusted the exchange rate that will be using the 10.8 exchange rate going forward for most of our revenues, a large part of the revenues in Venezuela. So that will come down but that impact is included in the latest currency forecast that I gave you. So again, some of the other currencies actually have improved from what we talked about in the February call that offset now by Venezuela. So still at the same 7% impact.

Bryan Spillane - Bank of America Merrill Lynch

As we are modeling price-mix in Latin America, just going forward, there is some price-mix in there that is positive, excluding Venezuela, I guess, that was what I was after?

Gary Fayard

Yes, there's definitely positive price-mix going in there. And I think the other thing to point out and Muhtar said it, I said it, but I think it's really important as you look at this quarter how we drove value share ahead of volume share. So we are definitely focused on rational pricing across the world and getting our earning price.

Bryan Spillane - Bank of America Merrill Lynch

Thank you.

Gary Fayard

Thanks.

Operator

Thank you. The next question is from John Faucher with JPMC.

John Faucher - JPMC

Thank you very much. And Gary, it's been great over the last 14 years, so best of luck as you move forward and Kathy looking forward to working with you as well.

Gary Fayard

Thanks, John.

John Faucher - JPMC

Gary, I had to finish off with sort of one accounting question here, so you guys drove tremendous SG&A leverage in the quarter and you talked a little bit about sort of how you haven't put a whole lot of marketing spend to work yet. So, can you walk us through may be how we should think about the sales curve over the next couple of quarters and what we should look for on the SG&A line, as we look to model out the balance of the year? Thanks.

Gary Fayard

I'll try John and we'll see how this goes. But basically there, let's go to marketing first and let's talk about it in two different ways. One is, how much of the marketing is actually in the market and that's what Muhtar was referring to, how much of the marketing is actually hitting the consumer and a lot of our incremental spend actually has not hit the consumer yet, it's much more weighted starting in the second quarter on through Q4. A lot of the first quarter really focused on getting the quality of our marketing up and that's what we think.

That is different from the way we account for marketing and marketing as you reference is on the sales curve. So on the sales curve, that incremental marketing is included in what we expensed in the first quarter. Now, then, we get into the marketing that we are cycling quarter by quarter from last year. And so, it was an increase in marketing in the first quarter, the increase will significantly grow during the year based on what we are cycling. That is part of what I said, that 4 points of operating leverage will go to even the slightly positive and we are also benefiting from some other timing in the first quarter in just some of the OpEx expenses as well.

John Faucher - JPMC

Okay. And then Muhtar, if I could ask you a follow-up question on, you talked about the strength of the bottling systems and obviously the equity income line is getting hit by FX but we have seen some comments from Amatil in terms of what's going on there and then also SAB talked about cutting some positions in their soft drink business. Can you just talk a little bit about the mood of the bottlers and what they're seeing now and how we should look at some of the headwinds they're facing in the shorter term and how that may be will differ with what happens in the longer term there? Thank you.

Muhtar Kent

Yes. I would say the mood is positive in terms of their willingness to invest, their appetite for new territories. I've always -- you've heard me say this before in terms of litmus test for the health of the business. There is a lot of appetite for growing horizontally in territory and trying to get expand. And I think in terms of the quality of our marketing, in terms of the quantity of our marketing, I feel that based on all the bottlers that I have questioned in this past quarter, I feel good, I feel positive about the sentiment both here in the United States, as we start our path to franchising and as we look at how we expand and how we hasten the pace of franchising but also across the world.

I've recently been with many bottling leaders and talked to many of them. We have a global system meeting next month also where about 50 of the top bottlers get together with their CEOs and Chairman. And we are there to further align our plans for 2015 and beyond but I feel good related to the plans in place, related to everyone's desire to execute better and to invest more into the future.

And again, based on the investments that have gone into the marketplace in the third and fourth quarter of last year, I feel -- that's why I feel confident that you are going to see us back into the corridor of the 3% to 4% long-term growth algorithm for the balance of the year, as we keep restoring momentum. So that's what I would say. Do we have some pockets of challenges? You mentioned them Coca-Cola Amatil. I feel again very cautiously optimistic as Alison Watkins assumes a new role there and we are working very closely with her and her team. And again, we are very much aligned to how we move forward with SABMiller and their management team related to their non-alcoholic beverage business.

John Faucher - JPMC

Great. Thank you.

Operator

Thank you. The next question is from Judy Hong with Goldman Sachs.

Judy Hong - Goldman Sachs

Thank you. Good morning, everyone. And I also echo my congratulations to Kathy and Gary, it's been great, we will miss you.

Gary Fayard

Thank you, Judy.

Judy Hong - Goldman Sachs

Thank you. So just wanted to may be delve a little bit into Europe in the quarter and the question number one, just relating to Great Britain, obviously sparkling being down double-digits. If you can give us some context of trends that you've seen throughout the quarter and sort of strip out some of the one-off factors with respect to the Easter timing as well as some of the transition into the 1.75 liter packaging and whether you're seeing some improvement there.

And then just in terms of Southern Europe, we are hearing more from some of the consumer companies that things are trending a little bit better in markets like Spain and Portugal. So may be you can also just give us whether we are seeing a similar improvement for your business in that part of Europe?

Gary Fayard

Thanks, Judy. I will ask Ahmet to give you a response on to your question. Ahmet?

Ahmet Bozer

Thanks Judy. Yeah, the results obviously for Europe for the first quarter was less than what we would have desired with minus 4%. A lot of things came into play with that. You mentioned, the Easter obviously that was definitely a factor and Muhtar has mentioned the transition into a new future consumption back in GB. I would add to that that there was sort of a pricing activity in the marketplace on future consumption facts that had also had some impact and we are in very close discussion on alignments with our bottlers to make sure that we actually sort of respond in a way that we maintain rational pricing in the marketplace but also balance volume growth and value growth at the same time, so that was one.

You've mentioned Southern Europe, the slight improvement that everybody sees in Iberia and Spain that we see as well. Our numbers had a bit of noise and it's with regards to the strike in our Iberian bottling partners that you all have heard about before. We've had great mitigation plans in place and executed them and the negotiations at all the sites, the restructuring is expected to end in May and we will continue to see improvements in our Iberian business as well. So we expect, as we move into quarter two, remove the effect of Easter, fully implement OBPPC in GB and continue to finish our restructuring in Spain. We expect to see improvements in Europe over the next quarter and the rest of the year.

Judy Hong - Goldman Sachs

Okay. Great. And then if I can just follow-up on North American just on the pricing side. So sparkling up 2% seems encouraging but the broader North American pricing kind of being flattish. How should we think about that going forward? Do you expect to see the still pricing being a little bit more pressured or do we see improvements there going forward for the broader North American pricing turning positive?

Muhtar Kent

Yeah. Judy, this is Muhtar. Let me just frame again. Just a couple of important takeaways for Britain's rational pricing. It was really the theme for us in Q1 and the strength of our marketing program, the strength of our commercial program leaves us to believe that we will see improvement as we go into Q2 and Q3 and Q4 in Britain. That will take a while I would say. Again, the same phrase and motto for our U.S. business, rational pricing that's the takeaway and we had 2% to 3% price mix in our sparkling portfolio in the U.S. and you'll see that continuing. And I will ask Sandy to -- and Irial to reflect on our further details on that.

Sandy Douglas

Thanks, Muhtar. The pricing, we expect pricing for the full year in sparkling to actually improve from the first quarter. Our plans are in place with our customers, the market is rationale, our focus on immediate consumption growth will drive mix and our rate should continue to be healthy and even improved as we move through the second quarter and into the third quarter where we're lapping some promotional activity.

So that's point one. Point two is on still, the case packed water business continues to grow, so it pulls down mix. We see opportunities however on a targeted basis in our can sales and improved pricing and we'll take action to do that. Paul, Irial and I see opportunities on a category-by-category basis.

And then finally in our chilled juice business, we've just fielded an increase to respond to the commodity issues with orange juice in Florida and that's taking root and our juice business continues to be advantage from a share perspective. And I think all of that wraps up from the pricing standpoint to a much more favorable profit outlook for the full year.

I mean we saw some timing related issues. And obviously we've talked about having one last selling day in the first quarter but all of that's going to come together with our price and volume plan for the year to produce profit growth for the full year. Irial?

Irial Finan

Good. The only add I'd give is we're about building a long-term sustainable, profitable business in the U.S. And to do that with most of the balance of pricing and volume growth and pricing is a really critical part of that. And we will, in this year, end up with sparkling to 2% to 3% range in pricing or price/mix I should say. And that's really is and that's what we're focused on, that's what Sandy and the team, Paul and the team, all of us together are focused on delivering that, delivering a healthy business that's going back to growth as well.

Judy Hong - Goldman Sachs

Great. Thank you.

Operator

Thank you. The next question is from Michael Steib with Credit Suisse.

Michael Steib - Credit Suisse

Good morning. I was wondering if you could comment on the performance of your key markets in Asia and particularly, China and Indonesia. The China volumes have rebounded quite strongly now for two or three quarters and I was just hoping you could shed some light on what's being driving that? Whether the new strategy, the new team that's being put in place there, whether that's all paying off or whether it's really mostly due to relatively low comparison basis still. And then similar question on Indonesia, volumes continue to be strong there, just wondering what's driving that?

Muhtar Kent

Yeah. Michael that's Muhtar. I'll say just a couple of top line and then ask again, Ahmet to contribute. But yeah, I'll repeat what I said about IC, particularly, pleasing was China, IC was up 18%, Indonesia IC was up 9%, Vietnam up 8%. These are really important for us as we drive profitable growth in our business.

And again, our newly architected packaging, our portfolio in China is really working with the smaller packs and the new price points. And I think also the new team certainly is really delivering what we expect of them as well as our bottlers with renewed focus. Both our bottling investments group but also Swire as well as Copco really doing a good job in the first quarter. And I think lot of really good investments and activity and commercial leadership is in place to continue to drive that momentum both in the stills as well as in the sparkling portfolio in China. And so again Ahmet, if you want to just highlight…

Ahmet Bozer

Yeah. I think Michael you listed a lot of reasons that my headline will be as all of the above but let me color it a little bit. Certainly the new team and the new strategy that we covered with you last year is really coming together nicely. And we're happy with the quality of the growth, sparkling's growing, juices are growing and those are the category that we told you that we were betting on for our growth in China.

You might see growth in waters that is an important category. But we've just had some recent launches into a 2RMB water, which improves the profitability of that very, very early days and it's doing well. Also we're quite encouraged with again very early results on some of our innovation which Schweppes be plus and just couple of weeks out, the plant is our isotonic.

So we're getting that good mix of sparkling juices and innovations that is beginning to work for us. I would just caution us though, you did mention the easier cycle race from last year, that is definitely the case and 12% growth we're very happy with. But we would expect to see growth in China, continued growth in China, probably in the range of mid-to-high single-digit that we could expect over time. So that's basically I think covers everything.

Muhtar Kent

And just one other point I'd highlight Michael is Japan is very pleasing that it grew 3% in sparkling and stills grew 4% in Japan in the quarter. And again, despite the longest monsoon that I have ever experienced in terms of season and how long it took, India grew 6% and should do much better going forward. And so again, I'm certainly very proud that this is the 31st consecutive quarter of growth in India for us and including continued share gain.

Michael Steib - Credit Suisse

Okay. And then Indonesia, could you just comment similarly?

Muhtar Kent

Yeah. And again that's -- Michael that's a very important market for us and we have been focused on aligning with our bottling partner, Amatil there on a new plant or let's say, an evolved plant as was the case in China. It was the revised OBPPC investments in sparkling and still beverages. There's been a recent change in management on the ground. And all of that again, we're cautiously optimistic about the progress we're making in Indonesia, are beginning to deliver good results. Certainly, that market has so much more opportunity to grow in the coming years.

Michael Steib - Credit Suisse

Okay. Thank you.

Operator

Thank you. The next question is from Dara Mohsenian with Morgan Stanley.

Dara Mohsenian - Morgan Stanley

Good morning. First, Gary congrats on a great run and best wishes on the firm and congrats there Kathy also.

Gary Fayard

Thank you

Dara Mohsenian - Morgan Stanley

And Muhtar, I was hoping to discuss if your expectations have changed at all here over the last year just regarding the long-term growth potential of the sparkling category. So not necessarily from a market share front but more just in terms of category growth and if one looks at industry data, it looks like sparkling trend slowed more in 2013 than we've seen in other CPG categories. So, I was just hoping for some perspective on that, the drivers behind it and expectations going forward?

Muhtar Kent

Yeah, no changes as far as my perspective is concerned. I can confirm that both, our entire team and as well as our bottling partners feel the same way as the system. We are blessed to be in a great business, both in the sparkling area as well as in the stills. We continue to innovate. I believe that we have a great future where so many -- hundreds of millions of people in so many large markets haven't tasted a Coca-Cola in the last month or in the last six months or in the last year.

We have tremendous opportunity going forward and I believe that through innovation, packaging, equipment and great marketing, we will continue to grow our business going forward both in sparkling and in stills. And I feel confident that we will go back into the corridors of our long-term growth algorithm this year and years to follow. And with new innovations like creating new paths to consumptions, creating new consumption occasions like the Keurig Green Mountain innovation, like Freestyle that is driving, we know everywhere, every time it's actually installed in an outlet it drives traffic, it drives incidents, it drives increased sales and it drives excitement for the consumer.

And at the same time, our contour packages, you will see us being focused much more on the contour. Next year is the 100th anniversary of the contour bottle, the iconic contour bottle. You'll see a lot of activity around that also. But we feel, we have a lot of work to do, so we feel that isn't that a great place where you have a lot of work to do and you believe in your future.

Dara Mohsenian - Morgan Stanley

Okay. And on the innovation front in the U.S., can you give us a bit more detail in terms of maybe potential timing of sweetener innovation and how impactful you think natural sweeteners could be to your topline results eventually?

Muhtar Kent

I think they will. I'm certain innovation is going to be impactful and I can't give you any more details on the timing.

Dara Mohsenian - Morgan Stanley

Okay. Thanks.

Muhtar Kent

Yeah. Sure. So, just thank you again, Gary, Kathy, Ahmet, Sandy, Irial, Jackson. We're just once again, firmly committed to advancing our growth trajectory in 2014. Our strategic priorities are yielding tangible and measurable results and they are consistent with our long-term goals and our overarching business strategy.

Increased marketing investments and a focus, a relentless focus on execution underscore the confidence we have in our systems alignment as we seek to execute these strategies, while we further strengthen the foundation for profitable and sustainable long-term growth.

Our 2020 Vision calls for a well balanced growth, that is growth in sparkling beverages and also growth in still beverages across more than 200 markets countries and in revenues and margins. And thanks to this balanced growth in both portfolio as well as geographic mix, we see a path that leads to global volume, revenue and profit growth in line with our long-term target. Our focus is unwavering and our execution of our five strategic priorities is going to enable us to restore momentum to growth to our business.

Thank you for your time this morning and for your continued interest and trust in our company.