TRANSCRIPT

CULTIBA

Third Quarter 2013

Earnings Conference Call

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Company Participants

Mr. Juan Gallardo, Chairman & CEO

Mr. Carlos Orozco, CFO

Ms. Diana Gonzalez, Investor Relations

Analyst and Investor Participants

Alan Alanis – JP Morgan

Antonio Gonzalez – Credit Suisse

Armando Perez – Credit Suisse

Karla Miranda - GBM

Operator: Good afternoon and welcome to the Cultiba's Fiscal Third Quarter 2013 Earnings conference call. Today's call is being recorded. At this time, I would like to turn the conference over to Ms. Diana Gonzalez, Investor Relations. Please proceed.

Diana Gonzalez: Thank you and good afternoon, everyone. Cultiba's third quarter 2013 financial results were released earlier today. A copy of the earnings release can be found on the Company's website at www.cultiba.mx.

As a matter of formality, I need to remind participants that remarks made by management during the course of this call may contain forward-looking statements about the Company's results and plans. Such statements are subject to risks and uncertainties that could cause the actual results and implementation of the Company's plan to vary materially. The words believe, expect, plan, intend, estimate or anticipate and similar expressions, as well as future or conditional words such as should, would and could identify forward-looking statements. In addition, any projections as to the Company's future performance represent management's estimates as of today, October 28th, 2013. You should not place undue reliance on these forward-looking statements and we expressly do not undertake any duty to update forward-looking statements, whether as a result of new information, future events or otherwise.

Presenting on the call today will be Cultiba's Chairman and CEO, Mr. Juan Gallardo; and Chief Financial Officer, Carlos Orozco. Mr. Gallardo will begin with some opening remarks, after which Carlos will present a discussion of the Company's third quarter and nine month year-to-date financial results, and then Mr. Gallardo will discuss the Company's outlook before we open the call for questions.

Now it is my pleasure to turn the call over to Mr. Gallardo.

Juan Gallardo: Thank you, Diana. Good afternoon to all and thank you for joining us in our third quarter earnings call. During my presentation today, I'm going to first discuss a few of this quarter's highlights and then recap how our operational and strategic initiatives are consistently positioning us for future growth in response to a challenging environment, focusing very importantly towards the future and the proposed tax effects.

First, the third quarter highlights. We are pleased to share with you that we continued to execute very well in a challenging quarter. Our beverages division focused its execution on more profitable channels, along with an efficient portfolio strategy and success in capturing synergies was reflected in the improved and higher EBITDA margins reported this quarter. We continued to achieve volume growth above industry average. We are very encouraged by the sustained increase in consumer acceptance of our products in every channel. This applies to both innovative launches and traditional elements of our portfolio.

During the first two months of the quarter, we saw growth rates that enabled our beverages division to deliver positive growth, up 2.2% for the third quarter despite the impact, as you well know, of this quarter's uniquely adverse weather in September. Our volume performance in the quarter and year-to-date reflects;

1), a greater penetration of Gatorade in the traditional channel,

2) increased distribution in both the modern and traditional profitable channels for all of our beverages,

3) a brand architecture focused on a more efficient portfolio nationwide, and

4) leading brand and the incorporation of new categories and product re-launches, such as Jumex Fresh and e-Pura.

While we were clearly impacted by unexpected external events in the period as well as by a weaker than anticipated overall economy, we remain confident in Cultiba's long-term growth outlook in both of our businesses.

I will now recap on how our operational and strategic initiatives are positioning us for future growth.

Number one: portfolio strategy. Our beverage division's product portfolio has been streamlined to emphasize the most consumer-relevant, faster growing categories and the strongest brands with national reach and profitable channels. The importance of this was underscored by a better than industry performance in the third quarter which we will continue to pursue consistently.

Synergy capture. As you have heard us say in previous calls, we are focusing on capturing the synergies we had identified. This is an ongoing process, I would say an ongoing successful process which I am sure Carlos will be commenting on further. As we scale volume in the beverage sector, we are realizing significant synergies in the sourcing of strategic raw materials and in our overall operations. I am very pleased with the progress we are making and we are now more than halfway to achieving Ps. 900 million of previously identified synergies.

In summary, we at Cultiba remain focused on the relentless execution of our strategy and committed to transform both our businesses into nimble world-class integrated companies. I will now turn it over to Carlos, who will discuss our third quarter and nine months results in greater detail, and I'll return afterwards to discuss our outlook and a comment on the excise taxes on beverages, which I know is top of mind for all of us. Thank you.

Carlos Orozco: Thank you, Mr. Gallardo, and thank you all for joining us this afternoon. We continued to make progress by growing the top line and delivering improved profitability, even in a challenging environment. We continued to see positive consumer response and momentum to our realigned product portfolio in the beverage division, focused on fast growing categories and brands with strong national reach.

Cultiba's total revenue grew by 6.6% in the third quarter, driven mainly by beverage revenue growth of 4.8% as a result of year-over-year increases in beverage volumes and price improvements. The average sales revenue per eight-ounce case increased by 2.6% to 19.4 pesos this quarter from 18.9 pesos in the same period of last year. The main driver for this increase can be attributed to bottled beverages, where average price increased more than 4% compared to the third quarter of 2012.

As Mr. Gallardo mentioned, the quarter started off well and in line with our expectations. As you have heard other consumer companies mention, September was a tough month, impacted by severe weather and volumes slowed in that month, falling more than 5% below September 2012. It is important to note that September's adverse weather did not entirely offset our exceptional growth throughout July and

August. We have seen the first half of the month of October recover the growth rate seen pre-September. Despite mentioned unexpected headwinds, our total beverage volume increased 2.2% in the third quarter of 2013 to 409 million cases, up from 400 million cases in the same period last year. Jug water was the primary driver of this performance, as volume sales increased 3% in the quarter. Bottled beverages also contributed, with volume growth up 1.5%.

Moving on to costs and expenses. Consolidated cost of goods sold, which mainly includes product raw materials and labor, increased 3.6% in the quarter, which is less than the rate of our sales growth. As a result, our gross margin in this quarter increased to 39.9% from 38.2% in the same period last year. It is worth noting that unit costs per case continued to improve and were 2% lower than in the third quarter of 2012. It is also worth mentioning that, when combined with improved pricing, the result is a 9.7% year-over-year increase in gross profit per case.

Our total SG&A was 3.2 billion pesos during the quarter, up from 2.9 billion pesos in the same period of last year. SG&A as a percent of revenue increased 75 basis points to 37.6% in this quarter, primarily due to continued deployment of new routes, in addition to higher fuel prices for the fleet.

Consolidated EBITDA in the third quarter of this year increased 23.2% to 855 million pesos compared to 694 million pesos in the same period of last year, driven largely by significant operational improvements at the beverages division. Our consolidated EBITDA margin in the quarter was 10%, up approximately 130 basis points from the same period last year. We see significant opportunity to further improve margins as we continue to drive synergies and improve operating leverage throughout the businesses.

I would like to comment in particular about the beverage segment's operating results. The synergies we are capturing are driving improvements in operating income and EBITDA. As a result, we delivered another strong quarter despite the weaker performance in September. Operating income for the beverages division more than tripled in this quarter to 212 million pesos, up from 57 million pesos in the same period of last year. This, in turn, led to a 33% increase in EBITDA to 780 million pesos in the third quarter of 2013 from 585 million pesos in the third quarter of 2012. The beverages division is on track for capturing synergies totaling 900 million pesos by the end of 2014. To-date, we are on track to capture current year target, which is 50% of the identified synergies. Our improving margins are reflecting this.

Now back to Cultiba, our financing costs this quarter was a net expense of 144 million pesos compared to a net expense of 57 million pesos in the same period last year. During the third quarter of this year, the Mexican peso depreciated roughly 1% and caused a non-cash effect to our dollar denominated debt. In contrast, the third quarter of 2012, the peso appreciated close to 6%, providing a favorable non-cash impact to our significantly higher dollar denominated debt. As a reminder, all of our dollar debt is fully hedged so the peso devaluation did not have a negative impact in our cash flow in 2012.

Finally, during this quarter, consolidated net income was 189 million pesos compared to a net income of 394 million pesos in the same period last year. As I just mentioned, non-cash benefits from dollar-denominated debt drove this number up in 2012.

Let me now walk you through our nine months 2013 results. In the nine months accumulated through September 2013, our soft drink and bottled water volume was 1.2 billion eight-ounce cases, 3.3% higher than the nine months of 2012. Despite the deceleration in Mexico's GDP growth, weakened consumer spending and September weather, we continued delivering above industry growth in our beverages business.

Total revenue in the first nine months of 2013 grew by 4.8%, driven mainly by beverage revenue growth of 5.5% as a result of higher beverage volumes and price improvement. Our sugar division is reflecting significantly lower pricing, both domestically and abroad. Consolidated EBITDA in the first nine months of 2013 increased 10.7% to approximately 2.4 billion pesos compared to 2.2 billion pesos in the same period of last year. Our consolidated EBITDA margin in the period was 9.6%, up 50 basis points from the same period of last year.

At the segment level, in the nine months of 2013, our beverages division performed well, reporting operating income of 475 million pesos, up from 164 million pesos, and growing EBITDA by 24.5% to 2 billion pesos. Our sugar division will continue to be a positive contributor to consolidated EBITDA. For the nine months accumulated through September 2013, our sugar division has contributed more than 100 basis points to our consolidated EBITDA. Bear in mind that the weight of the contribution of the sugar business in Cultiba continues to decrease quarter after quarter to reach a 10% target by year-end.

Financing costs through September 2013 were a net expense of 334 million pesos compared to a net expense of 85 million pesos in the same period last year. As a reminder, increasing financing costs this year was primarily as a result of not having the non-cash benefit of close to 210 million pesos in foreign exchange payments that we had last year, when we had $190 million of dollar denominated debt outstanding and the Mexican peso revaluated 8% against the U.S. dollar. Our financial position continues to improve and setting the course for ongoing execution of our business models. All of our capital expenditures are funded with healthy operating cash flows and we've seen steady improvements of our interest coverage ratios.

Finally, our beverages division achieved a net income of 564 million pesos in the first nine months of 2013 compared to 372 million pesos in the same period of last year. This led to first nine months 2013 consolidated net income of 561 million pesos versus a net income of 828 million pesos in the same period of last year. Net income last year includes foreign exchange gains as a result of the peso appreciation in the company´s dollar denominated debt as previously discussed. This year there was no material foreign exchange gains included in net income.

Now moving on to the balance sheet, strengthening the balance sheet has also been a key focus for us this year. At quarter's end, we had cash and cash equivalents of 1.8 billion pesos compared to 589 million pesos in the comparable period of 2012. Our total outstanding consolidated net debt as of September 2013 stood at 4 billion pesos compared to 6 billion pesos, roughly, through September 2012. Our long-term debt has been reduced significantly to 2.5 billion pesos, down from 4.8 billion pesos at year-end 2012. We anticipate our financial position to improve even further, as we are currently in the process of restructuring our remaining long-term debt under improved tenure and conditions by the end of 2013.

Capital expenditures were approximately 2.2 billion pesos as of September 2013. Funds were expended on continued synergy achievement initiatives, increasing and strengthening the beverage distribution network, increasing production capacity and the enhancement of commercial tools to better serve our clients, as well as maintenance of our sugar factories. As you can see, we continued focusing on sustained financial health, which is evident year-to-date through a significantly reduced debt and solid capital expenditures that foster execution of our strategic guidelines and translates into sustained above industry growth.

Before we open up the call for questions, I am going to turn the call back to Mr. Gallardo to discuss our challenges and outlook.

Juan Gallardo: Thank you, Carlos. I am sure that when you chose to accompany us in this journey of consolidation and you did your due diligence on our history and our background and so on, one of the things that I'm sure came out strongly was the fact that Cultiba was, is, and will continue to be a very strong, very resilient and very competent survivor of all challenges. I would like to take this opportunity to comment on our expectations for potential excise tax impacts on the beverage business.

There is no doubt Mexico has an obesity challenge. Our industry has made it clear that taxing some of our products is not the answer to this problem and what we should and are willing to be a part of a multi-pronged solution and continue to work within our industry to provide authorities with relevant information that can provide other alternative solutions to this problem. Our beverage division is prepared to deal with these challenges and these ensuing changes in market dynamics without swaying from our stated goals. Through our comprehensive portfolio of beverages and our focus on enhanced presentation mix, we believe we are positioned to meet what we envision will be the natural trend of the Mexican consumer amidst higher prices.

An excise tax would not require us to incur enlarged incremental cap ex and—which, in our case, considering our very strong balance sheet, gives us a very solid position, neither would it require us to divert from our current strategic guidelines. Based on natural trends we see in serving and product mix preferences, we believe that the market environment will be better defined in time and we feel well-positioned in the beverage marketplace to continue our strong search for improved margins without sacrificing affordability, competitiveness and innovation. Part of our already achieved innovation programs in Cultiba have focused on developing Stevia ability, which I am sure Carlos will be glad to share with you further, in order to respond to changing consumer trends. This adds to the confidence we have expressed previously in regard to our positioning in the changing market.

With regards to the material impact that this tax will have in our unit case, let me make the following distinctive comments in terms of our differences within the market: Number one, our mix of water represents more than 50% of our volume and is a very, very profitable contributor. Number two, though our mix is large in the multi-serve, because of our pricing position in that, pricing architecture allows us to start off at a—what would be a lower point, making our products possibly attractive. And third, our mix of our portfolio is very much, very much oriented to healthier consumption and markets, so we are well-positioned from that standpoint. We will be closely monitoring, documenting and studying consumer response once the market dynamics start changing, and we are certain we will be able to react in a timely fashion.

Allow me to expand further. Our industry basically has two drivers. You know it very well; you've analyzed it for years and follow it very closely. Driver number one, of course, is our own cost structure. We have progressed significantly towards becoming the lowest cost producer, yet we still have a very clear road ahead of what's next. The success depends on levers we do have and on making tough choices. We are fully committed to and prepared to do both.

Second, of course, is volume. We do have the tools to innovate. As you'll recall, we have a set of three partners, each one with very unique capabilities, with great experience and with enormous contributions to make in every one of these cases, and we have the right portfolio mix with water, as already mentioned. We will continue to improve our execution and service, not forgetting that a great portfolio of competitive, attractive and tasty products throughout the country is what our customer will continue to demand and we will deliver.

Both these drivers and the many levers they imply, many of which have already been commented on by our competitors and which are well known to you, will be fully in place by the time the tax kicks in on January the 1st, so that we may continue to expand our margins while maintaining our momentum.

I want to thank you very much for your interest and support of our Company and would be glad to take on the further questions.

Operator: Thank you. If you would like to ask a question, please signal by pressing star, one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, press star, one to ask a question. We'll pause for just a moment to allow everyone the opportunity to signal.

And our first question will come from Alan Alanis from J.P. Morgan. Please go ahead.

Alan Alanis: Hi. Thank you for taking my question. I'm going to try to go through some numbers with you, trying to reconcile the differences in the trends of the sugar business versus the beverage business because I noted that you made very little comments or no comments on the sugar business. On a consolidated basis, you mentioned that your revenues grew around 5% for beverages, but you're showing reported revenue growth of 7%, [6.6%]. That means that your sugar business is growing faster than your beverage business? I guess that would be my first question. How much is that just a matter of exchange rate, volume, prices and sugar?

Now, the more important question here is, you mentioned, Carlos, an EBIT of 212 million pesos for the beverage business. That is higher than the consolidated one, so that means that the sugar business has a negative operating income, and if I'm doing my numbers right here, we have a loss in the quarter of around 170 million—117—one, one, seven—million pesos in the sugar business. So that would be my second question. I mean, what outlook do you see in order to turn around this net loss on the sugar business?

And my third and last question is, we do see a growth in EBITDA for the beverage business, but unless I'm doing my numbers wrong, I'm also seeing a 12% year-over-year decline on the third quarter on your beverage business at the net income level. So those would be the three questions, the difference in terms of top line growth between sugar and beverages, the losses that we have in sugar and explained in them ahead and why is net income of beverages declining 12% despite such a strong growth in EBITDA? Thank you.

Carlos Orozco: Hello, Alan, and thank you for the question. Well, first of all, this year, we had a bumper crop in the sugar industry in Mexico, so that explains part of the higher volume that we've been both processing and selling in Mexico and abroad. Bare in mind that part of our sugar is not consolidated in two halves so we sell a substantial portion of sugar outside the Cultiba.

Now, with respect to your second question, I'd like to walk the numbers with you if you want offline, but what I can tell you is that, in the quarter, the sugar division had a very small but still positive EBITDA given the fact that, as we've mentioned before, due to IFRS accounting in this quarter and part of—in the fourth quarter, we practically book the whole cost of our [plant maintenance]. So taking that into account, then you need to consider that we consolidate with Cultiba and we do have some administrative and financial expense of the holding company, so that basically makes up the difference, and again, I'm open to do the numbers with you off the line.

And finally, your third question with respect to net income, what you need to recall here is that, at the GEPP level, there is a very important portion of deferred taxes in their balance sheet. This deferred tax reserve is being reversed as we progress throughout the year. So last year, we were able, for the first time most of 2012, to reverse a higher portion of this deferred tax reserve than we have been able to do this year, so that basically explains the difference.

Alan Alanis: Got it. Are we still going to be able to see the GEPP financials going forward, which I understand you are prepaying or paying some of, I think, the '06 bonds that would be— and just on your last answer, what should we expect in terms of effective tax rate for the Company going forward?

Carlos Orozco: Well, I see two questions there. First of all, we, in fact at GEPP paid the outstanding public debt, so in that sense, GEPP is not a reporting company anymore. However, we will continue to provide some disclosure with respect to GEPP numbers so that you can have an ongoing check on their performance.

With respect to the effective tax rate, well as you know, it's very different what you see in the income statement than what you see in the cash flow. Up to September, what we've seen is that the effective tax rate is a little bit higher than what we expected. It's close to 30%; however, by year-end, we should be seeing that tax rate a little bit below.

Alan Alanis: Got it. Thank you so much.

Operator: Our next call comes from Karla Miranda at GBM. Please go ahead.

Karla Miranda: Hi, good afternoon, everyone, and thanks for taking my question. Carlos, Juan, I was wondering if you could give us a little more color regarding the impact of the fiscal reform? Juan, you made it very clear that as of January the 1st, the pricing actions would be in place in the market, but I don't know if you can give us an estimate of how much are you expecting to increase prices? And some color regarding the expected volume decline? Thank you very much.

Juan Gallardo: Let me address that, Karla. Thank you very much for the question. I can answer very clearly the first one, which is in our numbers. Approximately, if the tax goes through as planned right now, it's about a 15% impact. This is not across the portfolio obviously because, depending on our mix and presentations and so on, it's a total over-the-top number, so that's where you get into what, you know, you're well aware of is all the question of price architecture, price points and so on, and that's part of the challenge of what we're doing right now. And depending precisely on that challenge and how we're able to execute it, together with innovation and sizes and so on, we will be able to know how much we were actually able to keep down the impact on volume. So the first one is pretty clear. The second one we will know much more of in the weeks and months to come.

What I do want to make sure though, Karla, is that you're—as I said earlier, that you realize that we do have all the ingredients necessary to be able to respond efficiently to this new challenge. I think this is a very important point because it's not just a strong balance sheet, it's not just innovation, it's not just portfolio; it's the fact that we distribute nationwide and that we have a very efficient low cost production status. The combination of all of that is what we'll be able to be reporting on as we progress on it and, clearly, there is not a final number on this until we know exactly what the impacts are and whether or not there are any changes in terms of how they're carried out. That discussion, as you know, is ongoing as we speak in the Congress today.

Karla Miranda: Great. Thank you very much, Juan. That was really helpful. Just to follow on this matter, can you give us a sense of how your cap ex will behave going forward? Are you planning to keep it as it is right now, or are you going to—to make some rationalizations in cap ex going forward in order to offset this tax? Thank you.

Juan Gallardo: Not at this point, Karla. I think that, if anything, we will have maybe a little more investment in terms of this positioning that I was talking about. As you know, we are really midway in our journey that we spelled out a couple of years ago, and part of that journey represented about a 7% cap ex on a yearly basis on the bottling side. The cap ex on the sugar side has pretty much been completed and is mostly reduced to maintenance, so the bottling side cap ex of roughly 150 to $170 million a year will certainly be maintained.

Karla Miranda: Thank you very much, Juan.

Operator: Our next question comes from Armando Perez with Credit Suisse. Please go ahead.

Armando Perez: Good afternoon, everyone. Thanks for the call. Just a few questions, please. When we see your revenue per unit case, it increased, like 2.6% and this is slightly below the Coca-Cola system. I just wanted to understand the cause. Was it lower prices, or a different mix? Following this question, which presentations or channels are you seeing growing the most? And the other one is regarding the potential tax, does this change your plans in cap ex in returnables, and could you remind us where are you now, and what is your target? Thanks.

Carlos Orozco: Hello, Armando. Well, with respect to your first question and price increases, it's basically as a result of the different mix because, as I mentioned, the price increases in particular in the soft drink business are up a little bit above 4%; however, our water business has been growing substantially so when you mix that in the equation, you get a lower price increase, but that's basically the reason.

Now, with respect to the channels that are growing the most, I would say at this point, you know, it's basically growth across the board. All of our channels are performing in a very similar fashion and we expect them to perform in that manner going forward. With respect to cap ex, as Mr. Gallardo mentioned, we are keeping our target of doing expenditures of around 7% of our sales, as we have been doing for the last 24 months, so we will continue doing that cap ex and adjusting whatever we need to do in response to any market needs.

Juan Gallardo: Armando, if I may add there, you bring up the subject of returnables and, clearly, our competitors have mentioned it also. It's part of the equation of trying to have the right product at the right time at the right price. When we have done and completed our own analysis, we will see what proportion and which of this returnable capability could be put in place and where in the country and towards which markets. We really are not ready there to answer that question in detail yet.

Armando Perez: Perfect. Very useful. Thanks.

Operator: As a reminder, that is star, one to ask a question. And we'll take our next question from Antonio Gonzalez at Credit Suisse. Please go ahead.

Antonio Gonzalez: Good afternoon, Juan and Carlos. Thanks for the call. I just want to ask three quick questions. First one: On the fiscal reform, are you expecting any changes other than excise taxes, let's say, on the fiscal consolidation regime or anything else that you expect any impact? And I'll make the other two questions that I have later on.

Juan Gallardo: As you know, as well as all of our colleagues in Mexico, Antonio, we've been following very closely the impacts of the fiscal reform. The source that was a source of concern was whether there was going to be a retroactive treatment in the consolidation or not, as I'm sure you are all aware of, and I've been assured and it's been made perfectly clear that it seems that that will not be the case. Beyond that, there are pluses and minuses when you take into consideration the fact that you've now gotten rid of the (inaudible) and you have other deductions and so on, but none of them have any really very material effect as compared to what we've already discussed.

Antonio Gonzalez: All right, and then just two questions, I guess probably kind of secondary excise tax discussion first. Do you think that you can change your sweetener mix to avoid taxation? Would you be willing to go all the way to 100% in Stevia or some other low calorie sweetener in certain packages or in certain brands, and would Pepsi or other franchisors in your portfolio, would they allow you to do that? That's the first one.

And then secondly, would Pepsi or any other of the franchisors with whom you are working—do you think they would be willing to temporarily change the concentrate agreement that you might have with them to kind of share the burden of this change in taxation, or it's just too early to tell? Thanks again.

Carlos Orozco: Hello, Antonio. This is Carlos. Well first of all, as you know, the mixes between sugar and fructose, they're basically at their limit, as we've heard in other calls as well, so in that sense, we do not expect it to change more. As mentioned before, we do have a Stevia capability, not only a production capability but also from a solution standpoint, so what I can tell you at this point is that, definitely, there is a lot of interest and openness into evaluating different solutions if calorie management comes out to be a way of mitigating the tax effect.

With respect to the franchise agreement, well basically, it's too early to call. We'll still need to wait and see what's the final plan of the fiscal reforms in the days to come.

Antonio Gonzalez: Perfect. Thanks again.

Juan Gallardo: Antonio, by the way, if I may just add to this. Stevia, because you may have a greater interest in it, really, we have quietly been developing this capability, not only to produce but to actually make the appropriate technology of mixes, and that's a unique capability that I think that we're going to find very helpful in the months to come.

Antonio Gonzalez: Perfect. Thanks so much, Juan.

Operator: As a final reminder, that is star, one to ask a question.

It appears there are no further questions at this time. Mr. Gallardo, I'd like to turn the call back to you for any additional or closing remarks.

Juan Gallardo: Yes, thank you very much. Again, thank you all for your interest and follow-up and, of course, we more than welcome further questions and involvement by yourselves and your colleagues as we move forward in the next few months. We'll be glad to share with you our progress in that sense. I hope I've been able to be very clear on the fact that, yes, we are able to take this challenge head on, and I'm sure we will find ways of turning it around into something that we can maintain our original strategy and target, as commented with you earlier.

We—in terms of outlook, we are now targeting a beverage annual volume growth in the mid-single digits, down from our prior guidance, basically just due to the September impact, which the size of it cannot be recovered in 60 days, as is obvious. But as already was mentioned by Carlos, the rhythm and speed and momentum that we lost in September because of the hurricanes is now back on track, so that's very encouraging to us. We expect our cap ex to continue to be the 7% that we've mentioned already. We expect to realize between 250 and 350 million pesos of additional synergies, and the Company expects its beverage division continue showing growth on the beverage side of at least 40% of EBIT growth. When you consolidate it with the sugar and because of the drop in sugar prices, basically, that's what brings us down to the 25 to 30%, but the impact of the sugar portion, as already mentioned, is diminishing and will continue to diminish as the beverage portion grows. These are the general guidelines.

I believe, and I want to congratulate all of our team, because within a very challenging timeframe of slower economic growth and weather and others, we have maintained a rhythm and a teamwork and a capability that every day continues to increase, and I couldn't be more pleased with their performance and their capability and confident in terms of what we will be doing in the years to come, hopefully, with you all continuing to be involved and active in our business. We thank you for your interest and that would end of our remarks for the day. Thank you.

Operator: That does conclude today's call. We thank you for your participation.

ABOUT CULTIBA

Organización Cultiba, S.A.B. de C.V. is a holding company with a majority interest in one of Mexico's largest bottlers of soft drinks and jug water, and the exclusive bottler of PepsiCo beverage products in Mexico. Carbonated, non-carbonated soft drinks and jug water are marketed under its own brands as well as third party brands. Its beverages division has 44 bottling facilities in Mexico and is the only bottler with nationwide distribution. As a holding company, Cultiba also owns and operates 3 sugar mills and has a 49% interest in a fourth one in the western region of Mexico. The Company is listed on the Bolsa Mexicana de Valores, where it trades under the symbol CULTIBAB. For more information, please visit www.cultiba.mx.

FORWARD LOOKING STATEMENTS

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