TRANSCRIPT

CULTIBA

First Quarter 2013

Earnings Conference Call

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Company Participants

Mr. Juan Gallardo, Chairman & CEO

Mr. Carlos Orozco, CFO

Ms. Kathleen Heaney, Breakstone Group

Analyst and Investor Participants

Alan Alanis – JP Morgan

Alex Robarts – Citi Research

Karla Miranda – GBM

Fernando Ferreira – BAML

Armando Perez – Credit Suisse

Operator: Good day, ladies and gentlemen, and thank you for standing by. Welcome to the Organización Cultiba First Quarter 2013 Earnings Call. As a reminder, today's conference is being recorded. I would now like to turn the conference over to Ms. Kathleen Heaney. Please go ahead, ma'am.

Kathleen Heaney: Thank you and good afternoon, everyone. Cultiba's First Quarter 2013 Financial Results were released this morning. A copy of the earnings release can be found on the Company's at 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, April 26, 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 first quarter 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 over the call to Mr. Gallardo.

Juan Gallardo: Thank you, Kathleen. Good afternoon and thank you all for joining us for our second earnings call. There are four core key messages I want to leave you with today.

1. First, we are successfully and relentlessly executing on the business model we had laid out and shared with you.
2. Second, our financial position is strong and getting stronger.
3. Third, we are growing. We are growing volume, we are growing revenue and we are growing profitability.
4. And fourth, our sugar operations are important to the overall business because they are, and will continue to be, a positive contributor to our EBITDA and position us as a low-cost sugar and beverage producer in the same way as some of our competitors.

Now, on to the results for the quarter. We are executing our plan as we outlined in our prior conference call. Volume is increasing due to initiatives we have underway. Revenue is growing and profitability is significantly improving in our beverage operations. As you know, we have created a unique nationwide bottling company through a combination of three organizations, which required an enormous operational and integration effort. This process is still underway, and I am pleased with the progress that we are making. For example, 900 million pesos of previously identified synergies; of these 900, we captured 20% last year and we're clearly on target to capture another 30% this year completing in the following year the full capture of the original synergies identified. Of course, we still have work to do, but as you can see, we expect to deliver significant additional efficiencies.

Looking back 18 months, as we thought about creating Cultiba, it was very important that this new Company be on a solid financial footing from the very beginning and strengthening the balance sheet has always been the priority. As Carlos will discuss in more detail, net debt at the holding company level had declined by 80%, as we utilized a large portion of the roughly 2.8 billion pesos in proceeds received from the January equity offering to pay down debt. This improved financial position has enabled us also to refinance some higher cost debt at much more attractive levels.

Now, let me talk a little bit about the operations.

I am pleased to report that our beverage business is performing in line with our expectations and delivered another solid quarter. GEPP achieved a solid year-over-year volume, revenue and EBITDA growth. Facing headwinds, you already all know about, a much colder than normal weather in March and an earlier timing of the Holy Week, which this year fell into the first quarter, as you know, we still nevertheless delivered a volume growth of 4.6%. We are particularly pleased that beverage revenues grew more than 5% all across all categories. Segment EBITDA increased more than 11% despite these headwinds I just mentioned.

Our portfolio strategy is delivering the desired results as consumers are responding favorably to our new packaging and our new products. We recently launched, as we told you we would, Jumex Fresh, and re-launched our proprietary bottled water brand, E-pura. And both of these are performing solidly in line with our expectations. We also launched the Jarritos brand in several territories. For those of you who may not know, Jarritos is a national brand with an important heritage, a very historical volume.

These were the main initiatives we told you about on the last conference call and we have executed on all. These new product introductions are consistent with our portfolio strategy, which involved balancing profitability and growth by focusing on the right product mix, capturing price opportunities and developing strong national brand that can leverage our extensive distribution network. Through ongoing portfolio optimization and innovation, we are ensuring that our brands continue to resonate with consumers.

Capital expenditures for our bottling operations are being deployed into projects related to logistics, infrastructure, packaging and others, which are all ticking strongly and we will achieve the benefits of these investments throughout the year. For those of you who live in and around Mexico City, these investments are already highly visible as you see the new trucks, the new marketing images, the packaging, et cetera.

I will now speak for a moment on the GAM results. Those of you who follow commodity prices closely, you know that global and regional sugar prices are down significantly in the quarter when compared with the same period in the prior year. Our volume was up. The impact of lower prices caused the decline in our segment EBITDA during the quarter, which Carlos will comment on further. I just want to remind you that GAM will be a positive contributor, already is, and will be a positive contributor to our EBITDA this year, providing 1% of margin expansion in line with our expectations, but still accounting for less than 10% of our consolidated year-end Company EBITDA.

In summary, our beverage business is performing in line with our expectations and we are reconfirming our previously communicated guidance, which I will summarize at the end of Carlos' remarks. I am pleased with our overall results, our rhythm and the significant progress we continue to make into transforming Cultiba into a nimble world class beverage Company.

With that, I will turn the call over to Carlos. Thank you very much.

Carlos Orozco: Thank you, Mr. Gallardo, and thank you, all, for joining us today. Cultiba's total revenue grew by 3%, driven mainly by beverage revenue growth in excess of 5% as a result of healthy year-over-year increases in beverage volumes and price improvements. GEPP is benefitting from the reconfiguration of the portfolio focusing on fast-growing categories and brands with strong national reach. Our Sugar division was impacted by significant lower pricing both domestically and abroad.

GEPP's total unit sales increased 4.6% in the quarter to 365 million cases, up from 349 million cases in the same period of the prior year. The average sales price for an 8 ounce case increased by 2.1%, reaching 19.3 pesos compared to 18.9 pesos in the same period of last year, primarily reflecting select opportunities across our product portfolio. We continue to see ongoing significant growth in our average weekly sales at the Beverage division.

Drilling down more; our soft drink and bottled water volume grew 3.4% to 181.1 million cases and basically reflects a greater penetration of Gatorade in the traditional channel, increased distribution in both the modern and the traditional channels for all of our beverages, and the incorporation of new categories and product re-launches such as Jumex Fresh and E-pura. Jug water sales increased 5.9% in the quarter, mainly driven by the expansion of our distribution network and our direct-to-home routes.

Continuing down the P&L; consolidated cost of goods sold, which mainly includes product raw materials and labor, increased by 5.5% in the quarter, in line with overall volume increase. In the Beverage segment, unit costs per case improved by approximately 1% in comparable terms when excluding foreign exchange gains realized during the first quarter of 2012.

Our total SG&A expense was 3.1 billion pesos in the quarter, up from 2.9 billion pesos in the first quarter of 2012; again, in tandem with the volume increases. As a result, SG&A, as a percentage of revenue increased to 39.6% in the first quarter of 2013 compared to 38.8% in the first quarter of 2012, primarily due to higher distribution and marketing expenses. It is worth mentioning that our operating profit per case at the Beverage division is reflecting an improvement of 5%.

Consolidated EBITDA in the quarter was 607 million pesos compared to 737 million pesos in the same period of the prior year. The Beverage operations reported an 11.4% increase in EBITDA, getting up to 451 million pesos, up from 405 million pesos in the previous quarter. Lower EBITDA at the Sugar division was driven by significantly lower sugar prices compared to a very strong first quarter in 2012 and increased exports due to higher production in Mexico. The negative impact of sugar pricing on consolidated EBITDA will diminish throughout the year, as the segment will represent no more than 10% of Cultiba's total annual EBITDA and revenue.

Our comprehensive result of financing in the first quarter of 2013 was a net expense of 7 million pesos. This is compared to a net income of 125 million pesos in the first quarter of 2012. Bear in mind that during the first quarter of 2012, the Mexican peso appreciated 8.1% and the Company had an outstanding dollar denominated debt of approximately $325 million. However, during the first quarter of 2013, the peso appreciated only 4.9%, and the Company had reduced its dollar denominated debt down to $150 million.

As Mr. Gallardo mentioned, by the end of 2013, we expect to capture approximately 50% of the 900 million pesos of identified synergies in our Beverage division through various initiatives. We continue to expect the capture of all the synergies by 2014. We will continue to see this benefit reflected in our margin expansion.

Our tax provision for the quarter was 74 million pesos; however, our effective tax rate incurred is 22%.

Finally, in the first quarter of 2013, we reported a net loss of 23 million pesos compared to a net income of 300 million pesos in the same period last year. It is very important to clarify that net income in the first quarter of 2012 benefited from 303 million pesos in foreign exchange gains as a consequence of the level of dollar denominated debt at the holding company in that period. Again, this is not the case in 2013, as we have substantially reduced the debt at the holding company. Our Beverage division was able to reduce its net comparable loss for the quarter by 52.8%.

Moving into our balance sheet. At quarter's end, we have cash and cash equivalents of 914 million pesos. Our total outstanding consolidated net debt is at 3.7 billion pesos. As mentioned during our fourth quarter call, we used the proceeds from the January 2013 equity offering to pay down debt, and as of today close to 80% of the net debt at the holding company has been eliminated.

Subsequent to quarter's end, the Company refinanced $85 million in debt with Rabobank. The debt will be amortized over the following schedule: 20% in 2014, 30% in 2015 and '16 respectively, and the remaining 20% in 2017. The refinancing carries a spread over LIBOR of 200 basis points.

Capital expenditures have been approximately 700 million pesos. Funds were expended on continued synergy achievement initiatives, increasing and in strengthening the beverage distribution network, increasing production capacity, logistical and marketing projects and the enhancement of commercial tools to better serve our clients.

Reflecting our solid current financial position, strong cash flow and positive outlook, we will propose a dividend of 128 million pesos at our shareholders meeting to be held next Tuesday, April 30th.

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

Juan Gallardo: Thank you, Carlos. Before speaking about the outlook, there are two areas I would like to share with you which I feel are particularly important.

The first one is, our people. During the last 18 months, as you know, we brought together close to 40,000 people from three entirely different organizations. We went through the process of selecting very carefully the best-in-class in each of one of those steps in a very professional, transparent fashion. We went through the whole process of identifying the best practices in each one of those companies, and then we finally came through to the process of establishing who did what, when and for the long run. At the same time, we went through the process of identifying our new culture, picking from all the very best of all the three, and putting it into one single, cohesive, committed message. That effort has now taken place. Over the course of the year, more than 28,000 of our people will have been formally inducted into this process and by the following year the rest. I think it's very exciting to see the way this has come together, the kind of commitment, involvement, loyalty and excitement that has been generated, and I must tell you, I feel particularly very proud of our management team and the way they have led this whole integration process. I'm very, very proud of just being a part of it.

In terms of challenges ahead, there's one which I would like to refer to particularly. I'm sure you followed, and through the press, the very visible campaign that has been occurring against our industry in terms of it being a health problem in a way in terms of the obesity problem in our country, in terms of how we play a role in that and so on. And in this case, as in others in the past, which we did, for example, with environmental questions and with others in terms of waste management and so on, all our industry, all our competitors, all of us have come together once again in a very professional way to very clearly make the case of "We are not part of the problem, but we are part of the solution." And, to be part of the solution means explaining to people how and what kind of balance, dietary balance they should do, explain—enticing, inducing them to a healthy regime of exercise and so on, and doing this in not just one big flash but doing this throughout our country, doing this together in a very, very professional and a very sustained fashion. This is already occurring. I'm sure many of you have seen this campaign, but the fact that as an industry we were again able to come together and follow-up in a systematic and professional fashion on this is very important.

This is also particularly very important because it's attached to tax related issues that have been surfacing where we believe very strongly, and we believe, I think, very rightly, that a taxation on our industry is by no means a solution but rather a punitive step that should not be taken. In any event, we, of course, are strong competitors block by block. They say that having a competitor is probably the best thing that can happen to you because it keeps you on your toes. Certainly we are solidly blessed in that sense. We have very strong competitors for whom we have great respect, and the fact that we're able to communicate and work together I think in itself speaks very well of the industry.

Let me now just address our outlook.

As already mentioned, our businesses are performing as we expected and we are well positioned for the further top line and bottom line growth this year as we continue to successfully execute exactly the strategies we shared with you and realize additional synergies. Our guidance for 2013, which is further clarified from what we discussed in February, is as follows.

- We are targeting a beverage volume growth in the high single-digits.
- We expect prices to be in line with inflation so that we maintain competitiveness in the marketplace.
- We expect capital expenditures to approximate 7% of our revenues, with funds spent on refrigerators, trucks, manufacturing process, IT and further enhancing our manufacturing and distribution network.
- We expect to realize between 250 to 350 million pesos of additional synergies in 2013, while fully capturing the rest in 2014. We will continue arduously to look for other cost improvements beyond what we have already pinpointed thus far.
- And finally, and very importantly, we expect at least a 40% increase in our consolidated EBITDA for this year.

In conclusion, we see many exciting opportunities ahead for us, to further grow the business. And this would end our prepared remarks and we're happy to take your questions now. Thank you very much for your attention.

Operator: Thank you. If you would like to ask a question, please signal by pressing star, followed by the digit 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, that's star, one to ask a question. And, we'll pause for just a moment to allow everyone an opportunity to signal into the queue.

And, we'll take our first question from Alan Alanis with J.P. Morgan.

Alan Alanis: Hi. Good day, Mr. Gallardo and Carlos. Thank you for taking my questions. The first question is for you, Mr. Gallardo, regarding the status and the outlook of the Mexican consumer. I mean we've been hearing from other companies, other consumer companies, and we, besides the calendar effect, the weather, the Easter and so on, that they're sensing some weakening in the consumption of Mexico. So, if you could share with us your views now that you have a national presence? And then, I have a few other technical questions, financial questions for Carlos, please.

Juan Gallardo: Muchas gracias. Thanks for your question. As you know, we track daily the Mexican consumer process and we follow this very closely and we follow it, as you say, nationally. I don't see anything, any indicator there that would be any source of concern versus past track record and trend. The country, as you know, there's been somewhat of a deceleration in the first quarter of this year and we don't see that flowing through. And in fact, it's actually rather small figures, but we don't see that flowing through in any way through the consumer or their practices. I'll pass it on to Carlos for the technical...

Alan Alanis: Sure. Thank you so much. And Carlos, you mentioned that prices of your beverages have gone up 2%; however the average price of all your beverages is up actually only 0.8%. So, that means that the difference it could have been a small decline on the jug water prices. Could you confirm if this is the case and what is the trending that you're seeing in prices? Or, how do we reconcile that 2% that you mentioned with the 0.8 that's in the financial statements? That would be the first financial question there.

Carlos Orozco: Good morning, Alan. Well the main differences that in 2012 there were some revenues at GEPP that came from the sale to third parties of the pre-forms that we produce at the plant for caps and bottles. So, that should do—make up for the reconciliation you're trying to calculate.

Alan Alanis: For the difference in the revenues, okay. And then, we saw an increase in working capital in the quarter, that is the explanation, what is driving and if you could—this a level of working capital that we should expect for the rest of year? Or, something extraordinary happened there in the first quarter?

Carlos Orozco: Well, first of all, you should keep in mind that there's a lot of seasonality in particular in the Beverage division, as you prepare for the next two quarters, which as you know are much more higher in seasonality, so that is an explanation to it. And, in a minor sense, as we're producing in our Sugar division that also takes some working capital. So, you need to see it throughout the year.

Alan Alanis: Then the next question has to do with your debt. We saw an increase in your short term debt. That is pretty material obviously. Like, you clearly clarified; there is a reduction in the overall debt levels. But, what explains the surge in the increase in short term debt?

Carlos Orozco: The explanation is very similar, Alan. Again...It's working capital debt. Most of it at the Beverage division getting prepared for the following quarters. It's only working capital.

Alan Alanis: And, my last question has to do with the same question, reconciliation of effective tax rate that you mentioned relative to the tax rate that your income statement is reflecting. How should we reconcile both two years?

Carlos Orozco: Well, first of all, remember that the taxes shown in the income statement, and that will happen every quarter, are not necessarily the actual taxes that are being paid. Those are...Calculated as provisions, basically based on the previous year's earnings. So, it's practically impossible for them to match to the actual tax rate that we have been paying. So, it's a very similar equation to the one that we had in the first quarter of last year. The effective rate that we paid in both quarters is around 20%. If you go to the annexes of the report we sent to the stock market, there you can see the actual figure of what we paid, which obviously, as you can imagine, have a lot of calculations and nettings that happen in your tax accounting basically.

Operator: And, we'll now take our next question from Fernando Ferreira with Bank of America, Merrill Lynch.

Fernando Ferreira: Thank you. Good morning, everybody. I had two questions. The first one on your guidance for 2013. When you talk about the at least 40% EBITDA growth, I just wanted to understand how do you feel about this? And, do you see that as a conservative guidance or do you think it's a realistic one? And attached to that point, I mean, how did this recent move in sugar prices change your—has changed your outlook for the EBITDA this year? Do you expect EBITDA to decline for GAM as a result of the lower sugar prices or not?

Juan Gallardo: First, the qualification that I would call is realistic, okay. And second, Fernando, on the question of the impact of EBITDA. The adjustment, that final EBITDA or because of the sugar impact on our overall operations, I don't think will be a very large materiality once you see the overall picture. That's why we wanted to make very certain because there has been, and there will be, continue to be a lot of noise around the sugar industry in the months to come as it settles into a more organized structure. And, the fact of the matter is, that as you know and we've mentioned many times, this plays a role in terms of being one of our drivers, as it is for our competitors, of being a low-cost producer. We have very solid operations, we have a very good cost structure, and I believe that we're—it is a net contributor. So, it's not something that we feel will have any material negative effect on our results this year. Impact—the first quarter particularly has to do, very significantly, with the trend of GEPP catching up, so its specific weight in the first quarter is higher than its real specific weight in the overall operations, and we wanted to make sure, Fernando, that we highlighted that so that people don't get confused with it.

Fernando Ferreira: Sure. Thank you for the explanation.

Fernando Ferreira: Just when you look at the evolution of, I'm now talking about GEPP, about the evolution of margins throughout the first quarter; I mean are the margins improving? How are you seeing the turnaround there throughout the quarter? And, if you can share something that you're seeing, the outlook or what you're seeing in April, that would be great for us as well.

Carlos Orozco: Good morning, Fernando. We are continuing to see margin expansion. In first quarter 2012 there was an important benefit of foreign exchange gains basically on dollar denominated raw materials which we've not seen that gain in this year, so, in comparable terms, margins are continuing to expand, and if you look into the quarter, you'll see how this was improving month over month so we expect that trend to continue as well and starts to pick up.

Juan Gallardo: I would like to add, maybe, Fernando, just the fact that you're asking about April, and I know we don't have the final figures, but clearly all you have to do is look out the window and see that we're all in air-conditioned rooms to realize that a lot of the volume pickup is already shown in that profit. So, we're very excited about how we're seeing this happen.

Fernando Ferreira: Sure, perfect. And last question, if I may. When we look at the long term debt in this quarter, it declined by about 2.2 billion pesos, right, throughout—to last quarter, and if I remember correctly, the plan during the IPO was to repay like 1.6 billion in—pesos in your long term debt. So, did anything change here in terms of your plan? Did you decide to use more of the IPO proceeds to pay long term debt or am I missing something here?

Carlos Orozco: Well, our plan was always, Fernando, to pay down debt, long term debt at the holding company, so we basically allocated practically all of the equity offering to pay down debt. What was left over was refinanced in very good terms and structure going forward but that's where, within the plan, that was certainly laid out in the IPO.

Operator: And, we'll now take our next question from Armando Perez with Credit Suisse.

Armando Perez: Good afternoon, everyone. Thanks for the call. I just wanted to better understand what happened in the sugar business. During this quarter, you exported like 60% of your volumes. So, I just wanted to understand what will be your mix of local versus exports in the next quarters? And, what's the difference in profitability in these two segments? Or, what kind of margins should we expect when the product mix normalizes? Thanks.

Carlos Orozco: Good morning, Armando. Well, basically, recalling what we said previously, prices will be down. As you well know, in some cases, prices are down 40%, and our overall export for this year will be around 30%. So basically, our mix will be 50% in the Mexican market to the industrial plan, as you know, which GEPP obviously takes 50% of that and the rest will go to the export markets. This down cycle was well anticipated but also it's reflected in our actual business plan for this year. So, yes, we're expecting a contraction of the margin in the sugar business; however, again, we still see the sugar business being a net contributor, both of EBITDA and of margin going forward. And, I could not talk into the particular seasonality of each quarter because as you know it's very difficult to tell you what we're going to export when. However, again, what I'm giving you is the yearly figures and we expect the sugar business to be no more than 10% both in EBITDA and in the consolidated figures.

Operator: And, we'll take our next question from Karla Miranda with GBM.

Karla Miranda: Hi, good afternoon, everyone. Thank you for the call, Juan and Carlos. I had a couple of questions. First of all, I was wondering, this quarter you registered a strong increase in average prices, and I was wondering where was it coming from? Is it because changes in the mix? Or, is it because you are already increasing prices? And, what should we expect going forward? And second of all, I was wondering if you can give us a little bit of color; where should we expect the majority of the margin expansion coming this year? Last year it came from a strong contraction at the SG&A margin. And, should we expect this year to come from the tax or margin? Thank you very much.

Carlos Orozco: Good morning, Karla. Well, the difference in prices is basically across the board. Obviously, the product mix is changing and will continue to change and we'll see the benefit of that adjusted product mix going forward. So, you should continue to see those prices as the mix increasing and the trends that we're starting to see, okay. Now, with respect to margin expansion, we see it well spread out between what we mentioned about the synergies that will continue to happen. We're starting to see our unit cases—unit cost go down, and as volume kicks up again, we will continue to see that, and obviously from the price increases that you have been mentioning, no. But especially you need to be aware that as volume starts to kick in, we'll start to see much more clearly where the margin expansion will start coming from.

Karla Miranda: Great, thank you very much. That was really helpful.

Operator: And once again, if you would like to ask a question on today's call, please press star, followed by the digit one on your telephone keypad.

And, we'll take our next question from Alex Robarts with Citi.

Alex Robarts: Hi. Thanks and hello, everybody. I wanted to kind of take a crack at this volume trend, you know, just for the soft drink and bottled water. You know, 3.4% in the quarter is a good number. The Coke system coming in under that and obviously some of the specific bottlers well under that. You have an interesting footprint because it is the only one we know of that we can track on a national basis. Could you talk a little bit about growth by region, and I appreciate that maybe it's not—it's a question that delves into some specific competitors' territories, but I guess I'm just wanted to get a general sense of north versus south, for instance, if you felt that there was any material difference in the rates there? And, related to that is, I mean, it seems like you are getting market share either from the Coke system and the B brands or more of one of the other. If you could comment a little bit on your share behavior. Again, just in the soft drink and bottled water case and areas.

The second question's really just on, if I can kind of just understand your COGs better here. I mean, most of the folks, if you just look at your beverage business, did you in fact get gross margin expansion? And just if you could just confirm that with us because I guess with the sugar business we can't quite just see the clean COGS of the beverage business. Thanks very much.

Juan Gallardo: Alex, if you would, I will take the first part of the volume trends, regions and so on and drivers, and I'll ask Carlos to comment on the margin expansion.

As you know, and that we mentioned in the first call, we are not driven by market share numbers, we are driven by profitability. And, I think this is a very important point. So, we obviously see that we are growing somewhat more, I would say, than some of our competitors, and clearly that must mean that in some cases we are making headway in market share where we are behind, but that basically is not our main driver. We have a long way to go, and I think we certainly are pointed in the right direction.

The strategy I think is very important. We have, I would say, five brands that are well known, that are being balanced, and I insist on the word "balanced" drivers of our growth; obviously the cola flavor, obviously Jarritos, obviously water through E-pura and its consolidation, obviously Gatorade and obviously Jumex. These five drivers all across the country in a very balanced fashion are the ones who are driving and will continue to drive our growth. That is why as we mentioned earlier, we have this very clear strategy of being more marketing, more presentations, more re-launchings, more service, more et cetera, et cetera, et cetera, everything that this industry does and which you're well familiarized with. I think that basically our volume trend is a great driver for our margin expansion, plus, obviously, the kicking in very specifically and very obsessively watched of the different synergies in and the eliminations of redundancies that we're doing all across our Company.

So, I think that what we're doing is we're making headway in a very balanced fashion all across. In some of these brands we are leaders and some we are not, but in all of them I think that there's room for growth and we're seeing —what is very satisfactory, a very good reception of all of our products, I would say, all across.

In regards to your question about the regions, if we see any big differences occurring north, south, whatever, the answer is no. I think it's pretty much all across the country. So with that, I'll pass it on to Carlos.

Carlos Orozco: Alex, good morning. Just to clarify on the cost side and in particular the beverage business. As you know, when you do accounting any foreign exchange gains or loss that you have is—have to be booked in the cost of goods sold. So, in the first quarter of 2012 there was an important benefit in the beverages' cost of goods sold, so when we normalize for that benefit to make it comparable to this year, in which we do not have that benefit, the gross margin has been increased by 6.2%.

Alex Robarts: I'm sorry. By how much, I'm sorry?

Carlos Orozco: Six point two percent.

Alex Robarts: That's gross profit or 6.2 percentage points in gross margin, sorry?

Carlos Orozco: That is the increase in gross profit per unit case.

Alex Robarts: And, just the final follow-up on the volume question. I appreciate the answer. When you think about your guidance, the high single-digit of volume—you know, kind of outlook and kind of as you talk about it over the next few years, that's what you're aiming for. For this particular year, I guess do we think about this first quarter at 4.6 or 4.8, do you think that for the rest of the year, the idea might be to try to use pricing or marketing to get to a full year kind of high single-digit in the volume growth? Or, should we think more about your guidance of high single-digits as a goal to achieve next year or in the—you know, after that?

Carlos Orozco: Okay. Well, again, you need to have in mind that our Beverage division seasonality, so this first quarter obviously does not capture all that growth, and yes, we continue to expect growth in the single-digits, the high single-digits. And obviously, as we mentioned before, there's a lot of marketing already deployed in the market, that should be reflected in the volumes coming up, and obviously, continue with the execution that we have had so far across the different products that have been mentioned.

Juan Gallardo: Also, if I may add, I know you have a very fine-pointed pencil to do your calculation, if you calculate on a per day sale basis of the first quarter versus the last quarter, that gives you an added amount on a percentage basis that would put you right into the numbers that we're talking about. Just so that you do that adjustment in your calculation, okay.

Alex Robarts: Very helpful. Thank you very much.

Operator: And, that concludes today's question-and-answer session. Mr. Gallardo, at this time, I will turn the conference back over to you for any additional or closing remarks.

Juan Gallardo: Well, first of all, I want to thank you all for being here today with us. I want to thank you for your interest in our Company, for your following what we're doing. We tried to share with you the excitement and confidence that we have in what we are doing and we hope we were able to convey that, but especially we hope we're able to convey one single thing. We are doing exactly what we said we were going to do, and I think that that is very encouraging for all of us as a team and for you as investors, I feel—I hope we've been able to transmit that so that we don't get lost in all of these numbers that have to do with gains and interest and drops in exchange rates and this and that and the other. Ours is a very, very, very understandable business which you are well familiarized with and we are consistently growing a step at a time and feel very comfortable with that.

So, with that, I just want to tell you thank you very much for your interest and support, and we look forward to talking to you for the next quarter. 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

This press release may contain forward-looking statements. All statements other than statements of historical fact included in this press release, including, without limitation, those regarding our prospective financial position, business strategy, management plans and objectives, future operations and synergies are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are based on numerous assumptions regarding present and future business operations and strategies and the environment in which the Company expects to operate in the future. Forward-looking statements speak only as of the date of this press release and the Company expressly disclaims any obligation or undertaking to release any update of or revisions to any forward-looking statements in this press release, any change in expectations or any change in events, conditions or circumstances on which these forward-looking statements are based.

Investor Contacts

Mexico
Organización Cultiba
Diana González, Investor Relations
011-52 (55)-5201-1947
dgonzalez@gamsa.com.mx

United States
Breakstone Group
Kalle Ahl / Kathleen Heaney
646-452-2330 / 646-912-3844
kahl@breakstone-group.com
kheaney@breakstone-group.com