Fourth Quarter 2012

Earnings Conference Call

February 3, 2013

Company Participants

Mr. Juan Gallardo, Chairman & CEO

Mr. Carlos Orozco, CFO

Ms. Kathleen Heaney, Breakstone Group

Analyst and Investor Participants

Alan Alanis – JP Morgan

Antonio Gonzalez – Credit Suisse

Armando Perez – Credit Suisse

Fernando Ferreira – BAML

Karla Miranda – GBM

Andres Maza – GBM

Operator: Good day, ladies and gentlemen. Thank you for standing by. Welcome to the Organizacion Cultiba Fourth Quarter and Full Year 2012 Earnings Call. As a reminder, today's call is being recorded. At this time, all participants are in a listen-only mode. Following the presentation, we will expect a question and answer session. Instructions will be provided at that time for you to queue up for questions. I would now like to turn the conference over to Kathleen Heaney. Please go ahead.

Kathleen Heaney: Thank you and good morning every one. Cultiba's fourth quarter and full year results for 2012 were released yesterday after the market closed. 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 for the future performance represent management's estimates as of today, February 28, 2013. You should not place undue reliance on these forward-looking statements and we especially do not undertake any duty to update these 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 fourth quarter and full year financial results. And then Mr. Gallardo will return and discuss the Company's outlook.

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

Juan Gallardo: Thank you, Kathleen. Good morning to all, and I want to thank you first and foremost for both your trust and your interest in our Company. Our job today is very clear to report to you our growth, our results, and comment on our key drivers. As you know, this is the first full year of the operation of this very successful nation-wide platform. With over 38,000 people, 48 plants, more than 300 distribution centers all clicking now together for the first time. It's really quite exciting.

When you see the results, please bear in mind the joint effort of both integration and ongoing operation during the year. We achieved the completion of our integration process, including absorbing all the expenses related to that, and we have a solid year-over-year volume revenue and net income growth.

Stealing from Carlos' comments, you will see that in our fourth quarter our volume growth exceeded 8%. As this is our first earnings conference call, and for those of you who may hear this for the first time, I am going to spend just a few minutes discussing who we are and where we're headed.

While Cultiba's the new name, our origins go back as far as 1987. Through a series of transactions over the past 25 years, culminating with our joint venture with both PepsiCo and Polar in 2011, we have transformed ourselves from a regional bottler in Mexico to one of the country's leading national beverage companies.

An important milestone for us was the successful completion of our global public offering in January of this year, which significantly strengthened our balance sheet, and enhances our profile among members of the International Investment community. As Carlos will explain, we have now reduced 80% of the holding Company debt, and maintained very, very solid ratios in both subsidiaries. These events have positioned us to deliver solid growth by focusing on what we do best: bottling, marketing, and distributing soft drinks and jug water in the very attractive Mexican market. Our strategy involves growing the top line by leveraging our extensive distribution network, a network built over 75 years with enormous effort by many, many families, repositioning our product portfolio, and capturing price opportunities. Additionally, we will also continue to improve our profitability through significant operational synergies.

I'll now touch on each of these areas. First, our nation-wide distribution network provides us with the infrastructure to increase market penetration, including recently-acquired leading brands such as Gatorade. We are repositioning our portfolio to focus on new and growing categories and products with strong brand recognition in the home market. We will also continue to invest in our jug water business by expanding our client coverage with an emphasis on the household channel. We plan to grow sales—case sales in both proprietary and third-party brands by adding new categories into our portfolio and developing strong national brands that appeal to the Mexican consumer. Some very good examples of our strategy to grow case sales include the very successful launching of Jarritos, multi-flavored carbonated drinks, establishing our presence in the fruit juice category with a strong permanent alliance with Jumex fresh brand, and re-launching e-Pura, our own bottled water brand.

By the way, these two last initiatives both prepared in the year 2012 are now in full swing in the first month of this year, having received a very, very positive response in the market. Also as the exclusive national distributor of PepsiCo, we intend to improve sales by innovating and improving the positioning and increasing the distribution of the Pepsi brand in the local market. An important step in this process has been to incorporate new packaging, new proprietary packaging for Pepsi, which constituted a gigantic operational undertaking given the size of our Pepsi business. Just to give you an idea of the magnitude to launch our new proprietary bottle, over 2,300 new molds were manufactured and adapted to more than 20 lines and 20 brands in a period of near five months.

During the quarter and the full year, we made significant progress on the integration strategies we laid out at the beginning of the year. We successfully integrated a GEUSA, PBC and Gatorade, addressing redundancies, logistics, and supplies among many, many other challenges. Also we have been streamlining our brand portfolio into high growth national brands. By phasing out certain local slower growing brands, we are improving our focus, and channeling resources to the faster growing products favorably impacting both efficiency and profitability.

We have captured operating synergies by eliminating redundant operations and are achieving significant economies of scale. We have added new distribution routes with an emphasis on jug water, and increased our client coverage. We also have streamlined our administrative and marketing processes under one information technology platform to better serve our operation. This was an enormous accomplishment when you consider that we brought together three completely separate information systems simultaneously. This is now complete.

We are also benefiting from the integration with our Sugar division, which is performing according to our plan and are now delivering electricity to our beverage operation since the commissioning of our new cogent facility in the fourth quarter, taking further steps towards being low-cost producer.

All of this has occurred during 2012 with a cap ex of close to $200 million. The fourth quarter is a seasonally slow quarter for us, and I'm very pleased with our improved performance and the progress we have made, as our fourth quarter and full year results demonstrate.

Having said all this, however, we still have plenty of room to deliver material synergies by leveraging our infrastructure and capitalizing on our refocused portfolio strategy, improving, thereby, profitability, and growing the business. I would be terribly remiss if I did not make a very, very strong recognition to all the people in Cultiba, people in GEPP, the people in GAM, all of our colleagues who throughout the year have made an absolutely outstanding committed loyal and knowledgeable effort in carrying out this transformation, and all of us building together with a new culture the dream of what is to come.

I will comment on our 2013 expectations after Carlos' presentation. Carlos?

Carlos Orozco: Thank you Mr. Gallardo, and thank you all for joining us this morning. I am also very pleased with the progress we are making and the results that we have delivered so far.

So now on to a review of 4Q 2012 results. Please bear in mind that our financial results are already prepared under IFRS.

Beginning with volumes and pricing total unit sales increased 8.5% in the quarter to 375 million cases, from 346 million cases in the same period of the prior year. The average sales price for 8-ounce case increased by 4.3% to.19.4 pesos in 4Q 2012, up from 18.6 pesos in the same period last year primarily reflecting select opportunities across our product portfolio to capture price increase. Our soft drink and bottled water volume grew 8.1% to 194 million cases, and reflects the consolidation of PBC and Gatorade, as well as consumer acceptance of our new Pepsi packaging and positioning, expanded distribution of our Jarritos brand into new territory, greater penetration of Gatorade in the traditional channel, increased distribution in both the modern and traditional channels for all of our beverages and the incorporation of new products and new categories.

Jug water sales increased 8.9% in the quarter partially driven by expansion of our distribution network. For example, we have introduced new routes focused on the household channel.

Now moving on to the P&L, our total revenue grew by 8%, driven by a combination of healthy year-over-year increases in beverage volume and prices, as I just discussed.

On our cost of goods sold, which includes product warehouse and distribution costs, this increased by 10%, slightly ahead of our sales goal. This was primarily the reflection of the overhaul cost that was incurred during the quarter in distributor factories as required by IFRS. Other results, our gross margin decreased by approximately 100 basis points from 32.5% in 4Q 2011, to 30.8% in 4Q 2012.

Our total SG&A costs were 2.6 billion pesos in the quarter, down from.2.7 billion pesos in fourth quarter 2011. As a result, SG&A, as a percent of revenue, decreased to 34.3% in 4Q 2012 from 38.7% in 4Q 2011, as the Company was able to leverage costs over a larger revenue base. To date, we have captured approximately 30% out of 900 billion pesos of identified synergies. We expect to capture 100% of identified synergies in the beverage division by 2014 through various initiatives. You will see some of this reflected as an improvement in our distribution channels. We will introduce new routes and increase coverage and we will be doing it more efficiently.

Now, our 4Q 2012 EBITDA increased to 252 billion pesos, up from 31 billion pesos, reflecting higher revenue and margin improvement. Please recall that the fourth quarter results reflect seasonality for our beverage sales and also costs associated with post-harvest overhaul in our sugar facilities as required by IFRS.

Despite these headwinds, we delivered improved results. In turn, our EBITDA margin increased to 3.3% up, from 0.4% in the same period of the prior year.

In 4Q, 2012, we reported a net loss of 135 billion pesos, compared to a net loss of 459 billion pesos in the same period of last year. Both our beverage and our sugar operations are profitable on a net income level. The consolidated net loss reflects, basically, an accounting adjustment at the holding company level due primarily to a non-cash tax adjustment of 100 billion pesos, plus 42.5 billion pesos from interest payments on the $250 million dollar loan we had in place. As Mr. Gallardo mentioned in his presentation, we used the proceeds from these public offerings to pay down debt, and as of today, close to 80% of the debt at the holding company has been eliminated, and thus, interest expense going forward will reduce significantly.

Moving on to a review of whole year 2012 results. Unit sales were approximately 1.6 billion cases in year 2012, up 84% from 849 million cases in 2011, driven primarily by incremental volume from PBC and Gatorade as well as strong growth with our legacy products, and increased distribution for jug water. Our pro forma volume growth was 5.5%. Our total volume for the year increased 114% primarily reflecting the impact of our two business combinations in 2011; growth from new products, and legacy products, and additional points of distribution. On a pro forma basis, our revenues increased 7%.

Our cost of goods sold, increased faster than sales primarily reflected higher raw materials cost and depreciation. Our gross profit increased 107% year-over-year to 12 billion pesos. As a percent of revenue, gross profit rose 37.6% in 2012, compared to 38.7% in 2011. Please have in mind that when we compare our full year 2012 numbers to those of 2011, in 2011, the first nine months had only the sugar operation, which was—which had a much more efficient cost structure than the rest of the businesses incorporated.

Our SG&A increased by 88% reflecting the larger size of the operation. SG&A, as a percent of revenue was 36.7% in 2012, down from 41.6% in 2011, as we were able to leverage costs over a larger revenue base. As I mentioned previously, we see significant opportunities to extract synergies and to further reduce SG&A as a percentage of sales in the future.

We reported a net income of 691 billion pesos, compared to a net loss of 573 billion pesos in 2011. However, on a pro forma basis, we reported a net loss of 1 billion pesos in 2011.

Now moving into the balance sheet and cash flow, on December 31, 2012, we had cash and cash equivalents of 589 billion pesos and total debt of 6.7 billion pesos, of which 4.9 billion pesos was long-term debt.

As mentioned previously, subsequent to year-end, we completed our public offering in January 2013, raising approximately.2.9 billion pesos. To date, we have used the proceeds to reduce peso denominated debt by 1.6 billion pesos plus $40 million in U.S. denominated debt. We are in the process of reviewing our amortization schedule for further debt reduction in the future.

For full year 2012, we generated operating cash flow totally 2 billion pesos up from 1.9 billion pesos in the prior year. Capital expenditures were 2.7 billion pesos in 2012, compared to and 1.3 billion pesos in 2011. Funds were expended on continued integration and for sugar cane production, increasing and strengthening the distribution network, and increasing production capacity.

Before we open the call for questions, I'm going to turn back the call to Mr. Gallardo to discuss the outlook for 2013.

Juan Gallardo: Thank you, Carlos. We are very well positioned for both top line and bottom line growth and for strong operating performance in 2013 as we execute the business strategy that you are now familiar with. We have the experienced people, we have a clear strategy and we clearly have the resources.

Our guidance for 2013 is as follows:

- We are targeting a beverage volume growth in the high single-digits.
- We expect prices to be in line with inflation.
- We expect further operational synergies which will lead to increased margins,
- we expect the cap ex figure to approximate 7% of revenues with funds spent on the further integration of refrigerators, trucks, manufacturing process, IT, and further enhancing our operating and distribution network;
- At the same time, continuing to reduce debt.
- We expect to realize between 250 and 350 billion pesos of additional synergy in 2013. While fully capturing all the remaining identified synergies by—identified by Carlos in the year 2014. The cap ex for this process has already been spent and it's underway. We will, of course, continue to look for other cost improvements beyond what we have pinpointed thus far striving to maximize and achieve one of the lowest cost structures in the industry.

A final comment, we strive in a very competitive environment. We are not all about market share, we are all about profitability. In the very attractive Mexican market, there is plenty of room for all of us in all the growing categories.

In conclusion, we are very optimistic about the market opportunities ahead and our future results.

Thank you very much for your attention.

Kathleen Heaney: Operator, you can open up for questions.

Operator: Thank you. If you'd 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 an opportunity to signal for questions.

And we'll take our first question from Antonio Gonzalez with Credit Suisse.

Antonio Gonzalez: Hi, good morning. Thanks for the call, Juan and Carlos and thanks for taking my question. I actually have two questions. The first one had to do with the sugar business. We're seeing on the beverage side in your prepared remarks you mentioned that volumes increased 8%, average prices increased more than 4%, yet consolidated revenues increased only 7%, or so. I guess the difference has to do with sugar, so I wanted to ask my first question would be can you give us a little bit of more color of to what extent the decline in sugar prices is impacting the fourth quarter results, in particular, and what's your outlook for 2013 and more abruptly speaking, when you see the decline in sugar prices in Mexico that has been taking place recently, what do you expect the net effects to be on Cultiba's margins for the year? Would you expect that the decline in profitability from the sugar business is more than compensated, exactly compensated, or less than compensated on the beverage business? That's my first question, thanks.

Juan Gallardo: Thank you, Antonio. Well, first of all, let me clarify your first questioning with respect to the impact that sugar has in the fourth quarter. Obviously, as you mentioned, our revenue growth is impacted by the sugar price in the sense that there wasn't substantial export of sugar in the fourth Q of 2011, which did not take place in the fourth Q of 2012, and thus you see that the revenue does not have on a consolidated basis the same growth it has on an individual basis if you think about leverage side.

Now, with respect to 2013, as you have seen, sugar prices have adjusted substantially and we expect them to stay at those levels going forward. On a consolidated basis from a Cultiba standpoint, we obviously, get the benefit of lower sugar prices on the beverage side, however we are well-positioned to continue capturing synergies within our sugar division and that's why we believe that the different price impacts that we will have throughout the year will be basically offset with the integration.

Operator: We'll take our next question from Allen Alanis with J.P. Morgan.

Allen Alanis: Thank you so much and thanks for taking the call. I think Antonio had a second question, but I'm sure he'll dial back in. Actually, my first question has to do with the same question Antonio was asking. I mean, if I'm reading correctly this year, declining revenues in the fourth quarter was around 40%, and you explained there, Carlos, that it had to do with a comparison, so could you elaborate a little bit more on that—on the material decline on revenues in the sugar business year-over-year and more importantly, you're showing a decline of 40% in income from operations, and then you're showing a huge increase in EBITDA, you know, 726% so could you help us reconcile those two things, the decline of 40% in operating income versus what's happening there with depreciation and amortization that you have such a big jump in EBITDA, please? Thank you.

Carlos Orozco: Sure, Allen, how are you? Again in the fourth quarter, as you know, the harvest seasons at the sugar mills, they don't have a fixed date in which they start, so this new harvest in which we are started later than the previous harvest, so in the fourth quarter of this year we did not export the same volumes we did export in the fourth quarter of 2011. That revenue is not reflected there, however, it will be reflected during 2013. So that's, again, why you see that—the revenue when you compare the consolidated figures is down from the revenue increase you see of the beverage division.

Now, going into depreciation, we're obviously having a very substantial figure of depreciation, and that's basically a result balance of the big investment capital expenditures that have been made in the past and that are basically being reflected in the actual cost structure.

I don't know if I'm answering your question correctly, and that explains the sweep (ph) that you're starting to see. And, again, bear in mind that when you see consolidated 2011 numbers, you're seeing a Company that has the previous sugar for 12 months, down from seven months and PBC plus Gatorade only for three months. So there is a substantial change in cost structure when you go into full-year numbers, consolidated numbers for all year 2012.

Allen Alanis: Got it. Okay. I'll follow-up with some other questions offline, Carlos. That's helpful. And last point, well I guess it's a similar question—but now all the way to net income, no? I mean, you're showing a negative net income, but a positive earnings per share that means you have material losses on the sugar business during the quarter. I guess, could you give us a bit more color or detail in terms of the profitability of the sugar business for 2013 now that we're seeing lower sugar prices in the market, correct? Because you sell, even though you sell to affiliates, you sell at international prices.

Carlos Orozco: Well first of all, let me clarify for you, I mean, on a full year on a quarterly basis both divisions are profitable down to net income. We expect that you see that consolidation to a net loss are strictly associated with the affects at the holding company. One is a non-cash tax adjustment, which is basically an adjustment in the deferred tax space; and second is interest expense that we had been incurring by having that at the holding company. So again, both of our divisions are profitable, the sugar division has been profitable for the past four years at least, and we expect it to be profitable into 2013, as well, besides the adjustment that we are seeing in sugar prices at the moment.

Allen Alanis: Got it. Okay. I'll follow up with some other questions offline and thank you so much for making the conference call.

Operator: Now we'll take the next question from Fernando Ferreira from Bank of America, Merrill Lynch.

Fernando Ferreira: Hey, good morning everyone. Thanks for taking my question. I had just a follow-up question. If you can provide some breakdown in terms of EBITDA by each—or margin by each one of the business for this quarter, and then for 2013, if you can share with us some of your expectations for margin improvement, as well for both businesses. Thank you.

Carlos Orozco: Sure, Fernando, how are you? First of all, unfortunately, we will not be breaking down profitability by business segment going forward, so in that sense, I excuse myself, but we will not be providing more detail going forward. What I can tell you about margin expansion going forward is, basically, I would break it down into four different points. First of all we talk about synergies and we expect those to be, obviously, reflected in the margin expansion that we are expecting. Second of all, we are expecting, as we recently mentioned, substantial volume increases that will help us leverage up both the cost and SG&A base going forward.

The third point would be, obviously, there are still pricing opportunities to be captured which we will be capturing. And, obviously, when we talk about the integration of the sugar business on a consolidated basis, for those additional points of margin will be there contributing to the margin expansion going forward.

Fernando Ferreira: Okay. Thank you, Carlos, and then a follow-up question on—also on your guidance for 2013. I mean, the Coca-Cola system is also talking about increasing prices in line with inflation, but it seems that if you still plan to reduce the price gap that you guys have with them, so is that going to come not in 2013, more into 2014, or is that going to be a mix change that despite you guys increasing prices in line with inflation you'll still be able to reduce the pricing gap going forward?

Carlos Orozco: Yes, well obviously, we are continuously exploring to capture pricing opportunities throughout the whole portfolio. I'm not particularly against a certain competitor, so we will continue that effort into 2013 and 2014 as our portfolio continues to adapt to the continued strength that we're seeing in the market.

Fernando Ferreira: Okay. Thank you.

Operator: And we'll take the next question from Alex Robarts with Citi.

Alex Robarts: Thanks and hello everybody. I wanted to go back to the beverage business, and I do think it's interesting that you have the only national distribution system for soft drinks in the country, and was wondering if you could give us a sense of where or your share levels in kind of the three segments: jug water, CSD and isotonics, on a national level, any color as to, kind of, if you could share with us where you see your market share levels today; and I appreciate earlier comment that you made that you're here, or, kind of, all about profitability and not focused on market share relatively speaking. But if you could talk to us about where you see this year the biggest opportunities to develop your brand equity, and any color around your brand health indicators would also be helpful. Thanks very much.

Juan Gallardo: Thank you Alex and please let me know if I answer your questions correctly as you were a little bit cut off in the communication. With respect to market shares, first of all, what I want to mention is we do not measure ourselves against market shares in any of the different categories of our portfolio. We—the way that we operate the business is basically identifying growth opportunities within the portfolio despite the different market shares that are obtained. As you see water jug volumes has a significant impact in our portfolio, and, obviously, if you want to just from the market share perspective, obviously, it has a very significant market share, as well.

With respect to brand equity, we invest in the different brands that compose the portfolio and that those brands grow within our portfolio and that we basically delivered to the franchisee, to the franchisors, both the brand that they're expecting us to build an equity in.

Alex Robarts: Okay. Thanks very much.

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

Karla Miranda: Hi, good morning everyone and thank you for the call. Carlos, I was wondering if you could give us a little more color on from where the pricing is coming from? I know that you said on your opening remarks that you've been searching for pricing opportunities and will continue to do so through 2015, but I was wondering if you could give us some sense of how much is coming from pricing and how much is coming from a shift in the change in the mix? Thank you very much.

Carlos Orozco: Karla, rather than giving you exact figures what I can tell you is it's a slight balanced equation that comes out of synergy capturing price opportunities of the portfolio result going forward and volume increases that will continue to dilute our cost base and SG&A base.

You should be expecting our mix to evolve according to market trends, and obviously, you will see some pricing opportunities being cached in that. I'm sorry not to give you a little bit more color in that sense, but we definitely will not be disclosing different categories of brand and we'll go forward.

Operator: We'll take our next question from Armando Perez.

Armando Perez: Seeing how other brands in Mexico are running double-digits like in energy drinks and coffee, how do you see your brand portfolio in the next year? Where do you see the most opportunity of growth in new products?

Carlos Orozco: Good morning, Armando. Well as you have seen lately, we've incurred in different categories and again we will be focusing in all of the categories that our full portfolio have. We've seen in the market now the appearance of G1 (inaudible), so obviously that's a very solid example that—of where growth comes from. We need, obviously, continue to have very substantial specific weight on our full portfolio with respect to jug waters and bottled water, so again, we will be adapting and responding to consumer market trends and we will be focusing in growing all of our portfolio and (audio interference).

Armando Perez: Okay, thanks, and just another question. I just heard Coca-Cola mention they are changing their strategy in their water, and I wanted to understand, do you see this as an opportunity to enter the 10-litre format, or do you see this as any kind of opportunity?

Carlos Orozco: We do have both formats, Armando, and we're obviously, depending on where we see the demand, we're adapting accordingly in both their formats and different brands and presentations.

Armando Perez: Okay. Fair enough. Thanks.

Operator: And just a reminder, if you would like to ask a question today, please press star, one on your telephone keypad.

And we'll take our next question from Andreas Massa.

Andreas Massa: Hi, good morning and thanks for the call. I was just wondering if you could comment on the growth potential you see in the future from introducing your—the new brands you said into additional regions or territories, both in terms of growth in revenues, and also the benefits you would see on margins from this by leveraging the additional loadings in your infrastructure? Thanks.

Carlos Orozco: Good morning, Andreas, Well obviously you know having the benefit of having nationwide footprint and having some additional brands join the full portfolio can give you a glimpse of what the growth potential is for these different brands, and obviously the new products and new categories that we're incurring will be benefiting from this additional distribution network.

Andreas Massa: Okay, and is there anything you could give us in terms of the dimension of the impact?

Carlos Orozco: I wouldn't want to give you a specific figure, but obviously, growth going forward, as I mentioned in the previous question, has a lot to do with the new categories and expanding, actually set of brands and categories into nationwide footprint.

Andreas Massa: All right, thanks.

Operator: And we'll take our next question from Antonio Gonzalez at Credit Suisse.

Antonio Gonzalez: Hello, thanks for following up. I got cut off in my previous question. I just wanted to make probably more of a strategic question for Mr. Gallardo. When we see the volume performance in the fourth quarter, in particular, I guess on a pro forma basis in 2012, in general, you've got a performance that is way above, volume-wise, the volume performance of your main competitor, no? I guess I want to ask, you know, from a competitive standpoint, what have you seen? Have you seen any changes in the marketplace? Do you foresee any reaction? Is there anything you can share in terms of what is your main competitor or other competitor doing and probably more importantly can you with the Company being public now, after the IPO you will be a lot more under the spotlight and you're sharing a lot more information, of course, how comfortable do you feel that in the future if there is a stronger reaction from competition, how comfortable do you feel that the different partners at GEPP the beverage subsidiary, Pepsi and Polar, and yourselves, and Cultiba, how comfortable do you feel that you can adjust the marketing or the cap ex needs for your beverage business in case competition changes a lot now strategically, as well as probably from monetary point of view? Thanks a lot.

Juan Gallardo: Antonio, I appreciate the opportunity to expand on that, because it is a very critical point in our overall strategy. When we designed the formation of GEPP between Polar, (inaudible), and Pepsi, it was very important that this be born as a very solid financial Company from day one. It would have the strength and the wherewithal to maintain a modernization and marketing and innovation effort for years to come, not only have the resources from a monetary standpoint, and the balance sheet is there, you can see it, but also have the resources very importantly from a being able to tap into the best of the best of the capabilities of all the three partners. That was put in place and that has been a critical factor for the transformation that I mentioned both culturally and operationally in terms of the integration.

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.

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