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PRESENTATION

Operator

Good morning. Welcome to the Nutresa Group Third Quarter Results Conference. Very grateful for your company today, for your interest in listening to the results. With us are Dr. Carlos Enrique Piedrahita, President of Nutresa Group, and Jose Domingo Penagos, financial vice-president for Nutresa Group. With that, we begin the results conference.

Carlos Enrique Piedrahita - *Grupo Nutresa SA - President*

Good morning. This is Carlos Enrique Piedrahita speaking, and I also welcome you to this conference. We are very pleased to register some very good accumulated results for September, and also very pleased to see that we are in the process of having a very good year.

Let's start the presentation, and I will proceed as in the past opportunity where you guys have all the information for the presentation. I won't cover it in order to allow enough time for questions. I will highlight only some elements for each slide.

Starting with the one with the number two, it mentions the Dow Jones Sustainability Index, in which for the third consecutive year we are within the leading categories in corporate sustainability in the food sector. That sector includes, or the companies that are included in the index, there are eight of us, four American companies, one European and one from Colombia, the only one from a developing country.

But more -- it's highlighted here more than simply following it in the index is the evolution that we've achieved where, well, the goal in the beginning was to go into the index, and now we can proudly register that in several of the evaluated subjects we have the best qualifications on a world level, the best in class. We have indexes of 100 over 100.

For example, in human talent development, in innovation management, in codes of conduct and in risk and crisis management. In those four aspects, we register 100 over 100, again, among all the companies evaluated in the food sector on a world level.

And in the -- in the corporate government chapter, we didn't have the best index, but we were very close to the leader, and we were among the best in category in a way that it's important to highlight since the Nutresa Group is in several important elements in our business, as is innovation, human talent, risk and crisis management, code of conduct and corporate government being among the best, or being the best in the world.

As far as the alliance with Starbucks, at the last teleconference we were saying that in the future there could be one or two alliances or acquisitions. And in a few days indeed we were able to announce the alliance and the joint venture with Starbucks and with Alcea. This is important news. It has some very far-reaching agreements. The agreement with Alcea to operate the Starbucks stores in Colombia in an exclusive manner in a contract of at least 20 years is very important.



And in the same way, a long-term contract, an agreement between Starbucks and Colcafe, so Colcafe can be the only provider for roasted and ground coffees which will be served in the stores in Colombia, and in the future to be the provider of those coffees for Latin America.

Obviously, roasted and ground products from different origins will be sold in stores by Starbucks in the United States, as they do in all their stores on a global level to offer ample varieties, but the coffees that will be served, espressos, etc., prepared at the store will be with coffee bought in Colombia and manufactured by Colcafe in a long-term agreement which is a far-reaching agreement and very important. That's the rhythm of the stores. We hope -- there is a communication problem.

(Technical difficulty)

Carlos Enrique Piedrahita - *Grupo Nutresa SA - President*

There's no problem? All right, let's continue on. We were hearing some interference. Forgive us. We're continuing on.

I was telling you that the plan is supposedly announced to open a first store in Bogota the first semester of next year, and finish with five stores in 2014 in Bogota at least, and in five years, at least 51 stores. Moving on to the following, to talk about Tresmontes Lucchetti. I want to start by giving credit to the company, Tresmontes Lucchetti, to their managerial team, and the managerial team for -- for (inaudible).

Acquisitions from the Nutresa Group because we can't simply move on after such a complex, huge, important transaction without recognizing that the operation literally worked like a Swiss watch, and that's thanks to a company that has a very organized system of information, as is Tresmontes Lucchetti. All the teams found the complete, adequate, timely information, and we were able to close the transaction with the requirement that we had set for August 30. It was a transaction that was executed in a very fast manner, and like I tell you, in an impeccable way.

There you have the final values of the transaction. I won't go into detail, but you can see how from an enterprise value of \$739.3 million negotiated, then the adjustments for indebtedness, for work capital, etc., the final value paid out of \$582.3 million, we made the payment with credit, basically Colombian financial entities, with some conditions, we'll see it later on with rates and debt service and very adequate terms, very competitive, which leaves us with a very optimal financial structure.

The results consolidated from the 1st of September and it was ratified as the managerial team had announced in order to give continuity to their excellent management. As far as the Tresmontes Lucchetti sales, they have a reduction of 5.7%, and the margin is 12.9% over sales. This looks a little inferior to what you might think the expectation was.

The truth is that we already had discounted in the business plan an close evolution, an evolution of this type that was next, in a way that -- it was not a surprise to us. If anything, and little improvement is expected and it's already being experienced in October, in sales and in avoidance for end of year, it's evident that in the region there are some markets that move a little slower.

And in the case of Tresmontes Lucchetti, the markets that generated an affectation, are first in order, Venezuela, where Tresmontes Lucchetti was still selling something. And in the year -- in this period it did not register sales and as such it has an impact on sales growth. Mexico, which is moving slowly, Mexico had an affectation that was well-known by all of you because of the rains, and it's a country where there were major growth expectations. Remember, the government itself and the Central Bank announced a fairly large reduction of expectations, and indeed, the Mexican market is going somewhat slower.

Argentina also has some affectation, though in the case of Tresmontes Lucchetti it's a very small operation, but also with minor performance. For those reasons there's some reduction in sales, and with those sales levels, some minor levels of life in a marginal way. But I repeat, it's not a surprise and we are not denying things for the following month, not even for the trimester, rather with the vision of constructing a great business which is going to be a good year and 2014 is going to be a better year.

If we look at slide number four, here we can -- this is a pro forma where we show what the sales would have been for 2012 if we added Nutresa Group plus Tresmontes Lucchetti. You can see there how it would change sales per business unit where we can highlight the size of the Tresmontes



Lucchetti operation is -- it would contribute 13% of sales of Nutresa Group, it's equivalent to the coffee business which sells 13%, it ends up selling 13% of Nutresa Group sales.

That is, the same size of coffee in which Nutresa Group has been in a little more than 50 years in operation. There, you can see the impact of this acquisition. (Inaudible) 2012, it would have contributed a little more than 14%, and as far as international sales, it would have represented 34% of total sales for Nutresa Group, in fact.

Jose Domingo Penagos - *Grupo Nutresa SA - VP - Financial*

38%.

Carlos Enrique Piedrahita - *Grupo Nutresa SA - President*

38%. All right. You can see the increases provided by Tresmontes Lucchetti to the group in total sales, which would be 15 (inaudible) would be 16, and in international sales it would grow 52%. There you have the composition. If we go to the next one, number five, we have -- what the footprint is by Nutresa Group in the region.

Also in a pro forma with the numbers added from December 31 of 2012. Chile is already the second market after Colombia for Nutresa Group with a 7.9%. Then there's Venezuela with the meat operation that we have over there, 6.8%. In fourth place is United States, 6.5% of sales, then Central America, it's 5.9. Mexico wins participation in a very important manner within the group, 4.1%, and then there's Peru, 1.8, etc cetera.

There you can see what the sales composition would be in our geography in the Americas. You can see that it's a diversification with a very good balance. The market is very desirable, where we have a very good presence there, in Chile, in Mexico, in Central America, in the United States, in Peru, markets with a very good performance within the current situation and with very good perspectives. International sales contribute almost 38% of sales of Group.

Now, in the following, number 6, let's talk a little bit about the synergy sources with Tresmontes Lucchetti. I know analysts would like Nutresa Group to put numbers to synergies, but truthfully, we don't do it and we don't do it for the following -- instead of setting some goals with some numbers, we have many teams working, many synergies that we have identified here, and the goal is to capture the most synergies.

We're not going to settle for some specific numbers. And besides, some of them are difficult to measure, but the goal is, the most synergies and also to highlight that most of them are commercial.

We, as we've said on repeated occasions, we see a big opportunity when acquisitions are made, with a plus sign, and not with a minus sign. That is, big opportunities are in profitable growth, they're in commercial integration and complementing businesses, and without ignoring the importance of some synergies, some economies on the expenditure side, on the management side, where there may truly be some very important benefits which we also want to capture the maximum, not some specific estimates.

Well, undoubtedly, we see that the major synergies are on the commercial side, they're on the profitable growth side. We've mentioned it from the beginning and we've been able to validate it with the work teams in a very detailed manner, that in Mexico there is a great complement in the channels of distribution.

As we've said, Tresmontes Lucchetti has great commercial strength dedicated to the modern channel and the traditional channel for small stores. That's a great complement for what a good distribution force Nutresa has in Mexico, a little dependent on the wholesaler channel, but they complement very well. We expect some synergies there. There are short-, long- and medium-term synergies with commercial, and concretely in Mexico, there are short-term possibilities in the distribution channels.



We are now entering the cold season, and chocolates may complement sales of instant cold beverages, and that complementation with seasonal products is very valuable and a few days ago we identified the clients for each of the distribution networks, and how client by client we are going to complement ourselves. That will begin operating very soon, and that generates sales. That's profitable growth.

Let's also go to something which will continue to put out, more in the medium-term, to explore the introduction of new products in Mexico from both companies. The fastest thing will be the integration and complementation of commercial forces of both companies. We've found that in Central America, commercial ground distribution is very powerful, and it will give distribution a presence in the Tresmontes Lucchetti market, new opportunities.

Likewise in Peru, where the distribution force (inaudible) in Peru is greater than what it had, or Tresmontes Lucchetti still has, and it should give us, in Central America as well as in Peru, major market coverage, a better presence in the point of sales of Tresmontes Lucchetti products, and again, that's greater sales and greater sales in the short-term, and dilution of distribution expenses in a way that it's, again, profitable growth and in the short-term.

When I talk about short-term, I'm referring to the end of this year, and without a doubt, beginning of next year. In Chile and Colombia, we see more in the medium-term, an exchange of know-how, of what Nutresa has in the traditional channel to strengthen what Tresmontes Lucchetti has done in Chile, and on behalf of Tresmontes Lucchetti, reinforce what Nutresa Group does in the modern channel.

We all know that the retail movie is more advanced in Chile. In Latin America, it's the country with the best retail practices, and definitely it will make a great contribution to Nutresa Group, the advancements that Tresmontes Lucchetti has achieved in that country to take -- to bring in Colombia and bring in other countries.

A more permanent job as well will be with the exchange of knowledge, common business product development, particularly paste, coffee and milk modifiers. And in others, well, there are new geographies.

This may be short-term. Instant cold beverages in the Caribbean where we have a good distribution force in Nutresa Group, a very ample presence in the Caribbean region, Africa and Asia, and this week we've identified some very good opportunities of taking instant cold beverage products and have them generate sales in the short-term.

Our distributors in those regions are avidly taking Tresmontes Lucchetti products and we're sure that it will produce sales. And an additional mention with the arrival of Nutresa Group to Tresmontes Lucchetti, it's opened the doors and knowledge to us for some very dynamic categories such as instant cold beverages and snacks, and we'd like to consolidate a major presence in those businesses and future acquisitions.

On the synergy management side, there's the -- to include sales management for Tresmontes Lucchetti in the global supply program for Nutresa Group, which has generated some very big economies in Nutresa, and we're going to extend them to the sales made by Tresmontes Lucchetti. That's also short-term, and the aspiration is to cover the most number of sales and generate some important economies.

The rest, better practices and a very concrete optimization of debt structure for Tresmontes Lucchetti which we're working with now. Let's go now to number 7, the accumulation of sales for September, you can see that Colombia, first place, as we grow 1.7%, 2.9% on the tonnage side, which is a healthy growth, and it still registers a decrease in prices of 1.2%.

But I should mention here, and you might have seen that we have gradually increasing prices, reducing, to look at it another way, the price decrease that we had done at the beginning of the year, and in the first trimester, the variation in prices is positive.

It's worth mentioning here that that strategy was undoubtedly a winner. In a slow demand environment, like Colombia has gone through throughout the year, let's remember that we started around in March with some unemployment, with a slow commercial dynamic.

There would have been no (inaudible) tributary reform with an increase in tax, it would not have been advisable to add to that environment an increase in prices to our products. And what we did at that moment, if you remember, was the opposite.

We absorbed the increase in tax, we reduced prices, transferring part of the benefit which was given to us by lower commodities costs, and that definitely paid off. In time, the way in which that price situation, as least, helped to not affect the market.

Well, we've been increasing prices gradually with a very positive evolution. You can see what the -- oh, well, I'll mention the strikes and costs or lesser sales which led to those strikes. It's very difficult to measure, you'll understand, that we've arrived in a thousand municipalities, we attend 250,000 points of sales and identify which sales were lost through being out of stock or because products arrived late. It's very difficult.

But we estimate that lost sales between the months of August and September, because let's remember, the strike was in the last two weeks in August and the first one in September, and it takes time to restock inventory. We estimate that at least the smaller sales were 13 billion pesos. That's more or less 5% of one month's sales, and almost 1 and a half% of sales for one trimester, or half percent of accumulated sales. It's not negligible. It might have had some effect in costs, just so you have an idea, only in cookies, in one month, transports one thousand tractors, a thousand trucks. You'll understand what the extra costs were, but it's difficult to calculate. Chocolate moves some 500 trucks, coffee around 400, in a way that you can see that undoubtedly it has had some effect.

In international sales, there was very good growth of 15.9%, organic was 6.8%. Moving on to total sales, to just highlight that growth of 7%, and organic was 4.4%, with the mention that organic sales in ice cream, you can see that ice creams grew to 28.6%, organic sales grew to 12.3%, which is a very healthy organic growth in the double digits. Innovation sales were 20.4% in group sales for that period, and meat-related, which shows an 8.7%, if we remove Venezuela, meats will grow to 3.8%.

Moving on to the third trimester, slide number 9, you can see the trimester in Colombia grows to 2.8, which I was mentioning to you, prices grow to .9%, almost 1%. Sales 2.8%, if we remove that effect, the strike, I repeat, it's a minimum of COP13 billion that we've been able to identify but the effect is surely greater. But if we add that -- those lost sales, the growth for the trimester would not have been 2.8%, but at least 4.2%.

You can see, the trimesters have been accelerating gradually in growth of sales. The price increases were from meats, in ice creams, cookies, in the measure that the market has been responding. We've made some increases which we'd mentioned. A few days ago we were not increasing in meats.

We've already done it and it was an increase -- some weeks have passed and we've registered it as an increase that the market assimilated well. International sales for the trimester 28.7% increase, and organics has grown to 10.8%, the month for Tresmontes Lucchetti appears there, one month of sales. And business sales, the third trimester, 12% in slide number 10, a growth of 6.7% organic. Ice creams, just to highlight -- eliminating the pops effect, well, in total it grows to 30.4, but organic only grows 10.8%, I repeat.

As far as sales by region, you can see how it's distributed in slide number 11, in the region, accumulated in September, there is only one month for Chile. We've already seen the pro forma, to highlight the markets that behave very well in the United States, Central America, Peru, and to highlight chocolates in Mexico, it's going well.

Advancing quickly on 12, you can see market participation, the Tresmontes Lucchetti picture appears, their current participations.

You can see some very important consolidated participations, more than 60% in instant cold beverages, 29% in pastas, 17% in coffee, in Chile and Mexico, 30% in instant cold drinks. And by category highlights, you can see earnings and market participation in meats, 1.2%, in cookies, 1%, in chocolate sweets, a little more than 2%, in pastas a slight earning, and some marginal losses in various cases. To highlight as a whole, Nutresa Group has a participation, September 30 (inaudible) in the categories where we participated of 60.1%.

This is the highest level that we've registered in the last three years, which clearly evidences a very good defense after three years of increased competition in Colombia with the arrival of many competitors. This was a recurring question from all of you, what we were doing, how we were defending ourselves. Well, we can register now after three years since opening, of (inaudible) the interest in the country by many players, how we are again over 60% in participation in the categories where we participated, the highest level in three years, and I repeat, demonstrates a very good commercial management and defense of our market participation in Colombia.



If we move on to 13, commodities continue in their tendency, the index is a base of 100 on this commodities index graphic by Nutresa Group, in December of 2012, and you can see that we are somewhat below. What's behind that? Well, basically coffee, oils and sugars have reduced their prices a little bit.

The only one which has grown a little is pork mainly. There has been some slight growth in cacao, and as far as our forecast, it's price stability in general in the next months, going into 2014, stability is foreseeable. It's something where an unforeseen price offer shock was seen, but the stability expectation looking toward next year. If we look at 14, the diversification in raw materials, you can see how packing material, together with Tresmontes Lucchetti, is component number one.

That's normal with food companies with high added value, packing material is component number one, individually 12%. Coffee, which was at abnormal levels, got to be at 13%, slightly under 10, and the others, as you can see, how there's a good diversification within a panorama of stability. With this, I will yield to Jose Domingo so he can talk to us about the part ebb and tide part and financial states. Go ahead.

Jose Domingo Penagos - *Grupo Nutresa SA - VP - Financial*

Good morning to everyone. In slide number 15 we present a very good accumulated ebb and tide margin, a margin of 14%, growing by 17.8 with respect to the same period of last year, as evidenced in the graphic, all businesses present an increase in profits, in the EBITDA margin, except pastas for a specific subject of major cost of wheat. We have two effects within the margin for this period.

One is the acquisition costs of Tresmontes Lucchetti, which we presented this margin of 14, accumulated it would have been 14.1, and the other subject is the effect of the agrarian strikes.

As mentioned in the sales section, it's difficult to quantify, especially with the subject of costs and expenses, they're very varied reasons, very diverse, or freight, the usage of warehouses, extra hours that these strikes involve, but we definitely consider that it had a major effect in the way we opened the trimester, but with an accumulation of .1%. In general terms then, we consider that this EBITDA margin, that we won't be below this margin of 14% when the year ends.

If we look at slide 16, the trimester, we see that this growth continues for this period, whether it's 9.5% without Tresmontes Lucchetti, which Tresmontes Lucchetti presents during this one-month period, which registered an EBITDA margin of 12%, and if we exclude the transaction expenses, this 13.4 turns into 13.7%.

The effect -- the effect is important, so the comparability would be more to the tune of 13.7%, and in general terms in businesses, we can talk about some good margins in chocolate, coffee and ice cream businesses, in cookies with lower costs in fats and better prices. We also present some good margins, and in general terms also.

The ice cream business presents a profit of 16%, a very superior profit, including to the broker, which we've -- if we look at slide 17, the P&G, accumulated to September, again, here we have the effect of Tresmontes Lucchetti for comparability. Of course, these incomes of 7% include that month of results for Tresmontes, and without the acquisition panel, the earnings would be 4.4%. Other relevant numbers in the operative section are administration costs, in this month specifically, we classify expenses in that (inaudible) administration costs, and that's why it shows 25%.

Yet, upon excluding that effect, we're talking about a growth of 6%, which we consider very healthy for the level of growth in earnings for the entire group. In the post-operative section, you can also see the effect of the transaction, as well as in the financial costs that come with the financing, like in the earnings because of the difference in change, which was generated in the conversion in dollars or with the financing of the transaction. Likewise, the cost -- the cost of merchandise which presents a growth of 2 and a half without this transaction effect would be .4. And the acquisition is worth it between Tresmontes Lucchetti and Pops.

And in sales expenses, it would be around 7.9%. If we go on to slide 18, the trimester, the accumulated (inaudible) of the trimester, it's also worth doing the difference. So what (inaudible) with the acquisitions and organics, so we would present a level of earnings growth of 6.7%. The cost would not grow to 9.9%, but 4.9%, and these expense, administration and sales numbers would change to 13 and 7.7 organic.



Then in the trimester we present a growth of (inaudible) goal of 10.4% and a consolidated EBITDA of COP199 billion, a 13%. You can also see the effect over here of administration costs. In the consolidated indebtedness, slide 19, Nutresa Group has an indebtedness of around \$1.6 billion basically derived from the Tresmontes Lucchetti transaction. Tresmontes Lucchetti had an indebtedness of COP238 billion, and if it's true -- Colombian, and if the (inaudible) indicator is true for September for only having considered one month of (inaudible) Tresmontes, but the complete debt is 2.21, it's important to observe it with a pro forma of 12 months EBITDA, and the indebtedness, the net debt indicator is 1.96, an indicator which we had mentioned in the past, but I'll finish that after the transaction.

This leaves us with a firepower to the tune of \$250 million for acquisitions, which we consider very sufficient to deal with projects in the medium-term. And finally, in slide 20, we present the debt composition. According to earnings, earnings for the whole group, we have 79% indebtedness in Colombian pesos, a COP12.6 in Chilean, a 4% in soles, and 3.3% in dollars.

We consider that to be a very healthy balance for the level of earnings and earnings for Nutresa Group for the origin of those earnings and expenditures. The average (inaudible) reference in general terms, we have it's practically the half of (inaudible) Colombian and (inaudible) Colombian, and DCF, 24.6%, and it's starting to indicate the Chilean rates, the nominal tap and the (inaudible) tap.

In fixed rates, we have a 7.8%. It's in terms of composition and (inaudible). The debt profile is according to the cash flow that the group has projected in the long-term, and we have close to half, 51.3% in more than five years in the medium-term, five years at 30% and less than one year, 17.7%.

This profile is very tailor-made, it's so adapted to the cash flow that the company has in the future, and in the financing that we achieved for this acquisition, we were even able to obtain, for the most part, financing for ten years, our average length for the debt is at five -- at five years, and the total average cost of 6.74% is practically a capital market cost which we see, I mean, it's very good for the needs of the group in terms of financing.

QUESTIONS AND ANSWERS

Operator

Well, with this, we will conclude the presentation of Nutresa Group's president and vice-president of corporate finances, and we'll begin the question and answer section.

(Operator Instructions)

And we have Haro Aguado on the line. Go ahead with your question.

Haro Aguado -- Analyst

Yes. Good morning everyone, and thank you for the presentation. Very good results. I have two questions for you. The first is, if you have managed to quantify in that Starbucks business, what might be the impact with earnings in the coffee division?

What expectation can you give us, if you can give us a guide, if there are any commitments of coffee purchases by Starbucks so one could try to determine what the impact might be in the evaluation.

And the second question is that you have already mentioned that in mid-October, let's say, the performance by Tresmontes Lucchetti which during the year have accumulated a drop in (inaudible) 5.7 from what Dr. Piedrahita said, about Venezuela, Mexico's performance (inaudible) but they said it had a better performance, in other words, that there was a recovery. If you can give us an idea of what that performance was and what we can expect from the fourth trimester of the year? Thank you very much.

Carlos Enrique Piedrahita - *Grupo Nutresa SA - President*

Thank you for the question. First, I'll refer to Starbucks. The impact to the coffee business as far as sales during the first year, 2014, truthfully, it will be very marginal. In its projections, they can assign some minimal values, understanding that it's only five stores in the consumption of prepared coffee at those five stores.

They're not values in millions of dollars. It's the beginning and that will acquire more in time in such a way that the impact to sales for the first month as far as -- the first year, sorry, in incremental sales at the stores is very small, to tell you the truth. It's worth mentioning that with Starbucks we have some important sales volumes, in other ingredient supplies, with coffee (inaudible) many products, it's a very consolidated relationship which gives us some very important sales volumes.

But incrementally, because of the opening of those five stores in 2014, it will be truly marginal, and the volume is still very modest. It's more for the future. And as far as Tresmontes Lucchetti, I was mentioning that after that growth of 5.7 up to September, it has accumulated minor sales. But in October it registered -- and we have the information for that, some better sales volumes.

We've seen it in Chile. We've seen it in Colombia as well. We've seen it in several countries in the region, and we hope there's a better end of year. To give some guidance, some expectations, our aspiration is for that negative to be reduced, hopefully, to the point of 2013 sales for Tresmontes Lucchetti will be very similar or the same as those of the year 2012. Thank you very much.

Operator

Thank you. And we have Alex Lopez on the line. Go ahead with your question.

Alex Lopez - *Analyst*

thank you and good morning, everyone. I would also like to, please, ask a question about Tresmontes. And I see that it's key there as far as category, it's instant beverages. If you can comment a little about the organic growth perspective in the category in Chile, and how you see it within this category, if it really (inaudible) 2014 and (inaudible) to capture market share or to really look for a higher margin. This would be very interesting also to understand if when you talk about premiumization, if this goes and applies to this category of instant beverages. And finally, thank you very much for having given us the cost of integration of Tresmontes, in other words, this 30 base margin points. Do you think we can see a little more in the fourth semester? Thank you very much.

Carlos Enrique Piedrahita - *Grupo Nutresa SA - President*

Thank you for the question, and I will gladly elaborate. Indeed, the instant cold beverages category at Tresmontes Lucchetti is of great importance in sales participation. And it's a dynamic category.

The growth in 2013 continues to be a positive growth. When we say that sales at Tresmontes Lucchetti decreased 5.7%, I had mentioned there were some markets that are affected more. I had mentioned Venezuela, to some extent Mexico, and marginally in Argentina.

In a somewhat slow regional environment, but truthfully, instant cold beverages in Chile are doing well. It's growing well. It's a profitable category. Our strategy -- well, the other thing, I've already mentioned that markets, those are the markets which are a little more affected.

By categories, no -- instant cold beverages grow. The ones that might contribute to growth in Chile, we should mention -- we should mention, there are oils, which is a category which is fairly commoditized by a minor margin for the company. It's not a great priority. That's one of the categories that did register growth in Chile. Instant cold beverages continue to grow in Chile. Snacks grow very well in Chile. And there we can see greater opportunities at Tresmontes Lucchetti.



As far as the strategy, you were asking for, let's say, what our prediction for the future is, the idea is to keep the same strategy that Tresmontes Lucchetti has managed with a good balance, that is, maintaining attractive margins, responsible price management, sales growth in volume and value is important, in a way that the strategy doesn't change at all. We're not going to increase prices for policy, increase margins or lower prices to increase sales.

We believe Tresmontes Lucchetti has managed the strategy well and we're going to maintain it as such, which I repeat, it's leading to growth even in a slower environment, satisfactory growth in its sales and in its EBITDA in instant cold beverages.

And to answer your last question, yes, toward the end of the year, once we have a complete trimester with Tresmontes Lucchetti, and once it's part of the annual report for Nutresa Group, we'll be giving a little more information about the company. It's understandable that it's only been one month. It's becoming integrated with the accounting consolidation. For the complete year, more ample information will be included in the annual report. Thank you very much.

Operator

Thank you. And we have Felipe Hugos on the line. Go ahead with your question.

Felipe Hugos - - Analyst

Good morning. Thank you very much for the call. Two short questions. The first one is the tax situation in Mexico. Which of your products do you think it will affect more and more or less to what magnitude?

And the second one is a comment about the gross margin. I know it's very difficult to quantify how much the protests were, but would you say the reduction in the gross margin, in spite of the commodities going down, it was more as a result of competition lowering prices, or a little more along the lines of the strikes? Thank you.

Carlos Enrique Piedrahita - Grupo Nutresa SA - President

Thank you very much. Well, as far as what they call the budgetary reform in Mexico, the tributary reform which has passed through the senate chamber, we can expect little in the food industry in the region.

Mexico is the first country with childhood obesity -- with the problem of childhood obesity in the world. Second country in general obesity, and part of the agreements with Mexico which included a tributary reform which expects to increase the collection. There were some taxes directed at food caloric (inaudible).

We were present during the reform process, including (inaudible) to contribute to the health part. And indeed, some taxes were approved which will affect us in two categories -- one, chocolates, and another, instant cold beverages.

And in general, in the future, any other project we carry with caloric contribution to the Mexican market. In the case of chocolates, the tax that was approved in the reform is an increase in taxes of 8% when it had no tax before. That will carry an increase in price in our chocolates of 8%.

The margin situation is ours and from what we've seen in the market, it's still a little early, but it's (inaudible) that producers transfer the whole tax onto the consumer. And in the case of instant cold beverages, there was a tax by volume very much motivated by the carbonated beverages, which was identified as an obesity problem, and they have the tax there.

Also instant cold beverages with a tax by liter. It's still very difficult to estimate what the impact might be. I repeat, surely there will be a full transfer. The effect of major costs through taxes in prices to the consumer. In a rather slow environment, Mexico has a affected demand, but it will be an affectation across the border. A very ample affectation in food categories.

We'll see what happens in the relative participation from the different food categories in the consumer's stomach. It's still premature, well, to put numbers on that. And as far as the gross margin, Jose Domingo might be able to add to it, but I would respond as a first reaction that there is some effect from the strikes, undoubtedly.

We were seeing that if sales affected us by 1.5% in the trimester, well, those minor sales undoubtedly generate less volume, at least (inaudible) costs and some direct effect minor sales have on costs and expenses.

On the other hand, but it's very hard to quantify, as Jose Domingo had said, what the extra costs might be in transportation, in storage, in extra hours, but undoubtedly, in the gross margin, there is some affectation because of the strikes, there might be some also because of price reduction, as in the case of coffee, where there were some price reductions in the trimester.

There are no particular conditions from competitors of feeling new or major pressures as far as prices. In the particular case of coffee, it's motivated by our lower costs to the consumer and maintaining some good profit levels in coffee which we should not exceed. In that way, conceptually, I would say those are the impacts that might be above the gross margin. (Inaudible) Domingo.

Jose Domingo Penagos - *Grupo Nutresa SA - VP - Financial*

That's it, basically.

Carlos Enrique Piedrahita - *Grupo Nutresa SA - President*

We can go on to the next question. Thank you very much.

Operator

Thank you. And we have Sebastian Gallego on the line. Go ahead with your question.

Sebastian Gallego - *Analyst*

Good morning. Thanks for the presentation. Two questions, basically. The first one, a confirmation if you, in an official manner, have taken out a new mega in financial terms after the acquisition of Tresmontes Lucchetti. Until now, I'm not aware of that. And the second one is a little more colorful, maybe a little bit more colorful as to the cookie business.

We've seen -- well, we saw a (inaudible) in the third trimester of 7% in sales volume, and it counteracts with something -- with an important increase in prices. I would like you to tell me how you see this business because, well, the inclination in volume, having in mind that Nutresa has important brands with a significant participation in that market. Thank you.

Carlos Enrique Piedrahita - *Grupo Nutresa SA - President*

Thank you very much. First of all, the first mega. Yes, since -- it's in revision. To start with the conclusion, it's in revision and we'll be announcing it, we believe, more or less in one month. Since we acquired Tresmontes Lucchetti, we identified that the current mega, which had the goal of tripling the 2005 sales by 2015, keeping us within the EBITDA (inaudible) of 12 to 14%, it will be surpassed in 2014.

We are going to arrive at that goal in advance. Likewise, the one we obtained in duplicating sales in 2005 to 2010, well, we reached that goal in 2009. So upon seeing that we're going to arrive at the current mega, we're checking to establish a new mega.



In this case, in 2020 which is when Nutresa Group will reach a century, this is within the strategy we've called the strategy for our first century, which is already known, but we are going to establish a new mega for sales and profitability for 2020. We will be announcing that, as I told you, it's in the final revision of strategic planning, and it will be taking place at the next meeting in November, and we will announce it to the market posteriorly.

As far as cookies, what you mentioned, I should first mention that the category which is more affected by the strikes is cookies. I was mentioning that the cookie business moves more or less 1,000 trailers per month.

You guys understand the volume, that if you look at the relationship between volume, value of a cookie, well, there is a great volume in (inaudible) I'm referring to, so in having to move 1,000 trailers to manage the month's sales in the face of 400, 500 trucks in other categories like coffee and chocolate, well, the major affectation would be in the cookie business. Indeed, at the point of sale, also because of the availability of storage in the store, in self-services, and in fact, in chains, the volume that cookies needs is very, very great and that caused the major affectation to be in cookies.

But also, in the month of October we've seen the reposition in a fairly dynamic manner in the market. I would say there was no affectation through competition in cookies this period. It's especially the subject of the strikes which, like I tell you, has major affectation on that category. If we see market participation, we would gain 1% during the last period (inaudible) at 54.7%. And in such a way that there won't be any general market affectation, it's more timely during the period.

And now Christmas sales, Christmas represents the Christmas season in cookies, it represents the 13th month, at that time's where we sell an additional month of that size is the importance of the Christmas season. It is flowing very well. These Christmas sales start to register from the end of September, and we've seen it with a very good dynamic at the end of September through October.

The orders are at very good levels, and the seasonal sales are evolving very well. In that way, cookies, I would say it's something more timely, at the moment, the period. But it has a reasonable market dynamic and improving profitability levels, very positive. Thank you for the question. Let's go on to the next.

Operator

Thank you. And we have Nicolas Garabito on the line. Go on with your question.

Nicolas Garabito - - Analyst

Good morning and thank you for the presentation. The first question is related to the (inaudible) that you guys previously (inaudible) I would like to know if there was a quantification or if there are any improvements as far as innovation and (inaudible) company, let's say, (inaudible) to improve that innovation subject.

And the second question is a little -- a guidance on what you expect for the fourth trimester (Inaudible) the December season, if you have any increases in -- in volume (Inaudible) especially in the Colombian market, and well, basically, that was -- that was the question I had. Thank you.

Carlos Enrique Piedrahita - Grupo Nutresa SA - President

Thank you very much. First, as far as innovation, well, I was mentioning that sales contributions from new products are very important during the period, more than 20%.

And in a way that starting with the conclusion, we are very happy with the result, with the contribution that innovation sales gives us. (Inaudible) new volumes like from profitability. We should -- there are highlights for two programs which are new, which are going very well. For some time we (Inaudible) working with the innovative achievements program which is more than ten years old. That's going very well. But to highlight, we have the program called Innovative Solutions.

We launched it more or less one year ago. This is an open innovation program, open innovation, in which we invite -- we launch challenges and we invite those challenges. We look for solutions to those challenges out of the realm of the company. In fact, the first one is outside the borders of each business, so solutions can come from a business for those challenges or other business's problems.

They may also come from renown researchers, from some research and development centers, from retirees, and that produces some very positive results, especially innovations which are a little more beyond incremental, substantial innovation, as it's called, which are solutions to deeply-rooted problems, time problems that did not have solutions, and we've been finding solutions with very positive constant contributions. And the other is auto box, which is a radical innovation program which we launched some months ago, a risk capital fund within the group where we gave a first contribution to support COP10 billion projects, a little more than \$5 million.

Well, we're in evaluation meetings for -- in the selection of the best proposals. We're a little overwhelmed by the reception that program had. We had 52 proposals in the Nutresa Group. That's something truly surprising because we're talking about choosing two -- we're going to choose two projects. Correction, I had said 10 billion pesos, the fund value. Correction, it's \$15 billion -- COP15 billion, which are around \$8 million, sorry.

Anyway, the subject of innovation is contributing to incremental innovation, as well as substantial, and with the radical, it will bring very big contributions, and new product sales are going very well. As far as betas -- or expectations for year-end demand, we can say that our expectation is for that trend to continue from better to gradual that we've seen month to month throughout the year.

Let us remember that the year began with a slow dynamic. The first trimester had growth in values, except one. One, in the second trimester, it's grown to 3.5%, and if we remove that effect directly, the (Inaudible) the growth from the third semester, it was 4.2%.

We hope there's more growth in sales in the last period of the year. It will be key in Christmas sales, still difficult to foresee, but from the orders we're receiving, in the month of October which we've seen, the orders we're seeing are very positive. It still has a good dynamic, so today the expectation is that it can still improve in the third trimester of the year. Thank you very much. We have room for one more question.

Jose Domingo Penagos - *Grupo Nutresa SA - VP - Financial*

Yes. I would like to make the comment, we'll tend to one last question, but still, emails are still available in the results presentation (Inaudible) the contact information. And we can gladly tend to some additional question via email. So please, the last question and with this, we will conclude the results conference.

Operator

At this moment, we don't have anyone else, questions.

Carlos Enrique Piedrahita - *Grupo Nutresa SA - President*

Well, with that, we'll close just fine. We appreciate your presence, your interest in the company, and, well, we have the best expectations. We're committed and working with everything in order to have a great year 2013, and may 2014 improve -- begin with even better augurs. Thank you very much. Until the next time.

Operator

Thank you, ladies and gentlemen. This concludes today's teleconference. Thank you for participating. You may all disconnect.



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