

Embotelladora Andina

First Quarter Results for the period ended March 31, 2010

NOTE 3 - FIRST-TIME APPLICATION OF IFRS

Embotelladora Andina S.A. and Subsidiaries have implemented IFRS starting January 1, 2010 and presents quarterly financial statements according to IFRS comparative to 2009.

The date of transition for Embotelladora Andina and Subsidiaries is January 1, 2009.

These Financial Statements have been prepared according to IFRS issued until this date and under the premise that such standards will be the same applicable in adopting IFRS as of the 2010 fiscal year, comparatively to the 2009 fiscal year. Therefore, any new standards may affect the conclusions in this document.

Sections 3.1 and 3.2 present the reconciliations required by IFRS 1 between the beginning and closing balances of the year ending December 31, 2009 and the period ended March 31, 2009 and the beginning balances as of January 1, 2009, after applying these standards.

The exemptions in IFRS 1 that the company decided to apply in its IFRS adoption are:

i) Business combination:

The Company did not restate business combinations retroactively that took place prior to January 1, 2009.

ii) Fair value or reappraisal of cost.

The Company considered the appraisals of certain items in property, plant, and equipment at the fair value to be used as the cost attributable to the historic cost on the transition date. Those assets are virtually all of the land of our operations in Chile, Argentina and Brazil and selected real estate, machinery and equipment the values of which, in local currency, were significantly distant from the fair values determined by appraisals.

The group of assets of Chilean Companies for which the fair value was not made the attributed cost was assigned the historic cost, plus a legal price-level restatement to represent the cost attributed on the transition date.

iii) Cumulative actuarial profits and losses for post-employment benefits:

The effects of applying actuarial calculations to post-employment benefits were recognized directly in cumulative results as of January 1, 2009.

iv) Translation reserves:

The Company considered all cumulative translation reserves through the transition date to be nil or zero.

Below is a detailed description of the main differences between Generally Accepted Accounting Principles in Chile (Chile GAAP) and International Financial Reporting Standards (IFRS) applied by the Company, and of

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the impact on Shareholders' Equity at March 31, 2009, December 31, 2009, and January 1, 2009 and on the net gain at March 31 and December 31, 2009:

3.1 Reconciliation of Net Shareholders' Equity from generally accepted accounting principles in Chile to International Financial Reporting Standards at January 1, March 31, and December 31, 2009:

	03/31/2009 ThCh\$	12/31/2009 ThCh\$	01/01/2009 ThCh\$
Shareholders' Equity according to Chilean GAAP	351,350,144	336,578,506	346,248,602
Adjustments to IFRS			
Property, plant and equipment, reappraisal and change in functional currency	3.3.1 25,235,300	42,893,951	28,469,859
Change in functional currency and suspension of goodwill amortization	3.3.2 459,005	15,085,550	-
Post-employment benefits	3.3.4 1,506,855	1,554,045	1,114,217
Reversal of price-level restatement	3.3.6 2,366,714	2,520,859	-
Hedging instruments	3.3.7 173,211	(2,079,511)	173,211
Deferred taxes	3.3.9 (18,574,206)	(17,205,160)	(20,324,257)
Investments in equity investees	3.3.8 1,554,845	3,591,820	1,400,227
Minority interest	10,047	9,141	10,837
Other	(83,753)	(51,493)	481,399
Subtotal	363,998,162	382,897,708	357,574,095
Minimum dividend	3.3.10 (11,279,813)	(9,339,973)	(11,279,813)
Net Shareholders' Equity according to IFRS	352,718,349	373,557,735	346,294,282

3.2 Reconciliation of the year's income from Chile GAAP to IFRS as March 31, and December 31, 2009:

	03/31/2009 ThCh\$	12/31/2009 ThCh\$
Income according to Chilean GAAP	22,681,030	86,918,333
Adjustments to IFRS		
Depreciation	3.3.1 (1,386,503)	(4,276,931)
Goodwill amortization	3.3.2 1,753,814	6,094,120
Intercompany account considered investment in subsidiary	3.3.3 4,212,132	13,804,730
Post-employment benefits	3.3.4 392,638	439,828
Reversal of translation adjustment according to Chilean standard	3.3.5 (88,325)	(4,977,864)
Translation of results at average exchange rate	3.3.5 1,519,410	2,412,869
Reversal of price-level restatement	3.3.6 (1,747,790)	(1,240,956)
Hedging instruments	3.3.7 -	(2,252,722)
Deferred taxes	3.3.8 (39,306)	1,476,431
Investments in equity investees	3.3.9 7,553	(382,625)
Minority interest	903	2,748
Other	(95,906)	(32,483)
Statement of Income according to IFRS	27,209,650	97,985,478

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3.3 Explanation of main differences between Chilean GAAP and IFRS

3.3.1 Property, plant and equipment

The Company reappraised property, plant, and equipment in order to consider their fair value to be the attributed cost at the historic cost on the transition date. Those assets are virtually all of the land of our operations in Chile, Argentina and Brazil and selected real estate, machinery and equipment whose value in local currency was significantly distant from the fair values determined in appraisals.

The group of assets of Chilean Companies for which the fair value was not used as the attributed cost was assigned the historic cost, plus legal price-level restatement, as the cost attributed on the transition date.

Moreover, according to Chilean GAAP, property, plant and equipment of operations in Brazil and Argentina were controlled in U.S. Dollars while according to IFRS, those same assets are now controlled in the functional currency of each of the countries of origin. The differences in appraisal are also included in this adjustment.

According to the changes in the initial balances for property, plant and equipment described above, there was a greater debit against income that is presented in the reconciliation of income between Chilean GAAP and IFRS.

The amount shown in property, plant and equipment totaled, on a consolidated basis, ThCh\$223,676,043 at December 31, 2008 according to Chilean GAAP.

3.3.2 Goodwill

The equity adjustment originates in the change in functional currency between Chilean GAAP and IFRS. According to Chilean GAAP, goodwill on the operations in Argentina and Brazil was controlled in dollars while under IFRS, it is controlled directly in the functional currency of each country.

The effects on results presented in the reconciliation between Chilean GAAP and IFRS come from suspending the straight-line amortization that had been performed through December 31, 2009. Under IFRS, those amounts are not amortizable and the value is reduced only provided the impairment test shows a recovery value that is less than the accounting value.

3.3.3 Intercompany account treated as investment in subsidiary

Within its corporate structure, the Company has intercompany accounts receivable in U.S. dollars from its subsidiaries abroad. According to Chilean GAAP, the exchange rate differences originating in the Chilean Companies resulting from these accounts receivable were accounted for directly in income, while the foreign subsidiaries recognized this effect and the rest of the items controlled in U.S. dollars as a translation effect in the income statement. Under IFRS, those U.S. dollar accounts receivable and accounts payable have been assigned as part of the

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investment abroad, therefore any difference between the U.S. dollar and the functional currency of each of the entities is accounted for in equity accounts.

3.3.4 Post-employment benefits

Under IFRS, the all-event severance indemnity stipulated in individual or collective employment contracts creates a liability that must be determined by the actuarial value of the accrual cost of the benefit. This means making estimates of variables such as future permanence, interest rate at which benefits are discounted, mortality rate, employee turnover rate and future salary increase, among others. According to Chilean GAAP, this same obligation was recognized at the actual value according to the benefit accrual cost and a period of capitalization that considered the expected time of employment of employees on the date of their retirement.

The difference from applying actuarial calculations to the employee severance benefits is shown in the reconciliation of shareholders' equity and income statement between Chilean GAAP and IFRS.

3.3.5 Translation effects

Under Chilean GAAP, according to Bulletin 64 of the Chilean Accountants Association, the non-monetary assets and liabilities of foreign companies were controlled in historic dollars and results were translated from local currency to the control currency (U.S. dollar) and then the figures in the control currency translated to Chilean pesos at the closing exchange rate.

According to IFRS, non-monetary asset and liability accounts are controlled in the functional currency of each reporting entity and income accounts are translated at the functional currency of the parent company at the average exchange rate for each transaction.

In the reconciliation of results between Chilean GAAP and IFRS, the translation effects recognized under Chilean standards have been reversed and the differential income that results from the translation according to IFRS as compared to Chilean GAAP has been recognized.

3.3.6 Price-level restatement

The accounting principles in Chile require that the financial statements be adjusted to reflect the effect of the loss in the purchasing power of the Chilean peso on the financial position and operating income of the reporting entities. This method was based on a model that required calculating the profit or loss from net inflation attributed to monetary assets and liabilities exposed to variations in the purchasing power of the local currency. The historic cost of non-monetary assets and liabilities, equity accounts and income accounts are restated to reflect the variations in CPI from the date of acquisition to the close of the fiscal year.

The gain or loss in the purchasing power, included in net profits or losses, reflected the effects of inflation on monetary assets and liabilities held by the Company.

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IFRS does not consider indexing by inflation in countries that are not hyperinflationary, like Chile. So, the income and balance sheet accounts are not adjusted for inflation and variations are nominal. The reconciliation of equity and income between Chilean GAAP and IFRS shows the effects of eliminating price-level restatement recorded during 2009.

3.3.7 Hedging instruments

The Company holds hedging agreements to hedge exchange rates, prices of raw materials and adjustment indicators. Under Chilean GAAP, pursuant to Technical Bulletin 57, these were appraised according to variations in their fair value. The effects on income in those items defined as expected hedging transactions of items are deferred until settlement. However, under IFRS, these agreements have not demonstrated their effective hedging, so the effects on variations in their fair value are recorded directly in income at each end of period.

3.3.8 Deferred taxes

Differences from deferred taxes correspond to deferred taxes recognized according to the new treatment of each of the financial items according to IFRS as well as the reversal of the complementary deferred tax accounts in effect under Chilean GAAP at December 31, 2008.

3.3.9 Investment in Equity Investees

This corresponds to the effects of the adoption of IFRS by companies where the parent company holds investments accounted according to the equity method.

3.3.10 Minimum dividend

Chilean Company Law requires companies to pay a cash dividend of at least 30% of its net profits, unless otherwise decided by shareholders. Since paying a dividend on net profits in each year is a requirement, under IFRS, the dividend liability pursuant to Chilean law must be recorded on an accrual basis. This liability did not exist under Chilean GAAP.