

1Q15 Conference Call Guidelines

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Miguel Ángel Peirano: *Good morning and welcome to Coca-Cola Andina's first quarter 2015 results' conference call.*

Our focus on increasing the productivity of our operations, in order to make our production and logistics processes even more efficient, allowed us to end this first quarter of 2015 with very positive results. In addition to the growth in operating income of each of our operations where we have franchises, EBITDA generated by each of these also increased significantly showing expansions at margin levels on all of them. Thus, in this first quarter of the year consolidated EBITDA grew by 20.1% in Chilean Pesos and the quarter closed with a consolidated margin of 18.2%, representing an expansion of 118 basis points.

Meanwhile, net income grew 48.2% in the same period and net margin expanded 180 basis points, closing at 7.2%.

This first quarter of the year we continue recording market share increases in our operations in Brazil, Chile and Paraguay. This was not only due to the execution quality and service level of our operations, but it was also based on the positioning strategies that we have developed and the improvement of our market service systems. Additionally, the outstanding implementation of our pricing and formats strategy, allowed us to end the quarter with increases in real prices in all our franchises.

In Argentina, *soft drinks average market share in the first quarter reached 61.5 points. The sales volume growth was driven by the categories of water, juices, and others, which grew at double-digit rates, explained both by the good performance showed by the juice category, driven by the launch of Cepita in the hotfill bottle, as well as the growth of Bonaqua, in Andina Argentina South territory. **Our business priorities continue to be the optimization of pricing architecture and the development of returnable packaging.** In addition, we continued with plans that allow us to strengthen the bond with our consumers and enhance the growth of the single-serve category in the operation.*

In Brazil, *this quarter we gained 140 basis points in market share, reaching 63 points in the quarter, which is explained by the execution quality and the development of new packaging. Anyhow, and as we have said on other occasions, **the environment continues to be challenging from the macroeconomic point of view.** A weaker consumption and high food inflation, have had a negative impact on the disposable income of our consumers.*

The results of our franchise in Brazil were boosted by the positive results of the projects implemented in order to reduce costs and increase the efficiency of the operation.

In Chile, we continue moving according to our plans. We closed this quarter with an average market share of 68.8 points, which is 100 basis points above the same quarter of last year. This gain of market share, driven by the focus on execution and improvements in client service level implemented by our operation, occurred in a context of price increases above local inflation, where we transferred to prices the specific tax increase over sugary soft drinks which we began facing since October 2014, in order to compensate for its impact on our profitability. The structural changes we have made in this franchise, working on transformational projects, have been a key factor in recording contained costs and positive results, so we are convinced that 2015 will be a good year.

In Paraguay, we maintain leadership in all segments where we participate. Thanks to our market implementation and customer service, as well as the successful implementation of the Route to Market model, ***we continue showing market share gains.*** This quarter we closed at average levels of 62.6 points, 100 basis points higher compared with the same quarter of last year. Additionally, income was driven by the extraordinary cost management implemented by our operation and which has allowed us to face lower costs for sugar, resin and caps, among others.

Now Andres will discuss the company's financial results.

Andrés Wainer: Hello, good morning. To begin, I would like to refer to the exchange rates of each of the countries where we have operations and their impact on the consolidation of the figures. This quarter we saw a virtually neutral impact resulting from the depreciation of the Argentine peso on the Chilean peso upon consolidation: regarding the previous year the Argentine peso depreciated only 0.6%. On the other hand the Brazilian real depreciated 6.6%, so in this case the effect upon consolidation was negative. Finally, the Paraguayan guarani appreciated 7.5% with respect to the Chilean peso, so that, in this case, the effect upon consolidation was positive.

We will now review each of the franchises where the company has operations, and for a better understanding, the figures that we will analyze in each one of them will be in local currency.

In Argentina Net Sales increased 41.7% during the quarter, which was driven by the price increases we made. Volumes grew 1.3%, explained by a slight volume contraction in soft drinks, which was more than offset by the growth of the other categories.

Operating costs grew 43.0% in the quarter, which is explained by:

1. the increase in revenues, which has a direct impact on the cost of concentrate,
2. an increase in the mix of juices and waters, which carry a higher unit cost,
3. the 13.9% devaluation of the Argentine Peso against the U.S. dollar during the period which impacts the cost of dollarized raw materials, such as PET, and
4. increases in the cost of labor, mainly due to inflation.

Selling and General Administration Expenses increased 31.6% in the quarter, which is mainly explained by the effect of local inflation over costs such as labor, freight and services provided by third parties, which the market estimates at ranges close to 30%.

Finally, EBITDA increased 57.6% in the quarter, EBITDA margin expanded 134 basis points reaching 14.1%. Argentina represented 23% of the EBITDA generated by the company.

In Brazil Net Sales increased 7.0%, which is mainly explained by price increases above local inflation, which is at around 8%, and partially offset by the 3.2% volume reduction.

Operating costs increased 3.3% which is explained by the effect of the devaluation of the Real against the U.S. dollar which was 21.1% in the quarter and which impacts our dollarized costs, such as sugar and PET resin.

Selling and General Administration Expenses increased 8.4%, mostly due to:

- 1. increased labor costs, and*
- 2. increases in the rates of freights, both increases explained also by inflation.*

EBITDA increased 18.0% in the quarter and EBITDA margin expanded 202 basis points reaching 19.0%. Brazil represented 37% of the EBITDA generated by the company.

In Chile Net Sales grew 4.9% in the quarter, influenced by price increases in all the categories in which we participate, partially offset by a decrease in volumes, which fell 0.7%.

Operating costs increased 5.5% in the quarter explained by:

- 1. the effect of the 13.1% depreciation of the Chilean peso against the U.S. dollar, which has a negative effect on dollarized costs, mainly sugar and PET*
- 2. an increase in the mix of distributed products (juices and waters), which have a higher unit cost, and*
- 3. a higher cost of concentrate, due to price increases implemented.*

Selling and General Administration Expenses increased 2.1% in the quarter, mainly explained by higher marketing expenses and greater labor costs.

This was partially offset by a lower cost of freight, resulting from lower sales volume and by capturing efficiencies in the logistics system.

EBITDA increased 6.5% in the quarter and EBITDA margin expanded 30 basis points reaching 20.3%. The Chilean operation represented 30% of the EBITDA generated by the company.

Finally in Paraguay Net Sales increased 2.0% in the quarter, explained by price increases and partially offset by the 2.7% reduction in sales volume.

Operating costs dropped 3.5%, which is explained mostly by the lower cost of raw materials, mainly sugar, resin and caps.

Selling and General Administration Expenses increased 1.8%, which is mainly explained by: an increase in distribution freight due to higher rates and by greater labor costs.

This was partially offset by lower marketing expenses and lower depreciation expenses.

EBITDA increased 16.9% in the quarter and EBITDA margin expanded 347 basis points reaching 27.6%. Paraguay represented 11% of the EBITDA generated by the company.

We are now available for any questions you may have.

(Q&A Session begins)

Antonio Gonzalez: Good morning, thank you very much for taking my question, Miguel Ángel, Andrés and Paula, congratulations on the results. I wanted to ask two questions, first with regards to the results of the rest of the year 2015, can you give us an opinion on how you view the evolution of margins in the next three quarters, after the great expansion recorded this quarter? Do you think that the exchange rate may be a headwind worse than it was in the first quarter given your inventory or hedge positions? Or not, and this can be offset perhaps by the more structural initiatives you are implementing? Any quick comment you can give us per market would be very useful. That is the first question and the second question, I apologize if it is a bit politically incorrect, but I wanted to ask what kind of comment can you give us about how encouraged is Management in its compensation to greater boost share prices. Obviously you have done a great job in recent years in terms of M&A operations apparently you are now reaching a very important turning point, but at the end of the day Andina's market cap has moved very little since 2011. It is basically at the same levels it was before you started with M&As. So I wanted to ask if there is any formal mechanism for the compensation of the CEO, CFO and other senior management members, is there any incentive to make the stock price go up that would directly impact compensation, or any other form you can discuss regarding how management thinks about the stock price? Thanks a lot.

Andrés Wainer: Regarding the first question on margins, in fact this quarter we had very important margin expansions in the four countries where we operate, and we believe that the margins for the full year will be an greater than the previous year, but it is unlikely to see such strong gains like the ones we saw this first quarter; the issue of the exchange rate, devaluations of currencies, especially the peso and the real against the dollar will affect negatively, but much of this negative effect is offset by the lower cost in dollars for main raw materials such as sugar as well as PET resin. Also by certain hedges entered into, especially in the case of Chile, as we have mentioned.

Miguel Ángel Peirano: On the issue of management incentive on compensation, clearly you can imagine that this is an issue that we do not make public. However what I can convey to you is that management is focused on results, in terms of improving the operation, and through improving the operation, generate value for our shareholders. And we understand that this is the best way that sooner or later it will reflect on the price of shares, results and positioning, but above all on the consolidation in the operation and transform ourselves into one of the best Coca-Cola bottlers in the system, undoubtedly this fact will reflect on the stock price in the short to medium term.

Alex Roberts: (I have) a question on Brazil and the other on financial hedges. Regarding Brazil, the last time we discussed market share gains that continue right now in the first quarter on Brazil and also mention that packaging was one of the reasons for the expansion of 140 basis points, right? Could it be that these packagings were linked to Fanta, to returnables? If you can comment a little more on the role of packaging on this gain? And related to this, I see that you are mentioning that the sales mix in Brazil has been impacted by an increase in distributed products. If this is related to the beer brand Heineken, if you have experienced an increase in the sales of beer, and if you can let us know a little about the prospect of beer in your portfolio in Brazil, in general? That is the first question about Brazil.

Miguel Ángel Peirano: With regard to the first part of the question on market share gains, clearly the issue of packaging has been a very important focus in terms of expansion towards returnables, which is our tool to attack mainly the low level sectors. But however that was not the only one. This has actually been a structured plan. It was around two years and a half ago when we decided on one hand, with Coca-Cola to internalize our distribution fleet, which used to be outsourced, today the vast majority is our own fleet, that has allowed us to have a much more comprehensive control of service levels and compliance with market requirements and demands allowing us to enhance our presence in all of the franchise. And on the other hand, also a few years ago we started a deep transformation process of the sales force. If you remember a few years ago we mentioned that we had incorporated an additional significant part of vendors in order to attend the sectors that had been somewhat neglected, so that the restructuring in the sales area, plus the improvement in the logistics area with a much more wide selection of packaging enables us to meet the different socio-economic levels according to their demands. This has allowed us to consolidate the market share gain over time. Today we are at historical record levels in our Rio de Janeiro franchise in Brazil. With regard to the second part regarding beer, as you know we are distributors of Heineken Brazil. Focus is basically on the Heineken brand for its prestige, and for its demand, and it is part of our portfolio. Although the largest volume increase has not come from beer, but from stills, basically juices and water in our overall participation.

Alex Roberts: Has it been a strong growth for the Heineken brand or in line with what you expected in the quarter? Sorry, just to understand.

Miguel Ángel Peirano: Basically beer has been in line with the values that we have had; particularly the beer market in Brazil has fallen slightly. And the Heineken brand of course somewhat followed the trend of the beer market in Brazil. But there was no big difference to how it was behaving in the market.

Alex Roberts: And exchange rate hedges, we know that you have some hedges in each country, and I think it was in Chile, but in other countries, have you entered into hedges related to costs in dollars. How does the curve of the portion covered look like? Perhaps better said, if the percentage of covered costs in dollars where you have hedges is stable during the year or perhaps more front ended for the first half? If you can remind us of the percentages as well as coverage for the remainder of the year, it would be very helpful. Thank you so much.

Andrés Wainer: Regarding hedges I would like to remind you that in the case of Brazil, we already have hedges for approximately 25 to 30 percent of dollarized costs for the first half. We have no hedges for the second half. In the case of Argentina, we already have hedged approximately 90 percent of the first half of our dollar needs to buy raw materials, and the second half about 25 or 20 percent. And in the case of Chile it is fairly steady year-round with a 60 per cent.

Luca Cipiccia: I wanted to understand a little better, there has been a change of disclosure by category in several markets, and I wanted to understand a little better if this will continue or, if in fact there was a change? Will you no longer break it down by category? And secondly, the dynamics of market share in Brazil, if you could discuss more regarding the competitors who are losing. Do you view controlled damage on the main market Operator, are smaller operators losing more? What are the damaged categories, and also what market is losing more? That would be it, it would be very useful.

Miguel Ángel Peirano: With regard to the first question about level of disclosure, basically we are aligning ourselves to the level of disclosure of other beverage companies. We clearly understand the breakdown level we are giving is much deeper than the rest of the companies and that could generate some competitive disadvantage that we don't want to have, so we will be increasingly aligning with the rest of the companies at the same level. With respect to market share in Brazil, gains actually come from a consolidation at high levels, and a growth in low level areas, basically by the expansion of returnables, and by an improvement of the service across our franchise. Which in reality at this moment I don't know where we are at in each of those levels, or if it comes from a branded or non-branded competitor, in fact our concern in market share comes as a second derivative. Our concern is to serve the market in the best way, delivering everything that the market is demanding in terms of timeliness, service quality, delivery, execution, and products, and variety of products and not only different types of categories, but at different types of price levels, so that it can be affordable to all budgets. By focusing on this, comes this result which is market share. Focusing only on market share sometimes can lead to actions that in the short term will generate increases as well decreases in price, but that are negative in terms of earnings, profitability, and sustainability of that increase. This is why our focus is on execution, and especially in the lower segments which is where we had a debt, given our little participation in returnables, and that we are solving through the investment in the new line, and will continue in that path once we get the Duque de Caxia plant running.

Luca Cipiccia: And if I can ask more one thing about Brazil, only to understand the 3 per cent drop in volumes in the first quarter, was it homogeneous in the quarter or was there a slowdown? Or to ask otherwise, during the second quarter are you seeing the same trends, or should there be more stability?

Miguel Ángel Peirano: The decrease in volumes we had in Brazil, despite having led in market share, clearly shows that given the economic situation and the impact it has had on the salary in the pockets of Brazilians, has contracted the market. I believe that going forward the trend will be similar given that there have been no major changes in the macroeconomic part that can motivate a change of trend.

Ignazio Venezian: I basically wanted to know if you can discuss more about outlook on volumes growths for Chile, just as you did with Brazil. And the second question is whether you believe you can continue with your pricing strategy in the future. And finally, if competitors have also responded with prices. Thank you.

Miguel Ángel Peirano: Regarding the pricing strategy, clearly as always we have been transmitting it, our goal is to be in line with inflation and if possible, through improvements in distribution, slightly higher but basically be in line with inflation, and will continue to do so looking forward. With respect to volumes in Chile, here unlike what I commented in Brazil it became more positive. I believe that in Chile, we expect an improvement in the economic front and it should therefore be also accompanied with an improvement in consumption, and translated into volume. We hope so, it is what we are seeing facing forward. Nothing significant, but yes a change of trend.

José Yordán: My question was about the comments you made in the press release on the logistics structure efficiencies in Chile. Does that refer to, or in what percentage does that refer to the drop in gasoline costs or where there more structural things? Although gasoline is also apparently going to be structural. And in general, selling and administration expenses in Chile for years have been increasing quite strongly and I would like to see what is your idea, how will this be normalized, if not this year, or between this year and the next, where would selling and administration expenses end as a percentage of the total, given the price, regarding these logistical efficiencies that you're going to comment on.

Andrés Wainer: Fixed costs in Chile have been decreasing this year, mainly for two reasons: one as you mentioned is the restructuring in Chile, mainly in the area of logistics, which is allowing us to be more efficient in the way that we are serving our customers, and this is allowing us to reach them with lower costs, at least in real terms, than in the previous year. And on the issue of selling and administration expenses, which as you say have considerably increased in Chile in the last year, and are now showing a trend change, and the transformation project is still not over, therefore this year we still have quite more efficiencies to achieve, but we are not in position to tell the market exactly what percentage of income will be the savings. We are working on that and so far we are quite in line with our projections, we are therefore optimistic that it will be an issue that is going to be fairly controlled this year.

José Yordán: Can you tell me when you expect to finish this project, approximately?

Andrés Wainer: It should last all of this year, during the whole year.

Bárbara Angerstein: I have a question relating the Chilean market and the new labelling law which has been recently approved. I don't know if you can give us an overview on how that will affect the labelling or information bottles have to have, and if you have any vision regarding this. And what is the timing to develop this change.

Andrés Wainer: Hello Barbara, this is Andrés. Regarding your question on labelling, today the project is in the National Comptroller's Office and once communicated it shall become effective in one more year. There is a year to be able to finish the labelling. What it will mean is that products that have, in our case excess sugar, which are basically all regular soft drinks, not the Zero or Light versions nor Coca-Cola Life for example, but the regular version of Coca-Cola, Fanta and also most of our juices, will be labelled with a label that says 'excess sugar'. Today approximately sixty to sixty five per cent of our volume will be subject to this labelling and that sixty five or sixty per cent corresponds to 43% of the SKUs, so more than half of the SKUS will not be subject to this.

Antonio González: Thank you very much for taking my follow up to make a couple of very fast numerical questions. Internal distribution, both in Chile and Brazil, can you give us the variation number for the last couple of years? And secondly, in Brazil in particular, how much did the sales force increase in the last couple of years regarding this improvement which you referred to earlier Miguel Ángel?

Miguel Ángel Peirano: With regard to the internal part of logistics, in the case of Chile around 10 percent. We started a pilot in the Rancagua area, and in part of downtown, and that is what we have now in Chile. We are learning in the same way we learned in Brazil. In the case of Brazil, numbers are different, we are at around sixty percent already of own fleet, and this year we will also significantly increase own fleet. And finally with respect to the amount or the percentage that the sales force increased in Brazil, that was about two years ago and I have somewhat forgotten the numbers, but I can send them to you through Paula, roughly, at the time they were around 200 people who entered the sales force more or less. So clearly, once that reinforcement was made, we have been optimizing the sales force, but we are committed first to ensure service level, and then optimize service level. Our goal is always that the client obtains what it needs in form and in time as expected.

Antonio González: Excellent, thank you. And, sorry, last question. The plant of Duque de Caxias in Brazil, by how much does it add or increase installed capacity?

Miguel Ángel Peirano: Well, basically the plant of Duque de Caxias, the idea is to add in its first stage, a line for returnables, a line for PET and a line for waters. Mostly this would solve the issue of own production of mineral water.

Alex Robarts: Thank you very much for taking my follow-up. The question is about sweeteners. For this year, thinking of the average cost of the group, and regarding 2014 are you seeing costs as more stable, slightly more pressed, or maybe a little bit lower. Any comment on that... because we know that fructose is high, there are also ways to hedge on local sugar, so maybe can you discuss a little about the cost trend of sweeteners in the countries, it would be very helpful. Thanks a lot.

Andrés Wainer: Regarding cost of sweeteners, in the case of Brazil and Chile, which are open markets, let's say, to the world, and that the price more or less reflects the international price, we fix prices in advance, maximum 12 months, a 12-month period, and you will see that the first half of this year dollar costs are slightly lower than the previous year. But the second half, where virtually everything is fixed, the price in dollars is going to be significantly lower than last year. Now, in local currency, either Brazilian reais or Chilean pesos, it will depend on what happens to the exchange rate, OK? It is likely that one effect offsets the other and costs in local currency will

be quite similar to the previous year. In the case of Paraguay and Argentina which are closed markets, in local currency, which is the currency how this commodity is traded in those countries, costs will be lower than the previous year, especially in Paraguay. In Argentina, it will be quite similar.

Miguel Ángel Peirano: Simply say, as always thank you for your interest in Andina's results and remind you that as always, our investor relations and management team are available to answer your questions and meet with you whenever you find it convenient. For any reason please do not hesitate to contact us. Have a good day everybody. Thank you.