

1Q19 Conference Call Guidelines

Miguel Ángel Peirano: Good morning and welcome to Coca-Cola Andina's first quarter 2019 results Conference Call.

By renewing the commitments to growth and our strategy of being a total beverage company, based on a consumer-centric look and on capturing opportunity, we present the main results achieved in the quarter.

As in the last two quarters, in consolidated terms, the strong devaluation of the Argentine peso continues to affect the translation of figures to Chilean pesos, consequently consolidated net sales decreased by 6.8% in the quarter, and Consolidated Adjusted EBITDA decreased by 7.1%. For its part, net income showed an increase of 9.8%. In a neutral comparison basis of currencies ("currency neutral"), Net sales grew 12.9% in the quarter, Consolidated Adjusted EBITDA grew 11.2%, and net income 31.1%.

During this quarter we have had important advances in our main projects. In Chile, Brazil and Argentina, we are implementing a single REFPET bottle with paper labelling, which will allow us to optimize the size of our packaging stock, as well as a greater flexibility to carry out reformulations, and to sell certain brands that today do not have the critical mass to be sold profitably in returnable containers.

Our Duque de Caxias plant is also operating at full capacity, with mineral water being the last line to enter into production. This allows us to be much more competitive in this category, and this is how the volume of mineral water in Brazil increased by almost 60% during the quarter.

In Chile some of the Guallarauco products in tetra and bottles are already in our logistics and distribution network, allowing us to significantly increase their coverage.

Going on to the operations,

In Argentina during this quarter sales volume reduced by 17.7%, maintaining the trend of the previous quarter, and very influenced by the macroeconomic situation that the country is going through, and that has translated into a consumption contraction. We believe that this trend should be reversed in the second half of the year, when Argentina's economy is expected to grow again. However, we have continued to increase our soft drinks market share, which reached 63.7 points in the quarter, **increasing 130 basis points over the same period of the previous year**. Regarding Argentina's adjusted EBITDA in local currency, it declined by 14.5% in real terms in the quarter and adjusted EBITDA margin reached 18.2%, expanding 25 basis points.

In Brazil, sales volume during the quarter increased by 2.0% over the previous year, explained by an increase in the volume of soft drinks, water and beer categories. Our market share reached 62.1 points, with virtually no variation over the same period of the previous year.

The volume increase in the quarter was reflected in an increase in adjusted EBITDA in local currency of 11.5%, and adjusted EBITDA margin increased 62 basis points, reaching 22.1%.

In Chile, sales volume increased by 4.9% in the quarter, explained by an increase in all categories, especially waters. Our soft drinks market share reached levels of 66.6 points; 80 basis points lower compared to the same period of

the previous year. As in the previous quarter, this is mainly explained by a channel mix effect due to an increased participation of the supermarket channel in the industry's total sales, a channel in which we have a lower share than in the other channels.

Chile's results were negatively affected by a more competitive pressure that led us to increase prices below local inflation, thus adjusted EBITDA decreased by 4.2%, and adjusted EBITDA margin reached 20.3%, 221 basis points lower compared to the previous year.

In Paraguay, our sales volume increased by 0.1% in the quarter, explained by an increase in the sale of waters, offset in part by a slight decrease in the sale of soft drinks.

Our market share reached 71.2 points; 25 basis points higher compared to the same period of the previous year.

Now Andrés will comment on the **Company's financial results**.

Andrés Wainer: Good morning,

To begin, I would like to remind you that the figures analyzed incorporate the adoption of IAS 29 since Argentina was categorized as a hyperinflationary economy. For this reason, among other implications, the figures of Argentina in the first quarter of 2018 were consolidated using the closing exchange rate of March 2018, which was \$29.95 Chilean pesos per Argentine peso, and those of the first quarter of 2019 were consolidated using the closing exchange rate of the first quarter of 2019, which reached \$15.65 Chilean pesos per Argentine peso, which generates a strong negative impact upon consolidation. In addition, to facilitate the analysis, we present the figures of our Argentine operation for both the first quarter of 2018 and the first quarter of 2019, in currency of March 2019.

With regard to the exchange rates of the other countries where we have operations and their effect on the consolidation of the figures, this quarter again we had a negative impact in consolidating the figures of our operation in Brazil, since in the consolidation of figures we use an exchange rate of \$176.82 Chilean pesos per real, which is compared to an exchange rate of \$185.51 Chilean pesos per real in 1Q18. The Guarani did not have greater variations in the period, it remained stable at \$0.11 Chilean pesos per Guarani in both periods.

Regarding each of the franchises where the company has operations, and for a better understanding, the figures that we will analyze in each of them are expressed in nominal local currency, and in the case of Argentina, as we discussed, will be expressed in currency of March 2019.

In Argentina, Net Sales decreased by 15.7% in the quarter, which was mainly explained by the 17.7% decrease in the volume already mentioned by Miguel Ángel, partially offset by price increases we have made above local inflation.

Cost of Sales decreased by 11.4% in the quarter, explained by the drop in volumes, which was partially offset by the devaluation of the Argentine peso with respect to the U.S. dollar, which has a negative impact on our dollarized costs, and besides by a higher cost of PET resin.

For its part, Distribution Costs and Administrative Expenses decreased 19.5% in the quarter, which is mainly explained by (1) expenses such as freight, labor and services provided by third parties, which have increased below local inflation, (2) the effect of lower volumes on distribution costs, and (3) other operating income classified under this item, which were higher than the previous year.

Finally, Adjusted EBITDA decreased by 14.5% in the quarter, and Adjusted EBITDA margin expanded 25 basis points reaching 18.2%. Argentina represented 19% of Adjusted EBITDA generated by the company.

In Brazil, Net Sales increased by 8.4%, which was mainly explained by the 2.0% increase in sales volume, as well as by price increases.

Cost of sales costs increased by 11.3%, which is mainly explained by the negative effect on dollarized costs of the depreciation of the real against the U.S. dollar, higher depreciation charges, explained by the new Duque de Caxias plant, and by a shift in the mix towards products carrying a higher unit cost.

For its part, Distribution Costs and Administrative Expenses decrease by 0.7%, which is mainly explained by higher operating income classified under this item, which showed an increase compared to the previous year, and that was offset in part by higher distribution freight costs.

Brazil's Adjusted EBITDA increased by 11.5% in the quarter and Adjusted EBITDA margin was 22.1%, an expansion of 62 basis points. Brazil represented 36% of Adjusted EBITDA generated by the company.

In Chile, Net Sales increased by 6.2% in the quarter, mainly due to the 4.9% increase in volumes.

Cost of Sales increased 9.9%, explained by 3 factors:

- 1. The shift in the mix to low and sugar-free products, which have a higher cost of concentrate,*
- 2. The negative effect of the depreciation of the Chilean peso on our dollarized costs, and*
- 3. A higher cost of PET resin.*

All of this was partially offset by a lower sugar cost and a lower sugar use, because of the reformulations we have made.

Distribution Costs and Administrative Expenses increased by 8.5% in the quarter, mainly explained by a higher cost of distribution freights resulting from higher volumes sold, as well as by greater labor expenses.

Adjusted EBITDA decreased by 4.2% in the quarter and Adjusted EBITDA margin reached 20.3%, a decrease of 221 basis points compared to the previous year. The operation in Chile represented 34% of Adjusted EBITDA generated by the company.

In Paraguay, Net Sales increased by 0.4% in the quarter, which was explained by the almost zero volume growth, accompanied by a slight increase in average prices.

Cost of Sales decreased by 0.2%, mainly explained by a reduction in the cost of sugar and fructose, which was partially offset by a higher cost of PET resin.

Distribution Costs and Administrative Expenses increased by 0.3%, which is explained by greater labor and distribution freight expenses.

Adjusted EBITDA increased by 0.7% in the quarter and Adjusted EBITDA margin reached 28.1%, an increase of 8 basis points compared to the previous year. Paraguay represented 12% of Adjusted EBITDA generated by the company.

We are now available for any questions you may have.

Operator: The first question comes from Alex Robarts at Citigroup. Your line is open.

Mr. Robarts: Yes, good morning, everybody. Thank you. Two questions. I was interested in the part of gross margin in Chile and in Brazil. Regarding Brazil, obviously, results show that gross margin is following an expansion trend in Brazil, and I was interested in understanding a little the net impact on these two factors. (1) On the one hand, the tax credit on concentrate purchases began impacting this year, but I have the impression that perhaps the impact is more related to timing; and thank you very much for the guidance you have given regarding this impact, did it just start or is it about to start? (2) and how can you explain the issue of sugar, specifically, if you will still have sugar costs below the previous year during the first semester, or if it will change a little, thinking about the rest of the year? So, my question is about the net impact of these two factors, if you can comment a little more.

And gross margin in Chile was a surprise for us, a little stronger, or a stronger decrease than we were imagining, and I wanted to understand a bit this idea that with products with less sugar and the cost of sugar being lower, it seems that this was more than offset by the fact that with products with less sugar, the percentage of concentrate payments is greater, with a negative net impact between those two factors. Or is it positive?

So, if you can comment on these two gross margins in the result. Thanks a lot.

Mr. Wainer: Hi Alex, this is Andrés. Regarding the issue of Brazil that you mentioned, indeed there is an IPI issue that is quite important. Let us remember that last year's tax credit was 20% and now it is at 12%. We have already given guidance to the market that the effect of this will be between 45 to 50 million reales per year, which is already hitting us in the first quarter. It did not hit us completely in the first quarter because we had some concentrate stock that was still with the 20% IPI, so that is going to hit us all year round. On the issue of sugar in Brazil, we are at a slightly lower price than the previous year. That will help us throughout the year, more during the first semester than the second, but the IPI effect will not reach an offset. And, in the four countries we are with higher PET resin costs than the previous year, much higher, that hit us quite during the first quarter, but the projections we have today are that they should tend to go down. Already during the second quarter the effect should be less negative than it was in the first quarter. And in the case of Chile, we are also with lower sugar prices than the previous year, which will help us. The issue of reformulations is also helping us. We are using less sugar. In fact, light soft drinks have a higher incidence, but the effect is still positive for us. It is still convenient for us that a person who drinks regular Coca-Cola switches to Coca-Cola Zero or sugar-free Coca-Cola. In that case, the IABA (excise tax on non-alcoholic beverages) we pay is lower, so the average income is higher, and, as it does not have sugar, it has a lower cost too. Part of that lower cost is offset by a higher cost of concentrate, but Net-Net, it is convenient for us that people change. It ends up helping us. In Chile, the effect of PET resin is hitting us quite the first quarter, at this moment it is the most affected country.

Mr. Robarts: Okay, thank you very much Andrés.

Operator: And the next question comes from Carlos Laboy at HSBC. Your line is open.

Mr. Laboy: Yes, good morning. I wanted to see if you could explain further on the subject of the returnable bottle in each of your markets, perhaps where would the returnable bottle mix be in the next two or three years, with this new single

returnable bottle you have, and maybe what impact could this have on market share? Also, since we are on the subject, how does this ease your ability to raise prices of non-returnable packaging above inflation as well and open those Price Gaps a little more? Thank you.

Mr. Peirano: Hello, Carlos, Good morning, this is Miguel Ángel, how are you? Regarding the subject of the returnable bottle, as we mentioned, we are moving towards a single bottle on REFPET multi-serve containers. This means that the bottle will have a more similar format to that of Coca-Cola, although it will not be the Coca-Cola bottle, but it will be the same bottle for all products: Coca-Cola, Fanta, Sprite and others. This allows us on the one hand from a logistic point of view, to lower costs, not only by the issue that is much simpler when the bottle is returned, since it will have paper labelling, or plastic, that it is removed at the time of washing, it is not necessary to sort bottles by flavors, to go into the whole subject of sorting, and that reduces time, reduces stocks, it is not necessary to have stocks for the different types of brands, and allows products that their volumes are lower, where handling a particular stock makes it sometimes not advisable to have this type of returnable packaging, making it possible because it shares bottles with the rest, and this facilitates not only our logistics, but also the stock at the point of sale. Therefore, from a point of view of expansion of returnables in segments or in volumes where our presence is low, because volume is low, in terms of costs it is positive. First, the impact this will have is that it will allow us to continue reinforcing our returnable strategy, already with greater force in all segments, in flavors.

Regarding share, you know, in Argentina as in Chile and in Paraguay, our returnable mix is above, between 40 and 50%, 45-50%, and in the case of Brazil, it is growing, given the additional capacity we have thanks to Duque de Caxias, and I believe that in the next few years we will reach about 30%. The installation of returnables also takes time for the consumer to understand that the package has a value and to care for it and is not simply to place coverage and then that container is lost, so you must generate that habit. And clearly, on the subject of market share, this will help us to be stronger in the socioeconomic segments or in the sectors where the economic segments are low, the sectors with economic problems, where people look for much more affordable products, and on the other hand, to the extent that we continue to focus on the strategy of returnables, will allow us to open the gap with PET containers, so that on average we continue, with prices in line with inflation, as our general goal is, but as you well said, with higher PET containers and lower returnables, to be more competitive in the lower segments and be more profitable in the high segments.

Mr. Laboy: And this has a major impact on your profitability, right? Because you have already reduced your costs and expenses to very low levels in Argentina, in Brazil, and if you can open the prices of the bottles in the price gaps and increase prices of non-returnables, that can increase your return on invested capital quite much, right?

Mr. Peirano: In fact, we will take it to the extreme where we do not lose volume in PET but certainly that helps to improve profitability. To the extent that we maintain and deepen our segmentation strategies, all this is also benefited by the use of tools and the information that allows us to have all the Big Data and all the technology part that we are placing on the knowledge of the behavior of the point of sale, will allow us to make adjustments that marginally, certainly in different places, will allow us to improve our profitability. Clearly, I totally agree with what you are saying Carlos.

Mr. Laboy: Thank you.

Operator: And the next question comes from Pedro Pereira at Santander. Your line is open.

Mr. Pereira: Hello, Good morning, thank you very much for taking my question. We see that EBITDA margin in Chile has lowered by 200 basis points year against year, then I would like to understand if this is due solely to the depreciation of the peso, the shift in the mix towards products with lower sugar, or if there is any effect of the DIAGEO business and if that impact is going to remain hereon? And the second question is, in Brazil we already verified that prices are increasing, but it is still not clear if you manage to transfer the effects of lower tax benefits to prices? I would like to have some kind of view on this. Thank you.

Mr. Peirano: Hello Pedro, how are you? This is Miguel Ángel. Yes, in Chile in this first quarter we have had three impacts, two of which are going to remain facing forward, but the third will not. The cost of resin as Andrés explained, is going to be hitting us permanently during the year. To a lesser extent facing forward, but it is still going to hit us. In the shift of product mix, especially the growth of water, which gives us a lower margin and therefore the impact also affects the percentage of total EBITDA. And finally, in the case of prices, during this first quarter, we have been more aggressive in prices and that has also had an impact and we are making some adjustments to be more in line with inflation facing forward. So that is going to help improve the number. And on Brazil, yes, we understand that with the actions we are taking we will somehow be able to offset the impacts.

Mr. Pereira: Thank you.

Mr. Peirano: Thank you Pedro.

Operator: And the next question comes from Juan Guzmán at Scotiabank. Your line is open.

Mr. Guzmán: Hello, Miguel Ángel and Andrés, good morning. Thank you for taking questions. I have two. The first is whether you can discuss a little about these improvements that we are seeing in Brazil in greater detail. We have seen that results were good, but we also understand that there is a climate effect that has helped quite particularly between January and February. And there must also be a component by the support given by the operation of Duque de Caxias, and the recovery of the macro. I do not know if you can give us a quantitative or qualitative breakdown on how we can attribute the results to these factors. And my second question is regarding Chile, where we continue to see this dynamic of attrition in market share, I was wondering if you can comment a little on the competitive dynamics you are seeing in this market, and if it were possible to give us a breakdown or some idea of how the results look without the contribution of DIAGEO. Thank you.

Mr. Peirano: Hello Juan, this is Miguel Ángel. Well, in the case of Brazil, clearly, all of our actions during the last few years since the improvement in the distribution part, the improvement in the execution, the production through Duque de Caxias, which allows us to have not only better service regarding waters, where it was quite oscillating in the past, when it did not depend on us, or returnables, which we had controlled because we were with permanent capacity throughout the year, so we could not even follow the Seasonality curve, since the returnable is a container that has to be served always and not only in the high season, then we were limited to the low season, to the capacity we had and could not extend it and we lost volumes in the high season. All this has helped Brazil to position itself, as we have always mentioned, for when the economy begins to improve. This in some way and with some lag in the case of Rio de Janeiro, the economy in Brazil is improving, and this positioning that we have done is allowing us to reap the fruits. Particularly in the quarter, there were several months with large variations, because for example, in March, we had two lesser outputs. The carnival fell on different dates, so when you see the monthly evolution, it is not constant, however, we are still positive that volumes will grow facing forward. And given again the improvements we made from the operational point of view; we can continue to improve our margins compared to the previous year. In the case of Chile, the competitive situation is quite strong and basically that led us to have perhaps a bit of a lag in the price increase over the previous year, which basically impacted in the first quarter, hopefully we can recover facing forward.

Mr. Guzmán: Agreed, thanks.

Mr. Peirano: Thank you very much Juan.

Operator: If you have a question, please press star followed by the number 1 on your phone.

There are no more questions at this time. Mr. Peirano, do you have any final comments?

Miguel Ángel Peirano: *Simply thank you for your time, your participation in this conference call, and for your interest in Coca-Cola Andina's results. As always, our investor relations and management team are and will be available to meet with you and answer any questions you may have. We remain at your disposal. Have a nice day.*