2Q14 Conference Call Guidelines

[I-advize people begin talking]

MAP: *Good morning and welcome to Coca-Cola Andina's second quarter 2014 results' conference call.*
This is the third quarter that we present Coca-Cola Andina's results incorporating Ipiranga's results in Brazil. This is how our consolidated sales volume during the quarter increased 11.6% and the Company's consolidated EBITDA increased 15.6%. When considering a comparable basis, i.e. including Ipiranga's results in 2013, EBITDA grew by 5.3%.

We continue working on the Company's integration and approval processes, as part of Andina's 2020 vision, which consists in the standardization of our business processes with the best practices defined together with the Coca-Cola System upon implementing the CokeOne project. The integration process to this common platform in Argentina has already been completed, as well as in Brazil. During August, Chile was successfully integrated to CokeOne, thus completing 80% of the project, in line with our estimates, and during September we will begin integrating Ipiranga concluding with Paraguay by the end of this year.
We are convinced that the benefit of having unique, optimized and standardized processes in the operations is very important to continue to be a world-class company.

Going on to review each of our operations,

In Argentina*, excellence execution at the point of sale developed by our operation, has allowed us to gain another 100 basis points of market share, thus the average market share during the second quarter has already reached 60.7%. However despite this gain of market share,* ***sales volume dropped 2.0%, due to the impact of the economic situation that the country is going through****. Our commercial priorities during this second quarter of the year have been to develop returnable formats and boost the execution of the new formulation of Powerade, change of bottle and image, leveraging on the FIFA World Cup. Additionally, we continued with significant investments in cooling equipment, which will help us keep on strengthening our service levels to the market.*

In Brazil we hosted the World Cup*. The preparation and quality of execution of our operators allowed to significantly expand the presence of the Coca-Cola brand especially in the city of Rio de Janeiro and achieve a new sales record inside stadiums, compared to previous world cups. Nonetheless,* ***from a macroeconomic point of view, the environment continues to be challenging****. A weaker consumption, and high food inflation, have had a negative impact on the disposable income of our consumers. This scenario, which already has lasted for over one year, led us to accelerate the roll-out of Coca-Cola Ref Pet 2 liter bottles at the end of last year. This new packaging allows us to service the market with an attractive value proposition regarding B-brands and reach low and medium segment consumers of the population.*

Additionally, given the macro-economic environment we face, we are focused on projects that enable cost reduction, namely the internalization of the fleet.

In Chile, we continue moving forward according to our plans. *We have already reached a market share of 68.5% during the quarter, a figure that is 130 basis points higher compared with the same quarter of last year and 70 basis points higher compared with the previous quarter, improving the value of the category, since we have made price increases at the same time, so as to protect our profitability in the different distribution channels.*

In Paraguay*, we maintain leadership in all segments where we participate. Based on the quality of our workmanship and operators,* ***this is the third consecutive quarter in which we show an increase in our market share****, closing at 61.9%, 170 basis points higher than the same quarter of last year and 40 basis points higher than the previous quarter, despite the entry of a new competitor to the soft drinks category during the fourth quarter of 2011. The investments carried out in the market, together with the capacity of our operation, has allowed us to successfully face this competitive scenario. In addition, we were able to reduce the cost of sugar, and develop new suppliers for this raw material, allowing us to achieve improvements in margins.*

We continue focused on completing integrations and capture the potential for acquisitions and investments. We seek to increase the productivity and efficiency of our operations, production and logistics processes in line with our commitment to deliver value to our customers, consumers and shareholders. In addition, for the rest of the year we have prepared some launches and innovations not only in packaging and formats, but also in flavors, which will undoubtedly boost the growth of the different categories where we participate.

Now Andrés will discuss the Company's financial results.

AW: Hello, good morning. As in previous quarters, all figures we will review are in local currency. When we talk about pro-forma figures it means that for comparison purposes, figures for the first quarter of 2013 incorporate Ipiranga's results.

This quarter we continue to see the negative effect that we have seen the previous quarters resulting from the depreciation of the Argentine peso on the Chilean peso upon consolidation of figures. Compared to the previous year the Argentine peso depreciated 25.6%, which generated negative financial impacts on the consolidation of figures. On the other hand the Brazilian real and the Paraguayan guarani appreciated 6.1% and 8.2%, respectively on the Chilean peso, so in this case, the effect of consolidating was positive.

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

*In **Argentina** net sales increased 27.2% during the quarter, which was driven by price increases that we have applied.*

Operating costs grew 28.7% during the quarter, which is explained by:

1. *Increased sales, which has a direct impact on the cost of concentrate,*
2. *Increased labor costs, and*
3. *The 53.7% devaluation of the Argentine Peso against the dollar which impacts the cost of dollarized raw materials.*

SG&A expenses increased 30.5% in the quarter, which is mainly explained by the effect of local inflation over expenses such as labor, freight and services provided by third parties.

Finally, EBITDA increased 14.0% in the quarter, with which Argentina represented 11% of the EBITDA generated by the company.

*In **Brazil** net sales increased 49.2%, which is mainly explained by the incorporation of Ipiranga's results, the increase in volumes and price increases. On a pro-forma basis net income increased 8.9%.*

Operating costs increased 53.7% which is explained by:

1. *The incorporation of Ipiranga's results,*
2. *The change in the sales mix towards distributed products which carry a higher unit cost, and*
3. *The negative effect of the 7.7% depreciation of the real against the dollar, which affects the cost of dollar-denominated raw materials.*

This was partially offset by:

1. *A lower cost of sugar resulting from the decrease it has presented in the international markets and*
2. *A lower cost of PET and labels, resulting from the change in the mix towards returnable formats*

On a pro-forma basis, Operating costs would have increased 9.2%.

SG&A expenses increased 53.0%, mainly due to:

1. *The incorporation of Ipiranga's results,*
2. *Greater labor costs,*
3. *Higher distribution and transportation costs, and*

4. *Increased marketing expenses during the period.*

On a pro-forma basis, SG&A expenses would have increased 13.0%.

EBITDA increased 34.3% in the quarter, or a 2.9% pro-forma, with which Brazil represented 38% of the EBITDA generated by the company.

*In **Chile**, net sales increased 1.7% in the quarter, influenced by price increases in all the categories in which we participate.*

Operating costs increased 3.5% in the quarter which is explained by:

1. *The effect of the 14.3% depreciation of the Chilean peso, which has a negative effect on dollarized costs,*
2. *An increase in the mix of distributed products (juices and waters), which carry a higher unit cost,*
3. *Increased cost of concentrate resulting from price increases, and*
4. *Greater depreciation of capital goods.*

These effects were partially offset by the lower cost of sugar.

SG&A expenses increased 6.9% in the quarter, mainly explained by:

1. *Increased distribution freights, explained by increases in the rates, and*
2. *Higher labor costs.*

EBITDA dropped 7.4% in the quarter, with which Chile represented 36% of the EBITDA generated by the company.

*Finally in **Paraguay** net sales increased 1.7% in the quarter, which was explained by price increases.*

Operating costs fell 6.5%, which is explained mainly by a lower cost of sugar, which was partially offset by higher expenses for depreciation of capital goods resulting from the investments carried out.

SG&A expenses fell 22.4%, mainly due to lower marketing expenses.

EBITDA grew 79.7% in the quarter, representing 15% of the EBITDA generated by the company.

We are now available for any questions you may have.

(Q&A SESSION BEGINS)

Armando Pérez: Considering the margin contractions in Chile, explained to a large extent by the exchange rate and dollarized costs, how much do you believe it would be necessary to be able to increase prices to offset the exchange rate increases? And how do you view that scenario with the likely taxes that can be added to sugared soft drinks? Thank you

Miguel Ángel Peirano: The margin contraction issue is our constant concern, and we will certainly be looking for the best way to improve them through pricing and cost reduction to the extent allowed by the market. Clearly when the tax increase arrives it will involve price increases in order to compensate for the higher cost that it is going to generate; but we will always consider the impact and flexibility that these increases will generate so that the outcome is always positive in the price increase.

Armando Pérez: In Brazil we have heard comments from other brands that they have been gaining market share. Do you think that this was due mainly by the type of event there was in the World Cup, or that it is somewhat regarding presentation types or pricing that is taking place in Brazil? Thank you.

Miguel Ángel Peirano: In the case of our franchise in Rio de Janeiro, Espíritu Santo, we have maintained market share, with which there has been no effect on our territory. I have no information about the rest of Brazil.

Luca Cipiccia: On the margins in Brazil, on the SG&A outlook, could you give us an idea what we should think about for the next couple of quarters, including the understandable higher investments and impact on mix that we saw in the second quarter because of the World Cup. But as we look ahead, how should we think about profitability for Brazil until the end of the year? And then, secondly also if you can give us a guidance on financial charges. We've seen a lot of volatility in the last couple of quarters, but as we forecast this for the rest of the year, I don't know if you can indicate a range or something that may help us model this for the rest of the year.

Andres Wainer: Regarding margin guidance that you're asking, we do not expect significant changes in margins over the previous year in any of the countries where we operate for the two remaining quarters of the year. There will obviously be some changes compared to the previous year, but they will not be significant. Now, the big variable here which can have a negative or positive effect for the remainder of the year is the exchange rate in the countries where we operate. You must keep in mind that an important part of the costs are dollarized, therefore a significant depreciation of local currencies obviously is going to affect us, or on the other hand an appreciation of any of the currencies can also help us. But if exchange rates remain at current levels, there should be no significant differences compared to the previous year.

Regarding some guidance on financial expenses, they should remain fairly stable during the coming quarters; what does change, is the effect that UF has, in terms of the Results by Adjustment Units and Exchange Rate Differences account. You must keep in mind that much of Andina's debt, approximately 60% of the total debt, is set in UFs, therefore, when the UF increases, as it occurred during the first quarter where it increased by approximately 3%, it affects the amount of our UF debt, and that effect is recorded under the account I just mentioned.

Luca Cipiccia: Just a quick follow-up on the first question, specifically for Brazil, I remember at the beginning of the year you were more bearish on the currency outlook for Brazil. I understood at the time that you were looking for, especially versus the US Dollar, for 2.70 level or in that region whereas it turned out to be somewhat better this time. How does that impact on your operation in terms of what you planned? That's what I'm trying to understand, or how you were thinking that the year would play out at the beginning of the year?

Andrés Wainer: At the beginning of the year we certainly believed that the exchange rate in Brazil would depreciate quite more than it did; it has remained very stable under the range of 2.0-2.30, and in our budget we estimated at 2.70 in December. This is obviously helping our dollarized costs in Brazil; this is quite important regarding the budget, not as much regarding the previous year, levels are quite similar. In addition, in May we entered into exchange rate hedge agreements. Up until December we have hedged approximately 60% of our dollar requirements to purchase raw materials in Brazil, and for the first half of 2015 we have hedged 25 per cent of our requirements.

Pedro Leduc: My question is specific to Argentina, we saw a quarter in local currency which wasn't bad, in Chilean pesos somewhat weaker, and the same in terms of prices and volumes that we are already seeing in the third quarter, we are under the impression that the market has returned to increase volume a little, leaving room to increase prices and thus offsetting the exchange-rate depreciation. Can you confirm if it is also your view for the third quarter?. Additionally, I'd like to hear a bit about the free cash flow outlook you have, will we see a gradual debt reduction, so that we can see less pressure over financial expenses?

Miguel Ángel Peirano: Regarding prices, and somehow in line with what Armando asked moments earlier, the goal is to try to capture all the opportunities that the market allows. In the case of Argentina, the economic situation on the one hand makes us cautious, inflation makes us aggressive. So there we have to be constantly trying to adjust everything due to the presence of high inflation levels. In the case of Chile, taxes are clearly going to adjust prices for the purpose of balancing the impact this is going to generate. And in the case of Brazil, we kept prices stable during the World Cup, but once it ended we already increased prices, so going forward we will see if there is a price increase, which has already been done.

Andres Wainer: Regarding your second question on cash flow and debt levels: cash flows for this year, considering lower investment levels and also lower dividend levels than last year, will allow us to close the year with an EBITDA net debt close to 2.0 times or something similar to that.

José Yordan: I only had a question relating the hedges that you were talking about for Brazil, but I was interested to see if some kind of hedging was taken in Chile also, or trying to see how the latest fluctuations of the Chilean peso was going to affect you.

Andrés Wainer: With respect to other countries, in the case of Chile have hedged 100 per cent of our U.S. dollar requirements to purchase raw materials for the remainder of 2014 and 50% of the requirements of the first half of 2015; those agreements were entered into this year, at lower than the current exchange rates. And in the case of Argentina, we have covered 50% of our U.S. dollar requirements from today until the end of the year, and 25% of the requirements for the first half of 2015.

José Yordan: OK, and when you mention that 2014 hedges were taken at prices closer to 530, or something like that I guess, you took them in 2013.

Andrés Wainer: 2014 hedges were taken during 2013, and I remind you that we carry out a mark to market of these every month, therefore a part of this is in our results, and is recorded during each quarter.

Miguel Ángel Peirano: Thank you for your interest in Coca-Cola Andina's results. As always, our investor relations and management team are available to answer your questions and meet with you. Please do not hesitate to contact us. Have a good day.