

2Q16 Conference Call Guidelines of

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Miguel Ángel Peirano: *Good morning and welcome to Coca-Cola Andina's second quarter 2016 results conference call.*

During the second quarter of the year we shut down the production facility we had in Vitoria, located in Espiritu Santo, Brazil, which is in line with our industrial optimization strategy in that country. *The rationale behind the shutdown of the plant is because production costs at our Jacarepagua plant in Rio de Janeiro and our Riberao Preto plant (former Ipiranga plant) are substantially lower than that of Vitoria, which offset the higher distribution freights we will have to pay due to production centralization. This project will report the following benefits:*

- **Reutilization and transfer of the Pet line from Vitoria to Riberao Preto,** *allowing us to begin producing mineral water there. Thus, Coca-Cola Andina's operation in Brazil will have a guaranteed supply of mineral water, until our new plant in Duque de Caxias begins operating.*
- **The transfer of the can line from Vitoria to Jacarepagua,** *which will begin operating during the first days of September.*
- **The reutilization of Vitoria's water and effluent treatment system, as well as the syrup equipment at the Duque de Caxias plant in Rio de Janeiro.**
- **Supply the area of Espiritu Santo with returnable 1 liter glass bottles and 1.5 REF PET bottles from Riberao Preto,** *allowing us to better service the market, segmenting our clients and offering an attractive value proposal.*

On the other hand; I am pleased to comment on the Olympic Games that successfully took place during August in the city of Rio de Janeiro. *Fulfilling our role as hosts, we had an outstanding presence both where competitions took place, offering athletes and the attending public an ample product portfolio and in the market where the presence of our brands and products was highly visible. This effort was the culmination of four years of preparation in conjunction with The Coca-Cola Company, resulting in a wide-ranging recognition with regards to Coca-Cola Andina's ability to operate at the highest level in the organization of highly visible events in a very complex scenario regarding logistics, as it was also the case of the World Soccer Cup in 2014. In addition, the participation in events of this importance allows us to enhance the value of the brand in the long term, connecting with our target public and enhancing the brand's positive attributes, as well as the connection with sports and an active and healthy lifestyle.*

With respect to the distribution of Monster, *this will be carried out by Coca-Cola Andina beginning **September 1st in Chile** and **November 1st in Brazil.** With this agreement we add a first-rate and world leader brand to our product portfolio. **These products come to strengthen our current presence in the category, enabling us to position ourselves as one of the leaders** in the energy category. In the case of distribution in Argentina and Paraguay, we are in the process of negotiating with Monster to define the details of the agreement.*

Besides the macro-economic challenges we continue facing in all our operations, *the average income per unit case grew compared to the previous year, although sales volumes were affected by the weak macroeconomic*

conditions, and in the case of Argentina and Chile, also by unfavorable weather conditions when compared to the same period of the previous year.

Going on to review our operations, this quarter was very challenging **in Argentina**, since the macroeconomic environment has become complex, during the adjustment process to which the country is being subjected. Additionally, unfavorable weather conditions had an impact on the demand for our products. However, we continue showing significant market share gains - this quarter we gained 80 points over the previous year – the leverage for this being the excellent service to the market that our franchise has been developing, which is based on the extension of the "route to market" to all of our franchise. Looking forward, **our business priorities will continue to be: the optimization of the pricing architecture, the development of the low-calorie segment and the development of the immediate consumption segment, which enhances the transactions of our products, in a higher value segment.**

In Brazil, our market share this quarter reached 63.4 points, reflecting a gain of 200 basis points over the previous year. Nevertheless, the **macroeconomic situation that the country is undergoing** has still not reached the point of inflection, therefore it is **still a challenging environment**. The growth of our volumes was affected by weaker consumption and price increases to our clients implemented in order to transfer cost increases. **To minimize the impact the previously-mentioned factors may have on our results, we will continue monitoring our product and price strategy in the franchise**

In Chile, we had adverse weather conditions during the quarter, with temperatures during some weeks that were up to 7 degrees lower when compared to the same period of the previous year. We believe that this climate effect, the weak macroeconomic conditions, a difficult comparison base and the new labeling law are the factors that impacted our sales volume in the quarter.

With regard to the new labeling law, in effect since June 26 and that we began implementing since mid-March, I wanted to remind you that, while approximately 60% of our sales volume is impacted by this, it only represents 20% of our SKUs. Today we have achieved that all of our products have low sugar or no sugar versions, offering our consumers a wide variety of choices.

In Paraguay, our focus of market service in the country's capital has allowed our competitive position to continue strengthening. We have greatly increased direct service, capturing **profitable volume**, which led our market share measured in terms of value to reach 75 points. In regards to volume market share, **we gained more than 390 basis points compared to the previous year, reaching 68.1 points.**

We have transformed the challenge we are having to face in the countries where we operate, into a great promoter of efficiencies and operating and execution optimizations. This has enabled us to improve our competitive position, both in costs and in the market and thus be better prepared to be able to harvest the fruits of this effort, in the future when conditions improve.

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

Andrés Wainer: 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 figures. Again during this quarter we had a very negative impact upon consolidation of figures from local currencies to Chilean Pesos, particularly resulting from the 31.0%

depreciation of the Argentine Peso. On the other hand, regarding our reporting currency, the Brazilian Real and the Paraguayan Guaraní depreciated by 4.4% and 1.0% respectively, generating a slightly negative impact.

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 are expressed in local currency.

In Argentina Net Sales increased 15.3% during the quarter, which was mainly explained by the implementation of price increases and partially offset by the 12.3% sales volume decrease. As already explained, the volume contraction in part is due to the bad weather conditions as well as the reduction in private consumption given the macroeconomic conditions the country is going through.

Operating costs grew 8.6% in the quarter, explained by:

- The increase in revenues, which has a direct impact on the cost of concentrate,
- Increased labor costs, mainly due to inflation, and
- The 58.9% devaluation of the Argentine Peso against the U.S. dollar having a direct incidence over our dollarized costs.

This was partially offset by a lower cost given lower sales volume and the lower cost of dollarized raw materials. On the other hand, Selling and General Administration Expenses increased 23.4% 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. Finally, EBITDA increased 28.3% in the quarter, and EBITDA margin expanded 108 basis points reaching 10.6%. Argentina represented 19% of the EBITDA generated by the Company.

In Brazil Net Sales increased 1.4%, which is explained by the implementation of price increases that were not able to be offset by the reduction sales volume.

Operating costs increased 1.4% which is mainly explained by the effect of the devaluation of the Real against the U.S. dollar which was 14.5% in the quarter and that impacts our dollarized costs. This effect was partially offset by a lower cost in dollars of dollarized raw materials and lower labor costs, in part due to the shutdown of the Vitoria plant.

On the other hand, Selling and General Administration Expenses increased 6.6%, which in part is explained by higher labor costs and greater distribution freights due to the shutdown of the Vitoria plant which implied increased freights from Rio de Janeiro and Riberão Preto to Vitoria.

EBITDA decreased 7.3% in the quarter and EBITDA margin was 15.3%. Brazil represented 34% of the EBITDA generated by the Company.

In Chile Net Sales decreased 3.4% in the quarter, explained the already explained drop in volumes which was partially offset by price increases in all categories where we participate.

Operating costs decreased 4.1% in the quarter mainly explained by:

- Lower sales volume
- Lower costs in dollars of dollarized raw materials, mainly sugar and PET, and
- The lower incidence of juices and waters resulting from the change in the business model of these categories.

This reduction of our costs of sales was partially offset by the effect of the 9.7% depreciation of the Chilean Peso against the U.S. dollar which has a negative effect over dollarized costs and by higher concentrate costs resulting from the implementation of price increases.

Selling and General Administration Expenses increased 4.4% in the quarter, mainly explained by greater labor costs resulting from higher inflation and increased marketing expenses.

EBITDA decreased 10.0% in the quarter and EBITDA margin reached 17.4%. The Chilean operation represented 34% of the EBITDA generated by the Company.

Finally in Paraguay Net Sales increased 7.6% in the quarter, explained by price increases in all categories and the growth in sales volume.

Operating costs increased 5.8%, which is mainly explained by:

- the change in the mix towards products that carry a higher unit cost such as juices,
- the effect of the 10.8% depreciation of the Guarani against the dollar, which has a negative effect on dollarized costs,
- and greater labor costs.

Selling and General Administration Expenses increased 19.6%, which is mainly explained by greater advertising expenses and partially offset by lower depreciation charges.

EBITDA decreased 1.4% in the quarter and EBITDA margin was 26.0%.

Paraguay represented 13% of the EBITDA generated by the Company.

We are now available for any questions you may have.

(Q&A Session begins)

Jerónimo Contreras: Hello, good morning, I just wanted to ask regarding the juice JV in Chile with del Valle, what opportunities are you seeing and what opportunities there are to steal market share later on, particularly in Chile? And the another question relates to Brazil, if the closing of the plant in Vitoria will allow you to improve margins in the future by transferring production to the Rio and Riberão Preto plants, and how is capacity in these two plants. Thanks a lot.

Miguel Ángel Peirano: With respect to the juice JV in Chile, yes, it is clearly giving us a new approach and a new way to address the market. We have purchased a new line, we will move towards aseptic products, which are products that greatly improve the quality in terms of taste, since the product is not heated as hot-fill lines do, and on the other hand they do not need the addition of preservatives as the products that are filled with cold do; rather it allows filling products in aseptic conditions, ensuring product durability without heating or without adding aseptics. All this is part of the result of this new JV, we have high hopes that we are going to continue repositioning our products and improving their quality. All of this implies that going forward, our goal is to start retaking the market in a profitable way, pricewise non-disruptively, but with the quality of our products and improving execution. Regarding Brazil and the shutdown of the Vitoria plant, clearly the target was to improve our cost structure. Vitoria was a plant that had been operating for quite some years which meant it was now inefficient, and that during this transition period-when we are building the Duque de Caxias plant- and in general, given the economic situation in Brazil when there have been no demands for volume growth, unless we do not see them in the short term, gives us time to restructure our productive area, closing Vitoria and supplying that city from Rio de Janeiro and from Riberão, and on the other hand benefit from the production lines, as I mentioned, and other features, such as the canning line and the returnables line, both for Jacarepagua and our new plant in Duque de Caxias, decreasing our level of investment. So, looking forward, this should impact on margin improvements in Brazil.

Antonio González: Hello, good morning Miguel Ángel, Andrés and Paula. I had two questions, if I may. First I wanted to see if you can be more specific on the market share dynamics in Chile. You mentioned something Miguel Ángel during your initial comments on labeling and other issues, but I was wondering if you could comment going forward, given the drop in market share this quarter, if there is any strategy you can share on how this quarter's loss will be turned around. And secondly, I wanted to ask on Argentina, we have seen a double-digit drop in volumes in all soft drink companies that are operating in the country, both beers and soft drinks, but I recall that at the beginning of the year we were discussing that expectations for Argentina were that we would not see such an abrupt drop in volumes as the one we saw during Argentina's last crisis in

2002-2003, and also that we would probably see a more gradual recovery in 2017. However, it seems that the fall itself was more abrupt, and I wanted to ask you how your expectations have changed, what are the variables that you believe have led to this fall perhaps worse than initially expected, and how you now expect recovery to be in the following 12-18 months. Thanks a lot.

Miguel Ángel Peirano: With respect to the market share issue in Chile, we clearly have our base-strategy to generate value for shareholders and generate profitability for the company; so insofar as there are increases in costs that somehow threaten profitability, we try to find the best option and compensate them, both with efforts in cost reduction and optimizations, as well as price increases. At the beginning of the year and in that line, we increased prices which were not followed by the competition, and that stretched the price gap and caused a slight loss of market share by this effect. Anyway, with 68 points of market share, 68.5, we are not worried about our leadership, and this price gap has been decreasing in these last months, so going forward, you will probably notice that our market share will grow again. We really try to be quite rational in terms of price management, caring for the value of our products, and taking care of their profitability. Therefore, if during any specific time of the year there is a reaction from our competitors as to lower prices, in general our response will be improve the execution, improve costs, but not impact the value of our products. Regarding Argentina, yes there was clearly a decrease beyond our expectations, and from our point of view this has had two drivers: one has been the much lower temperatures than the previous year, something that we did not expect; and on the other hand, the impact of the adjustment made by the Government, mostly in rates, that impacted real wages, people's salary at-hand, in the short term. Going forward, what we are seeing in Argentina is that inflation is decelerating, and that labor negotiations will probably be more related to past inflation rather than future inflation, so there will be a recovery of wages, which from a positive point of view, will supposedly mean that consumers will have more money available to them, favorably impacting volumes, and on the other hand, labor costs will also have this effect, internally. But the adjustments, the main adjustments in Argentina already occurred; some are going back-and-forth on judicial issues, but ultimately there were already major adjustments in almost all rates and services. So going forward, this will no longer have an impact, and temperatures are somewhat unpredictable, but we will hardly have the 5-6 degree gap we had in the past.

José Yordán: Hi, good morning to all. My first question was already answered. The second, I just wanted to see if you could give us an idea of what percentage of the increase in SG&As year over year is due to extraordinary/one-time issues, i.e. high marketing expenses was mentioned in two countries. Were there more specific campaigns to support price increases, etc., or do you think this higher marketing spending is the new normal level? And obviously, with the costs of closing a plant, I would like to see the impact they had on higher expenses year over year, and obviously when you close, it would be positive. And the other is rather a clarification, because I heard that in Argentina, some of these increases in public rates have been cancelled due to the public's reaction, etc., and in some cases, how to make the adjustment more gradually than how it was done in March-April, is being re-thought. Did this affect Andina's franchises or was it only in Buenos Aires? I would be interested if you had some insight about that. Thank you.

Andrés Wainer: Regarding your first question on SG&A's, we must remember that within these expenses is the money that Coca-Cola reimburses to Andina for any advertising campaign performed. Seasonality of this contribution is very different year over year. For example, in this case, in Paraguay last year much more was received compared to this year, and this is the reason for such a significant increase in SG&As. In general, this is true for all countries, in the case of Paraguay in this quarter it was quite more extreme. If one isolates this effect, SG&A's in general in the countries are growing very much in line with local inflation, and it should not be very different when you look at the full year. Therefore, marketing expenses are not higher for the full year with respect to net sales, at least compared to previous years, and it should be quite similar. Regarding the closure of the plant in Brazil, the Vitoria plant, related costs are non-operating and they are basically two: one is the write-off of property, plant & equipment, 5-6 million Reais; and the other is the severance indemnity for laid-off employees, in a similar amount also. All, or almost all of this, is already reflected in June, and there should not be more relevant costs associated with the closure of the plant in Vitoria. The only remaining cost is the cost of the transfer of the line, which has to be relocated, as Miguel Ángel already mentioned, to Riberao Preto, a PET line; and a canning line that will be transferred to

Jacarepaguá. The transfer cost will remain in the third quarter. And with this there will be no other costs associated with the closure of the Vitoria plant.

Miguel Ángel Peirano: Regarding changes in rates and the back-and-forths, they are basically related to electric rates, where the increases made affected residential consumption and not industrial. There was a nullity by a judge who requested to re-address the issue because a public hearing had not been conducted. Although it was not binding, it had not been done and this caused the Supreme Court to hold back the increase, and it must now be defined after a public hearing that should take place in the short term, addressing what the increase will be and how it will be applied. Now, all this has clearly generated some uncertainty for society, if they have to pay more, if they don't have to pay, what do they have to do, and generally, when facing uncertainty, the population's reaction is to remain cautious. So, beyond the fact if some paid and some did not, some rates were impacted as is the case of electric energy, all the back-and-forths generated confusion and therefore, somewhat of caution from consumers on their expenses. Regarding which areas were impacted, this mostly impacts Capital Federal. In the case of Cordoba, which is where we have our main consumption, energy is produced by a provincial company called EPEC (Energía Eléctrica de la Provincia de Córdoba), where generally rates are less subsidized than in Capital Federal. So, in the case of Córdoba, the impact isn't as much from the rate stand-point, but more from the Brazilian economic issue, given that Cordoba is an automotive industrial pole, and given the situation in Brazil, this has caused a drop in their activity in this last period.

Luca Cipiccia: Hello, good morning, thank you for taking my question. I wanted to ask about Brazil, the impact of the Olympics, if you could separate a little where you see the temporary impact, in the third quarter, which we'll see in the upcoming results, if they will be significant. If you can, may be not quantify, but give us some guidance on the impact on consumption in the mix? And the medium-term impact, how that event can be capitalized. Also, I would like to understand a bit more how you are seeing the consumption situation in Brazil. There has been much debate about the possibility of finding a high and a low in volumes also in this quarter, they seem to be a little more stable. Also, if you can contextualize somewhat on the momentary positive impact from the Olympics, the situation in Brazil, and furthermore how you can capitalize on this event in addition to other initiatives. Thanks a lot.

Miguel Ángel Peirano: With respect to the Olympics, in spite of the somewhat bad press during preparation, either due to risks of not finishing facilities on time, or the Zika threat, or even attacks, the truth is that Brazil showed its ability to successfully organize massive events. Actually the Olympics were first class, and were just as good as the ones in London or previous ones in terms of organization, in terms of the quality of their venues, and in terms of the quality in the global organization. So, I believe that facing the world, Brazil showed that more than the bets against it, Brazil managed to successfully implement them. Unfortunately, the participation of foreigners, at least visually for what I could see during the time I was there, and this is not any type of numerical analysis, there weren't many foreign visitors. Many Brazilians, but not necessarily many foreigners. So actually in terms of volume it was more a recycling of consumption of Brazilians who went to the Olympics rather than people coming from foreign countries. This led to an impact on volumes, something that we also expected, that was not very significant for the month. But it clearly was very significant for the presence of the brand; the work performed on execution was meaningful, and on how Coca-Cola managed as one of the main sponsors, to have preponderance and a visibility way beyond its condition as sponsor. So this helps in terms of strengthening the value of the brand, and the presence of our products. As you know, looking forward, Brazil is finishing the impeachment process at this time, but beyond the outcome, this will surely give more certainty from a political point of view, which will help the economy begin to work better. So Brazil's future prospects, at least from my point of view, are optimistic, because a cycle of political questioning is coming to an end, and there will be much more focus on to how to improve the economy, rather than on the political direction, and how it will impact daily economy.

Luca Cipiccia: Very well, thank you very much. Can you just clarify one point? I remember that during the World Soccer Cup, for example, there were several logistic problems and difficulties to distribute in Rio, and I wanted you to only comment in order to compare the Olympics event; I also agree that it was very positive, I mean, I was also there and it was very good and it also seemed that the event was a little more fluid, being more extensive. But I also wanted to understand if there were any

problems, or difficulties, also compared to the World Soccer Cup, when, if I recall correctly, there were difficulties, and also the impact of the volumes was not as good as expected.

Miguel Ángel Peirano: Yes, in what refers to the future, and comparing the Olympics with the World Soccer Cup, despite the Olympics being a much more complex event in terms of size, the number of events occurring at the same time, the World Soccer Cup was one soccer match in the city, and then that city had no more events until the next match occurring probably the following week. And there were no more than one or two matches per city, except Rio or Sao Paulo, that had some more. In the case of the Olympics, everything was focused in Rio de Janeiro, and it lasted for almost a month, with more than 10,000 athletes; implying a service logistics complexity quite greater compared to the World Soccer Cup. But in spite of that, there were no problems in terms of supply. There were some adjustments during the first days with a service supplier, but it was basically solved the second day, and in general from then on, there was no trouble regarding supply; there weren't any type of problems regarding services, and unlike the World Soccer Cup, I think that the legacies to the city were a lot greater. The Olympics generated a public transportation system allowing to join Barra with the South area, the airport improved, and services improved, bridges were built; in reality, in terms of the community, especially in Rio de Janeiro, the legacy of the Olympics was much larger than that of the World Soccer Cup. It was much better in every way, despite the complexity involved in the Olympics versus the soccer matches.

Carlos Laboy: Good morning, two questions. One on tax benefits. Was there any current fiscal benefits from the plant that closed? And could you give us some perspective on any tax benefit from the new plant, if not the amount, perhaps some idea of its importance? The second question was about concentrate costs. Do you expect any increase negotiation on the cost of concentrate? In some of your markets, say in two or three years.

Andrés Wainer: Regarding your first question on tax benefits, the plant that closed no longer had tax benefits. The plant we are building does have them. The amounts are not public, but already much of the tax benefits are being used as construction is developing.

Miguel Ángel Peirano: And regarding concentrate cost, we don't have any kind of negotiation at all in any of the territories where we are today. Having said this, it is a decision of The Coca-Cola Company, but today there is nothing in the short term.

José Yordán: Hello, I am only curious that since already two months of the third quarter have gone by, given the audits, etc., if you can give us any idea of how volumes are coming along directionally at least in the four franchises, that would be useful. Thank you.

Andrés Wainer: By country, as the weather has been improving, so has volumes. July for example in Chile, was weak since weather was cold, but August, where weather is much better, will show positive volumes. For Argentina, quite similar. July, which was also cold, more rain than normal, volumes were weak, very much in line with what we saw in the second quarter; but August is being rather better, more or less flat. In the case of Brazil, also a negative July, but August, influenced mainly by the Olympic Games, will also probably end flat or slightly positive. And in the case of Paraguay, both July and August generally tended to be fairly flat, therefore the third quarter will seem to end up with better volumes than the second quarter, but September is still to come, which is the month that weighs more in terms of volumes in all countries.

José Yordán: And in general, how was last September?

Andrés Wainer: I don't have the figure here at hand to talk about how last September was. I cannot answer your question.

Closing Remarks:

MAP: *Simply thank you all once again for your time, for participating 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 answer your questions and meet with you whenever you wish. For any reason please do not hesitate to contact us. Have a nice day.*

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