

3Q17 Conference Call Guidelines

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Miguel Ángel Peirano: *Good morning and welcome, to Coca-Cola Andina's third quarter 2017 results conference call.*

We closed a third quarter of the year, with results that reflect that the strategy of focusing on efficiencies, control over costs and expenses that we have implemented leads to positive results.

As a result, the Company's consolidated EBITDA grew by 3.5% and net income by 34.4%, with expansions in both operating and EBITDA margins in all of the franchises that we operate.

At the end of August we started production in Chile of a reformulated Fanta and Sprite, which goes in line with our intention to reduce the amount of sugar per liter sold. In this way, Fanta and Sprite reduced sugar in their original recipes by 60% and 50%, respectively, maintaining their characteristic orange and lemon flavors. This measure is in addition to others that we have also been developing, thus in the last 18 months we have reformulated the sugar content of 32 products and currently 65% of the portfolio in Chile is made up of low calorie and calorie free products. Worldwide, Chile is the ninth country with the largest beverage mix of low calorie and calorie free products available to consumers. Today, one of every four Coca-Colas sold in Chile are low calorie or calorie free and 100% of Coca-Cola advertising includes the Light and Zero versions.

Thanks to the commitment to sustainable economic, social and environmental value creation, in June the Company was incorporated in the FTSE4Good Emerging Index. Created by the English company FTSE Russell, the FTSE4Good series is designed to measure the performance of companies that demonstrate high impact practices in economic, social, and corporate governance matters. Coca-Cola Andina was one of the 21 Chilean companies that were selected to form part of this index and one of the two Chilean companies in the Food & Beverage sector.

Being part of this index confirms the Company's commitment with our collaborators, communities, the environment and our investors.

In recent years, the Company has received several awards and recognitions for its performance in sustainability. Likewise, in October it was announced that we would become part of the Dow Jones MILA Sustainability Index; in September it was announced that we would become part of the DJSI Chile and in June we were ratified in the Vigeo Eiris Emerging 70 Ranking.

*Going on to the operations, in **Argentina** during this quarter sales volume decreased by 3.4% largely explained by macroeconomic factors. Our market share in the soft drinks segment reached 62.2 points, increasing 90 basis points regarding the same period of the previous year and 40 basis points regarding this past quarter.*

*In **Brazil**, this quarter we continue to see a complicated economic and politic environment, particularly in Rio de Janeiro, which affected our sales volumes, with an 8.1% decrease this quarter. However, it is important to point*

out that the comparison basis of last year incorporates the incremental volume sold as a result of the Rio 2016 Olympic Games. Our market share reached 64.1 points, which is 130 basis points higher regarding the same period of the previous year and regarding the second quarter of this year. Despite the difficult context our operation has been facing and the sales volume reduction, the franchise continues to show positive financial results with margin expansions.

In **Chile**, sales volume decreased 2.5%, however our soft drinks market share reached levels of 67.9 points, 30 basis points above the last quarter.

In **Paraguay**, our sales volume grew by 13.2%, explained by the growth of all categories. Volumes were driven by favorable weather conditions during the quarter and by the reactivation of trade. Regarding our market share, this has reached record historic levels of 70.7 points in the quarter, which is 250 basis points above the same quarter of last year and 180 basis points above the last quarter, reflecting the outstanding execution at the point of sale that we have been implementing in this franchise.

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 negative impact upon consolidation of figures from local currencies in Argentina and Paraguay to Chilean Pesos, particularly resulting from the 16.0% depreciation of the Argentine Peso and the 3.9% depreciation of the Paraguayan Guaraní. On the other hand, regarding our reporting currency, the Brazilian Real depreciated by 0.4% during the quarter, so the impact upon consolidation of figures was not relevant.

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 22.8% during the quarter, which was mainly explained by the implementation of price increases and that were partially offset by the 3.4% sales volume reduction.

Cost of Sales grew 23.8% in the quarter, explained by:

1. increased revenues, which has a direct incidence on the cost of concentrate
2. increased labor costs, mainly due to high local inflation,
3. the shift in the mix towards products carrying a higher unit cost, and
4. the 15.6% devaluation of the Argentine Peso against the U.S. dollar having a direct incidence over our dollarized costs.

On the other hand, Distribution Costs and Administration Expenses increased 19.3% 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 28.7% in the quarter, and EBITDA margin expanded 61 basis points reaching 13.6%. Argentina represented 24% of the EBITDA generated by the Company.

In Brazil Net Sales decreased 7.8%, which is explained by the 8.1% sales volume reduction that could not be offset by the implementation of price increases.

Cost of Sales decreased 7.3%, which is mainly explained by decreased revenues, which has a direct incidence on the cost of concentrate and by the lower volume sold. This was partially offset by the shift in the mix towards products carrying a higher unit cost and the higher cost of sugar.

On the other hand, Distribution Costs and Administration Expenses decreased by 11.4%, which is mainly explained by lower marketing expenses and a lower cost of distribution freight, resulting from lower volumes sold.

EBITDA increased 0.3% in the quarter and EBITDA margin was 15.3% an expansion of 120 basis points.

Brazil represented 36.9% of the EBITDA generated by the Company.

In Chile Net Sales decreased 1.1% in the quarter, explained by the 2.5% drop in sales volume, which was partially offset by price increases in all categories where we participate.

Cost of Sales decreased 0.7% in the quarter mainly explained by the lower cost in U.S. dollars of PET resin. This was partially offset the shift in the mix towards products carrying a higher unit cost and also by the greater cost of sugar.

Distribution Costs and Administration Expenses decreased 2.1% in the quarter, mainly explained by lower labor costs.

EBITDA decreased 1.0% in the quarter and EBITDA margin reached 18.6%, an expansion of 3 basis points.

The Chilean operation represented 33% of the EBITDA generated by the Company.

In Paraguay Net Sales increased 22.0% in the quarter, mainly explained by the 13.2% sales volume growth and the implementation of price increases.

Cost of Sales increased 23.0%, mainly explained by the greater volume, as well as by the shift in the mix towards products carrying a higher unit cost, such as juices, and the increase in the cost of sugar.

Distribution Costs and Administration Expenses increased 6.5%, which is mainly explained by higher labor costs; and higher distribution freight expenses, which was partially offset by lower depreciation charges.

EBITDA increased 25.4% in the quarter and EBITDA margin reached 25.7%, an expansion of 61 basis points.

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

We are now available for any questions you may have.

Fernando Olivera: Good morning everybody. Thank you for taking my call. I have a couple of questions regarding Brazil. The first is if you can give us an idea of what would have been the growth in volume and sales if you were to exclude the effect of the Olympics and also how sustainable are the efficiencies that you have achieved in Brazil. Thanks a lot.

Miguel Ángel Peirano: Well, basically what we estimate is that the Olympics increased last year's volume by approximately two points so that would add those two points of growth this year compared to the previous year.

And with regard to the sustainability of the efficiencies, yes we do believe in it. Moreover, we believe that this is going to continue on that path once the Duque de Caxias plant starts operating. Today, in some way, we are distributing returnable products from Rio de Janeiro to Espiritu Santo. It is a quite a distance. And the water from Ribeirão Preto to Rio de Janeiro, basically because Duque de Caxias will begin operating during the first quarter, at the beginning of next year. This, once the plant is running, should not only begin consolidating but will add the efficiencies that have been achieved to date.

Sergio Matsumoto: Hi, good morning. My question is also regarding Brazil. The recovery of volume in Brazil, why is it weaker than your neighbor in Sao Paulo? Is it explained by the Olympics or other factors?

Miguel Ángel Peirano: Hello, Sergio. Well, clearly the Olympics is an impact and I am going to refer specifically to Rio de Janeiro. Rio has unfortunately been in a bit more complicated situation than the rest of the country, somewhat by the impacts of the previous Governments on the particular economy of Rio, which in the past had been propped-up by the end of the World Cup, by the Olympics and today it is going through a complicated situation and that somehow the recovery period has had a lag compared to the rest of Brazil.

But we are convinced that as long as Brazil as a whole country continues finding its way to recovery, Rio perhaps a little later, but it will come out like the rest of the states.

Sergio Matsumoto: Perfect. And my second question is about Chile. How is the market share trend coming along regarding your competition?

Miguel Ángel Peirano: As you have seen, we have gained share compared to the previous quarter, so we have been recovering market share. We are at very high figures and we still have not reached the figures last year, given that the previous year we had achieved a historical record market share. So we are very comfortable with the numbers that we have today.

Mariana Hernández: Hello, good morning. Thank you very much for taking my question. I'd like to ask regarding Brazil. Can you discuss with us pricing strategy in Brazil? Both for soft drinks and beer. And in soft drinks, eliminating the impact of the Olympic Games, do you think that you are increasing prices more or less aggressively than the competition? And in beer it appears that your main competitor has increased prices in advance. Were you able to increase prices in the middle of this transaction with Heineken or are you not increasing prices for now? Thanks a lot.

Miguel Ángel Peirano: Well, regarding soft drink prices, if you've seen the evolution during the year, we have started with a – we had increased well over inflation, especially ahead of a tax in December, for the purpose of entering the year in a very good position. And this and part of our strategy, is to be in line with inflation, so there has been a dilution of this growth above inflation over time. Mostly to help sustain the volume in a rather complicated economy such as the one in Rio de Janeiro.

Our goal on prices is to be in line with inflation and a little higher, a little below depending on the elasticity that the market will then allow and the actions of the competition.

With regard to beer, we have followed with a very good performance, especially of the Heineken and Aspen brands in our region, which as you know, are in the premium segment and not in the mainstream, which is basically the focus we have on beer in our territories.

Felipe Ucros: Yes, good morning and thank you for the Q&A session. My question is on Argentina. We had discussed in previous calls, at previous meetings, that obviously you have had to adjust for inflation - wage adjustments have had to be made with inflation of the previous year, while on the top line we are not seeing the same price adjustments, and this is obviously causing some pressures on margins, correct?

I believe that this quarter it was not reflected because SG&A as a percentage of sales improved. But I wanted to see if you could tell us a little bit about this issue in the following quarters and if maybe it's a dynamic of several years, since the review of inflation in Argentina, is probably something that's going to take a while – and will go beyond 2018. Thank you.

Miguel Ángel Peirano: Hello Felipe. Well, as you say, joint negotiations with trade unions. Unions consider the past, a recomposition of salary based on past inflation and not necessarily future inflation. And in the case of Argentina, that is reducing its inflation quite dramatically, this creates a challenge for us in substantial costs, given that we have faced, on the one hand, clearly, increases in labor costs exceeding inflation, with cost reductions and efficiency and better performances in other areas. But I think that looking forward this is going to continue, as long as inflation stabilizes and this effect of reduction will be less significant than what it currently is.

Felipe Ucros: Okay, thank you. And an additional question regarding the portfolio of products in Chile and the reduction of the sugar content. Do you more or less have an idea of what will be the impact on costs in the next quarter? I think that it will be during the first quarter where you will have an impact for the entire period. And the other question would be, concerning the content of sugar, are you planning more reformulations of recipes in the following quarters? Thank you.

Andrés Wainer: Hello, Felipe. This is Andrés. Regarding the effect of the reduction of sugar, we are not going to give a specific number of how much a quarter will mean. But, so that you can measure what has been done in Chile on the issue of the reduction of the amount of sugar, five years ago we used 120,000 tons and today, with a higher volume than five years ago, we are using only 70,000 tons of sugar. So the effect of the reformulations and also of the changes in the preferences of people, of consumers who have gone from beverages drinks with calories to beverages drinks without calories, has had a quite significant effect on the issue of the amount of sugar we use.

In the case of the reformulation we will have two positive effects or three actually. One is that we are going to use less sugar in Fanta and Sprite. Okay? The amount of sugar is down by 50% and 60%. We will also pay less IABA. IABA on sugary products in Chile is 18% and for products that have low sugar content, which is the case now, pay only 10%. Therefore we will already have a positive effect.

And finally, in Chile the beverages that are high in sugar or high in calories must have a STOP sign label. And by having that STOP sign those products cannot be sold in schools or advertised on television during the day. And by eliminating that STOP sign, reducing the amount of sugar, we will be able to advertise during the day and sell our products in schools. Therefore there is also a very important long-term effect.

Are we going to continue to do reformulations? Yes, we are going to continue to do so. Probably in all countries. Now this is case by case. You have to see also what the response of consumers to the new formula is. But the idea, obviously, is to move forward on this path.

Nicolás Schild: Hello. Thank you for all the questions. You have just answered much of what I had on the reformulation of Fanta, Sprite. Could you only specify how much it represents of the total volume and if there is any increase, for example, in sweeteners resulting from the decrease in the use of sugar? And additionally if you could give us a little more detail on Paraguay, because part of this double digit increase in volumes was basically given to business with Brazil. How sustainable is this if it was given by depreciations of currencies as it has happened on other occasions? Thanks a lot.

Andrés Wainer: Fanta and Sprite in Chile represents approximately 20%, between 20% and 25% of the mix of soft drinks. And, indeed, a part of the savings in sugar will go - a part is going to be offset by the increase in the price of concentrate, about half because concentrate already contains sweetener. Therefore for Andina, for the bottler, the benefit will be half of the savings of sugar plus all the IABA savings.

Miguel Ángel Peirano: On the issue of growth in Paraguay, basically I would say that there are three reasons. The first is the transformation that we did with respect to execution. In where we have directly taken a series of territories that were in the hands of third parties and this has allowed us to sustainably improve levels of execution and distribution that we had in those places. On the other hand, during this period the temperature has been above the previous year, which has also helped us. And regarding the issue of trade with Brazil, what has in fact improved is the volume at the borders. Basically because the border areas that had been, somehow, punished by different types of exchange rates, and therefore in general all sales of appliances, electronics, tobacco, alcohol and others that export from those places, had dropped significantly, leading to a recession in the border areas. With the adjustment in terms of exchange rate, these regions have begun to once again have trade, which has improved the economic situation and therefore consumption.

Those are basically the three main reasons.

Nicolás Schild: Thanks a lot. I have a last question Andrés, since you implemented the reformulation of Fanta, Sprite a little less than a month ago. I wanted to see if you already had preliminary data on the reaction in terms of demand. And, if you are already advertising or began advertising. When could you start selling in schools, for example?

Andrés Wainer: We still don't have relevant information regarding how the response in volumes. We have to wait a little more time. A month is not very much. We are already advertising the products on television during the day, but we have still not started the sale in schools. But it will be starting soon.

Nicolás Larraín: Hello. Good morning. Thank you very much for the Q&A session. I wanted to ask about trends in volumes, specifically in Argentina after the positive result of midterm elections. How are you viewing the consumption dynamics there, if you are already observing, perhaps, some more green spots in some areas? And the other, also the same question for Chile. How is the volume dynamics that you are seeing in the country? Thank you.

Miguel Ángel Peirano: Clearly the result of elections in Argentina has consolidated the transformation model or it is consolidating the transformation model that the current Government of Macri is leading. And it is good news for the markets, which is good news for the recomposition of consumption. No doubt that this is going to go slowly. There is no step on improvements, but it is clearly a good sign. And what it would indicate is that the market, from now on, will improve continuously again without big jumps in consumption.

In the case of Chile, we are soon facing the issue of elections. It is a much more mature market than Argentina. It is a much more stable market. And the trend should also be to improve slowly.

Pedro Leduc: Good morning to all. Thank you for the questions. A little in the direction of Argentina also. If you see an expectation perhaps for inflation to decrease towards your wages and how this also could impact the price of products for next year. This is the first part and then regarding production costs. How do you view the savings of hedges and if you see it. Thank you.

Andrés Wainer: Regarding your question, we are seeing inflation falling to 15% next year. 15%, 16%. Very much in line with what most analysts expect. The pressure of the cost that we will have, as Miguel Angel explained, will be quite important because unions will most certainly close at figures above that. Now, we obviously work to try to offset that by productivity gains. Indeed this issue - this year exactly the same thing happened, inflation was much lower than the wage adjustments and despite it all we managed to defend and even increase our margins. And for next year we, despite the issue of wage pressure, we believe that we are going to maintain our margins.

And with respect to hedges, we have a policy in all countries where we take rolling currency hedges, let's say, for the next 12 months. And today we have already covered about 30% of the needs of currency that we need for the next 12 months. In the case of sugar hedges, in Argentina we have already fixed the price of sugar for roughly the first half of the year, well, and all that's left of this year.

(When there are no more questions)

Miguel Angel Peirano: *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. Please do not hesitate to contact us for any reason. Have a nice day.*

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