1Q18 Conference Call Guidelines

[I-advize people begin talking]

Miguel Angel Peirano: *Good morning and welcome, to Coca-Cola Andina's first quarter 2018 results conference call.*

In this first quarter the Company's consolidated volume grew 0.7%*, driven by the volume growth we had in Paraguay, Argentina and Brazil.* ***Our financial results were positive****, with Adjusted EBITDA Margin expanding more than 80 basis points reaching 21.4% in consolidated terms, and the Company's Net Income grew by 5.2%, implying a Net Margin expansion of more than 90 basis points.*

Argentina, Brazil and Paraguay had positive results: with growths in sales and adjusted EBITDA in local currency. In a neutral currency comparison, Consolidated Sales grew 9.4% and Consolidated Adjusted EBITDA grew by 18.2%. However, due to the strong depreciation of the Argentine Peso and the Brazilian Real against the Chilean Peso, our reporting currency, the Company's Consolidated Sales decreased by 5.1% while Consolidated Adjusted EBITDA decreased by 1.2%. Thanks to the focus we have placed executing the market with excellence, it is important to point out that in the four operations we gained market share during the last quarter, when compared to the same period of the previous year.

Regarding our new plant in Brazil, which as you know, it is located in Duque de Caxias in the state of Rio de Janeiro, which is in trial run operation since the beginning of the year and everything is moving forward according to plans in time and form. In normal operating conditions the new plant will add approximately 30% to the installed capacity that we have in Brazil today.

This plant will allow us to bottle mineral water at a very competitive cost, securing the supply and significantly reducing the high cost of transfer freight that we have today from Ribeirão Preto, since the land where the plant is located has a mineral water source. In addition, we will more than double our production capacity of returnables, a key packaging for our revenue management strategy, because it allows to reach more attractive price points and new consumers. On the other hand, we will produce non-returnable carbonated soft drinks at very competitive costs, mainly based on new technology and the availability of water, which is critical for the development of our business, and which will no longer be a restriction, given its high availability in the area. Finally, it will help us to be closer to our customers in the northeastern area of Rio de Janeiro and Espirito Santo thus improving our service level and quality.

Additionally, and as we discussed in our previous conference call, ***in January of this year we announced the subscription of the Guallarauco purchase and sale agreement****, along with Coca-Cola Chile and Embonor. Guallarauco is a renowned company in the premium juice business in Chile and will also allow us to incorporate new categories such as frozen fruits, ice creams and prepared desserts. This acquisition reinforces our goal to become leaders in all segments and markets where we operate and will complement our juice portfolio in Chile. It also reinforces our commitment with non-carbonated beverages, because we believe it is a market with great growth potential and is in line with* ***our strategy of becoming a relevant actor in all beverage categories.***

Finally, in line with our constant efforts to improve communication with the financial market and at the same time reduce waste generation, we have developed an ***Investor Relations Application*** *and will begin a 100% digital communication plan of our financial information. You can download our application: Coca-Cola Andina IR to your mobile phones from App Store and Google Play.* ***This is a new tool for the correct, timely and continuous reporting of the company's financial information to the market*** *and the company's community of investors, analysts and shareholders. In the application you will find Annual and Quarterly Reports that the company issues. Additionally, among others you will also find the calendar of future events, the price of the Company's shares and ADRs and different news required to be reported. Everything will be available in a couple of clicks on your mobile phones.*

Going on to the operations, in Argentina during this quarter sales volume grew 4.6%, explained by volume growths of the soft drinks and juice categories, which was partially offset by a decrease in the water category. This is the second consecutive quarter where we see sales volume growth and seems to ratify the trend change we had predicted. Our market share in the soft drinks segment reached 62.5 points, increasing 60 basis points regarding the same period of the previous year.

In Brazil, this quarter sales volume grew 0.8% regarding the previous year, explained by the volume growth of the soft drinks, water and beer categories, which was partially offset by the decrease in the juice category. Volumes during the quarter continue influenced by macroeconomic factors and the low level of consumer trust which affects consumption. Our market share reached 62.9 points, which is 70 basis points higher regarding the same period of the previous year. Despite the difficult context our operation has been facing, the franchise continues to show positive financial results with margin expansions.

In Chile, sales volume decreased 4.6%, explained by a decrease in the soft drinks and water categories, which was partially offset by the growth in the juice category. However, our soft drinks market share reached levels of 67.3 points, 60 basis points above the same period of the previous year.

In Paraguay, our sales volume grew by 6.9%, explained by the sales volume growth of all categories and driven by the juice category. Our market share reached 70.9 points, which is 440 basis points above the same period of the previous year, 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. During this quarter we again had a negative impact upon consolidation of figures from local currencies to Chilean Pesos, particularly resulting from the 26.9%, 11.0% and 6.9% depreciation against the Chilean Peso of the Argentine Peso, the Brazilian Real, and Paraguayan Guaraní, respectively.*

Regarding 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 27.8% during the quarter, which was mainly explained by the implementation of price increases and by the sales volume growth that Miguel Angel mentioned.*

Cost of Sales grew 20.6% in the quarter, explained by 3 factors:

1. *increased revenues, which has a direct incidence on the cost of concentrate,*
2. *the 25.7% devaluation of the Argentine Peso against the U.S. Dollar having a negative impact over our dollarized costs, and*
3. *increased labor costs, mainly due to high local inflation.*

On the other hand, Distribution Costs and Administration Expenses increased 29.5% in the quarter, which is mainly explained by expenses such as freight, labor, and services provided by third parties, which have increased mainly due to high local inflation and by greater marketing expenses.
Finally, EBITDA increased 41.3% in the quarter, and EBITDA margin expanded 182 basis points reaching 19.1%. Argentina represented 26% of the EBITDA generated by the Company.

In Brazil *Net Sales increased 2.2%, which was explained by increased sales volume and the positive impact of the reversal of a provision related to the exclusion of the ICMS from the calculation basis of the PIS/COFINS during part of 2017, for an amount of 15.2 million Brazilian Reais.*

Cost of Sales increased 2.8%, which is mainly explained by the negative effect over dollarized costs of the 3.2% devaluation of the Brazilian Real against the U.S. Dollar, and by higher depreciation charges explained by the new Duque de Caxias plant and higher resin prices.
This was partially offset by a lower sugar prices and by the lower use of sugar due to the reformulations we have been performing.
On the other hand, Distribution Costs and Administration Expenses decreased by 5.1%, which is mainly explained by lower marketing expenses and lower labor costs.
EBITDA increased 9.9% in the quarter and EBITDA margin was 21.4%, an expansion of 146 basis points. Brazil represented 31% of the EBITDA generated by the Company.

In Chile *Net Sales decreased 2.4% in the quarter, mainly explained by the previously mentioned drop in volumes and that was partially offset by the implementation of price increases.*
Cost of Sales decreased 2.3% in the quarter explained by the positive effect of the 8.1% appreciation of the Chilean Peso over our dollarized costs and the lower use of sugar, due to the reformulations we have made.
This was partially offset by the shift in the mix towards sugarless and low-sugar products that carry a higher concentrate price, and by the greater cost of sugar during this period.

Distribution Costs and Administration Expenses decreased 1.0% in the quarter, mainly explained lower freight expenses that was partially offset by increased labor costs.
EBITDA decreased 4.6% in the quarter and EBITDA margin reached 22.6%. The Chilean operation represented 33% of the EBITDA generated by the Company.

In Paraguay *Net Sales increased 14.1% in the quarter, explained by the previously mentioned growth in volumes and the implementation of price increases.*

Cost of Sales increased 17.2%, mainly explained by an increase in the cost of sugar, greater volume sold, and increased revenues, which has a direct incidence on the costs of concentrate.
Distribution Costs and Administration Expenses increased 6.3%, which is explained by higher labor costs, greater advertising expense and higher freight expenses resulting from greater volumes sold. This was partially offset by lower depreciation charges.
EBITDA increased 8.6% in the quarter and EBITDA margin reached 28.0%.
Paraguay represented 10% of the EBITDA generated by the Company.

We are now available for any questions you may have.

Antonio González: With respect to Duque de Caxias I wanted to understand, its installed capacity is increasing 30% and before Duque de Caxias you had a relatively low utilization capacity, right? Due to cyclicity issues and the crisis in Brazil. So, I understand that the plant will be advancing utilization gradually, but I wanted to ask, once utilization is full, it seems that there will be excess capacity, right? And I understand that there are some specific lines, returnables and water that you didn't have before, but the longer-term question I want to ask you is, do you see room to rationalize capacity elsewhere? And if not, do you think such a large nominal installed capacity can impact your long-term profitability?.
Miguel Ángel Peirano: Regarding the issue of Duque de Caxias's capacity when one comments that it increases 30% of the capacity, what is important is to understand that capacity--not all lines do everything, so there is a capacity of water, there is capacity of returnables and a capacity of one-ways. Basically, we are doubling the capacity of returnables where we had our line working to the fullest, and territories where we had not launched returnables because of not having capacity for it. Therefore, in that case we have a shortage of installed capacity against the demand in the subject of returnables that we are making up for. The same thing happens in waters. In the case of mineral water, in Rio de Janeiro we do not have mineral water, so we depended on other bottlers until we installed the line in Ribeirão Preto. However, the distance makes it relatively unviable or unprofitable to send mineral water from Ribeirão to Rio de Janeiro, which we were doing in order to service the market, but that was not necessarily economically sustainable in the long run. Therefore, we prepared the market and now we are adding capacity again in water where our capacity was zero. And in the case of PET we are adding one line that will mainly service the northern part of Rio de Janeiro and Espirito Santo, that was serviced from Rio de Janeiro, and in the case that some line is left without use, it will simply be a cost reduction in terms of headcount on the one hand, since the lines we have installed in Duque de Caxias is much more technological than the ones we have in Rio de Janeiro. On the other hand, you must keep in mind that we also closed the Vitoria plant because of the low volume it had, which also reduced the installed capacity at a time where had two plants. Therefore, the reality is that in terms of utilization for water we will be fine, as well as in returnables and in the case of one-ways, what we are doing is optimizing and being more productive. Going forward, hopefully this plant will fill quickly that has been designed in a modular way, so that it can continue to grow efficiently with fully automated lines.
Antonio González: Regarding reformulation, could you give us a quick comment, the big picture, of which market you see even more opportunity to reformulate and roughly what has been the benefit you have seen until now? Do you think you can do more or have you already captured almost everything you expected?
Miguel Ángel Peirano: In reformulation I would say that clearly in Chile is where we are more advanced and perhaps in Paraguay where we are a little behind. Here you must consider that reformulation has two parts, right? One is our intention to go more and more towards low sugar products or sugar-free products and on the other hand is the consumer, who must get used to this change and change their demand. We have countries that are, in this sense, much more aware of these kinds of issues, such as Chile that makes that change faster and today we have more than 30% of our volume in this type of low sugar or sugar-free products. In the case of Argentina and Brazil we are in the middle and perhaps Paraguay is a country where we still find it harder to change, not because of our reformulation but because of the market getting used to this new type of products. But yes, there are opportunities.

Alex Roberts: Two questions and both are really about Brazil. Starting with volume. It is the second quarter that we see a growth year against year and after long term contraction. Do you think we're really going to see a year in which volumes in the industry can grow? That is, do these last two quarters in Brazil mark or represent, perhaps, a slight tipping point and more so regarding the volume you reported in the first quarter in Brazil between CSDs and non-CSDs. If you can comment a little on the relative growth rate and including, perhaps if possible, a comment on how the volumes were in beer. This is the first question and then I have another one about Brazil.
Miguel Ángel Peirano: Regarding Brazil, yes as you say, the good news is that it is the second quarter where volumes are positive. Clearly, Brazil macroeconomically continues to improve. In the case of Rio de Janeiro and Espirito Santo it is a little more difficult because the market and the situation, both economically and in terms of safety in these states, is more complicated than in the rest of Brazil. But clearly to the extent that the country continues improving, so will these states and it is somewhat our goal, hence all the measures that we have taken to improve our market execution capacity, our competitiveness, in order to achieve market share growth that gives us part of this growth in volume that we have. It must be taken into account that the political part in Brazil is still uncertain. There is an election this year and even today the different candidates are not yet defined and there is no candidate who has a clear preference, so the situation ahead remains somehow uncertain, but that does not complicate at all what we have to do in the market, which is to be more efficient and serve our consumers with the products we have and continue to expand our execution capabilities. In the case of beer, volumes were positive as in soft drinks and stills. And forward hopefully it will continue this way. I do not see a great growth this year, probably follow the levels in which we are now, hopefully positive, but with a great question about what happens with elections and how this moment will be lived both before and after-elections depending on the president who wins.
Alex Roberts: Between CSDs and non-CSDs, can you comment which segment had a stronger growth or was it more or less the same, or do you not want to comment on this?
Miguel Ángel Peirano: Non-CSDs grew a little more than CSDs, however, both were positive.
Alex Roberts: The second question is about margin, 150 basis points of expansion in Brazil that you reported in this first quarter. It seems that not much came from operating leverage because there really was not a big increase in sales. So, if can you comment a bit of that expansion in the margin if we can really think it was in some way due to the lower cost of sugar? And if you can comment a little, in general, how were the costs of sweeteners in the company during the first three months of the year. Thanks a lot.
Andrés Wainer: I will answer your last question first, the issue of the cost of sugar. In the first quarter, in the case of Chile and Brazil, the price of sugar was very similar in dollars to that of last year. There aren't relevant changes. In the case of Argentina, it was considerably lower than last year. Now, regarding what remains for the remainder of the year, especially in Chile and Brazil, we will see sugar costs each time with more important differences, and lower compared to the previous year. We must remember that we are taking hedges for the next 12 months at a certain range. In the case of Chile and in the case of Argentina we practically already have all the sugar already fixed, but each time the fixations have been at lower prices, therefore, we will see a gradual decrease in the cost of sugar in all countries compared to last year. Okay? The second semester is when there should be a stronger impact. Now, with respect to Brazil's margins, although they increased in the first quarter, it must be remembered that an important part of the increase has to do with the provision reversal of 15 million Brazilian reais, which is explained in the press release because of a tax issue in 2017 and that was reversed in the first quarter of this year. When we project the full year, we expect margins in Brazil to be very similar to those of 2017. We expect to have an increase, but it will probably be quite small.

Carlos Laboy: When does the Duque de Caxias plant complete its trial running period for returnables, water and PET?
Miguel Ángel Peirano: Basically, regarding PET and returnables I would say, soon, in the next months it will be already fully productive. Regarding water we depend on the last permit, but we believe that by the middle of the year we will also be fully operating all three lines.
Carlos Laboy: So, do you think that in the second quarter we will have some returnables there?

Miguel Ángel Peirano: Yes, no doubt. Moreover, we already have returnables and we are adjusting the lines to lead, in the learning curve, towards the efficiencies that we must have as a manufacturer. But yes, we are already producing returnables.

Felipe Ucros: I have a quick question about Argentina. We have been seeing in the last year or two years obviously a correction in inflation in the country, but several times we had seen several companies in the consumption industry having to raise salaries of the employees with the inflation of the previous year while they were increasing prices with inflation of the current year, and that had caused some distortions that were compressing margins. This quarter you improved margin expansions. Can you comment a little if the macro situation has changed or if you have made special agreements with the employees' unions or are what is behind these changes? Thanks a lot.

Miguel Ángel Peirano: Economically, Argentina is somewhat consolidating, and it seems that volumes are consolidated in terms of growth going forward, hopefully they continue that way. With regard to wage adjustments, no doubt when inflation goes down there is the position of the Government to continue lowering inflation so adjustments are with future inflation, while the unions position is to look back and compensate what was lost and adjust by the past inflation and that always generates a gap, a gap that eventually ends up negotiating in something intermediate or something closer to the past and that happens to all companies and perhaps makes it difficult a bit the speed with which inflation is lowered. Anyway, when you see that two years ago we were close to 40 and today, this year, will be close to 20, clearly there is an improvement, perhaps not with the speed that one would like to exist, but the trend is consolidating. And on the other hand, because of the negotiations commented by Andrés of sugar and others, we are going to be compensating perhaps going forward the higher cost we have for a correction more towards a past inflation than towards a future.

Felipe Ucros: Okay, but the pressure in negotiations has remained very similar?

Miguel Ángel Peirano: Yes, in Argentina that is almost a standard.

(When there are no more questions)

Miguel Ángel Peirano*: Simply thank you for the time, your participation in this call and your interest in the results of Coca-Cola Andina. Also, I invite you again to download the Coca-Cola Andina IR application to be closer to you every day and, as always, our investor relations team and management are and will be available to meet with you and answer any questions you may have. Have a nice day.*

--- The End **---**