## 1Q20 Conference Call Guidelines

***Miguel Ángel Peirano:*** *Good morning and welcome to Coca-Cola Andina's first quarter 2020 earnings Conference Call.*

***I would like to stress that the Company's results were quite positive this quarter****, even though as early as March we began suffering the negative effects of the COVID-19 pandemic and the measures that governments have taken to stop its spread. As of mid-March, the governments of the countries where we operate were gradually declaring total or partial quarantines, closing of restaurants and bars, shopping malls, and schools and universities, as well as prohibiting social gathering events and a request to maintain social distancing. These measures particularly affected the on-premise channel, as most restaurants and bars in our franchises remain closed.*

*However, we finished the quarter with volume growths in Chile and Brazil. As for Argentina, in addition to the effect of COVID-19 in March, the country is facing a difficult economic context affecting the consumption capacity of the population.*

*Consolidated sales of the company grew 12.8% and adjusted EBITDA grew by 10.9%, with which the company's adjusted EBITDA margin was 20.6% in the quarter. On the other hand, Income attributable to the owners of the controller grew 4.1% and net margin contracted by 80 basis points.*

*Finally, I would like to thank all our collaborators who have continued to work during this pandemic, in order to satisfy our customers and consumers. We are taking all necessary measures to protect our workers, including work from home, new cleaning and sanitization protocols at production lines, use of personal protective elements such as masks and hand sanitizers, among other measures suggested by the authorities. We have been through other crises, such as earthquakes, floods and global recessions, and have always come out stronger, thanks to the quality of our team, the power of the brands we commercialize, and the solid alliance we have with The Coca-Cola Company.*

*Lastly, I would like to mention the successful placement of a USD 300 million 30-year bond that we made in January of this year, at a yield of 3.999%, which allows us to be in a very good liquidity position to deal with the COVID-19 crisis.*

***Moving on to the operations,***

***In Argentina*** *sales volume during the quarter decreased by 5.9%, which was explained by a drop in volumes in the juice, water and soft drinks categories, as a result of the economic crisis through which the country is going through and the effects of measures adopted by the government beginning March to contain the COVID-19 outbreak. We would like to emphasize that during the first quarter of the year, for the first time we achieved leadership in the energy drinks market through Monster, both in volume share as well as value share. Our soft drinks market share reached 61.8 points; 220 basis points lower with respect to the same period of the previous year. In the case of Argentina, Chile and Paraguay market share figures are as of February because we still do not have March figures.*

***In Brazil****, sales volume increased by 1.7% this quarter compared to the previous year, explained by a significant increase in the volume of water and beer categories, which was partially offset by a decrease in the juice and soft drink categories. It is worth mentioning that the State of Rio de Janeiro has had a problem these months with the* *quality of its drinking water, which has caused population to significantly increase bottled water purchases, and at the same time decrease purchases of soft drinks and other categories. This partly explains the increase of 159% that had our sale of mineral water. Our soft drinks market share reached 62.5 points in the quarter, 70 basis points higher than the same period of the previous year. Meanwhile, returnable formats continue to grow vs. previous year, and in this quarter accounted for 27.8% of the soft drinks mix, an increase of 230 percentage points compared to the same period of the previous year. I would also like to emphasize that we have made considerable progress in the direct takeover of area distributors in the State of Espírito Santo, specifically in the regions of Guaçuí and São Mateus, where volume is increasing by 24% in two years, and we have earned 8 share points in the same period. For the remainder of the year we will finish this process, with the direct takeover of the Colatina region.*

***In Chile**, sales volume increased by 4.4% compared to the same quarter last year, explained by the increase in all the categories in which we participate, which was achieved by increasing average prices above inflation. Our soft drinks market share reached 64.4 points, 210 basis points lower compared to the same period of the previous year (data as of February). It should be noted that during the first quarter of the year, we increased sales of Guallarauco ice cream by 400%. In addition, for the first time we managed to be the leaders in energy drinks in the supermarkets channel, an achievement that we had already attained in the Mom & Pops channel.*

***In Paraguay,** our sales volume decreased by 1.3%, explained mainly by the effect of the measures taken by the authority to control COVID-19, since until mid-March we had been recording volume growth. During the quarter, the water and juice categories showed solid growth, and only the soft drinks category closed with a slight drop. We have achieved historical soft drinks market share levels, **reaching 74.5 points, 310 basis points higher than the same period of the previous year (data as of February)**.*

*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 more than a year ago. Hence, among other implications, the figures of Argentina in the first quarter of 2019 were consolidated using the closing exchange rate of March 2019, which was $15.7 Chilean pesos per Argentine peso, and those of the first quarter of 2020 were consolidated using the closing exchange rate of March 2020, which reached $13.2 Chilean pesos per Argentine peso. Figures of our Argentine operation for both the first quarter of 2019 and the first quarter of 2020, are presented in local currency of March 2020.*

*With regard to the exchange rates of the other countries where we have operations and their effect on the consolidation of figures, this quarter we had a positive impact in consolidating figures of our operation in Brazil, since in the consolidation of figures we use an exchange rate of $180.4 Chilean pesos per Brazilian real, which is compared to an exchange rate of $176.8 Chilean pesos per Brazilian real in 1Q19. We also had a positive effect on the consolidation of figures from Paraguay, with an exchange rate of $0.12 Chilean pesos per Guaraní compared with an exchange rate of $0.11 Chilean pesos per Guaraní during 1Q19.*

***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 real currency of March 2020.***

***In Argentina,*** *Net Sales decreased by 7.1% in the quarter, which was mainly explained by the volume decrease already mentioned by Miguel Ángel, and to a lesser extent by lower average prices.*

*Cost of Sales decreased by 10.9% in the quarter, mainly explained by:*

*i. The drop in volume sold,*
*ii. A lower cost of PET resin, and*
*iii. A lower cost of sweetener*

*These effects were partially offset by the devaluation effect of the Argentine peso on our dollarized costs.*

*For its part, Distribution Costs and Administrative Expenses decreased 6.6% in the quarter, which is mainly explained by the effect of lower volumes on distribution expenses and lower advertising expenses.*

*Finally, Adjusted EBITDA increased by 7.9% in the quarter, and Adjusted EBITDA margin expanded 293 basis points reaching 21.2%. Argentina represented 23.0% of Adjusted EBITDA generated by the company.*

***In Brazil,*** *Net Sales increased by 7.0%, which was mainly explained by average price increases as well as by the increase in sales volume already mentioned by Miguel Ángel.*

*Cost of sales increased by 12.5%, which is mainly explained by the shift in the mix towards products with a higher unit cost, especially beer, and by the devaluation effect of the Brazilian real on our dollarized costs. These effects were partially offset by a reduction in the cost of PET resin.*

*On the other hand, Distribution Costs and Administration Expenses increased 18.3%, which is mainly explained by other operating income classified in this item, which recorded a decrease compared to the previous year and by greater advertising expenses. This was partially offset by lower labor costs.*

*Brazil's Adjusted EBITDA decreased by 19.2% in the quarter and Adjusted EBITDA margin was 16.7%, a contraction of 541 basis points. Brazil represented 27.0% of Adjusted EBITDA generated by the company.*

***In Chile,*** *Net Sales increased by 11.2% in the quarter, mainly explained by increased average prices, as well as by the volume increase already mentioned by Miguel Ángel.*

*Cost of Sales increased by 8.2%, which was mainly explained by the shift in the mix towards sugar free products or less sugary products, which have a higher cost of concentrate, and by the negative effect of the depreciation of the Chilean peso on our dollarized costs. These effects were partially offset by a lower use of sugar given the shift in the mix towards sugar free products.*

*Distribution Costs and Administration Expenses increased 6.7% in the quarter, mainly explained by higher distribution expenses due to the increase in volume sold and greater labor costs.*

*Adjusted EBITDA increased 20.1% in the quarter and Adjusted EBITDA margin reached 22.0%, an expansion of 162 basis points over the previous year. During the period, the Chilean operation represented 36.4% of the Adjusted EBITDA generated by the company.*

***In Paraguay,*** *Net Sales increased 5.9% in the quarter, which was explained by price increases in all categories in which we participate.*

*Cost of sales decreased by 1.2%, which was mainly explained by lower volume sold and by a reduction in the price of PET resin and sweetener. This was partially offset by the devaluation effect of the Paraguayan guaraní on our dollarized costs.*

*Distribution Costs and Administration Expenses increased by 8.8%, which is mainly explained by lower other operating income classified in this item, as well as by higher depreciation. This was partially offset by lower distribution costs.*

*Adjusted EBITDA increased 16.6% in the quarter and Adjusted EBITDA margin reached 31.0%, an expansion of 285 basis points over the previous year. Paraguay represented 13.5% of Adjusted EBITDA generated by the company.*

***We are now available for any questions you may have.***

**Operator:** Thank you for your attention, we will now begin the Q&A session. And the first question comes from Felipe Ucros with Scotiabank. Go ahead please.
**Felipe Ucros:** Good morning, Miguel Ángel, Andrés. Thank you very much for taking our questions and I hope your families are doing well. My first question has to do with Chile where you hit a home run, results were incredible this this quarter. It was something we did not really expect because the fourth quarter had been very difficult with the protests and there was very little adjustment time, and well, we also expected COVID to hit in March, and it seems it did not hit so hard. So I wanted to see if you could give us some detail on how the consumer was entering this new quarter, the second quarter, after such good results. And I also wanted to ask you separately about the Mom & Pops channel in your different countries, another of your peers, another of the bottlers reported that closing of Mom & Pops were quite high in some countries, actually in the most restrictive countries of Latin America, but I wanted to see if you had seen any of that in any of your regions where it seems to me that restrictions have not been as strong, but I wanted to see how that was going. Thank you very much.
**Miguel Ángel Peirano:** Hello, how are you? Good morning, this is Miguel Ángel. Well, regarding Chile, we have really had an exceptionally good quarter. We have been able to implement all the actions that we had been preparing, basically and as you say, strengthening from the learnings that we obtained during the last quarter in Chile, which indeed was complicated due to the riots that had occurred and the impact it had generated mostly in the on-premise channel, in bars, restaurants and others that were mostly closed during that period. That was then intensified by Coronavirus. Now in Chile, unlike Argentina, Paraguay and Brazil, a total lockdown was not decreed, but it was more selective. The quarantine request was generated by communes based on the government's registration of those infected in each of the communes, which allowed the effect of this partial lockdown to have been and is less significant than in the rest of the countries. In the case of Chile basically due to the increase of some costs that this generated, and also the drop of the exchange rate, we corrected through price and that also allowed us to help significantly improve the result with a counterpart of a slight drop in terms of market share that we will correct over time through revenue management actions.
So, as in the rest of the countries, from the second half of March and April, volumes are already falling, but to a lesser extent than in the rest of the countries such as basically Argentina, Brazil or Paraguay.
Regarding Mom & Pops, clearly the most affected channel was on-premise. Mom & Pops, depending on the country, have been more or less affected because in some regions, especially not in the big cities but rather the inner parts, for example inland Argentina, in the regions and others, where the presence of supermarkets is not so great and where people are still afraid to go to a supermarket despite the distancing measures that have been taken and the number of people which are allowed to enter the supermarket at the same time, smaller stores become a place that is relatively close and simple to do shopping.

All channels under this condition were affected, Mom & Pops to a lesser extent than on-premise, and depending on the country, similarly or to a lesser extent than in supermarkets. Globally, what we are seeing for the month of April is a volume drop similar to that commented by The Coca-Cola Company in its press release and conference call, which is around 25%.
**Felipe Ucros:** Very clear, thank you very much for the answer. I wanted to follow up if I may. You mentioned the price increase, not many companies have dared to do so during these circumstances, but we have seen that the few that have done it as you have done very well, it is a time where there has been a lot of consumer demand and let's say that the price has apparently been absorbed relatively easily. Is that something you noticed with the increases?
**Miguel Ángel Peirano:** We actually made the adjustments before the whole Coronavirus issue started. This was focused on the reaction of what had been going on in the last quarter in Chile due to the riots that took place and positioned us very well to face the Coronavirus issue, but this was done prior to the Coronavirus. We have not adjusted prices after the Coronavirus.
**Felipe Ucros:** Very clear, thank you very much Miguel Ángel.
**Miguel Ángel Peirano:** Thank you.

**Operator:** The next question comes from Carlos Laboy with HSBC. Go ahead please.
**Carlos Laboy:** Good morning, Andrés, Miguel Ángel. I wanted to see if you could talk a little bit about what is the change with the most impact or the most important change you can execute in your markets in the next two to three years. And I ask you because a lot has already been done with the caliber of modern and efficient plants, you have a direct distribution already quite advanced, it seems that in all countries. Management is pretty solid in all countries, margins look great. What is missing and what can be done in the next two or three years that can help you regain your sales level to what they were before the crisis in the fastest way?
**Miguel Ángel Peirano:** Hi Carlos. This is Miguel Ángel, how are you? Well, basically every crisis brings opportunities and brings changes in habits. Clearly regarding sales through e-commerce, through the Internet are going to be a tremendous opportunity that will open because many of the people who were afraid maybe to use a card, or place the card number and its password on a page, today by necessity is doing it and are discovering that done the right way there is no problem, and those are going to be habits that are going to change.
There are going to be changes in habits and clearly in the subsequent period given in the countries where we are, in general in Latin America economies do not have the strength and speed of recovery that other countries can have both the United States and European countries. The economy is going to be pretty hit in the face of all the measures that were taken to stop the spread and preserve the health of the population. But here the cost is going to be the economy and of course people's pockets.
And here is where returnables come back, where this packaging is currently being the most resistant to volume, and I have no doubt that it will come back because of an affordability issue, in addition to all the benefits it generates in terms of sustainability, a packaging we will continue betting on, where we are very well positioned and the goal is to continue growing in that segment.
In the case of Chile we already had direct-to-consumer sales for a few years through a platform that is micocacola.com, where we have grown from around 180 orders per day to 1,000 orders per day, and we are delivering in about 24 to 48 hours with very good service for this high demand. In short, as far as the commercial part is concerned, many opportunities are going to open up and one has to be very flexible and agile to know how to seize them.
In terms of packaging, returnable formats are clearly going to be a strength that also generate some additional relationship with the consumer, to have and care for our bottle at their home. And continuing to understand this new normal that will be generated once the Coronavirus is finished. As far as costs, we will keep working. We have done a lot during these years as you already well mentioned, there are always things to do and also the learnings that we are having through work from home, with which we are currently operating in the administrative part in all operations, it is also giving us new paths to see possibilities for how to reduce costs. Which is why there are always opportunities and we will go after them.
**Carlos Laboy:** Miguel Ángel, is there a maximum limit on the level of returnable formats you can manage to have in any of the countries?
**Miguel Ángel Peirano:** Well, I guess there's clearly a certain number of consumers who are going to somehow prefer the convenience of one-way format, in the sense of not having to be planning or storing their bottles, so the one-way format is always going to have a predominant space. Now clearly the area in which the returnable moves is going to grow.

I could not tell you a number as to its maximum limit, but it is clearly going to be higher than the current one in terms of percentage. Today in Argentina, in Paraguay and in Chile, we have about 50% of our sale in that type of packaging. In the case of Brazil that a few years ago, before we had Duque de Caxias, we were around 8%, 10%, today we are already at 30%, and clearly those are not the maximum limits under this new situation.
**Carlos Laboy:** Thanks.
**Miguel Ángel Peirano:** Thank you Carlos.

**Operator:** The next question comes from Fernando Olvera with Bank of America. Go ahead, please.
**Fernando Olvera:** Good morning, thank you very much for the question session. My first question is just a clarification regarding what Miguel Ángel said about the 25% drop in volumes in April. Is this the same or very similar in each country or is there a difference? That is my first question, and the second question is whether you could share given the environment, what you pricing strategy will be going forward? Thank you very much.
**Miguel Ángel Peirano:** Hello Fernando, this is Miguel Ángel. Well, as far as the 25% average drop, it is not the same in all countries. Again, from what I commented on in the previous questions that Chile made a decision to have a selective lockdown unlike Argentina, Paraguay and Brazil. This makes volumes in Chile to be less impacted than in the rest of the countries, so what we are going to see is a Chile resisting much more than Argentina and Brazil in that regard. The other three countries are roughly at the same volume levels.
And with regard to pricing, clearly revenue management becomes tremendously relevant at this time where the economic impact that our consumers are having due to the lockdown they are having for the prevention of Coronavirus, where many people are not going to work, especially those who are self-employed and have their own business, or have their independent activity and depend on daily sales, the sensitivity to the price is going to be much higher and hence the comment I made about the opportunity and the good positioning that we have thanks to our participation in returnable formats. Therefore, management will be very careful because clearly the economic situation of the countries and the pockets of people will be affected during and after the virus.
**Fernando Olvera:** Okay. I mean, in that case would it be reasonable to think of a pricing in line with inflation?
**Miguel Ángel Peirano:** Yes, initially that is the guideline. In line with inflation with increases that are going to be moderate.
**Fernando Olvera:** Okay, perfect. And if there is an opportunity for an additional question, I just wanted to check with you if given the circumstances, have you thought about reviewing the capex for the year?
**Miguel Ángel Peirano:** Yes, capex is being reviewed, but I leave that part to Andrés.
**Andrés Wainer:** Yes. Hello Fernando. We are indeed reviewing capex plans. The original budget, before the pandemic issue, was around USD 165 million, and we are reviewing it and we are leaving it at somewhere under USD 100 million.
**Fernando Olvera:** Okay, perfect. Thank you very much.

**Operator:** And the next question comes from Felipe Ucros with Scotiabank. Go ahead please.
**Felipe Ucros:** Yes, thank you very much. I had a follow up. It was about the issue of returnables. I do not know if you can give us an idea of how the margins of returnable products compare, especially now that returnables have been starting to change a little with the universal bottle. I do not know if you can give us a little bit of an overview on how those margins are comparing versus the rest of the portfolio. Thank you.
**Andrés Wainer:** Yes. Hello Felipe. Margins for returnables with respect to one-way are not so different. They are slightly lower in returnables but there is no relevant difference. And to calculate the margin for returnables one is assuming the bottle as cost, which is actually a fixed asset, and I am dividing it by the number of times the bottle is reused, which in the case of the plastic bottle is about 12 times and the glass can be more than 30. But considering that as a cost, margins look pretty similar, as I mentioned slightly lower for returnables.
In Brazil, the difference is a little higher. In Brazil, the one-way in fact has a higher margin than the returnable, partly because as a strategy to increase returnability in Brazil, we are offering it at a very attractive price to consumers.
**Felipe Ucros:** Well, that makes perfect sense. Thank you very much for the answer.

**Operator:** The next question comes from Bianca Toelho with Coca-Cola. Go ahead please.
**Bianca Toelho:** Okay. In Brazil we have growth in revenue, but a decrease in operating income, is this because of the growth in operating costs, production costs. Can you comment on the causes of these increases?

**Andrés Wainer:** Yes, there are several costs that have increased in Brazil. First the exchange rate. The exchange rate had a fairly significant rise which is affecting all the dollarized costs of the company and that causes a drop in margins. The other thing is that in Brazil we have also increased advertising costs during the first quarter and that is also affecting Brazil's operating income.
And the other thing is that while there is an increase in revenue it has a lot to do with the mix issue, total volume only grows by 1%. And the shift in the mix, towards beer, which although it has a higher price also has much higher costs than soft drinks. It is a finished product that we purchase from Heineken.
**Bianca Toelho:** Okay, thank you very much.

**Operator:** A follow up question from Carlos Laboy with HSBC. Go ahead please.
**Carlos Laboy:** Yes, thanks. I wanted to know if you are seeing any increase in the cost of concentrate in any of your countries.
**Miguel Ángel Peirano:** Hello Carlos, this is Miguel Ángel. No, we are not seeing any increase in concentrate costs at this time. It is clearly a decision of The Coca-Cola company, but at the moment we do not see any sign indicating that.
**Carlos Laboy:** Thanks.

**Operator:** And the next question comes from Jorge Mauro with Fundamenta. Go ahead.
**Jorge Mauro:** Yes, hello, how are you? Thank you for taking my question. It is about the Brazil business. We had a gross margin drop of about 300 points year over year, I understand that in part it was because of the shift in the mix and the sharp increase in water sales as commented in Rio de Janeiro, what I wanted to know is if you are already seeing a normalization of that situation.
I understand that the problem that CDA had and water have already been solved, so to the extent that we see a consumption of mineral water going back to normal, are you seeing a favourable mix change, should we expect a gross margin behaviour a little more in line with the historical one. That is the first one. And the second, if you could confirm Manaus' rebate rate in terms of concentrate, whether it was 4% in this quarter and how much do you expect it to be for the year. Thanks a lot.
**Andrés Wainer:** Hi Jorge, how are you? Regarding the issue of water and mix, until March there was a quite strong shift in the mix. You already have the figures that we reported and that was what affected gross margin. Gross margin was also affected by the devaluation of the Brazilian real as most of the costs are dollarized, but the most important thing is the issue of shift in the mix. The issue of drinking water in Brazil is already settled so the mix is already starting to normalize. And regarding April it is still not completely normal, but we are working on that, normalizing.
On the subject of IPI, I do not have the figure in my head at this time, but it is not 4% all year round. From here until November I believe it is 8% and in November it goes back to 4%. It is six months that it increased back to 8% so that is going to help us during those months.
**Jorge Mauro:** Perfect, thank you very much.
**Andrés Wainer:** You’re welcome.

**Operator:** We do not have any more questions right now. I now give the floor to Mr. Peirano for final comments.
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***Miguel Ángel Peirano:*** *Just 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.*