2Q17 Conference Call Guidelines

[I-advize people begin talking]

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

We closed the second quarter of the year with results that reflect the focus we have given to the three pillars that are the basis of our strategy:

1. *EFFICENCY in all of our processes,*
2. *Cost CONTROL and OPTIMIZATION, and*
3. *PRICING and PACAKAGING management, in line with the challenges of each market.*

Thus, our consolidated sales grew 7.7% in the quarter, despite that we continue seeing a reduction of sales volume, explained by the weak macroeconomic environment that we continue facing in the countries where we operate, which has affected the volumes of the industry. This trend has still not improved, particularly in the case of Brazil.

With respect to innovation in our product portfolio, we began distributing AdeS in all of our franchises. As we have previously discussed, this is a plant protein-based beverage, which allows us to incorporate a new category with a different value proposal, thus expanding the variety of segments of our product portfolio. The incorporation of this product is in line with our strategy to service our consumers with the broad and growing ready-to-drink beverage portfolio the The Coca-Cola Company has been developing worldwide.

Going on to the operations,

***In Argentina** during this quarter sales volume decreased by 0.9% partially explained by macroeconomic factors, especially by the drop-in consumers' purchasing power resulting from high inflation, and unfavorable climate, particularly during April. Our market share in the soft drinks segment reached 61.8 points, increasing 50 basis points regarding the same period of the previous year.*

***In Brazil,** this quarter we continue to see a complicated macro-politic environment in Rio de Janeiro, which affected our sales volumes. Even so, soft drinks market share in the quarter was 62.7 points, which is 50 basis points higher than the previous quarter. The successful strategy of pricing and packaging, segmented by channel, along with a strict control over costs and expenses allowed us to show positive financial results this quarter, expanding margins, in spite of the difficult context our operation has been facing.*

***In Chile**, sales volume decreased 2.0%, explained by a reduction in volumes in all the categories in which we participate. Our soft drinks market share reached levels of 67.6 points, 100 basis points above the last quarter.*

***In Paraguay**, our sales volume grew by 0.2%, explained by the growth in the soft drinks category, partially offset by a reduction in the other categories. Regarding our market share, this has reached historic levels of 68.9% in the quarter, which is 80 basis points above the same quarter of last year and 230 basis points above the last quarter. This has occurred in a context of changing indirect clients to direct clients, which has certainly improved the service level to our customers and thus to our final consumers. We will continue focused on capturing profitable volume, as well as on the execution at the point of sale, thus maintaining the operation's profitability levels.*

Looking forward, we will continue focusing our work at the points of sale, running the market with excellence, with a strict control over costs and expenses, in each one of our franchises, since this is critical to the development and strengthening of our business.

*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 11.3% depreciation of the Argentine Peso and the 1.4% depreciation of the Paraguayan Guaraní. On the other hand, regarding our reporting currency, the Brazilian Real appreciated by 7.3% during the quarter, generating a positive impact upon consolidation.*

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 30.9% during the quarter, which was mainly explained by the implementation of price increases. On the other hand, sales volume decreased 0.9% in the quarter mainly explained by macroeconomic factors, especially a drop-in consumers' purchasing power because of high inflation and unfavorable weather, particularly during April.*
Cost of Sales grew 33.0% in the quarter, explained by:

1. *a greater cost of sugar in local currency*
2. *the increase in revenues, which has a direct incidence on the cost of concentrate*
3. *increased labor costs, mainly due to high local inflation, and*
4. *the 10.5% 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 25.2% 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 38.5% in the quarter, and EBITDA margin expanded 64 basis points reaching 11.3%. Argentina represented 22.1% of the EBITDA generated by the Company.

In Brazil *Net Sales decreased 2.6%, which is explained by the 10.8% sales volume reduction that could not be offset by the implementation of price increases.*
Cost of Sales decreased 1.1%, which is mainly explained by the lower volume sold and by the positive effect over dollarized costs of the 8.6% appreciation of the Brazilian Real against the U.S. dollar.
These effects were partially offset by a shift in the mix towards products carrying a higher unit cost and by the higher cost of sugar.
On the other hand, Distribution Costs and Administration Expenses decreased by 7.6%, which is mainly explained by the lower distribution freight costs, resulting from lower volumes sold, and lower advertising expenses.
EBITDA increased 4.9% in the quarter and EBITDA margin was 16.5% an expansion of 126 basis points. Brazil represented 36.9% of the EBITDA generated by the Company.

In Chile *Net Sales increased 4.2% in the quarter, explained by price increases in all categories where we participate that was partially offset by the 2.0% decrease in sales volume.*
Cost of Sales increased 8.1% in the quarter mainly explained by the shift in the mix from soft drinks to juices, water and others, by the higher cost of sugar and by greater labor costs.
This was partially offset by the lower cost in U.S. dollars of PET resin.
Distribution Costs and Administration Expenses increased 2.5% in the quarter, mainly explained by greater distribution freight expenses and higher advertising expenses.
EBITDA decreased 7.2% in the quarter and EBITDA margin reached 15.5%, a contraction of 191 basis points. The Chilean operation represented 29.8% of the EBITDA generated by the Company.

In Paraguay *Net Sales increased 4.8% in the quarter, mainly explained by the implementation of price increases. On the other hand, sales volume increased 0.2%*
Cost of Sales increased 7.8%, mainly explained by the greater cost of sugar, partially offset by the effect of the shift in the mix towards products carrying a lower cost.
Distribution Costs and Administration Expenses increased 6.9%, which is mainly explained by Other Operating Income classified under this item and that last year were higher than 2017. Isolating this effect, Distribution Costs and Administration Expenses would have increased 3.7%, mainly explained by:

1. *higher labor costs; and*
2. *higher distribution freight expenses*

This was partially offset by lower depreciation charges.

EBITDA decreased 7.4% in the quarter and EBITDA margin was 23.0%, a contraction of 299 basis points. Paraguay represented 11.2% of the EBITDA generated by the Company.

We are now available for any questions you may have.

Fernando Olvera: Because of the violence in Rio de Janeiro, I do not know if you could comment if this has caused difficulties in the distribution of products?. And also, with an easy comparison base in Brazil could we see volume growth in the third quarter? I do not know if you can share something on volume performance during July and August.

Miguel Ángel Peirano: Yes, unfortunately, in Brazil, and particularly in Rio de Janeiro, the violence has increased, we see it in the news, it is reported in the newspapers almost daily, and that undoubtedly, made the State send the army to Rio de Janeiro for supporting the police in the control of security. This affects distribution from a point of view of increased theft to our trucks and clearly the insecurity in our people that distribute the product, so we are taking steps to try to maximize protection of our people, which is our highest value as a company. On the other hand, despite this situation, we had maintained the level of service to our customers and clients. However, undoubtedly, this is a complicated point, especially regarding distribution and that, hopefully it will be resolved quickly, through the actions that are being taken by both the federal Government as well as the State Government and that it is resolved and back to normal in terms of security. And regarding the subject of volumes, it will depend much on how the economy continues in Brazil. So far, we are not seeing a recovery, nor a continued decrease in the economy, but have been rather that we are at the bottom and bouncing at the bottom, still without growth so I do not see big changes in the trend, at least so far.

Fernando Olvera*:* But regarding the violence in Rio de Janeiro, do you have any idea how much it has affected you or if maybe can you share more or less how much Rio de Janeiro represents of Brazil's volume?

Miguel Ángel Peirano*:* No, in terms of the impact the violence has had on our volume, it is very difficult to define exactly what it has been. Sometimes, a truck that has been sent out on-route does not return, either by theft or by a problem that it has had. But this does not necessarily mean an out of stock, because there's always product in the markets and we are re-stocking, there might be a specific out of stock situation, so giving you a figure is very difficult, but it has clearly complicated the distribution process and above all the issue of costs.

Antonio González*:* What is the latest update on the new plant in Brazil? do you expect to open on time and in due form as you had mentioned in previous quarters, and some expectations that you can share on how much this new capacity will help margins? And regarding Chile. We obviously saw EBITDA margin particularly in this quarter is even lower than the EBITDA margin of the Brazilian operation, and obviously we understand that there is an impact because of the mix and the cost of sugar, etc., but I wanted to ask you Miguel Ángel, if there is any other initiative underway to restore the profitability of the Chilean market that historically was very high, and do you think that there might be a recovery in the next 12 to 18 months. Alternatively, should we expect margins to remain under pressure in the Chilean market?

Miguel Ángel Peirano*:* Regarding the update of the new plant, fortunately and because of the work of our team in Brazil, the plant is on track regarding timing and the forecasted construction costs. Therefore, we anticipate and each time with a little more certainty, that at the end of this year or early next year the plant will be already beginning to operate with one of its lines. The second line which is for returnables within the end of the first quarter, and the water line since it requires permits for being mineral water, maybe a little later. However, the plant is fully on track regarding costs schedule, and timing.
Regarding the situation in Chile, the greater impacts on results in Chile are due to the increase in the price of sugar. As you know, we hedge sugar, and currently sugar is at a much higher price than the market price, which is affecting our results. We are clearly trying to compensate with other types of actions the impact on costs, but this effect of end of the year sugar, once we finish using the sugar we have bought a more expensive price and begin using sugar that we are buying or we have already bought at a price much more according to the market, margins will automatically be corrected.

Nicolás Larraín*:* Could you comment on the drop in of volumes in Chile, what you are seeing here and if this is a weakness that we should also expect going forward. My second question is about Argentina, if you could give us a general update on the recovery there. Finally, if you could give us a refresh on the cancellation of the deal with Heineken in Brazil, what is the latest news and what would be the steps to be followed in this case.

Miguel Ángel Peirano*:* Basically, the issue of the drop-in volumes in Chile is essentially a market issue, as we have seen, we have grown market share compared with the previous quarter but have yet to reach the levels that we had last year which had been record levels. Moreover, here is where the market takes a little preponderance and the aggressiveness of competition where as we have mentioned repeatedly we try maintaining and always prioritizing the balance that maximizes the value of the company. Looking forward, we see that in Chile we hope the economy begins to assert itself, we are entering a pre-election period that might have impacts in the sense of more money in the street, pre-election and sense of consumption, which we expect to be positive facing forward.

For Argentina, in several interviews I have been asked what the impact was going to be after the PASO elections in Argentina, which are open primaries that took place two weeks ago in Argentina. Essentially, the result was a nationwide support of the policy of the Government. In the particular case of the province of Buenos Aires, there was almost a tie between the current Government and the previous Government. Nevertheless, the general trend has been a support to the policies of the Government that somehow, regarding economic policy we are beginning to see recoveries in certain segments. Significant recoveries in some segments, particularly agriculture, and in other segments such as mass consumption we still have not seen this recovery. Anyway, facing forward, with a reaffirmation of the path Argentina has taken, it seems that Argentina should slowly and gradually begin to improve consumption, but we expect it be sustainably facing forward.

Finally, regarding your question about beer in Brazil, Heineken, you know that on July 3 Heineken reported its decision to terminate the distribution relationship with The Coca-Cola System with us and the rest of the bottlers in Brazil, which theoretically would become effective October 31 2017. We are looking at possible actions to follow and meanwhile, of course, a completely constructive dialogue relationship with Heineken and not much more than that. We are taking measures commensurate with the situation that we are going through and I am not going to expand on that subject, because they are ongoing discussions.

Nicolás Larraín*:* In Chile, you mentioned the hedge in sugar. Can you remind us how much is left of that hedge and when could we begin to feel the new prices?

Andrés Wainer*:* We take hedges for the following 12 months, sometimes up to 18 months. In the case of Chile, we have hedged all the sugar that we are going to use until the end of the year, and for the first and second quarters of next year, we have a very small part. So therefore, next year we should begin to see from the beginning of year quite lower sugar prices, similar to what you already might see today in international prices.

Carlos Laboy*:* Could you please comment on the opportunity of market share you have in low-income regions in Rio de Janeiro now that you will open the new plant. In addition, how will you use such a large capacity of returnables? Do you see it mainly in multi-serves or in single serves? Has there been a great opportunity in flavors or will you focus on Coca-Cola glass formats?

Miguel Ángel Peirano*:* As you say, the Duque de Caxias plant opens a new opportunity for growth in segments where today we do not yet have all the necessary tools to compete in an efficient manner. This is in the low-income area of in the northern part of the Rio de Janeiro territory, part of Espirito Santo, where today our line is completely full, in terms of production capacity throughout the year, and doubling with an additional line in Duque de Caxias will allow us to service these territories. To give you some reference, we have a gap of more than 15 points of market share between an area where our portfolio is complete, a little more noble area as the areas of Copacabana and downtown Rio de Janeiro, and 15 points less market share in poor areas where we do not have the tool, a product that is much more affordable to pockets of those regions, such as the returnable format. Therefore, we are very excited to have this tool beginning next year to be able to better segment our prices, and on the other hand, focus both on personal consumption as well as on multi-serve with returnables. Multi-serve because it is the family packaging that allows sharing Coca-Cola at home at a quite affordable price with the entire family. The personal sizes for making the trial to enable, with little money, drink and enjoy a cold Coke in Rio, or Espirito Santo. We are therefore extending our portfolio of products, mostly single-serves, that generates the trial, generates the first entrance to the category, and then its extension into the homes through returnables with a product of greater capacity.

Carlos Laboy*:* Can you comment a little about your business strategy in Buenos Aires, how are you are handling this strong and aggressive price lever, with minimal sacrifice of volume and how do you see this developing.

Miguel Ángel Peirano*:* Actually, both in Argentina and in the rest of the countries, our pricing strategy comes hand-in-hand with our execution strategy. When you unfortunately, have to sometimes compensate the drop-in volumes with price to maintain profitability, what you have to take care of is the correct execution with a well-marked price, with a product always clearly visible, in each point of sale. That is part of our global strategy, achieve through a better execution and a more physical distribution, the impact that increased prices could have. On the other hand, together with that, managing packaging segmentation is very important, there is a product that is possibly within the reach of every pocket, where the focus on the lower sectors is on returnables and in the higher sectors is on one-way formats, which is simpler and more comfortable. Basically these are the levers that we use for the purposes of despite having to increase prices to maintain profits, it will impact volumes as little as possible for the purpose of adaptation, the end result being greater profitability.

José Yordan*:* Andrés you previously commented on the sugar coverage you have in Chile, if you could comment on the other three territories, basically when will you start to use sugar closer to today's spot level in each of the other territories, during what month, whether this year or at the beginning of next year.

Andrés Wainer*:* In the case of Brazil, the situation is very similar to Chile, we have virtually the remainder of this year already covered and towards the end of the year or beginning of next year, we will already start to see that an important part of the sugar that we use will have lower prices. In the case of Paraguay, it is a little different. In Paraguay, we do not fix prices with the international market, but we have a supplier that sells us sugar at a fixed price in Guaranies. That price has also gone up, there is some connection with the international market, and the truth is I do not know when we will have a different price in Paraguay, at least until June of next year, we will have a relatively high price compared to the past.

In the case of Argentina, it is also quite similar to Chile and Brazil, and next year we will begin to have gradually lower prices during the year, starting from the first quarter and already by the third and fourth quite lower.

[End of the Q&A]

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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