3Q19 Conference Call Guidelines

Miguel Ángel Peirano: *Good morning and welcome to Coca-Cola Andina's third quarter 2019 results Conference Call.*

I would like to highlight the positive financial results of this quarter*, despite the macro environment to which we are exposed. Consolidated sales of the company grew 17.8% and adjusted EBITDA grew by 12.8%, with which the company's adjusted EBITDA margin was 16.4% in the quarter. On the other hand, Income attributable to the owners of the controller grew 134.3% and net margin expanded 310 basis points.*

In September we were ratified for the fourth consecutive year as part of Dow Jones Chile's sustainability index. *In addition, and for the third consecutive year, we were also ratified in the Latin American Integrated Market Sustainability Index - Mila. We are convinced of our purpose, to grow sustainably, and to be ratified once again in these indices demonstrates the importance of shared value in our company, for our investors and for all our stakeholders.*

Since October 4, we began commercializing and distributing Cooperativa Capel products in our franchise territories in Chile. *Pisco is a Chilean liquor distilled from grapes, which has about one third of the liquor market in Chile and the Cooperativa Capel brands we are going to distribute have approximately 45% of the pisco market. This agreement, as the one reached with Diageo in August 2018, optimizes and makes the use of the Company's extensive logistics and distribution network throughout its franchise territory in Chile, more profitable.*

In October in Chile we received the ***Best Place to Innovate*** *award, which distinguished us as one of the most innovative companies in the country. Innovation is part of Coca-Cola Andina's culture. We are convinced that in a changing environment as the one where we develop our activities, it is essential to have the ability to innovate and anticipate the challenges we constantly face, always having our customers and consumers as a center and guide in this process.*

Moving on to the operations,

In Argentina *during this quarter sales volume decreased by 11.8%, which was mainly explained by a complicated month of September, after a significant devaluation in the country after the PASO elections outcome during August. Although the country's macroeconomic situation is delicate, our operations continue consolidating leadership in the territories where we have presence, increasing our soft drinks market share which reached 63.1 points during the quarter, improving 30 basis points with respect to the same period of the previous year.*

In Brazil*, sales volume increased 10.1% this quarter compared to the previous year, explained by an increase in the volume of the soft drinks, water and beer categories. In this quarter we maintained 61.8 market share points, reflecting the extraordinary execution at the point of sale that we have developed in this country. We have increased mineral water coverage in family formats, which is in line with our goal of leading this market and additionally the reformulations we have made allow us to continue to move towards our goal of reducing calories in our product portfolio. So far this year the low cal mix reached almost 14%, which compares to levels of around*

10% in 2018. On the other hand, Returnables continue growing, and already account for about 25% of the soft drinks mix.

In Chile*, we have adjusted our trade policies and reinforced our execution with a focus on strengthening the traditional channel. As a result, we have increased the direct sale of our products to more than 1,500 new customers in the last 3 months, which, coupled with more favorable weather conditions, led to a 7.8% growth of our consolidated volumes in this franchise in the quarter. In addition, the focus on execution allowed us to gain 20 basis points of market share, reaching levels of 66.5 points.*

In Paraguay, *our sales volume increased by 4.4%, explained by growth of all the categories in which we participate. The levels of market share for soft drinks that we have achieved are historical, in this quarter we reached* ***74.9 points, 280 basis points higher than the same period of the previous year****. Finally, the commercialization of hotfill juices, which we started in June of this year, importing the product from our plant in Córdoba, not only allowed us to take more efficient advantage of the productive capacity that this plant has, but allowed us to grow more than 10% in this segment.*

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 a year ago. For this reason, among other implications, the figures of Argentina in the third quarter of 2018 were consolidated using the closing exchange rate of September 2018, which was $16.0 Chilean pesos per Argentine peso, and those of the third quarter of 2019 were consolidated using the closing exchange rate of September 2019, which reached $12.6 Chilean pesos per Argentine peso. Figures of our Argentine operation for both the third quarter of 2018 and the third quarter of 2019, are presented in local currency of September 2019.

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 $177.9 Chilean pesos per real, which is compared to an exchange rate of $167.5 Chilean pesos per real in 3Q18. The Guarani did not have greater variations in the period, it remained stable at $0.11 Chilean pesos per Guarani in both periods.

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 currency of September 2019.

In Argentina, *Net Sales decreased by 7.2% in the quarter, which was mainly explained by the decrease in the volume already mentioned by Miguel Ángel, and which was partially offset by the price increases we have performed.*

Cost of Sales decreased by 2.2% in the quarter, due to the decrease in volume sold and lower labor costs. This was partially offset by the devaluation of the Argentine peso on our dollarized costs, and by an increase in concentrate costs given the price increases we have performed.

For its part, Distribution Costs and Administrative Expenses decreased 7.5% in the quarter, which is mainly explained by the effect of lower volumes on distribution expenses and lower labor expenses and services provided by third parties, which grew below local inflation.

Finally, Adjusted EBITDA decreased by 19.1% in the quarter, and Adjusted EBITDA margin contracted 180 basis points reaching 12.1%. Argentina represented 14% of Adjusted EBITDA generated by the company.

***In Brazil** Net Sales increased by 25.2%, which was mainly explained by the price increases we have made, a shift in the mix towards products carrying a higher price and by the increase in sales volume already mentioned by Miguel Ángel.*

Cost of sales increased by 34.7%, which is mainly explained by:

- *i. Greater volume sold,*
- *ii. A shift in the mix towards products with a higher unit cost, such as beer, and*
- *iii. Greater concentrate costs given the decrease in the Manaos IPI (lower tax credit) and the price increase we have made.*

On the other hand, Distribution Costs and Administration Expenses increased 11.0%, which is mainly explained by:

- *i. Greater advertising expenses,*
- *ii. Greater distribution freight costs due to increased volume, and*
- *iii. Greater labor costs.*

Brazil's Adjusted EBITDA increased by 9.1% in the quarter and Adjusted EBITDA margin was 14.5%, a contraction of 214 basis points. Brazil represented 32% of Adjusted EBITDA generated by the company.

***In Chile,** Net Sales increased by 8.4% in the quarter, mainly due to the volume increase already mentioned by Miguel Ángel.*

Cost of Sales increased by 6.8%, which was mainly explained by greater volume sold, and by the negative effect of the depreciation of the Chilean peso on our dollarized costs. This was partially offset by a lower cost of sugar.

Distribution Costs and Administration Expenses increased 10.9% in the quarter, mainly explained by:

- *i. higher distribution expenses due to increased volume,*
- *ii. increased labor costs, and*
- *iii. greater advertising expenses.*

Adjusted EBITDA increased 11.5% in the quarter and Adjusted EBITDA margin reached 19.2%, an expansion of 54 basis points over the previous year. During the period, the Chilean operation represented 40% of the Adjusted EBITDA generated by the company.

In Paraguay, *Net Sales increased 10.1% in the quarter, which was explained by an increase in the average price and the growth in sales volume.*

Cost of sales increased by 4.3%, which was mainly explained by greater volume sold, and the devaluation of local currency on our dollarized costs. This was partially offset by a reduction in the price of sugar and fructose.

Distribution Costs and Administration Expenses increased 9.4%, which is mainly explained by:

i. *higher advertising expenses,*
ii. *Greater labor costs, and*
iii. *Greater freight expenses, due to increased volume sold.*

Adjusted EBITDA increased 23.4% in the quarter and Adjusted EBITDA margin reached 25.2%, an expansion of 272 basis points over the previous year.

Paraguay represented 14% of Adjusted EBITDA generated by the company.

We are now available for any questions you may have.

Fernando Olvera: The questions I have are regarding Chile. On the one hand, I don't know if you could share with us what the growth was by category. And on the other hand, I wanted to ask, so far this year volume records an increase of 4.3%. I would like to understand how sustainable this pace of growth is going forward. And the last question is, because of the recent protests, I don't know if you can tell us how much the operation was affected, and whether you have any sense as to what the impact of this might be in the fourth quarter.

Miguel Ángel Peirano: Regarding the first question about growth by segment, all categories have been growing; and if this growth is sustainable towards the end of the year, we will have to see how the situation continues to evolve as you mentioned, with regards to what is happening in Chile. I believe it will have some kind of impact, but hopefully it will normalize as soon as possible. Despite all the riots here, we have been able to reduce the impact regarding sales because of the excellent response and commitment of our employees, however, we have been selling and distributing almost every day, in a restricted way, because of circulation problems. So, if the situation returns to normal, surely there will be an impact on the market in certain places specifically by lack of supply, but they will restock again, and we hope it will return to normal. But until now, we have been able to, in some way, lighten the impact because of the great performance of our people and commitment to our consumers and our customers.

Luca Cipiccia: Can you comment a little more about price dynamics in Brazil? I'm a little surprised to see such volume growth despite the strong price. And, on the other hand, the margin of Brazil that was a little lower or low considering the price increase. Can you comment a little more on those dynamics and get a better answer about the impact of the mix price in that market?

Miguel Ángel Peirano: The average price increase in the soft drinks segment, in the case of Brazil, was around 6% to 7%, and the additional was due to a change of mix and greater increases in other segments where there was more opportunity to further increase prices. We did this, and as you may have seen, despite that, we managed to maintain market share at a very healthy level, and this was driven in order to offset the impact we have had due to the effect of the Manaus IPI percentage. Therefore, we have not managed to remedy this impact in its entirety, and that is why we have seen a decrease in our EBITDA margin, even though we have indeed grown, in a very healthy way. Clearly, over time, we will gradually recover this, it cannot be done in a month, we will continue to recover over time to return to the profit levels that we are used to.

Antonio González: I wanted to ask you regarding the agreement you have with Diageo in Chile, and which you are now also going to extend to the pisco category with Cooperativa Capel. Could you tell us how much contribution these businesses have or expect they will have in both sales and EBITDA perhaps in the Chile business? Secondly, some of your bottler colleagues in Brazil have commented that they are studying similar alternatives. So, I wanted to ask you if you are also looking at these alternatives, and if so, are you doing so in a coordinated way as a system or do you think it is case-by-case for each bottler?
Miguel Ángel Peirano: Clearly the impact that we are having is positive with the incorporation of products like Diageo, products like pisco, or all the Capel brands that we are placing in our system, the goal on the one hand is cost, but on the other hand it is service. Costs, because clearly this helps us to better use our trucks, to be able to reduce fixed costs with products that have high value; and on the other hand, service, because it allows us to provide a much more complete portfolio to our customers with high quality brands. As we recently mentioned in the case of Pisco Capel, it has 45% of the market, it is a premium brand, it is a brand that enhanced with our distribution, undoubtedly will help grow its volume, and therefore, we are generating a reduction of fixed costs in logistics, in our distribution, but also a greater approach towards customers, where predominantly they sell alcohol, where we simply arrive with non-alcoholic products, but their business is predominantly alcoholic products even though they sold a little bit of non-alcoholic products. In this way, we become relevant also in these types of customers by promoting our Coca-Cola products, such as water and Coca-Cola itself and flavors in this type of customers.
Regarding what we are seeing? Clearly, we are seeing all the opportunities in all countries, it is analyzed case by case, and of course we have system-level discussions with the other bottlers, with The Coca-Cola Company, be it in Brazil, or in whatever country, the goal is defined by The Coca-Cola Company and we have that goal completely internalized. The goal is to place our consumers and customers at the center, and use all our energy, all our assets in order to serve them better. And we understand that this is a good way to improve our service levels in terms of the scope of our portfolio.
Antonio González: If you could comment very quickly, obviously the strategy seems to make a lot of sense, but the speed of the products is very different, so if you could help us with the example of Chile so far, I do not know what metrics maybe you could share with us. How different is the speed of one product versus another? What number of trips? Do you think there is a splice? And, do you have the opportunity to distribute both products versus how many trips you're actually simply distributing the non-alcoholic portfolio?
Miguel Ángel Peirano: Particularly in Chile, here you must keep in mind that not all customers can sell alcohol. To sell alcohol, customers must have a license, so this is a segment within our customer universe. And on the other hand, volumes are very small compared to soft drinks or water volumes that we have in our system. Therefore, the placement of these products in the truck is totally marginal for us, and the rotation is clearly also less compared to the rotation of soft drinks.
Now, when you look back, in recent years we have added Monster products to our trucks and the impact it has had where today we are leaders in energy drinks in Chile. The incorporation of Ades, the incorporation of Diageo, and now the incorporation of pisco Capel, and the rest of their brands, it is clear that this is the path and that we will follow the necessary speed to reasonably grow, to grow and adapt our process to this greater diversity of products, and to better serve our customers. Basically, that's a bit of the situation we're in.

Carlos Laboy: Congratulations, because I believe Brazil's performance has been spectacular. We had never seen a bottler with figures of 10% in volume, 15% in prices at the same time. What is your vision in Brazil to maintain volume growth, prices? And continue reducing Distribution Costs and Expenses, which you continue to do as well.
Miguel Ángel Peirano: Here basically this is the effect of several variables that we have been handling and trying to improve at the same time. On the one hand, the issue of our own fleet makes us much more effective in delivering and distributing. On the other hand, the plant, the investment we made in Duque de Caxias, also has a strong impact on this through the growth of returnables. Returnables continue to grow at very healthy rates, the same as water, that we didn't have—remember that we had no water, and we depended on other suppliers for the purpose of being able to sell, and then we placed the line in Ribeirão Preto in order to keep a minimum in the market at a high cost. But already with the water line fully operating in Duque de Caxias, this allows us to grow not only in profitability in water but also in volume in a very significant way. On the other hand, the commitment and restructuring in the sales areas that Renato has made in Brazil has strengthened this muscle that we have, and the sum of all this is what has allowed us, as you say, to grow in volume and grow in price, without affecting market share at all.

Going forward, the formula is to continue to do the same, continue to look for ways to optimize our processes, how to place more products with lower costs on our trucks, and better serve our customers. I believe that ultimately, this, with all the elections that are happening in different countries, it's the same here, isn't it? When they buy from you it is because the consumer is voting for you, and this is what we have to do, enchant the consumer through our products, our service, so they keep voting for us; and that's going to allow us to stay on this path.

Carlos Laboy: Well, congratulations because there's no franchise in the world like that of Rio of yours that's doing what you are doing with price, volume, affordability and mix, and revenue management. The truth is, it's a benchmark.

Pedro Pereira: Regarding innovation initiatives that were mentioned at the beginning of the call, could you give us a view on what you have in mind for both Brazil and Chile? And the second question would be regarding Heineken's distribution business in Brazil, if you already have any basis in that regard. Thanks a lot.

Miguel Ángel Peirano: The innovation issue is an award we have received particularly in Chile, but it's part of the drive we have in all our operations. Regarding Heineken, we haven't heard anything new to date, so there's not much to comment on that. And in particular, and now about what projects we are having in terms of innovation in all countries, many of them are related to everything that is automation and the use of information, data, online sales, generate new sales channels via web; much of the innovation process is in that direction, hand in hand with The Coca-Cola Company in general. And on the other hand, in terms of the sales process itself, to the application of this, in the sales forces, in customers, so that they have more information about it, especially the traditional one, about what they sell and how they can optimize their profits understanding what opportunities they have, and giving that information to the market.

Felipe Ucros: I wanted to focus a little on the subject of Paraguay. Obviously, it has had very good results, but let's say that The Coca-Cola Company has a history of increasing concentrate costs when margins of an operation are good, and when market share is good, and when things in general are good. You have 75% market share right now, a little bit more. Is there a time when you think Coca-Cola can move concentrate prices for Paraguay?

Miguel Ángel Peirano: I think in the end this is a conglomerate. As you say, Paraguay really is a country where we are very, very good; in the case of Argentina, we are suffering a little more; so in the whole we're fine and I don't see any risks—that's more of a question towards The Coca-Cola Company than towards us, but ultimately because they have the right to do so at any time. However, I think we're fine in that regard, and I see no risk.

Felipe Ucros: I noticed that you stopped mentioning PET, as causing margin pressure. I don't know, I was disconnected for a couple of questions, but I don't know if they've already asked it, but I wanted to see what you are seeing on the PET side in costs for the next quarters.

Andrés Wainer: PET started the year with fairly high prices, higher than the previous year, but in the second half they have been falling, and our projection for what's left of this year and for next year, are prices that are going to be slightly lower than this year's average. Therefore, we do not see cost pressures in PET or sugar. We haven't talked about sugar, but sugar is also with fairly low price levels, we already have fixed prices for more than half the volume in Brazil, Chile and Argentina, and almost 100% in Paraguay.

Felipe Ucros: Regarding water sales in Brazil, obviously, the IPI effect impacted the margins a little bit on the operation, and we hope that over time they will recover as they always have. But is there any effect in the mix because you can be bottling more water today?

Andrés Wainer: Yes. There is an IPI effect, as you mention, which is quite important, and there is also an important mix effect. There is one that is beer, we sold in this quarter almost twice as much beer than the same quarter of the previous year. In the case of water, there is also a significant change in the mix. Water is growing by 50% to 60% in each quarter, and this is likely to continue. So, there's a pretty important mix effect and there's also the IPI issue, as you mentioned.

Rafael Treu: You talked about the Duque Caxias plant about how greater the distribution capacity for returnable waters is, but my doubt is as to the profitability of the Duque de Caxias plant against the plant in Jacarepaguá. How much more cost-effective is a returnable unit case for both?

Miguel Ángel Peirano: The great advantage that Duque de Caxias has over our plant in Jacarepaguá, on the one hand, is the price of water. Rio de Janeiro has the most expensive water in all of Brazil. We have water supply restrictions. We have been able to solve it. It is not only a price issue but of being able to continue to grow in water, since in Rio we receive water through pipes from a water company that has limited capacity and that we have to share with population settlements that basically in those regions is where they have grown the most in Rio de Janeiro, and that implies a limitation towards our growth. Especially in returnables that uses more water per liter sold than in the case of a one-way bottle. Third, having fully automated lines in an automated plant also helps reduce costs. And the fourth point is that the comparison more than with Jacarepaguá, is with our former plant that we had in the northern part of Espirito Santo, in Vitoria, where it was an old plant; and shipping products from Jacarepaguá to Vitoria had a very high cost, and the plant we had was an old and inefficient plant. Therefore, differences in costs are significant because of a logistics issue, especially for the territory being served, due to the cost of raw materials, and because of efficiencies and the speed of the line.

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.*