4Q17 Conference Call Guidelines

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

In this fourth quarter the Company's consolidated volume increased by 1.4%, driven by the volume growth we had in Paraguay, Brazil and Argentina. In addition, our financial results were very positive, with a consolidated EBITDA that grew 8.1%, representing an EBITDA margin expansion of more than 130 basis points in the quarter, reaching 20.3%. For its part, income attributable to the controllers of the Company increased more than 20%, and net margin expanded more than 140 basis points, reaching 8.4%. It is also noteworthy that the four operations achieved market share gains during the last quarter.

This is how the year 2017 we showed positive financial results in the four operations of the Company, despite the complex macroeconomic scenario faced by the countries in which we operate.
Consolidated EBITDA increased 8.6% over the previous year, and EBITDA margin was 18.3%, an expansion of 78 basis points. Finally, in 2017 Income attributable to the controllers of the Company grew 30.2%.

Regarding our new Duque de Caxias plant, which is in trial run operation since the beginning of the year and in normal operating conditions will add approximately 30% to the installed capacity that we have in Brazil today.
This plant will allow us to:

1. *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,*
2. *more than doubling the production capacity of returnables, a key packaging for our revenue management strategy, because it allows to reach more attractive price points and new consumers,*
3. *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.*
4. *finally, it will help us to be closer to our customers in the northeastern area of Rio de Janeiro and Espiritu Santo thus improving our service level and quality. It is worth mentioning that this project, which involved the commitment and work of many of our collaborators in Brazil, was carried out in compliance with the highest standards of construction and in its entirety under the LEED concept, certification of sustainable buildings, developed by the Green Building Council of the United States. In addition, the construction of this plant was tied to an extensive and comprehensive plan of environmental management and work with the community, thus completing a successful productive project, which is efficient and sustainable. It is also noteworthy the capacity of the operation to implement such a complex project without delays or deviations of any kind with respect to what was established in its planning.*

In 2017, we have continued to work on the development of low-calorie, low-sugar, and sugar-free products, where we are benchmarks and leaders. A clear example of this were the Fanta and Sprite reformulations that we carried *out in Chile at the end of August 2017, as well as the reformulations of Fanta, Sprite, Schweppes, Kuat and del Valle Fruit in Brazil in late September and of Sprite and Frugos juices in Paraguay at the end of November. This implies not only cost optimization, but also that these products are incorporated into the already extensive portfolio of low calorie products that we have been developing in line with the global strategy of The Coca-Cola Company. Thus, in 2017 we reduced the number of calories per 200ml of product by approximately 5%, with the most emblematic case being the almost 10% reduction that was achieved in Chile.*

On the other hand, at the end of 2017 we carried out the launch of the Coca-Cola Full Red campaign, refreshing the image of the Coca-Cola trademark family of products, and starting to serve the market with sugar-free Coca-Cola, in line with the brand's global strategy of The Coca-Cola Company. This is a product that maintains the original flavor of Coca-Cola, which allows us to accompany the choice of people who want to continue enjoying the flavor of original Coca-Cola, but without sugar.

In addition, we have continued to work on reducing the weight of our packaging, an example of which is the launch of Vital ecoFLEX in December 2017 in Chile, which will allow us to reduce by 30% the amount of resin used by our mineral water bottles, which is equivalent to a reduction of more than 217 tons of plastic per year. We are convinced that initiatives of social, economic and environmental impact such as these, better known as triple impact initiatives, contribute to the sustainable development of our business.

On the other hand, in January 2018 we announced the subscription of a Purchase and Sale Agreement of Guallarauco by Coca-Cola Chile and Coca-Cola bottlers in Chile. Guallarauco is a leading company in the premium juice segment 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 of being leaders in all the segments and markets in which we operate and comes to complement our portfolio of juices in Chile. In addition, it reinforces our commitment to the non-carbonated beverage business, as we believe it is a market with great growth potential and is in line with our strategy of being a relevant actor in all beverage categories.

*Going on to the operations, **in Argentina** during this quarter sales volume grew 0.7%. This volume includes sales to other bottlers in Argentina, excluding this effect sales volume in our territories increased by 2.6%. Our market share in the soft drinks segment reached 63.1 points, increasing 130 basis points regarding the same period of the previous year and 90 basis points regarding this past quarter.*

***In Brazil**, this quarter sales volume grew 2.9% regarding the previous year. Our market share reached 64.1 points, which is 90 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 0.7%, however our soft drinks market share reached levels of 68.2 points, 30 basis points above the same period of the previous year and of this past quarter.*

***In Paraguay**, our sales volume grew by 5.7%, explained by the growth of all categories. Regarding our market share, this has reached historic levels of 70.1 points in the quarter, which is 330 basis points above the same quarter of last 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. Again, during this quarter we had a negative impact upon consolidation of figures from local currencies to Chilean Pesos, particularly resulting from the 16.3%, 3.6% and 3.9% depreciation 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 21.8% during the quarter, which was mainly explained by the implementation of price increases and by the slight increase in sales volume that Miguel Angel mentioned.*

Cost of Sales grew 14.1% in the quarter, explained by 4 factors:

1. *increased revenues, which has a direct incidence on the cost of concentrate,*
2. *increased labor costs, mainly due to high local inflation,*
3. *the greater cost of PET resin, and*
4. *the 13.6% devaluation of the Argentine Peso against the U.S. dollar having a negative impact over our dollarized costs.*

On the other hand, Distribution Costs and Administration Expenses increased 33.6% in the quarter, which is mainly explained by expenses such as freight, labor, and services provided by third parties, which have increased above local inflation and by greater marketing expenses.
Finally, EBITDA increased 23.8% in the quarter, and EBITDA margin expanded 21 basis points reaching 14.5%. Argentina represented 22% of the EBITDA generated by the Company.

***In Brazil** Net Sales increased 3.0%, which is mainly explained by the growth in volumes already mentioned.*

Cost of Sales increased 0.7%, which is mainly explained by:

1. *greater volume sold, and*
2. *higher cost of sugar and resin*

This was partially offset by the 1.4% appreciation of the Brazilian Real against the U.S. Dollar, which has a positive impact over our dollarized costs and by the lower use of sugar due to the reformulation we have been making.
On the other hand, Distribution Costs and Administration Expenses decreased by 6.0%, which is mainly explained by lower marketing expenses that was partially offset by a greater cost of freight, due to higher volume sold.
EBITDA increased 25.0% in the quarter and EBITDA margin was 21.4% an expansion of 377 basis points. Brazil represented 33% of the EBITDA generated by the Company.

***In Chile** Net Sales decreased 0.3% in the quarter, mainly explained by the previously mentioned drop in volumes.*
Cost of Sales decreased 0.1% in the quarter explained by the positive effect of the 4.9% 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 8.5% in the quarter, mainly explained by other operating income classified under this item. Isolating this effect, Distribution Costs and Administrative Expenses would have decreased 1.1%, mainly explained by lower advertising expenses.
EBITDA grew 4.2% in the quarter and EBITDA margin reached 24.8%, an expansion of 107 basis points. The Chilean operation represented 37% of the EBITDA generated by the Company.

In Paraguay *Net Sales increased 12.5% in the quarter, explained by the previously mentioned growth in volumes and the implementation of price increases.*
Cost of Sales increased 20.5%, mainly explained by an increase in the cost of sugar, greater volume sold, and greater repair and maintenance costs.
This was partially offset by the shift in the mix towards products carrying a lower unit cost.
Distribution Costs and Administration Expenses increased 5.6%, which is explained by higher labor costs; and higher freight expenses. This was partially offset by lower depreciation charges and lower marketing expenses.
EBITDA decreased 1.2% in the quarter and EBITDA margin reached 24.5%.
Paraguay represented 9% of the EBITDA generated by the Company.

We are now available for any questions you may have.

Fernando Olvera: I have two questions, the first is about Chile, I don't know if you could comment on how you are seeing the competition and what is the expected volume behavior for this year? And, the second question is a little bit more general, I don't know if you could share your cost prospects for this year.
Miguel Ángel Peirano: Well, basically with regard to Chile, the behavior of the competition has not changed regarding what has been happening in these last quarters, so I would say that there are no surprises or more aggressiveness, or less than there was in the past so the situation is of course very good competitor and that we perform our tasks focusing on the better execution and attention to our clients who are the ones that allow us to obtain the results that we get. And regarding the issue of volume, throughout the year what we expect are low digits in terms of growth, you have to consider what is happening and understand that this is a year where there will be changes, a year where there will be government changes and will have to see what the Government measures will be and the impact that they will have to understand a little better towards where Chile is going facing forward.
Andrés Wainer: On the issue of costs for 2018, remember that approximately 40% of Andina's direct costs are dollarized so it will depend a lot on what happens with the exchange rate in each country. And regarding sugar, which is the main cost other than concentrate, we have already fixed approximately 75% of the sugar that we are going to use during 2018 and we have estimated a 10% reduction in the unit price in dollars compared to the previous year, 2017. And the second semester savings should be stronger compared to the previous year than the first semester.
Fernando Olvera: Sorry, did you say 10% below last year's cost of the first semester?
Andrés Wainer: In the full year it is about 10%, the number is lower in the first half and higher in the second half. I mean, we must remember that this is in dollars, taking it to local currency it will depend on what happens with the exchange rate in each country.

Alex Roberts: I have two questions, I would like to understand a little more the trend we are seeing in bottling companies in Latin America, or this reformulation trend, I see in Andina you are doing it faster than others and that is my impression and, can you explain, you mentioned in Brazil there were many reformulations, thinking about the current portfolio in Brazil, what percentage is zero-calorie or low calorie, what is the trend? And when we think of margin, obviously in Brazil there was a strong expansion of almost 400 basis points but, this trend helps the margin in terms of lowering the need to buy sugar or are there other things that go into what is the cost reduction by making more reformulations. So, if you can also comment on this question about Chile, because I understand that in Chile the percentage of portfolio already reformulated in zero calories and low calories is closer to 30%. That's the question, about reformulation, please.

Miguel Ángel Peirano: Basically the reformulation trend towards products with less sugar is not only in Latin America but it is a decision of The Coca-Cola Company worldwide to reduce the amount of sugar content per 200ml in all its products, and the evolution and speed at which it is going to be implemented depends on several aspects. First, it depends on the awareness of the population and what the government has informed the population on the issue of sugar in particular, here in Chile as you know in recent years there was a tremendous government action to reduce the consumption of sugar, fat, sodium-based salt, and calories in all the products consumed by the population and it went from a tax issue to a labelling issue. These two effects plus our decision clearly made Chile the country that has been able to faster change to sugar free or low sugar products because not only is it on our part to offer a greater quantity of products and reformulations but also there is greater consumer acceptance and predisposition of that change. In other countries where this change has not been so strongly promoted by the government or labelling or taxation laws, the consumer has not had so much a reaction to change the consumption of those products and therefore, although in terms of supply we offer the same low-calorie and calorie-free options so that the consumer can chose based on his/her decision, with sugar or without sugar or low-calorie, the consumer's decision has been slower and the transition is more delayed. Clearly it is a trend in all the countries and the speeds like I told you, depend not only on the offer or what we do, but also on the acceptance and the decision of the consumers to change. And in terms of margins clearly the products that do not have sugar have the savings of sugar with the counter position that they have a higher cost of concentrate and in some countries, there is also a lower tax burden, that generally helps towards the results.

Alex Roberts: And today approximately, is the percentage of Andina's consolidated portfolio in this segment of low calorie and zero calories 20% or less or more?

Miguel Ángel Peirano: Well no, clearly lower. Chile is around 30 in terms of low calorie…. perhaps Paraguay is at the other end where it is very low and Argentina and Brazil in the middle. At this time, I don't have the exact consolidated numbers, so Paula will contact you and give them to you.

Alex Roberts: The second question is regarding Brazil since we have seen almost a 3% growth in volume in the fourth quarter, it seems true that recovery in Brazil in terms of soft drink volume is occurring and is starting, what is your vision for volumes in Brazil? this year are you seeing some metrics that give you perhaps an optimistic view or less cautious? If you can comment a little about your vision for the soft drink industry in Brazil in terms of volume, please.

Miguel Ángel Peirano: In Brazil the volume issue basically has two variables with a significant impact, three rather than two. First, the economy, the second is the issue of security and the third is the temperature. The economy in Brazil has been improving in some states with greater speed than other states. In terms of security, it is public knowledge that Michel Temer's decision about sending the army particularly to Rio de Janeiro to restore the security issue a little, which hopefully in the short term has its effect, no doubt we must wait and see how the transition behaves. Finally, temperature, particularly in Rio de Janeiro it has been very erratic but with a lot of rain, so I would say that in addition of being a year close to the elections in Brazil, we view volumes, as you said, in a cautious way. Hopefully all the changes that are occurring in growth in Brazil in general will spread to the states that react a little slower, such as Rio de Janeiro and Espirito Santo, but we are cautious and therefore the focus in terms of continuing to work in cost control, efficiencies, reductions, being each time better in the market. The start-up of Duque de Caxias helps us a lot in that sense, remember for example, that the most expensive water in Brazil is the one that is paid in Rio de Janeiro, the water that we are going to pay in Duque de Caxias is going to be the cost of electricity to pump it out of the aquifer so there are a number of advantages in addition to those of freight that I previously mentioned in the summary, that will help us until volume starts to react, but in the end we are cautious.

José Yordán: I wanted to ask in which direction volumes are going this Summer in Brazil since already two-thirds of the Summer have gone by, etcetera. You talked about it being rainy, but I just wanted to see if at least the growth seen in the fourth quarter could be sustained.
Miguel Ángel Peirano: In the beginning of the year in Brazil, the issue of temperature has been complicated and also the issue of rain and now somewhat the issue of sending the army, there are areas that suddenly when they are doing operations we cannot enter the area and distribute our products, so that also complicates the volumes we are having a little. All of this we hope will be better in the end, but as I mentioned earlier it is a bit complicated in the beginning. In January, volumes were basically flat, in February they dropped regarding the previous year but basically strongly impacted by a climate issue and hopefully in March we will end up with a quarter similar or slightly below the previous year.

Carlos Laboy: Could you tell us a bit more about the water strategy and four things specifically regarding this strategy? One is how do you think it will change your mix with the opening of the new plant in terms of water versus soft drinks? Two, how do you think it will change your returnable and non-returnable mix even more? And well, the last one in terms of margins, with more water and more returnables, do you think there is enough efficiency to keep incrementing margins?
Miguel Ángel Peirano: With regard to the water strategy, we had clearly been a pretty indifferent player in the past because we had no water, we had to purchase water and we depended on other bottlers to have supply, and when volumes dropped we had supply and when volumes improved we had lack of supply, so it is very difficult to manage a market that way when you have that kind of supply problems. That's going to be completely solved, it was partially solved when we moved the line that was in the Espirito Santo plant and that we closed because of efficiencies last year and we took it to Riberao Preto. It allowed us to produce mineral water there, which we had available and send it to Rio de Janeiro. Now clearly sending water from Riberao Preto to Rio de Janeiro not only generates an operating complexity but also a very important freight cost that will be solved with the line running in Duque de Caxias, since Duque de Caxias is 40 - 50 kilometers from Ipanema, and again the cost and technology of the lines is completely top of the line, so it will allow us to be much more efficient and be a serious player with a product of very good performance and good presence in the whole market in Brazil.
I also take this opportunity to make a comment in Chile, we will launch Smart Water in all the Chilean franchise so that the water strategy is not only going to improve in the case of Brazil but also in Chile giving a third option, in addition to Vital and Benedictino. Smart Water has performed very well in our market tests.
Finally, regarding the returnable mix, the returnable line more than doubles available capacity and this allows us not only to continue focusing on lower income segments with a more affordable product and availability in those areas, a cheaper product in terms of its conception and with greater capacity in sectors where today we also do not have returnables due to lack of capacity, so it will allow us to reposition in that segment. Also I think that returnability is important in terms of the environment: since it is a returnable product, it generates less waste and also helps us to align with The Coca-Cola Company's decision, in which we are completely convinced to reduce litter by the year 2030 as James Quincey has commented during his latest speeches.
Carlos Laboy: And, as for margins, with more water and more returnables, do you think there is still efficiency to follow and changes in the price strategy in its entirety that allows you greater margins?
Miguel Ángel Peirano: Well, of course there are always options and opportunities to keep improving, whether in productivity or costs. The fact that we lowered the cost of freight and lowered the cost of water, are clearly visible aspects that help the fact of being present in sectors where we do not have returnables. It also helps us regarding price segmentation, because you can't increase one-way prices in high-income areas and perform segmentation in low-income areas without returnables, because when you only have one-way formats you can't do it. But beyond these specific issues, I am convinced that the search for efficiencies and cost reduction is an inexhaustible path, there will always be opportunities, whether by technology changes, by process changes, by efficiencies, by integrations, so it is a path that we will certainly follow and there are opportunities.

Mariana Hernández: I would like to know in Brazil, what is price advantage there? We understand that volumes began to improve in the fourth quarter, but they are still a little linked with the advantage of a little softer prices. Do you think this is the way to go in 2018? And how is the competition going to be behaving in relation to this strategy? And could you comment a little on the performance of beer versus soft drinks in the fourth quarter? it would be very useful. Thanks a lot.
Miguel Ángel Peirano: Regarding the price strategy of Brazil we will clearly continue to focus on segmentation and until the economy really starts to generate positive signals, clearly on segmentation and have the product that will allow attacking each one of the segments efficiently, and hence the great importance of returnable becomes key, as well as the level of execution. Regarding the issue of beer, it is in a judicial discussion, as you know, so I will not make more comments than that. And as long as it lasts, we will continue to sell because of the Court’s decision of an order to stay in the pre-trial situation.

(When there are no more questions)

Miguel Ángel Peirano*: Just being aware that time is one of the most precious elements, thank you for having decided to spend it with us, listening to us and for participating in this 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. Thank you and have a nice day.*

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