# 4Q18 Conference Call Guidelines

*[I-advize people begin talking]*

***Miguel Ángel Peirano:*** *Good morning and welcome to Coca-Cola Andina's fourth quarter 2018 results conference call.* ***This quarter we achieved positive financial results, with Adjusted EBITDA growth levels in local currency and margin expansions at our four operations.*** *These results are the fruit of a continuous effort in the search of efficiencies, reduction of costs, execution at the point of sale, as well as revenue management, all of which has allowed us to close 2018 with positive figures, despite the complicated economic environment in Brazil, and especially Argentina in the second semester.*

*In consolidated terms, the strong devaluation of the Argentinean pesos continues affecting the translation of figures to Chilean pesos, consequently consolidated net sales decreased by 8.4% during the quarter and Consolidated Adjusted EBITDA increased by 0.8%. On a neutral currency comparison basis and excluding the adoption of IAS 29 regarding hyperinflationary economies, which we were required to begin adopting since the third quarter, Net Sales grew 13.5% during the quarter and consolidated Adjusted EBITDA grew 20.8%.*

*We are closing a year 2018 in which we can highlight that our soft drinks market share increased in Argentina, Brazil and Paraguay, franchises in which we reached historical values. In the waters category, we show market share growths in Argentina, Brazil and Chile, highlighting Brazil with an increase of more than 300 basis points, and in juices we increased market share in the four operations, highlighting the increase of more than 500 basis points in Paraguay.*

*One of the main milestones of the year was the entry into production of our plant in Duque de Caxias, which is already operating with its three lines: REFPET, PET, and mineral water. This plant is allowing us to significantly increase returnability in Brazil, which allows us to have better revenue management, as well as competing in better ways with brands B, while making our business more sustainable. It is also enabling us to be more competitive in the market for waters, which should reflect in market share increases in a high-growth category.*

*Another milestone was the Guallarauco acquisition in Chile, together with Embonor and The Coca-Cola Company, with which Coca-Cola Andina became shareholder of 35% of that company. We are optimistic regarding the development of this trademark, which will allow us to compete in categories where we were not present, such as premium juices, ice cream and frozen desserts.*

*In financial terms, in October we performed a liability management exercise which allowed us to reduce our financing and improve our debt amortization profile, through the partial repurchase of US$210 million of the bond issued in the U.S. market and refinance it through the issuance of a 21-year term bond in Chile.*

*During 2018 we were recognized by several organizations regarding Corporate Governance, Transparency, and Sustainability, highlighting the recognition of ALAS20 in the areas of Investor Relations and Corporate Governance, and from Best Place to Innovate that recognized us as one of the most innovative companies in Chile. In addition, during the year we were ratified as members of the FTSE4Good Emerging Index, the Dow Jones MILA Sustainability Index, DJSI Chile, and Vigeo Eiris Emerging 70 Ranking, which is the result of the company's commitment to the sustainable generation of economic, social and environmental value.*

***Going on to the operations,***

***In Argentina*** *during this quarter sales volume decreased by 14.4%. During the quarter, sales volumes continued to be negatively affected by the macroeconomic situation that the country is undergoing. After a first semester in which the Argentinean economy, as well as our volumes, reflected a growth, after the significant devaluation of the Argentinean peso in mid-2018, there was a strong consumption contraction, with a negative effect over our volumes. However, we have continued increasing our market share in the soft drinks segment which reached 64.4 points during the quarter,* ***increasing 130 basis points over the same period of the previous year****. Regarding adjusted EBITDA in Argentina during the quarter it grew 41.5% and adjusted EBITDA margin reached 15.7% with an expansion of 116 percentage points.*

***In Brazil****, sales volume during the quarter increased 0.5% compared to the previous year, explained by a volume increase in the soft drinks, juices and water categories, which was partially offset by a decrease in beer due to supply problems presented by Heineken. We are beginning to see recovery signs in terms of consumption: volume excluding beer increased 4.8% in the quarter. Our market share reached 63.9 points, a reduction of 10 basis points regarding the same period of the previous year.*

***As Argentina, the operation in Brazil has managed to close the year 2018 with very good financial figures, and despite that volume only grew by 0.1% during the year, Adjusted EBITDA in local currency for the year increased by 8.9% and EBITDA margin increased 109 basis points, reaching 19.6%.***

***In Chile,*** *sales volume increased 1.0% in the quarter, explained by an increase in the waters and juices categories, partially offset by the decrease in the soft drinks' category. Our soft drinks market share reached levels of 66.8 points, 140 basis points lower compared to the same period of the previous year, mainly explained by the increase of the supermarkets channel in the industry's total sales, a channel in which we have a lower share than in other channels along with a drop in our market share in that same channel in future consumption formats, resulting from aggressive promotional activities from competitors.*

*Chile also closed the year with positive financial figures, with an adjusted EBITDA that grew by 7.7% during 2018 and an EBITDA margin which reached 21.8%, representing an increase of 86 basis points regarding the previous year.*

***In Paraguay,*** *our sales volume increased 2.6% during the quarter, explained by an increase in soft drinks and water sales, partially offset by a slight decrease in juice sales.* ***Our market share reached 72.1 points, 200 basis points higher compared to the same period of the previous year****, explained by the taking over of territories that were operated by Distributors, converting them to direct sales, which has allowed us to implement improvements in our processes and customer service, to strengthen the commercial capacities and to consolidate our presence at the points of sale.*

*Now Andrés will comment on the* ***Company's financial results****.*

***Andrés Wainer:*** *Good morning,*

*To begin, I would like to remind that figures of Andina for 2018 incorporate the adoption of IAS 29 because Argentina was categorized as a hyperinflationary economy. For this reason, among other implications, the figures* *of Argentina, for the quarter as well as FY2018, have been converted to Chilean pesos using the closing exchange rate as of December 31, 2018, and not the average exchange rate for each period, as was done before the adoption of the standard. Therefore, the conversion of Argentinean figures to Chilean pesos was made at a rate of CLP$18.43 per Argentinean peso, both for the fourth quarter and FY18, with which figures implicitly change regarding the previously reported quarters. The previous year, before the adoption of IAS 29, the exchange rate used to convert to Chilean pesos was the average exchange rate for each period, which was CLP$36.06 per Argentinean peso during the fourth quarter, and CLP$39.16 for the full year, so there is a strong negative effect in consolidating Argentina's figures.*

*Regarding the exchange rates of the other countries where we have operations and their effect on the consolidation of the figures, again during this quarter we had a negative impact upon consolidation of figures from our operation in Brazil, because we used an exchange rate of CLP$178.30 per Brazilian real compared to an exchange rate of CLP$194.92 per Brazilian real used in 4Q17. The guaraní did not vary during the period, remaining stable at CLP$0.11 per guaraní for both periods.*

*Regarding the impact of IAS 29 on our results, during 4Q18 we are reporting a positive impact of CLP$3,098 million on our consolidated Net Sales, and a negative impact of CLP$1,082 million on our consolidated Adjusted EBITDA and CLP$3,767 million on earnings attributable to the owners of the controller, due to the adoption of this standard.*

*During the FY2018 we are reporting negative impacts of CLP$21,166 million on our consolidated Net Sales, CLP$8,103 million on our adjusted EBITDA and CLP$15,742 million on earnings attributable to the owners of the controller. It is important to note that the results of each quarter reflect the impact of IAS 29 in that particular quarter, but additionally, consolidated results in Chilean pesos already reported will vary, as this standard requires that the accumulated results of the Argentinean operation be translated to Chilean pesos at the closing exchange rate of the period.*

***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 nominal local currency and in the case of Argentina, excluding the adoption of IAS 29.***

***In Argentina** Net Sales increased 31.1% during the quarter, which was mainly explained by the price increases we have performed, and that was partially offset by the 14.4% decrease in volume already mentioned by Miguel Ángel.*

*Cost of Sales grew 25.7% in the quarter, which is explained by 3 factors:*

1. *the increase in revenues, which has a direct incidence on the cost of concentrate,*
2. *the devaluation of the Argentinean peso against the U.S. dollar having a negative impact over our dollarized costs, and*
3. *a greater cost of PET resin.*

*On the other hand, Distribution Costs and Administration Expenses increased 33.2% in the quarter, which is mainly explained by expenses such as freight, labor, and services provided by third parties, which have increased mainly due to high local inflation.*

*Finally, Adjusted EBITDA increased 41.5% in the quarter, and Adjusted EBITDA margin expanded 116 basis points reaching 15.7%. Argentina represented 15% of the Adjusted EBITDA generated by the Company.*

***In Brazil** Net Sales increased 3.1%, which is mainly explained by higher average prices, as well as by improved commissions from Heineken sales.*

*Cost of Sales increased 13.3%, which is mainly explained by the negative effect of the depreciation of the Brazilian real against the U.S. dollar over dollarized costs, greater depreciation charges explained by the new Duque de Caxias plant and by increased PET resin costs.*

*On the other hand, Distribution Costs and Administration Expenses decreased by 10.4% which is mainly explained by lower distribution freight costs, lower advertising expenses and higher operating income classified under this item, which recorded an increase against the previous year.*

*Adjusted EBITDA in Brazil increased by 11.2% during the quarter and Adjusted EBITDA margin was 22.3%, an expansion of 90 basis points. Brazil represented 33% of the Adjusted EBITDA generated by the Company.*

*In Chile Net Sales increased 4.8% in the quarter, mainly by increased average prices.*

*Cost of Sales increased 2.2%, explained by 4 factors:*

1. *the shift in the mix towards products that carry a higher unit cost,*
2. *the shift in the mix towards low and sugar-free products, which have a higher concentrate cost,*
3. *the negative effect of the depreciation of the Chilean peso on our dollarized costs, and*
4. *a higher cost of PET resin.*

*All of this was partially offset by a lower cost of sugar and a lower use of sugar due to the reformulations we have performed.*

*Distribution Costs and Administration Expenses decreased by 1.1% in the quarter, mainly explained by other operating income classified under this item and that increased regarding the previous year, partially offset by greater labor costs and higher advertising expenses.*

*Adjusted EBITDA increased 16.0% in the quarter and Adjusted EBITDA margin reached 27.5%, an increase of 266 basis points compared to the previous year. The operation in Chile represented 42% of the Adjusted EBITDA generated by the Company.*

***In Paraguay** Net Sales increased 5.8% in the quarter, which is explained by the higher volumes mentioned by Miguel Ángel as well as by increased average prices.*

*Cost of Sales increased by 2.5%, mainly explained by higher volume sold, a higher cost of PET resin and greater labor costs, which was partially offset by the lower cost of sugar.*

*Distribution Costs and Administration Expenses increased 4.4%, which is explained by greater labor expenses. This was partially offset by lower advertising expenses and lower depreciation charges.*

*Adjusted EBITDA increased 13.3% in the quarter and Adjusted EBITDA margin reached 26.1%*
*Paraguay represented 10% of the Adjusted EBITDA generated by the Company.*

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

**Operator:** The first question comes from Antonio González with Credit Suisse. Your line is open.

**Mr. González:** Good morning Miguel Ángel and Andrés. Thank you for taking my question. I have two questions. First, on the technical aspect. Andrés, you mentioned in the press release that beer volumes dropped on one side in Brazil, but on the other hand you received higher commissions for the sale of Heineken. So I wanted to clarify if you can give us a little more detail where exactly these commissions come from. That is my first question. And secondly, I wanted to ask you, to the extent possible, to comment on the sale of Andina's series B shares made by The Coca-Cola Company. Obviously, I understand that it is The Coca-Cola Company who should comment when they sell Andina's shares or shares from any other bottler, but, in short, what they have mentioned is that the rationale behind the sale is to free capital to be able to later invest more in the market, correct? So, I want to ask if there is a specific dialogue between you and the company to allocate those resources and if in the different markets where you operate there are already specific projects in addition to what is typically already shared as marketing expenses, between you and the company. Thank you in advance.

**Mr. Wainer:** Hi Antonio, this is Andrés. Regarding your question of Heineken commissions in Brazil, there is a gap. The commissions received from Heineken do not necessarily correspond to the sales period, in this case the fourth Q. Some amounts correspond to different programs, incentives that we do in the market and that are accounted for with a certain gap. That is why sometimes it's not going to add up for you when you see Heineken volumes falling, and commissions increasing in a particular period.

**Mr. Peirano**: How are you Antonio? This is Miguel Ángel. With regard to The Coca-Cola Company's sale of Andina's Series B shares, clearly always our dialogue and our coordination with the company is very high. It is a company decision just like you mentioned. Those are the reasons that the company has expressed to us, and we believe that it is good news, for both reasons: the first, is because this sale of shares frees capital so that The Coca-Cola Company can acquire new businesses, following its strategy of total beverage company, and whether new businesses are purchased in our territories, or purchased in other territories, sooner or later they will be available within the System, and if they are convenient, we will bring them to Chile and our territories, which is beneficial for our company. And second, this sale helps to generate more liquidity of our share, which is a subject that we have repeatedly been asked to happen, and this sale by The Coca-Cola Company goes in that direction and contributes to generate liquidity.

**Mr. González**: It is clear. Thank you both.
**Mr. Wainer**: Thank you, Antonio.

**Operator**: The next question comes from Alex Robarts with Citigroup. Your line is open.

**Mr. Robarts:** Thank you very much, and good morning to all. Please, two questions and one clarification. Starting with Chile, during the fourth Q, in 2018, in the CSD category, we have seen a slight drop in volume. So, thinking both about the fourth Q and the full year, if this movement of the CSD category in Chile is rooted rather as a consequence of the policy to protect/seek margin i.e. increasing prices, or is there also a factor related to reformulation, the movement to low and zero calories. If you can comment, then if in 2019 the CSD category in Chile will continue to drop or perhaps there is a different perspective. That is the first question, and taking advantage of this CSD issue and reformulation, if you can remind us what the levels of low and zero calories were for the end of 2018 in all four countries, please. And finally, please, a clarification regarding the legal dispute with Heineken in Brazil, has it already ended, or will it continue this year. Thanks a lot.

**Mr. Peirano:** Hello, how are you, Alex? Good day. This is Miguel Ángel. Well, with regard to the first question on the issue of CSDs in Chile, there is clearly a shift in the industry mix, which has been occurring since before and I believe it will go on for a while, where stills will be making their way, they will be having a higher share. And that is partly motivated by the actions and disposition that we as a company, aligned with Coca-Cola, are doing to become a total beverage company. Our participation and the amount of launches and products that we have launched in stills outnumber soft drinks, which already is a much more consolidated segment. And on the other hand, in per capita terms, stills have much more opportunity to continue growing.
I mean, I think this is a trend where gradually it will continue growing towards the future, until stills reach a certain level of maturity similar to soft drinks, where it will be leveled again. The reason is more for opportunities within stills than for the drop of soft drinks, although this is also happening because the market is quite flat. With regard to the participation of low-sugar and zero in Chile, we are at levels of 30%. In the case of the rest of the countries, they are growing, they are at lower levels than this and at the moment I do not exactly remember the numbers of the other three countries, but I will gladly send them to you after the conference is over. And finally, with regard to Heineken, we have no news, and at this moment we continue doing business as usual, until there is a decision regarding the situation with them.

**Mr. Robarts**: Okay, thank you.
**Mr. Peirano**: Thank you, Alex.
**Operator**: And the next question comes from Felipe Ucros, with Scotiabank. Your line is open.

**Mr. Ucros**: Yes, good morning Miguel Ángel and Andrés, thank you very much for taking questions. My main question is about the significant savings you made in the lines of administration expenses and others. Mainly in Chile, I was struck by the control you managed to have in that line. I do not know if you can give us a little more detail particularly in Chile, where year after year you decreased expenses despite the increase in sales. Let us say that the operating leverage achieved was quite impressive. I do not know if you can give us a little detail of how you achieved it and what were the main changes.

**Mr. Wainer**: Hi, Felipe, this is Andrés. Indeed, in all countries we have been working hard on the issue of fixed costs for several years, trying to increase our efficiency, mainly in the issue of distribution, the most emblematic case is Brazil where we internalized almost 100% of distribution, and we achieved very important savings there. Also, there is the Duque de Caxias plant in Brazil, which also brought us in that direction. In the case of Chile, we have also been automating many processes in terms of logistics, which has also been helping, and in this particular quarter also note that in the SG&A's line we imputed certain operating income which corresponds to cash we receive from The Coca-Cola Company, participation of them in some investments that we make, or also cash we receive because of performing certain discount plans and market activations. In the case of Chile, that was what affected the quarter in particular. I would say those are the main reasons behind what you mention.

**Mr. Ucros:** Okay, perfect. And in the case of Argentina, if you can do a follow-up, obviously there you also achieved quite a bit of operating leverage, but to see if it's like I think, is that there's a step-up functioning, that when you have to renegotiate wages, the increase will be quite high and will change all that profit, the margin you have had during the year. Am I correct or should you be able to maintain this profit?

**Mr. Wainer:** No, you are right. During 2018, inflation was much higher than the increase in labor costs in Argentina, and most likely in 2019, what we are seeing, is that it will be the other way around, therefore an important part of what we gained in 2018, should be reversed in 2019, for the reasons you are saying.

**Mr. Ucros:** Very clear Andrés. Thank you very much.
**Operator:** And the next question comes from Luca Cipiccia with Goldman Sachs. Your line is open.

**Mr. Cipiccia:** Hello, Good morning, thanks for taking the question. I would first like to clarify a little the earlier comment about Heineken, just to understand the reason for the decrease in beer volume in the fourth quarter, when I believe Heineken commented that there was mid-single digit/high-single digit volume growth in the same period. Just to understand if there was any specific issue in Andina's market in Brazil. That is the first question. Second, you mentioned a few times about The Coca-Cola Company's strategy of total beverage company and the portfolio expansion. I would like to ask what the categories are where there is still a significant gap. For example, I think a category such as dairy still does not appear in these markets, or it is not very relevant. Are there other categories where the focus of the company is stronger, considering the gap compared also with other more diversified markets in terms of categories in Latin America of Coca-Cola in general? Thank you.

**Mr. Peirano:** Hello, Luca, this is Miguel Ángel, how are you? Well, regarding the first part, Heineken's volumes in December, particularly we had lack of supply of some orders for long neck, which is a product with strong sales, especially in December with the heat, because it is personal consumption, and that explains in part why volumes were low. With regard to the issue of total beverage company, as you said, dairy is somehow one of the segments where there are opportunities. The other is the development of seed -based drinks, soybeans, almonds, etc. In the issue of coffee, the company has made the purchase of Costa Café in Europe, but that type of coffee sale and that type of espresso is not developed in other parts of the world, so it has been an excellent purchase and hopefully at some point it will begin expanding. In the subject of teas, even in segments where we have been for some time, but there is a lot of opportunity to grow, like water and juices, especially in the premium juice sector. So, I would say these are some of the segments where there are many opportunities to grow, especially considering the per capita of the industry versus the per capita that we have, or the per capita in absolute terms, which are also segments, like seed-based drinks, that have low per capita, along with the fact that there is a tendency to naturalness, which will clearly grow towards the future, especially because they are lactose-free products, that do not generate problems in a large part of the population, many people have that type of ailment with respect to lactose and so forth. Therefore, there are many opportunities to keep growing, and this is brand building and building habits in the population over time.

**Mr. Cipiccia:** Very good, thank you. Very interesting. Just a quick follow-up on the comment on premium juices. I also believe Coca-Cola FEMSA commented on that segment, which has a lot of potential. Just to understand, is there an effort to "premiumize", if you can use that word, Jugos del Valle, the existing brands, or is it more a search for new brands? I do not know if the question is clear.

**Mr. Wainer:** It is clear. It may be, in fact, in both ways, either with Jugos del Valle 100% premium, or as in the case of Chile, where we acquired Guallarauco, which is a premium juice brand, and we will grow in Chile and suddenly try to use it to grow other neighboring markets with the same brand or with a similar brand with the same product. It will depend a little on each of the markets and on the opportunities we have, but it is clearly one of the future focuses.

**Mr. Cipiccia:** Very well, thank you.
**Mr. Wainer:** Thank you.
**Operator:** And the next question comes from Franco Dominichetti with Banchile. Your line is open.

**Mr. Dominichetti:** Hello, thank you very much for taking my question. Several have been answered, but I am just going to take advantage of emphasizing a point, to understand a bit how 2019 is going to be, what are you expecting in Argentina, we saw that KOF is reducing staff, it is implementing a strategy to contain costs a bit, and in January we saw a 14% drop year on year of non-alcoholic beverages. So, I want to understand a little how you are facing this adverse scenario in Argentina, even because of what you mentioned just now that you will have a greater impact on costs due to salaries that will be higher than what inflation is going to be, if you have any containment policy, if you are going to do something special, or will we simply see a bad result in Argentina this year. And additionally, ask if you believe that IAS 29 will be reversed at any given moment, if that is already underway in 2019? Thank you.

**Mr. Peirano:** Hi, Franco, this is Miguel Ángel. Well, in the case of Argentina, the reality is that Argentina did not enter into an economic problem in the last six months, but it has been dragging one for several years, and what happened in the last six months was that it worsened. Anyway, as in Brazil, while the situation is improving, it has also undergone very complicated years, our focus has always been the automation and the reduction of fixed costs. And that is what we have been implementing in Argentina, since the time even where there were two types of dollars, the blue parallel dollar and the official dollar, which allowed us to make investments in automation that today are really leaving us in a very advantageous position in the sense that the process of lowering fixed costs and somehow having a fairly lean operation, we've been doing it over the years. This particular year, and especially compared to the previous year, by the effect of the devaluation of the Argentinean peso, our results in real terms will be comparatively complicated this year, but it is also elections year, in which we have to see what happens, what investments are made. It is a year with a lot of question marks facing forward. What I can confirm is that we have performed actions to have an operation prepared to confront a crisis should the crisis continue and better yet to capitalize should the economy begin to grow again once the macroeconomic variables are adjusted.

**Mr. Wainer:** On the issue of IAS 29, what we have discussed with our external auditors is that this is something that will remain for several years. It is not enough for Argentina to lower inflation one year in particular, there has to be a relatively long period of price stability, so at least this year and the next I think it is quite certain that we will continue to adopt IAS 29.

**Mr. Dominichetti:** Perfect, thank you very much.
**Operator:** And the next question comes from Fernando Olivera with Bank of America. Your line is open.

**Mr. Olivera:** Thank you so much, how are you? Good morning, Miguel Ángel, Andrés, thank you very much for taking my questions. The questions I have are in relation to Brazil. First, I wanted to ask you about the issue of volume in Brazil, if you were to exclude beer, what behavior would we have seen in terms of volume? That is the first one, because in the press release you mentioned that there were improvements in volumes in soft drinks, water and juices. Then, the other question is in general how you are seeing the consumer environment for this year. We saw an improvement from 2017 to 2018, a major recovery in terms of volume, so if you can share what you are seeing for this year, it would be excellent. And the other one is, what would be your pricing strategy. Thank you so much.

**Mr. Peirano:** Hello, Fernando, this is Miguel Ángel. Well, Brazil was undergoing a pre-election process with a lot of uncertainty, because it was not clear first, who were the candidates, and then who could become president. But after the election, that mood of uncertainty was transformed into a mood of optimism that anyone who goes to Brazil and talks to people, looks pretty hopeful that things are going to get better. And that is affecting consumption. Many times, consumption is a response to a feeling of insecurity rather than a real lack of cash, especially when these situations start to be implemented. And it happens the other way around, just as well, when the feeling that things are going to improve makes people start spending more, especially in low-value mass-consumption goods like ours, before they even start improving their cash availability. And we are seeing some of that this year. In particular, Rio de Janeiro is a little behind in this process compared to the other states of Brazil, but in the same direction. Just maybe a few months behind because of the more complicated situation that happened in Rio de Janeiro. But overall, we are quite optimistic about how we see Brazil for the rest of the year. And regarding how volume would be excluding beer, in CSDs, its grew by 3.3% without considering the issue of the impact on beer.

**Mr. Olivera:** Perfect, Thank you very much.
**Mr. Peirano:** Thank you.
**Operator:** And the next question comes from Luis Miranda with Santander. Your line is open.

**Mr. Miranda:** Miguel Ángel, Andrés, Good morning to you all. Two questions. One, on the subject of Chile. Miguel Ángel, you commented on the issue of competition in supermarkets, and wanted to understand your vision on how we should see the issue of the company in that channel going forward. Will it be a little more in the direction to recover the market, being a little more promotional, or rather taking great care in the way in which the channel performs to not erode profitability. And the second question is in relation to Brazil. You mentioned the issue of logistics and the internalization of distribution. If we look at the savings in logistics, is it all because of the changes in distribution, or is there also support from the new plant? Just to understand in the medium term what could happen. Thank you.

**Mr. Peirano:** Hello Luis, how are you? Well, on the subject of Chile and supermarkets, our attitude there is always going to be to try to maximize profitability and maintain a balance, so here we will act on the basis of what happens in the market and our strategy in particular in that channel. In the case of Brazil, there are two effects: one is what you clearly mentioned, which is the distribution itself, but what we are going to see facing forward and to the extent that Duque de Caxias takes more relevance (and that it is taking, because just barely a few months since beginning operations, its volume is equivalent to the plant in Ribeirão Preto) We will also see a positive impact on logistics. Remember that we were sending water from Ribeirão Preto to Rio de Janeiro, which is many kilometers away, and today its located at 50 km in Duque de Caxias. Regarding returnables, we were sending returnables from Jacarepaguá to Espirito Santo, because remember that in our efficiency plan of reducing costs we had closed the Vittoria plant a few years ago, and today those returnables are coming from Duque de Caxias, which is on a direct route and with a highway going north. Therefore, the impact of Duque de Caxias is not only on production costs, but also on logistic costs and on having products that we previously did not have available.

**Mr. Miranda:** Thank you.
**Mr. Wainer:** Thank you Luis.
**Operator:** And the next question comes from Leandro Fontanesi with Bradesco. Your line is open.

**Mr. Fontanesi:** Hello, Good morning, thank you for the opportunity. I also have two questions. The first on the margin improvement you had in Brazil, how important were the commissions of Heineken and if you can also mention how much was the contribution of Duque de Caxias. And the second question, if you can give an update of the IPI issue in Brazil, if we can still continue with a negative impact on Brazil in 2019. Thank you.

**Mr. Wainer:** Hello, Leandro. We do not breakdown the effects that you are asking, how much were the commissions of Heineken, or the effect of Duque de Caxias, but the commissions of Heineken were not so relevant. Price increases were more relevant than the Heineken commissions. And Duque de Caxias, as Miguel Ángel recently explained, is helping in terms of efficiency. It is helping both logistic issues as well as direct labor costs. It is necessary to remember that the lines of Duque de Caxias are much more efficient, therefore they use much less workforce for each unit case produced. The contribution is going to be much more relevant in 2019 than in 2018. They are much faster lines, they produce many more bottles per minute than the previous ones, and they also use fewer people. On the subject of IPI in Brazil, for now we have no news. IPI begins the year at 12% and ends the year at 8%, so there is no news about what we explained to you earlier. Now we all know how the tax issue is in Brazil. It is a very dynamic topic and can change during the year.

**Mr. Fontanesi:** Thank you.

***Miguel Ángel Peirano:*** *Simply 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.*