4Q19 Conference Call Guidelines

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

I would like to highlight the positive financial results of this quarter*, despite the weak macroeconomic environment in Argentina, and the protests and demonstrations in Chile. Consolidated sales of the company grew 9.4% and adjusted EBITDA grew by 14.7%, with which the company's adjusted EBITDA margin was 23.4% in the quarter. On the other hand, Income attributable to the owners of the controller grew 135.0% and net margin expanded 920 basis points.*

Among the main milestones of the year, we highlight the launch of a new line of immediate consumption PET in Chile, which will allow us to be more efficient and competitive in the production of these formats. In Brazil, the Duque de Caxias plant operated with a high degree of productivity throughout the year, allowing us to be very competitive in the mineral water market, with the consequent increase in volumes. It also allowed us to increase our offer of returnable formats, a segment that is showing sustained growth within our mix.

Argentina's economic situation resulted in a contraction of our volumes; however, due to strict cost control and successful revenue management, we managed to counteract both the drop in volumes and the increase in our dollarized costs, and thus close a year with an EBITDA margin almost equal to that of the previous year.

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 pure pisco market. With this we continue the path of becoming a "Total Beverage Company", allowing us to reach our customers and consumers with a more complete product portfolio.*

Finally, I would like to mention the successful placement of a USD 300 million 30-year bond that we made in January of this year, at a yield of 3.999%, reflecting the market confidence in our company.

Moving on to the operations,

In Argentina *sales volume during the quarter decreased by 4.9%, which was explained by a drop in volumes of the soft drinks and water categories, as a result of the economic crisis through which the country is going through. Our soft drinks market share reached 62.5 points in the quarter; 150 basis points lower with respect to the same period of the previous year.*

In Brazil*, sales volume increased during the quarter by 1.6% compared to the previous year, explained by a volume increase of the water, juice and beer categories, which was partially offset by a volume decrease of the soft drinks category. Our soft drinks market share reached 62.0 points, lower by 10 basis points compared to the same period of the previous year. The increase in the volume of mineral water is worth noting, which reached 38.3%, largely because by having a mineral water source in the State of Rio de Janeiro, we can be more competitive in this industry. Returnable formats, meanwhile, continue to grow compared to the previous year, and in the fourth* *quarter they accounted for 24.3% of the soft drinks mix, an increase of 250 percentage points compared to the same period of the previous year.*

***In Chile**, although protests and demonstrations made it difficult to distribute our products during the second half of October, we managed to normalize distribution during November, and close the quarter with a 1.8% increase in our volumes, a growth that was led by the soft drinks category. Our soft drinks market share reached levels of 66.1 points, lower by 70 basis points compared with the same period of the previous year.*

***In Paraguay,** our sales volume increased by 8.1%, explained by a growth of all the categories in which we participate. We have achieved historical soft drinks market share levels, **reaching 74.8 points in the quarter, 270 basis points higher than the same period of the previous year**.*

*Now Andrés will comment on the **company's financial results**:*

***Andrés Wainer:** Good morning,*

To begin, I would like to remind you that the figures analyzed incorporate the adoption of IAS 29 since Argentina was categorized as a hyperinflationary economy more than a year ago. For this reason, among other implications, the figures of Argentina in the fourth quarter of 2018 were consolidated using the closing exchange rate of December 2018, which was $18.4 Chilean pesos per Argentine peso, and those of the fourth quarter of 2019 were consolidated using the closing exchange rate of December 2019, which reached $12.5 Chilean pesos per Argentine peso. Figures of our Argentine operation for both the fourth quarter of 2018 and the fourth quarter of 2019, are presented in local currency of December 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 $183.7 Chilean pesos per Brazilian real, which is compared to an exchange rate of $178.3 Chilean pesos per Brazilian real in 4Q18. The Guarani did not have greater variations in the period, with an exchange rate of $0.12 Chilean pesos per Guarani compared with an exchange rate of $0.11 Chilean pesos per Guaraní during 4Q18.

Regarding each of the franchises where the company has operations, and for a better understanding, the figures that we will analyze in each of them are expressed in nominal local currency, and in the case of Argentina, as we discussed, will be expressed in real currency of December 2019.

***In Argentina,** Net Sales decreased by 1.3% in the quarter, which was mainly explained by the decrease in the volume already mentioned by Miguel Ángel, and which was partially offset by price increases made above local inflation.*

Cost of Sales increased by 3.7% in the quarter, resulting from the devaluation effect of the Argentine peso on our dollarized costs and by an increase in the cost of concentrate due to the price increases we have made. This was partly offset by the reduction in volume sold, as well as by a lower cost of sweetener.

For its part, Distribution Costs and Administrative Expenses decreased 3.6% in the quarter, which is mainly explained by the effect of lower volumes on distribution expenses as well as by the reversal of a provision related to local taxes.

Finally, Adjusted EBITDA increased by 1.6% in the quarter, and Adjusted EBITDA margin expanded 41 basis points reaching 14.7%. Argentina represented 13.5% of Adjusted EBITDA generated by the company.

***In Brazil,** Net Sales increased by 10.9%, which was mainly explained by the price increases we have made, a shift in the mix towards products carrying a higher price, mainly beer, and by the increase in sales volume already mentioned by Miguel Ángel.*

Cost of sales increased by 8.8%, 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 (which generates lower tax credit) and by price increases we have made.*

On the other hand, Distribution Costs and Administration Expenses increased 13.7%, which is mainly explained by greater advertising expenses, and by lower other operating income classified in this item.

Brazil's Adjusted EBITDA increased by 13.6% in the quarter and Adjusted EBITDA margin was 22.8%, expanding 54 basis points. Brazil represented 33.9% of Adjusted EBITDA generated by the company.

***In Chile,** Net Sales increased by 6.8% in the quarter, mainly explained by increased average prices, partly because we began commercializing pisco which has a high average price, and by the volume increase already mentioned by Miguel Ángel.*

Cost of Sales increased by 4.1%, which was mainly explained by:
i. *greater volume sold,*
ii. *the shift in the mix towards sugar free products or less sugary products, which have a higher cost of concentrate, and*
iii. *the negative effect of the depreciation of the Chilean peso on our dollarized costs.*

These effects were partially offset by a lower cost of sugar.

Distribution Costs and Administration Expenses increased 4.4% in the quarter, mainly explained by higher distribution expenses due to increased volume and greater advertising expenses.

Adjusted EBITDA increased 13.1% in the quarter and Adjusted EBITDA margin reached 29.1%, an expansion of 161 basis points over the previous year. During the period, the Chilean operation represented 41.5% of the Adjusted EBITDA generated by the company.

In Paraguay, *Net Sales increased 12.6% in the quarter, which was explained by an increase in the average price and the growth in sales volume.*

Cost of sales increased by 9.0%, 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 cost of sweeteners.

Distribution Costs and Administration Expenses increased 10.0%, which is mainly explained by higher advertising expenses and by greater labor costs.

Adjusted EBITDA increased 18.1% in the quarter and Adjusted EBITDA margin reached 27.4%, an expansion of 127 basis points over the previous year.

Paraguay represented 11.0% of Adjusted EBITDA generated by the company.

We are now available for any questions you may have.

Operator: Thank you for your attention. We will now begin with the Q&A session. And our first question comes from Carlos Laboy with HSBC. Go ahead with your question, please.
Carlos Laboy: Good morning. Miguel Ángel, Andrés, I wanted to see if you could tell us a little bit about what you have learned about the sale of alcohol in Chile and how it helps you sell soft drinks better. And how to serve them better now that you have alcohol in the trucks. And second, what does this mean for Brazil?
Miguel Ángel Peirano: Hello Carlos, how are you? This is Miguel Ángel. Well, regarding the incorporation of the sale of alcohol in Chile, where we already have one year of experience with Diageo and we added Capel a few months ago in our trucks, the reality is that it complements our portfolio very well. Particularly in those customers who are specialized in the sale of this type of product, which are basically the liquor stores here in Chile, which must have a liquor license.
Being liquor stores, the main role of these types of customers, is to sell alcohol, but they also sell water, juices, soft drinks. And to participate in this type of products, that their value is much lower in terms of sales price compared to alcohol, meant that we were in a disadvantageous competitive position, since our impact was very low because of the type of products, or because of the cost of the products that we sold versus the entire portfolio with alcohol. By adding the entire line of alcohol makes us much more relevant in these customers, so this has generated two very positive impacts.
Not only has it allowed us to grow regarding alcohol because of the muscle of our distribution system, because of our presence in almost every type of customer, but it has also allowed us to grow in those products that are non-alcoholic, because being more relevant and being able to deliver a more complete portfolio, the impact on water, soft drinks and juices, has also been relevant in terms of growth in these customers. So, it has been a positive experience from a sales point of view, and also a positive experience from a cost point of view by enabling the dilution of distribution costs. So, we are very happy with this path that we have started, and that is giving us a good strategic positioning.
Carlos Laboy: And the re-group for Brazil, what is the re-group for Brazil? Are you piloting any of these concepts according to Coca-Cola, what have you learned?
Miguel Ángel Peirano: Well, in the case of Brazil, on the one hand we have beer, as you know the contract continues until 2022, and we continue to sell the entire Heineken portfolio. On the other hand, Coca-Cola, through distributors has launched Schweppes with a degree of alcohol of 5%, more as a cocktail. And we are certainly analyzing the opportunities and what advantages the extension of this would generate in Brazil.
Carlos Laboy: Thank you.
Miguel Ángel Peirano: Thank you very much, Carlos.

Operator: And our next question comes from Barbara Angerstein with Itaú. Go ahead with your question, please.
Bárbara Angerstein: Hello, good morning. My question is about the Chilean market. We saw during the fourth quarter a transfer in demand from supermarkets to traditional premises, because of the effects of protests and the crisis in Chile. My question is whether this change in consumer behavior can lead to, or if you have seen it has generated, a more permanent change in the way of buying. Or if to the extent supermarket operations have normalized, customers have begun purchasing more from supermarkets and have left the traditional channel aside.
In short, my question is: is there a more structural change in demand or whether it was a one-time effect? Thanks a lot.
Miguel Ángel Peirano: Hello Bárbara. How are you? This is Miguel Ángel. Well, clearly after the protests there was a very strong change from supermarkets to traditional, simply because supermarkets were closed, some were even destroyed, burned down. So, there was an extreme movement of supermarket volume to the traditional market, and as supermarkets began to normalize, part of that volume returned, but not necessarily the entire volume.
The traditional channel has grown, there are supermarket locations that do not know whether they will reopen or not, because they were totally destroyed and those locations are clearly being replaced today by the traditional market. So, it changed the market structure, giving more relevance to the traditional market. And while supermarket locations that are working again are doing so at normal levels, since there are fewer locations there is an imbalance towards the traditional market and I believe if there is not going to be a reopening of supermarket locations, this is going to be permanent.
Bárbara Angerstein: Thank you Miguel Ángel.
Miguel Ángel Peirano: Thank you Bárbara.

Operator: And our next question comes from Santiago Petri with Franklin Investments. Go ahead with your question, please.
Santiago Petri: Yes, hello, how are you? Good morning. Thank you very much for the opportunity to ask questions. I would like to congratulate you on the good performance of Ebitda margins. The question is looking towards the future, what components of the improvement in Ebitda margins was due to cyclical components such as sugar costs, and what was the implementation of management's measures in terms of cost control? And if that can be repeated in the future. Thank you.
Andrés Wainer: Hello Santiago. This is Andrés. In the fourth quarter results there is no one-time relevant element in terms of Ebitda. Whereas, in terms of net income, as we explained during the call, yes, which is the issue of the tax credit in Brazil. But at Ebitda level it's all permanent, so we don't see any relevant changes now, at least in the first quarter and we should also have pretty good margins in the first few months of this year.
Regarding what you mentioned on sugar, prices were quite low last year, the same during 2020 where the price has been increasing, the international price in dollars, we already have hedged and fixed a significant part of our sugar needs. Therefore, the prices that we are going to have should generally be very similar to those of 2019. In short, it is all permanent and we should see good margins this year.
Santiago Petri: Excellent, thank you.

Operator: And our next question comes from Antonio Ross with BCI. Go ahead with your question, please.
Antonio Ross: Hello, how are you? Congratulations on your results. I wanted to know whether, given your high component of dollarized costs, if they have been hedged especially in Chile's operation, and what percentages of those costs will be hedged? Thanks a lot.
Andrés Wainer: Hello Antonio. This is Andrés. Indeed, we have currency hedging, we are hedging in the four countries, we have already hedged approximately 50% of the dollar needs in the four countries. Therefore, in the case of Chile where the exchange rate has skyrocketed in recent months, we have a part hedged at quite smaller figures. The dollarized percentage of our costs varies according to the country, but on average it is close to 30%. Should the exchange rate, for example, remain at these levels in Chile, it would not force price increases, only somewhat above local inflation to defend our margin.
Antonio Ross: Perfect, thank you.

Operator: There are no more questions, Mr. Peirano, do you have any final comments?

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.*