

Jaime García. Good morning. Following we would like to comment on the results of **Embotelladora Andina** for the second quarter of the year 2009. As you have seen in the Press Release that we distributed yesterday, consolidated second quarter results expressed in Chilean pesos, in real terms, show an operating result which is virtually equal to the previous year.

When you view them by country, we see that **Argentina** grew approximately 70% in operating terms, the result of **Brazil** falls 2% and the **Chilean** operation drops 9%. With consolidated volumes that increased 3.7% last year and especially soft drinks by 4.1%, where in the case of **Argentina**, there was a growth of 2.9%, **Brazil** 6.2% and **Chile** 1.4%. We must also consider that the average exchange rate in the quarter for **Argentina** increased 20% over last year, for **Brazil** it was 25% higher than the previous year and in the case of **Chile** 21% higher; which obviously considerably affected the costs in each of our operations, especially our U.S. dollar denominated costs.

Now analyzing the results of each country in local currency, I think it is more interesting to see it that way because we see what happens in each of the operations, in each of the countries we can see the following, although you do not have this information, but it is easy to conclude. When we go inside of each country, in constant local currency, we have in the case of **Argentina** as I said, that volume has grown 2.9%, operating results increased 41.5%. With prices which grew 19% and an exchange rate which increased 20%. Therefore, we can conclude that in the case of **Argentina** with a volume growth of almost 3% we were able to adapt our prices and to increase prices in the Argentine market in such a way as to achieve an operating result 40% higher than the previous year during this second quarter of the year 2009.

In the case of **Brazil**, measured in local currency, in Brazilian real, operating results grew almost 23% with a 5.7% price increase in local currency, volumes grew by 6.2 % with an exchange rate that increased 25%. In spite of this effect if one looks at prices and volumes, we see that **Brazil** had very good operating results measured in local currency, as well as **Argentina** where it grew 23% measured in nominal historic local currency from one year to another.

In **Chile**, measured in Chilean pesos, volume grew 1.4%, operating results dropped slightly, but we managed to increase prices by 3.7% with an exchange rate that increases on average 21% in the quarter, therefore with a fairly similar volume and with a much higher exchange rate we managed to maintain operating results in **Chile**. Ultimately the conclusion that I would like to draw here is that by measuring the effects of a negative exchange rate on the one hand, increasing volumes on the other hand, in an economic environment that is not conducive, where we have grown in the three

countries, in [Argentina](#), [Brazil](#) and in [Chile](#) with an increased exchange rate, we have succeeded in improving operating results in [Argentina](#) and [Brazil](#) and have maintained operating results in [Chile](#). We see and we are very satisfied with what is happening in each of these countries and especially if one thinks in longer terms where exchange rates have been adjusting, one should think that the likelihood of improved operating results becomes even higher. Now, upon consolidating operating results of each of these countries there is an impact upon translation of figures, currency impacts, where the conclusion is that while the closing exchange rate in [Chile](#) is similar to last year during the first quarter, in [Brazil](#) and in [Argentina](#) it has devalued considerably as already noted above, and that results in a flat consolidated operating result for [Embotelladora Andina](#), where there is no growth rather a slight drop during the quarter measured in Chilean pesos. But that somehow fools if you want to analyze what really happened within each of the countries or in each of the operations. EBITDA was constant measured in Chilean pesos during the quarter having the same effects as I just explained when you view it in each of the countries' local currencies.

For the first half the effects are virtually identical, consolidated operating results, measured in Chilean pesos falls, but the individual result of each of these countries measured in local currency, grows in [Brazil](#), grows in [Argentina](#) and remains constant in [Chile](#), also with higher exchange rates. It is important to carefully analyze and fully understand the effects of conversion, in such a way as to not wrongly conclude what has actually happened in [Andina](#). This is the general comment that we have for the second quarter and first half and we are of course now prepared to answer all questions or doubts that you have regarding these results. Thank you.

Rafael Borja: The first question comes from Mr. Alan Alanis from JP Morgan. Go ahead Mr. Alanis.

Alan Alanis: Hello, can you hear me OK?

Jaime García: Yes, perfectly.

Alan Alanis: Perfect. My question has to do with the issue of price; I would like to understand a little more. The information you gave us on the operations of each of the countries is quite useful, but I am interested first in understanding, well congratulations, how are you increasing prices above local inflation, which is the impression that you are giving me by the numbers just mentioned both in [Brazil](#), [Argentina](#) and in [Chile](#), and at the same time obtaining a growth in volumes, so, what are the drivers for increased prices and volumes, in terms of price increases in the market and in terms of changes in mix or channels, and specifically know how much growth comes from carbonated products and how much comes from noncarbonated products.

Jaime García: Ok, with regard to the question of prices, first the comparisons I just gave on prices where in **Chile** prices increased by 3.7%, in **Argentina** 19% and in **Brazil** 5.7%, I meant average prices, from one quarter to another in nominal currency. Secondly, you have to bear in mind that inflation, especially in the case of **Chile** and **Brazil** is practically null, in fact inflation in **Chile** the first half is negative, in the case of **Brazil** it is very low and for **Argentina** it is a little higher despite the fact that we do not have information, or if we do, it is not official information, we have different information because the truth is that we do not absolutely trust official information. **Argentina** is more questionable in the inflationary topic. In any case, here there are very insignificant price increases but have been achieved by adjusting margins of different product packaging and mix. Now these prices are essentially being increased in our core business which is soft drinks. And volumes grew in **Chile** by 1.4%, in **Brazil** by 6.2% and in **Argentina** by 2.9% as I previously mentioned, giving us a weighted average of 3.7% where soft drinks grew above average, 4.1%, so growth is indeed given by our carbonated products rather than by non carbonated products in their relative importance and not as a single percentage. So specifically we have succeeded in increasing prices on carbonated products above inflation and the same goes for **Argentina** where inflation is less measurable, but for us in **Argentina** we specifically believe that it is fundamental to increase prices in carbonated products because non carbonated have increased almost zero, because the inflation over costs is permanent and it is not so clearly managed.

Alan Alanis: Specifically in **Brazil** it is also the case that the growth in volume for soft drinks is higher than non carbonated products?

Jaime García: Specifically soft drinks grew far more than non carbonated and when I say that **Brazil** grew 6.2% in volume, the increase is essentially explained by soft drinks obviously, because the relative importance of other products is very low. So, if we had not grown 6% in soft drinks it is impossible to grow 6% in consolidated terms.

Alan Alanis: Very well, very well, thank you very much, congratulations.

Rafael Borja: The next question comes from Mr. Robert Ford from Merrill Lynch. Go ahead Mr. Ford.

Robert Ford: Hello and good morning. Please I would like to ask about the behavior of market share in each country or territory, it seems you are continuing to increase market share and I would like to know what you are doing to counteract the effect of the B-brands and especially in **Chile** and **Argentina**.

Jaime García: Well, that is a good question and thanks for bringing it up because we did not mention the issue, and it is an important one during this period of economic crisis where there is a situation where product falls, and the economic activity falls, and one tends to think that consumers are going to prefer lower priced products so as to defend and protect their income. In our case, in our three franchises, **Brazil**, **Chile** and **Argentina** during the quarter and year we are gaining market share. In spite of the increased prices that we have achieved and that obviously has been carefully managed by us, in the case of **Chile** we gained market share, don't forget that we have two thirds of market share in **Chile** in volume and 70 points of value and we gained one point. In the case of **Brazil** where we have almost 58 points of market share and 65 of value share, we have also gained points of market share, less than a point but almost a point, steadily during the year 2009; and, in the case of **Argentina**, the gain has been a little bit higher, almost two points of market share both volume and value. Anyway we are very satisfied in that regard and we have been able to influence our consumers to prefer our products over B-brands, where B-brands in all countries have tended to remain stable or lower, rather lower, and we have been able to grow as I was saying, in each of these countries.

Robert Ford: Is it the supply of returnables or is it focused on market share with different prices for each occasion, or is it the value the product represents for the retailer that is really demanding this trend or I imagine that it might be a combination?

Jaime García: Well, there are several effects, typically there is not a single effect, but I would like to summarize the great effect it has or that we have in our franchise is that we have segmented the market. With segmentation we are giving the consumer many opportunities for consumption at different price levels, for example, the product Coca-Cola has many different presentations, you can find formats of 250 cm³, 300, 400, 500, one liter or one and half, etc. and furthermore we have returnable and non-returnable formats. Together with segmentation there is a separation between returnable and non-returnable products, where the returnables tend to be cheaper and have better accessibility (affordability) for the consumer. All these things and given our size and volumes, where our competitors cannot do the same, give us a competitive advantage that makes the consumer loyal to Coca-Cola products and obviously we are trying to develop this in each of the channels so as to allow us to maintain or increase market share as I explained.

Robert Ford: And finally, could you comment on trends in raw materials, especially a little on the decrease of PET in dollar terms, what do you expect for the rest of the year, and also regarding sugar please?

Jaime García: Well regarding PET, in fact PET decreased significantly and is has been recovering. I believe that current levels of PET will remain, there was already a slight recovery in PET prices and we believe it will remain as it is for the rest of the year. For sugar, it is a little more complicated where sugar has been increasing, due to the global shortage of supply, and we believe that at least for the remainder of the year sugar will not lower its price, rather it will be maintained. The drought announced in India, has made India's exportable production quite smaller and there is a shortfall in the provision regarding historic demand, therefore prices have risen significantly and this affects us, of course, we have internalized costs, the lower exchange rate helps us, it compensates a significant part, but we believe that the price of sugar should remain for the next 6, 8 or 10 months.

Robert Ford: And do you have opportunities to counteract the effect of sugar for the next quarter?

Jaime García: We do not, nor do we foresee it, you know that we use fructose, a simile of sugar, but in general there is not an alternate. Sugar consumption comes from the exportable surplus globally and that has been limited and prices have risen. In a situation like this one could think to increase the light (diet) segments where there is no sugar, but that has to be decided by the consumers and not by us. It is therefore an element that will affect the entire industry.

Robert Ford: Thanks.

Rafael Borja: The next question comes from José Yordan from Deutsche Bank. Go ahead Mr. Yordan.

José Yordan: Good morning Jaime, and everyone. My question was regarding labor costs, because I see that in [Argentina](#) labor costs had been increasing but they do not seem to have increased as much as prices seem to have increased more than labor costs seemed to have increased. And in the case of [Chile](#) it seems that SG&As did increase. Could you explain a little what is happening in [Chile](#) and [Argentina](#) in this line, please?

Jaime García: Hello José good morning. Well regarding labor costs, in fact in [Argentina](#) you well know the social political situation in [Argentina](#) where labor costs are managed by nationwide unions rather than by us. However this is the main source of pressure over costs we have in [Argentina](#) and the way we can compensate for this is to increase prices. Now in the case of [Argentina](#) it is a two-way situation, in fact there is pressure over costs but it is also true that there is pressure over demand, by this I mean that in spite of being somewhat perverse, it is not true that as long as there is wage inflation or wage pressures, consumers have more resources to buy and that increases the demand for our products and how do we compensate this situation? with prices, which we have managed to achieve and we have been able to handle an adequate standard of price increases in such a way that

we have increased operating results throughout the years in fact over the past six years, and not only have we achieved this for the quarter but also for the first half, so we have been able to anticipate this situation and more than offset the increase in labor costs in our results. As a result of the price management we have. Now in the case of **Chile**, where the situation is much more stable, inflation, as I explained in the first half was zero, in fact last year we internalized, I mean we hired as employees a number of services that we had outsourced and that made us slightly increase labor costs, which is a one-time situation and that will remain in time and we think it is a good thing for us, for Andina and for society. So the incidence of labor costs over income is a parameter we use and is permanently present and has not been altered significantly, except in the case of **Argentina** as I explained. In the case of **Chile** we continue having incidence over labor costs regarding income of less than 10%; it is a parameter that we always use to say how far labor costs become a reasonable cost.

José Yordan: And in **Argentina** because of that explanation, I imagined that this was a part of it but it has already given you an increased margin of one or two points but this time EBITDA margin increased three and a half points, so on top of this effect you have mentioned over the impact on demand, was there a special initiative this year regarding costs in **Argentina** that only occurs this year or there is nothing special here?

Jaime García: Well, for the case of **Argentina** rather than a permanent or special effect what we have done in spite of all the internal problems in **Argentina** that everybody knows, we have increased prices, I believe that an important task has been to find a way to increase prices in an economy which has had restrictions over price increases, we have achieved this and that has enabled our operating results to grow significantly and also EBITDA of course, to grow the points that you mention, we are now trying to grow permanently, nobody can say that it will be permanent because **Argentina** is handled differently as you well know. In any case we intend these changes to remain in time; they are discrete leaps in the operating efficiency of **Argentina**.

José Yordan: And finally what are the costs of fuel energy and energy for plants, any significant changes of recent trends or anything special?

Jaime García: No, there is no change there, energy is important for us, although not as important as sugar, or as caps, or as concentrate, it is much lower than that, but we have no option and we are at the mercy of what is happening in each of the countries and obviously all energy costs have increased significantly and there is not much we can do against that.

José Yordan: Okay. Thank you Jaime.

Jaime García: Thank you José.

Rafael Borja: the next question comes Mr. Jorge Opaso of Larraín Vial. Mr. Opaso go ahead please.

Jorge Opaso: Hello, good morning. A couple of questions, probably you have already addressed these topics but it would be interesting to see the following: in Brazil which elements are explaining this 6.8% increase mainly coming from soft drinks consumption; what we can expect going forward? what marked this significant increase during this quarter that we had not seen since 2007? and can we expect an important recovery towards the future in terms of both income as well as margin because although it is true that margins are driven by the devaluation of the real, what else is influencing this? what can we expect going forward? and in the case of Chile, two questions, one regarding waters and nectars, looking at the industry, the industry grew quite more and what happened there? In consolidated terms it was quite little, as you have said, but I would like to know what happened there. And the last question is with respect to the agreement with IANSA due 2009 and if you have defined something, where are you with respect to that? Thank you.

Jaime García: Well regarding **Brazil**, volumes in **Brazil** have grown significantly, 6.2% during the quarter and 4.9% during the first half. I would say that there is a significant weather effect. You had mentioned growth rates until the year 2007, 2008 was a bad year for us in **Brazil** and it was a bad year basically due to weather problems that hit our franchises and some franchises around us, therefore here it is more than an economic effect, a weather effect helps us have a normal year and therefore recover volumes normally also with respect to what we had, obviously this has helped and also complemented by our market actions and pricing and packaging actions, etc. We have therefore taken advantage of the recovery of reasonable weather conditions which has enabled us to grow at that rate. Regarding **Chile**, in the case of waters and nectars, we indeed have very good competition in **Chile** in waters and nectars, where industry grows more than what we have grown, in fact in the case of waters there are new competitors and more new competitors are expected. I would not be surprised to see new competitors entering the Chilean market where there are virtually no entry barriers, therefore it is an item that is in our heart and we understand it as such. In the case of raw materials, as sugar, the agreement with IANSA effectively expired, it already expired in 2009 in the middle of June and it was not renewed because it was a specific contract for a certain amount and with certain duration. By amount I refer to a physical volume that is already over and today sugar

conditions are different from those which the agreement had and they are the conditions, we are therefore buying sugar at market prices as I already explained.

Jorge Opaso: Perfect, thank you.

Rafael Borja: The next question comes from Antonio González of Credit Suisse. Go ahead Mr. González.

Antonio González: Good morning, thank you for taking the question. Well actually I wanted to ask two questions, first regarding the distribution of beer in **Brazil**, where volumes fell 17 %, FEMSA increased significantly over the past two quarters their price per hectoliter, I wanted to know how you see the volume development of this business going forward, do you think volumes could stabilize, particularly when Kaiser has a much weaker brand than the rest of the competitors and if not, what is your merit by continuing with the distribution agreement of FEMSA brands?

Jaime García: Well, your question is a bit complex but I will try to answer you. Indeed we are Kaiser beer distributors in **Brazil**. In **Brazil** in our territory over the past 15 years Kaiser has not been a relevant product and the truth is that it has had a bad market share. In particular, for our franchise distribution of Kaiser has not been relevant, for some reason, for many reasons we have not been able to stabilize or achieve a market share which is reasonable in time, the truth is that beer has little influence over Andina's results in **Brazil**. Effectively volumes dropped, we hope to remain constant but despite the fact of remaining constant at this current range of volumes, more or less, it does not significantly alter Andina's income statement in **Brazil**. It is something we have to view in the long term making a decision on a business model and if we want to be in this business or not, what it gives us, what it doesn't give us, but clearly it is not a significant element of our operation in **Brazil**.

Antonio González: It is likely to think that you are looking to give this distribution perhaps to bottlers in regions adjacent to yours and get rid of this business or is it actually something that is not on the table yet.

Jaime García: Well, two things for your question, in the first place it is not something that is on the table, we are not thinking of getting rid of the distribution of Kaiser, on the contrary we are thinking about how to have a business model that will allow us to have something meaningful for Andina in **Brazil**; and secondly, I would say that it is not feasible to think to give the distribution to adjacent franchises when the distribution is made to 30,000 points of sale within Rio de Janeiro where the other franchises of Coca-Cola do not sell anything, so it is unlikely.

Antonio González: OK thank you, and if I may have a second question about the price of concentrate in Chile, the CEO of The Coca-Cola Company has recently mentioned the importance of having clear agreements in the price of concentrate lasting many years, 5 to 10 years in which the bottler knows that it is not increasing the price of concentrate for them, but as we know you have a mechanism that charges an incremental price on growth in revenues and I wanted to know if from this new approach that the CEO of The Coca-Cola Company is giving do you believe that the concentrate mechanism under which you are operating in Chile can change? Is there is anything new in this front?

Jaime García: Well, effectively we share what the CEO of The Coca-Cola Company has said in terms of clarity and stability in the rules of the game between bottlers and the company and indeed there is, there is stability and there is an absolute knowledge of what we are doing for each of the parties. Now in the case of Chile, as you mention, there is an agreement where concentrate has a higher incidence for incremental volumes. That agreement has a term, therefore, it will continue working because it has been agreed upon and we both know what it means and where we are headed, so it is part of the agreement and it is consistent with what you just mentioned regarding what the CEO of the Coca-Cola Company says.

Antonio González: Perfect, thank you.

Rafael Borja: At this time there are no more questions, Mr. García do you have any final comments?

Jaime García: Yes, thank you, first we want to thank your interest in participating in Andina's second quarter report and we expect you all for the third and fourth quarter of the rest of the year. In any case, our Investor Relations Department will be available to answer any questions that you have at any time. So thank you for participating and I look forward to seeing you in three months, for the third quarter.