Winning Formula

Superior Execution

Operational Excellence

New Revenue Streams

Sustainable Growth

ARCACONTINENTAL

ANNUAL REPORT 2013

ARCA CONTINENTAL

ARCA CONTINENTAL PRODUCES, DISTRIBUTES AND SELLS NON-ALCOHOLIC BEVERAGES UNDER THE COCA-COLA COMPANY BRAND, AS WELL AS SNACKS UNDER THE BRANDS OF BOKADOS IN MEXICO, INALECSA IN ECUADOR AND WISE IN THE U.S. WITH AN OUTSTANDING HISTORY SPANNING MORE THAN 85 YEARS, ARCA CONTINENTAL IS THE SECOND-LARGEST COCA-COLA BOTTLER IN LATIN AMERICA AND ONE OF THE LARGEST IN THE WORLD. WITHIN ITS COCA-COLA FRANCHISE TERRITORY, THE COMPANY SERVES OVER 53 MILLION CONSUMERS IN NORTHERN AND WESTERN MEXICO, ECUADOR AND NORTHERN ARGENTINA. THE COMPANY'S SHARES TRADE ON THE MEXICAN STOCK EXCHANGE UNDER THE TICKER SYMBOL "AC". FOR MORE INFORMATION ON ARCA CONTINENTAL, PLEASE VISIT WWW.ARCACONTAL.COM OR DOWNLOAD THE AC INVESTOR IPAD APP.

ARCA CONTINENTAL NORTH AMERICA

1,059.4 VOLUME (MUC)
$46,206 SALES (MILLIONS OF MEXICAN PESOS)

UNITED STATES
2 SNACKS PLANTS
1 SAUCES AND TOPPINGS PLANT
9 DISTRIBUTION CENTERS
90,000 POINTS OF SALE

MEXICO
20 BEVERAGES PLANTS
3 SNACKS PLANTS
116 BEVERAGES DISTRIBUTION CENTERS
41 SNACKS DISTRIBUTION CENTERS
401,000 POINTS OF SALE

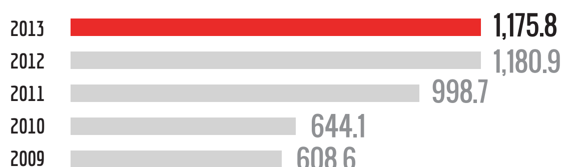
ARCA CONTINENTAL SOUTH AMERICA

289.4 VOLUME (MUC)
$14,153 SALES (MILLIONS OF MEXICAN PESOS)

ECUADOR
3 BEVERAGES PLANTS
2 SNACKS PLANTS
32 BEVERAGES DISTRIBUTION CENTERS
16 SNACKS DISTRIBUTION CENTERS
215,200 POINTS OF SALE

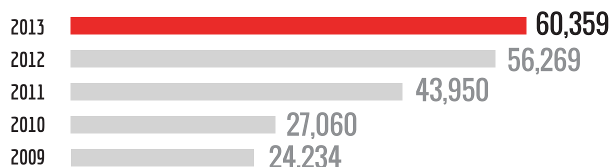
ARGENTINA
3 BEVERAGES PLANTS
25 BEVERAGES DISTRIBUTION CENTERS
90,000 POINTS OF SALE

SALES VOLUME*
(MUC)



*NOT INCLUDING JUG WATER

NET SALES
(MILLIONS OF MEXICAN PESOS)



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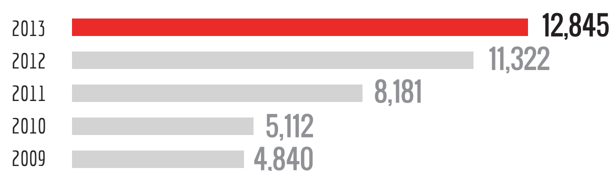
Financial Highlights

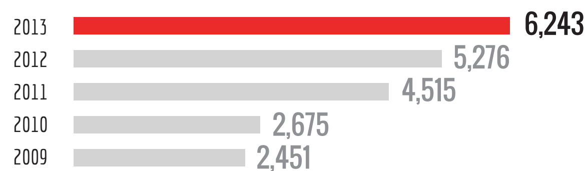
	2013	2012	VAR. %
TOTAL SALES VOLUME (MUC)	1,348.8	1,353.7	(0.4)
NET SALES	60,359	56,269	7.3
GROSS MARGIN	48.1%	46.3%	
OPERATING INCOME	9,891	8,484	16.6
OPERATING MARGIN	16.4%	15.1%	
EBITDA	12,845	11,322	13.4
EBITDA MARGIN	21.3%	20.1%	
NET INCOME	6,243	5,276	18.3
TOTAL ASSETS	66,349	65,591	1.2
CASH	2,566	2,676	(4.1)
TOTAL DEBT	14,078	11,442	23.0
CONTROLLING INTEREST	38,352	38,606	(0.7)
CAPITAL EXPENDITURES	3,826	3,408	12.3
EARNINGS PER SHARE (EPS)			
NET INCOME PER SHARE	3.71	3.13	
BOOK VALUE	23.80	23.96	
DIVIDENDS PAID	3.00	1.50	
AVERAGE SHARES OUTSTANDING (THOUSANDS)	1,611,263	1,611,263	

FIGURES IN MILLIONS OF MEXICAN PESOS
1.OPERATING INCOME PLUS DEPRECIATION, AMORTIZATION AND NON-RECURRENT EXPENSES

EBITDA
(MILLIONS OF MEXICAN PESOS)



NET INCOME
(MILLIONS OF MEXICAN PESOS)



To Our Shareholders

FRANCISCO GARZA EGLOFF CHIEF EXECUTIVE OFFICER   **MANUEL L. BARRAGAN MORALES** CHAIRMAN OF THE BOARD OF DIRECTORS

SUPPORTED BY A WINNING FORMULA BASED ON AN INNOVATIVE PORTFOLIO OF PRODUCTS AND LEADING BRANDS, AND WITH STRATEGIC PRIORITIES OF SUPERIOR EXECUTION, OPERATIONAL EXCELLENCE AND A PERMANENT SEARCH FOR NEW WAYS TO CREATE VALUE, OUR COMPANY CLOSED THE YEAR WITH AN EBITDA 13.4% ABOVE THAT OF THE PREVIOUS YEAR AND AN EBITDA MARGIN OF 21.3%, THE HIGHEST IN OUR HISTORY.

We are pleased to inform you that due to our sustained efforts over the past years to build an increasingly efficient, dynamic and innovative company and our associates' continuous support and professionalism, we posted outstanding annual results for Arca Continental once again in 2013.

This positive performance reflects the capacity of our business model to adapt efficiently to the changing dynamics of the industry and produce positive results, even with challenging environments in our territories. It also further strengthens our leadership and market share in the segments where we participate.

Among the main actions taken to further our first strategic priority, superior market execution, during 2013 we made significant progress with Revenue Growth Management (RGM) and Route to Market (RTM). These initiatives allowed us to segment our markets accurately according to channel, size and customer location and gave us the appropriate product portfolio and price architecture, translating into an outstanding point-of-sale performance, a key factor for business growth.

This focus on continuously enhancing the service we provide for our customers and consumers combined with other achievements to make Powerade the leading beverage in its category in the traditional channel across most of our territories in Mexico. It also resulted in the international rollout of Coca-Cola Life in Argentina. Coca-Cola Life is the first low-calorie Coca-Cola drink to be sweetened naturally with sugar and stevia.

In 2013, in Ecuador, we were awarded the Coca-Cola Excellence in Execution Cup for the second consecutive year for consistently improving our strategic indicators on the Coca-Cola system level.

7.3% INCREASE IN SALES

18.3% GROWTH IN NET INCOME

While last year we received this award for our performance and commercial results in Mexico, in 2013 Ecuador was recognized for its actions in Category Leadership in the Latin Center Region.

In the area of operational excellence, our second strategic priority, we made progress with key initiatives to improve our production capacity, product quality, associates' safety and operating efficiency, optimizing the use of resources and maximizing the profitability of our business units.

In this respect, it is an honor to inform you that our Culiacan Plant became the first facility in the worldwide Coca-Cola System to be certified as a Benchmark Center of Operational Excellence, which makes us very proud and at the same time implies a great commitment to expand this level across all our territories.

With regard to our third strategy, new avenues for creating value, during the first year of integrating Wise in the United States, Inalecsa in Ecuador and Bokados in Mexico, these three businesses posted positive results in sales, market share and operating margin, while we continued to expand their brands and positioning across all our operations.

During the year, we announced the acquisition of 25% stake in Bebidas Refrescantes de Nogales in Sonora. We have already taken steps to strengthen this company's operations, expanding its portfolio and enhancing customer service in an important market adjacent to our territories in northern Mexico.

In order to expand our portfolio into market segments with high growth potential, in 2013 we made an agreement to acquire a majority stake in Holding Tonicorp, a company in Ecuador renowned for its high value added dairy products. We hope to finalize this transaction in the near future.

As a result of these and other strategies, and with the ongoing efforts of our committed team of associates, we closed 2013 with a sales volume of 1,348.8 million unit cases (MUCs), similar to that of the previous year, and grew net sales 7.3% to Ps. 60,359 million.

This performance, combined with growth in operating efficiency and our leverage of synergies, drove the company's profitability up, resulting in a net income of Ps. 6,243 million, 18.3% above the previous year.

In July of 2013, the prestigious magazine LatinFinance recognized the company's financial strength and the excellent results from its human capital with its Best Management Team recognition in the Best Corporations in the Capital Markets edition.

These results position us to continue strengthening our business model in 2014, enhancing our advantages in order to leverage growth opportunities in markets across all the countries and segments we serve.

MEXICO BEVERAGES

In 2013, Mexico was characterized by an environment of weak economic growth, low temperatures and atypically strong rains at the close of the fourth quarter, testing our marketing and distribution capabilities.

With the support of our RGM strategies, we were able to selectively increase prices in line with inflation which, combined with a superior point-of-sale performance, produced positive results in revenues and profitability, as well as market share expansion. The growth posted in these areas exceeded domestic industry averages, especially in the still beverages categories.

In 2012, we reached the highest market share in our recent history. Although in 2013 volume fell 1.1%, net sales were Ps. 42,078 million, 1.6% above the previous year, while EBITDA grew 10.7% to Ps. 9,938 million. This makes Mexico Beverages one of the most profitable operations in the Coca-Cola System.

In 2013, we continued to implement initiatives to perfect our commercial execution through Route to Market (RTM), for which Arca Continental has been a pioneer on a world level. The RTM methodology helps to define the correct service model for each particular customer, reducing service costs and enhancing market attention. By year-end 2013, we had RTM in place across 60% of our territories in Mexico.

As of the beginning of 2014, the Mexican authorities imposed a new tax on sweetened beverages and high calorie foods. We have transferred the impact of this initiative through price increases in first quarter 2014, supporting consumers with a solid price-packaging architecture in order to assure they can access affordable options.

We also implemented a savings plan of Ps. 500 million on an annualized basis, resulting from lower raw material prices and operating efficiencies. Combined with other initiatives, this will allow us to proactively and responsibly adapt to the new market conditions.

Because of the good macroeconomic perspectives for Mexico in 2014, mainly for the second half of the year, we expect consumption to grow in our markets. This, combined with the actions referred to above, paints a positive panorama for results as of the end of the year.

ARCA CONTINENTAL SOUTH AMERICA

Our beverage business in South America made significant progress during the year, reflecting our efforts to improve production capacity, marketing systems and the standardization of practices across operations, in order to leverage the opportunities in these markets.

We posted a 2.5% growth in sales volume for the region, to 289 MUCs, driven by an almost 1% growth in sparkling beverages and approximately 15% in still beverages, including water. As a result, net sales reached Ps. 14,153 million, 5.4% more than the previous year.

In Argentina, five years after our entry in this market, we have duplicated sales and increased our market share by 11 percentage points, to give us the leadership position in the sector.

We have continuously invested cash flow from local operations to upgrade information systems, production capacity, warehousing and distribution with leading-edge technology.

In 2013, we redesigned and modernized the Tucuman and Salta Plants in order to capitalize on our scale and installed a new hot-fill line that will enhance our emerging-beverage production capacity. We also grew online PET-bottle blowing capacity through our partners in the value chain.

In Ecuador, at the end of 2013 we closed the eighth consecutive quarter of volume growth, with a 3.4% rise over the entire year, thereby continuing with our industry-beating results and gaining market share in the different beverage categories.

In both countries, we continued to implement market initiatives to increase immediate consumption with more-affordable presentations, using returnable options and expanding our platform of coolers in the market.

COMPLEMENTARY BUSINESSES

In line with our strategy to invest in solid businesses that are adjacent to our core skills, we are pleased to report that the integration of the snacks operations in Mexico, Ecuador and the United States moved forward at an accelerated rate.

Bokados in Mexico closed the year strongly, posting double-digit sales growth. We continued to expand the presence of this brand across the nation, with the opening of distribution centers in Zacatecas, Queretaro and Guadalajara, which will enable us to serve the increasing demand for our products in these important regions of Mexico more effectively.

In order to enhance Bokados' commercial efficiency, we launched Omega project for its operations. This will further develop the sales force's capabilities, perfecting execution, supervision and route distribution, thus enabling profitable growth.

Wise Foods, in the United States, also produced positive results, exceeding expectations in profitability, and increasing sales margins and operations. Wise's outstanding performance in 2013 positioned it as the one with the fastest growing brands in the salty snacks segment in the United States, with market share increases across all its territories. In Mexico, we are selling Wise products at 24,000 establishments in Monterrey and Guadalajara, with great success among Mexican consumers.

We are already selling Tortolines, the plantain snacks produced by Inalecsa in Ecuador, at important points of sale in markets in the United States with a large Latin population, such as New York, Dallas and Los Angeles, and also promoting their export to other markets.

The prestige and quality of Inalecsa's product portfolio combined with an improvement in its commercial execution to give double-digit growth in sales and a 26% rise in EBITDA in 2013. This was underscored in a number of specialized industry publications where Inalecsa was identified as the fastest-growing snacks company in Ecuador.

Topo Chico also continued to consolidate its position in the United States, with a growing acceptance in new market niches. The Nostalgia Project through which, in partnership with The Coca-Cola Company, we offer Coca-Cola beverages in glass bottles and sweetened with cane sugar posted a record volume of 13 MUCs for the year.

SOCIAL RESPONSIBILITY AND SUSTAINABILITY

In accordance with the values of our organizational culture and our mission and vision of the future, we are firmly committed to generating shared value and to complying with international standards and world-class practices in sustainability and social responsibility.

Our efforts were recognized by the Mexican Stock Exchange when Arca Continental was included in its Sustainability Index for the third year in a row and by the Mexican Center for Philanthropy (CEMEFI) which honored us as a Socially Responsible Company for the eleventh consecutive year.

With regard to environmental sustainability, in 2013 we concluded the expansion of PetStar, a recycling company that we operate in partnership with Coca-Cola de México and a number of peer bottlers, making it the world's largest food-grade PET recycling plant.

In Ecuador, the PET recycling project implemented in conjunction with suppliers, customers and consumers collected 67% of bottles produced, one of the highest rates in the world.

In Mexico, our commitment to the environment is reflected in the continuous improvement of our production processes. Over the past four years, we have reduced the average amount of water used in our processes by almost 20%, reaching one of the best standards on a global level.

IT IS AN HONOR TO INFORM YOU THAT OUR CULIACAN PLANT BECAME THE FIRST FACILITY IN THE WORLDWIDE COCA-COLA SYSTEM TO BE CERTIFIED AS A BENCHMARK CENTER OF OPERATIONAL EXCELLENCE, WHICH MAKES US VERY PROUD AND AT THE SAME TIME IMPLIES A GREAT COMMITMENT TO EXPAND THIS LEVEL ACROSS ALL OUR TERRITORIES.

WE LOOK FORWARD TO A 2014 FULL OF OPPORTUNITIES THAT WE WILL KNOW HOW TO LEVERAGE DOING WHAT WE KNOW HOW TO DO BEST: SEEKING MORE, BETTER, PROFITABLE GROWTH OPPORTUNITIES, ALWAYS FOCUSING ON EXCELLENCE AND CONTINUOUS IMPROVEMENT, AND LEARNING AND INNOVATING IN A CHANGING WORLD WITH THE AGILITY AND CREATIVE INCONFORMITY THAT CHARACTERIZE US, WHILE, AT THE SAME TIME, CONTINUING OUR PRECISE FOCUS ON MEETING THE OBJECTIVES ESTABLISHED IN OUR LONG-TERM VISION.

Working as a team with The Coca-Cola Company, we continued to work on the National Program of Reforestation and Water Stewardship coordinated by Pronatura, accumulating in five years almost 18 million trees planted across over 17,000 hectares of the territories we serve and contributing to the conservation and future viability of the local basins.

We are also one of the founders of the Monterrey Metropolitan Water Fund, a partnership involving a number of companies and organizations, and designed to protect and conserve the water resources of the area through high-tech tools and solutions based on scientific studies.

We continue to support the promotion of active, healthy lifestyles among our communities, organizing and supporting in 2013 more than 2,100 sporting events with the direct participation of almost 1.3 million people.

The Powerade Marathon and the Coca-Cola Cup stand out among these events, along with our beginning to implement Plataforma El Movimiento AC+, an initiative that seeks to promote the health and physical activation of our associates through self-understanding, education and sports.

The values of sustainability and social responsibility were once again clearly visible among our people, their families and members of the community who participated enthusiastically in our Annual Volunteer Day. There were 7,000 participants in 2013 who gave 31,000 man-hours of their time to rehabilitate 14 schools and 15 public parks, clean 28 kilometers of riverbanks and beaches, picking up 18 tons of garbage, and reforest a number of different regions.

The progress we made in this area during 2013 underscores our commitment to leaving a positive footprint on the communities we serve and to improving the environment and the comprehensive wellbeing of our people and society in general.

WINNING FORMULA

A challenging business environment in the countries in which we operate will surely characterize 2014. This invites us to further reinforce our winning formula in order to continue the positive trend in results through the years to come and meet the ambitious goals we have set.

The strength of our business model and the commitment of our associates allow us to look to the future with optimism and position us to capitalize on important opportunities for sustained growth in the long term.

We would like to thank The Coca-Cola Company for its trust and ongoing support for the initiatives we have implemented to strengthen brands and make our operations more efficient. We reaffirm our commitment to redouble these efforts to meet the goals set out in our 2020 Vision.

We are truly grateful for the preference, loyalty and commitment of our customers and suppliers to make us part of their success and to consolidate the commercial partnerships we share.

To our consumers, we would like to reiterate our determination to continue satisfying their different hydration and food needs with safe, world-class products and thank them, as always, for their trust.

In addition, we would like to mention the outstanding talent of our associates that, in combination with their commitment, efforts and determination, has been the driver of all our growth strategies and a key factor in the positive results we have posted year after year.

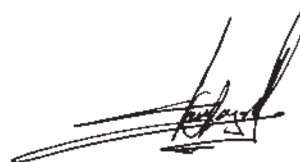
We are also grateful to the members of our Board of Directors and our partners in Arca Continental South America for their vision and guidance, reinforcing the ethical nature of our business and driving the profitable growth, innovation and competitiveness that distinguish us in the industry.

We reiterate to our shareholders our commitment to continue building a productive, valuable, sustainable company that always exceeds the expectations of consumers, customers, associates and the community.

We look forward to a 2014 full of opportunities that we will know how to leverage doing what we know how to do best: seeking more, better, profitable growth opportunities, always focusing on excellence and continuous improvement, and learning and innovating in a changing world with the agility and creative inconformity that characterize us, while, at the same time, continuing our precise focus on meeting the objectives established in our long-term vision.

Many thanks to you all!

MANUEL L. BARRAGAN MORALES
CHAIRMAN OF THE BOARD OF DIRECTORS



FRANCISCO GARZA EGLOFF
CHIEF EXECUTIVE OFFICER

Winning Formula

Superior Execution

- SERVICE MODEL TAILORED TO DIFFERENT CUSTOMER NEEDS
- PRICE-PACKAGING ARCHITECTURE DESIGNED TO MAXIMIZE COMPETITIVENESS AND PROFITABILITY
- CONTINUOUS PORTFOLIO INNOVATION
- OUTSTANDING POINT-OF-SALE PERFORMANCE
- CUSTOMER SUPPORT AND MARKET INVESTMENT

Sustainable Growth

- PETSTAR, THE WORLD'S LARGEST FOOD-GRADE PET RECYCLING PLANT
- 3.4 MILLION TREES PLANTED IN 2013 AS PART OF THE NATIONAL REFORESTATION AND WATER STEWARDSHIP PROGRAM
- MORE THAN 7,000 PARTICIPANTS IN ANNUAL VOLUNTEER DAY
- OVER 1.3 MILLION PEOPLE DOING EXERCISE

- CULIACAN PLANT, THE FIRST TO BE CERTIFIED ON A WORLD LEVEL AS A BENCHMARK CENTER OF OPERATIONAL EXCELLENCE
- 71% OF MEXICAN PLANTS IMPLEMENTING OPERATIONAL EXCELLENCE
- LEADER IN PRODUCT QUALITY INDEX
- STANDARDIZATION OF IT TECHNOLOGIES AND BEST MANUFACTURING PRACTICES

- AGREEMENT TO ACQUIRE TONICORP, A LEADING HIGH VALUE ADDED DAIRY PRODUCTS PRODUCER IN ECUADOR
- ACQUISITION OF A 25% STAKE IN BEBIDAS REFRESCANTES DE NOGALES
- SUCCESSFUL INTERNATIONALIZATION AND CROSS-BRAND EXPANSION BETWEEN WISE, BOKADOS AND INALECSA
- PURCHASE OF PRODUCTOS PALMA
- 30,000 VENDING MACHINES INSTALLED
- 117,000 CUSTOMERS IN THE DIRECT TO HOME (DTH) CHANNEL

Service Models

Price-Package Architecture

Superior Execution

Portfolio Innovation

Market Investment

SUPERIOR EXECUTION

IN 2013, WE INCREASED OUR MARKET SHARE SIGNIFICANTLY AND POSTED POSITIVE SALES RESULTS BECAUSE OF OUR PORTFOLIO OF LEADING BRANDS AND PRODUCTS AND THE IMPLEMENTATION OF SPECIFIC INITIATIVES TO PERFECT OUR POINT-OF-SALE PERFORMANCE.

THE ROLLOUT OF PROJECTS SUCH AS ROUTE TO MARKET, THE ADOPTION OF LEADING-EDGE INFORMATION SYSTEMS AND TECHNOLOGY, THE STANDARDIZATION OF BEST COMMERCIAL PRACTICES AND OUR CONTINUOUS INVESTMENT IN THE MARKET, WERE SOME OF THE KEY FACTORS THAT CONTRIBUTED TO ARCA CONTINENTAL EXCEEDING INDUSTRY AVERAGES IN THE COUNTRIES WHERE WE OPERATE.

MEXICO BEVERAGES

Our beverage business's main market was characterized by marginal economic growth and weak consumer spending, resulting in a 1.1% decline in sales volume.

In the challenging environment, the precision of the different initiatives we implemented in partnership with our retail customers, combined with a solid price-packaging architecture, allowed us to continue with the approximately 4% annual increase in price per unit case, in line with inflation, thus protecting our customers' profitability and the competitiveness of our product offering, and raising revenues of the order of 7.3%.

It is important to note the performance of our isotonic beverage Powerade, that closed the year with a 20.5% year-over-year volume growth and a 3.6% rise in coverage, maintaining its position as the traditional channel leader in its category in the territories we serve.

Our Route to Market (RTM) service model continued to drive considerable improvements in market service, efficiency and service costs, operating as of year-end 2013 across 60% of Arca Continental's territories in Mexico.

We will continue to expand this important methodology to the modern channel and also to innovate other service models.

As a way of generating shared value and enhancing the profitability of our business and those of our customers, we provided added support to the traditional channel through Siglo XXI, a program that in 2013 helped 11,000 customers with refrigeration equipment, displays, advertising and the improvement of the general appearance of their stores. In 2014, we plan to support another 5,000 customers.

Within the framework of the continuous improvement of our market performance, mid-2013 we created the area of Commercial Innovation. This new area has already rolled out pilot initiatives, such as the "Professionalization of the Traditional Channel" and "Cashless Traditional Channel", and begun to develop a network of collaboration and exchange of best practices for the key people of the sales force, called "Conect@2".

60%

OF MEXICAN TERRITORIES OPERATING WITH RTM

ROUTE TO MARKET

ROUTE TO MARKET CONTINUED DRIVING CONSIDERABLE IMPROVEMENTS IN MARKET SERVICE, EFFICIENCY AND COST OF SERVICE.

+20.5%

ANNUAL GROWTH OF POWERADE, LEADER IN THE TRADITIONAL CHANNEL

The programs to improve our commercial operations and execution are complemented by two important projects: ENLACE and the Comprehensive Plan of Sales and Operations (Plan Integral de Ventas y Operaciones, PIVO). These initiatives seek to enable a more synchronized commercial and operating performance across all our territories in Mexico and will give us a solid platform for better decision making and control as an integral part of the multiple information technology platforms that we have launched over the past years.

With regard to our exports to the United States, Topo Chico sparkling water continues to gain ground in the U.S. market, transcending its natural niche in the Hispanic population, consolidating its position as a quality brand among an expanding and increasingly loyal customer base. Because of its flavor, quality and image, combined with significant efforts by our affiliate Interex to grow the brand presence, Topo Chico is now marketed in more than 40 U.S. states. In 2013, we posted an annual sales increase of 10% for Topo Chico.

The project to export Coca-Cola soft drinks in glass bottles sweetened with cane sugar that we carry out in partnership with The Coca-Cola Company continues to grow, with the addition of multi-packs and Fanta in different flavors to this export offering. As a result, in 2013 the project posted a record sales volume of 13 MUCs.

11,000

CUSTOMERS SUPPORTED WITH SIGLO XXI

14.7% EBITDA GROWTH IN SOUTH AMERICA

OUR BEVERAGE BUSINESS IN ECUADOR POSTED EIGHT CONSECUTIVE QUARTERS OF VOLUME GROWTH.

ARCA CONTINENTAL SOUTH AMERICA

During the year, we faced an environment of high inflation in our South American territories. However, because of an effective price strategy, the promotion of single-serve and immediate-consumption packaging, and a responsible cost-reducing policy, we were able to post a 14.7% increase in EBITDA in the region, to Ps. 2,481 million.

In Argentina, EBITDA has grown fourfold since 2008 when we entered the market, and EBITDA margin has increased from 9% to 17%. This expansion significantly exceeds national averages, reflecting initiatives such as prudent management to minimize our exposure to foreign exchange rate volatility and the contracting of local debt in Argentinean pesos.

With regard to our portfolio of products, Argentina was the first country in the world to launch Coca-Cola Life, a low-calorie soft drink sweetened naturally with sugar and stevia. During the year, we also rolled out Fuze Tea, which has already shown excellent potential in the premium segment of its category.

Our business in Ecuador continues to perform better than the industry, with a sales volume that has grown consistently for eight quarters, winning market share both in sparkling and still beverages.

This performance was led by growth in flavored beverages, single-serve water and our diverse portfolio of still beverages, supported by the inclusion of Jugos Del Valle and Powerade Zero in our product offering.

In order to enhance profitability, we continued promoting single-serve presentations, which now represent 19.5% of our product mix.

In both South American countries we continued to make our market operations more efficient by increasing cooler coverage, which in 2013 reached 43% of our territories in Argentina, with 55,000 units installed, and 40% in Ecuador, with 70,000 units.

ARCA CONTINENTAL ECUADOR RECEIVED THE EXCELLENCE CUP IN MARKET EXECUTION FOR ITS LEADERSHIP IN THE CATEGORY.

Coca-Cola Life ARGENTINA PIONEERED ITS INTERNATIONAL LAUNCH.

SUCCESSFUL INTEGRATION

IN 2013, WE CONSOLIDATED THE INTEGRATION OF WISE, BOKADOS AND INALECSA AS A SOLID SNACKS BUSINESS WITH CONTINENTAL PROJECTION, LEVERAGING THE INTERNATIONAL POTENTIAL OF THE MOST IMPORTANT BRANDS OF EACH BUSINESS. BY YEAR-END, WE WERE SELLING WISE PRODUCTS THROUGH 24,000 CUSTOMERS IN MONTERREY AND GUADALAJARA; INALECSA'S TORTOLINES IN NEW YORK, TEXAS AND CALIFORNIA; AND BOKADOS' TOPITOS IN NEW YORK UNDER THE WISE BRAND.

COMPLEMENTARY BUSINESSES

In 2013, one year after the integration of Bokados, Wise and Inalecsa, we posted very positive results for these three businesses, with growth in sales, market share and profitability. These results exceed the goals we had established, because of brand cross sales, the exchange of best practices, increased coverage and our entry into new channels and markets.

The success of our market testing, the crossed expansion of brands that we are implementing between Mexico, Ecuador and the United States, and the beginning of exports to other countries serve to underscore that the taste and quality of our snacks extend beyond international borders.

Bokados continues to post good results, growing its footprint across domestic markets, with an increasing market share in northern and western Mexico.

To serve the growing demand in new territories, we set up two new, modern branches in Queretaro and Zacatecas, and one in Guadalajara to give special attention to the modern channel.

To support our growth strategy, we continued to implement the SAP IT solution "SCM Bokados", which enables ordered planning and integrates the different areas of this business.

In 2013, we began the implementation of Omega Project for Bokados to enhance its commercial execution capabilities, with a pilot plan at the Zapopan and Obregon branches. The best practices of the project are already being extended to our other branches as a second phase of the initiative.

Wise in the United States posted solid sales results and growth in EBITDA, with superior performance in dollar-denominated sales of salty snacks. This brand has become the fastest growing player in the industry in the U.S. and has consistently gained market share, driven by growth in Ridgies chips and the expansion of the kettle chips category.

An example of the potential of sales crossed between our diverse operations is the launch of Bokados' Topitos under the Wise brand in the United States. As a result, we are now excellently positioned to leverage the high growth potential of the tortilla snacks segment in the U.S. market.

Today, Wise products are being successfully distributed to 24,000 customers in Monterrey and Guadalajara in Mexico. Meanwhile, Tortolines plantain snacks, produced by Inalecsa, are already reaching major Hispanic distributors in the United States and even entering new key territories such as New York, the largest plantain chips market in the U.S., Texas and California, as well as Spain.

To support our current rhythm of growth, we made improvements to our IT tools during the year. Among the initiatives we implemented was the BASIS System for Inalecsa, which gives the commercial and logistics areas better internal control and a reliable database, providing real-time information on our product coverage and additional indicators for the commercial area for such metrics as returns and drop sizes.

BOKADOS SERVES 52 MILLION CONSUMERS AND 16,000 CUSTOMERS THROUGH 1,151 ROUTES, SOME OF WHICH ARE SPECIALIZED IN CANDIES.

Efficiency
Profitability
Quality,
Hygiene and
Safety
Operational
Excellence
High
Technology
Best
Practices

OPERATIONAL EXCELLENCE

PRODUCING WITH ENHANCED EFFICIENCY AND MOVING FORWARD EVERY YEAR TOWARDS EXCELLENCE IN KEY BUSINESS INDICATORS SUCH AS QUALITY, COSTS, SAFETY AND PRODUCTIVITY ARE CORE FEATURES OF OUR ORGANIZATION AND A FUNDAMENTAL PILLAR FOR THE CONSOLIDATION OF OUR COMPETITIVE POSITION IN THE GLOBAL INDUSTRY.

IN LINE WITH OUR PHILOSOPHY OF CONTINUOUS IMPROVEMENT, IN 2013 WE MADE SIGNIFICANT PROGRESS ON THE ROAD TO OPERATIONAL EXCELLENCE, A METHODOLOGY OF THE COCA-COLA COMPANY DESIGNED TO GIVE BUSINESS UNITS THE HIGHEST STANDARDS, BEST STRUCTURE, STANDARDIZED SYSTEMS AND A STRONG SENSE OF COLLABORATION.

Three years after we began this initiative, the Culiacan Plant was the first facility on a global level to be certified as a “Benchmark Center of Operational Excellence”. In 2013, we extended the scope of the methodology to distribution centers, administrative units and our value chain.

By year-end 2013, we had implemented Operational Excellence across 71% of our production facilities and 33% of our distribution centers in Mexico. We have set the goal of including four more plants in 2014, covering 86% of our Mexican facilities, as well as two plants in Ecuador and another in Argentina. In 2015, we will add the Bokados operating units.

Because of our commitment to continuous improvement, in 2013 we underpinned our global leadership position in Product Quality Index with a consolidated rating across our operations in Mexico, Ecuador and Argentina of 97.36, above the average for the industry in Latin America and worldwide. Our Mexican operations stood out in this regard with a score of 98.14, exceeding the average for the Coca-Cola System in Mexico.

To enhance our operational, administrative and commercial efficiency, we have modernized and standardized our information technology across all our territories. During 2013, we continued extending and standardizing the systems we have implemented, including SAP, as well as others.

Moreover, we continued with our plan for certifying our production units in the three countries where we operate a beverage business. As of year-end 2013, 100% of our plants boasted FSSC 22000 certification for food safety; 100% ISO 9001 for quality; and 88% ISO 140001 for environmental quality. During the year, we also made significant progress with OHSAS 18001 certification for labor safety.

Overall in 2013 we invested almost Ps. 500 million in installing new production lines, modernizing facilities, implementing innovation projects, extending in-line blowing capacities and improving product quality, thereby strengthening Arca Continental’s production platform.

Ps. 120 million IN SAVINGS FROM OPERATIONAL EXCELLENCE

98.14 PRODUCT QUALITY INDEX IN MEXICO

MEXICO BEVERAGES

In our core beverage market, we underscored our international leadership in productivity and quality, and made further progress along the road of continuous improvement that has always characterized our operations.

During 2013, the Operational Excellence program produced 220 specific improvement projects that translated into estimated economic benefits of close to Ps. 120 million for the company.

We also worked to make our Insurgentes Plant in Monterrey, Nuevo Leon the second unit on a world level to be certified as a Benchmark Center of Operational Excellence.

To increase our production capacity and operating efficiency in Mexico, as part of our strategic investment plan we upgraded the production lines at our Culiacan, Chihuahua, Insurgentes, Saltillo and Ciel Juventud Plants.

In addition, we introduced important innovations, such as cooling towers in the water extraction systems at La Favorita and Zapopan, in Jalisco, as well as at the plants in San Luis Potosi, Aguascalientes, Monterrey and Guadalupe, making significant savings in electrical energy. We also implemented other projects, such as the modernization of refrigeration systems, the installation of new, more-efficient motors and the adaptation of equipment to cleaner, cheaper fuels.

One of the most important results of our efforts to make our operations more efficient and certify our production facilities was a reduction in accidents, reflected in a 22% decline in the Lost Time Incident Rate (LTIR) as we moved closer to our objective of zero accidents.

In 2014, we will continue to reinforce these projects with others, such as the standardization of laboratories and the application, in a pilot phase, of ISO 17025, which certifies laboratory testing and calibration. We will also begin the on-line monitoring of key variables for product quality and implement an automatic shutdown process for situations when operating conditions fail to satisfy certain parameters.

A clear sign of the strategic importance of Operational Excellence in Arca Continental's performance is the Ps. 1,550 million saved in synergy initiatives between 2011 and 2013 in raw materials, lightening our packaging, supply chain, and the reduction of administrative, production and logistics expenses.

-22%

REDUCTION IN LOST TIME INCIDENT RATE (LTIR)

ONE OF THE MOST IMPORTANT RESULTS OF OUR EFFORTS TO MAKE OUR OPERATIONS MORE EFFICIENT AND CERTIFY OUR PRODUCTION FACILITIES WAS A REDUCTION IN ACCIDENTS, REFLECTED IN A 22% DECLINE IN THE LOST TIME INCIDENT RATE (LTIR) IN 2013.

ARCA CONTINENTAL SOUTH AMERICA

Since we entered Argentina in 2008 and Ecuador in 2010, we have continuously invested in our operations and the markets there in order to drive the profitability of our business.

In 2013, using cash flow from local operations, we significantly grew production capacity, efficiency, product quality and the sustainability of our plants in Argentina through the modernizing of the Salta and Tucuman Plants.

The installation of in-line blowing at these two plants is already producing significant benefits through a reduction in costs related to PET containers and their transportation.

In order to further enhance our portfolio of emerging beverages, a new hot-fill production line was installed at the Salta Plant, expanding the capacity of our operations in northern Argentina.

To support our inventory management, we introduced new IT tools related to the RED System (Right Execution Daily), allowing us to synchronize production with commercial execution.

We also continued making progress in improving product quality, and our Salta Plant was recognized by The Coca-Cola Company for achieving the highest Product Quality Index in the region.

In Ecuador, we continued standardizing our IT systems, including SAP, in order to synchronize our operations and the distribution and marketing of our products, and underpin the management of this business unit.

During the year, we completed the implementation of the SAP at the central offices and at the plants in Guayaquil, Quito and Santo Domingo.

In addition, we continued with the planning and development of a new plant, which will significantly grow the capacity and quality of our production in Ecuador.

Salta Plant

BEST PRODUCT QUALITY INDEX IN THE REGION

ENHANCED CAPACITY

IN 2013, WE MADE STRATEGIC CAPITAL EXPENDITURES TO ENHANCE OUR PRODUCTION CAPACITY AND THE DEVELOPMENT OF NEW PRODUCTS IN OUR SNACKS BUSINESS. STANDING OUT AMONG THESE INVESTMENTS WAS THE EXPANSION OF THE BOKADOS PLANT IN MONTERREY, WITH THE ADDITION OF A PILOT PRODUCTION LINE FOR INNOVATION; THE SETTING UP OF A RESEARCH AND DEVELOPMENT CENTER IN ATLANTA IN THE UNITED STATES; AND FACILITY EXPANSIONS TO PROCESS CORN AND PLANTAIN PRODUCTS AT INALECSA.

COMPLEMENTARY BUSINESSES

In order to drive the growth of our Complementary Businesses Division, we continued to make strategic investments to enhance the efficiency and productivity of our operations, product quality and portfolio innovation.

For Bokados, in 2013 we completed the expansion of the Monterrey Plant with the construction of an adjacent industrial building with three new production lines, including a mixing line which automatically combines different products in a single package to satisfy an important trend in consumer preferences. The new facility increased Bokados production capacity in response to the growing demand for its products and in an effort to exceed the more than 21,000 tons of products it manufactured in 2013.

In Atlanta, in the United States, one year after the integration of Wise and Inalecsa into our snacks business, we concluded the setting up of corporate offices in order to improve the coordination of the financial, commercial, administrative and research areas of our U.S. operations.

The new offices house an important research and development center that will drive the division's growth by expanding our leading brands and products in the countries where we operate, generating international brands for the snacks business.

As for Inalecsa, the good results in its commercial area were supported by an increase in the business's production capacity which resulted in a 12.3% growth in production.

To achieve this, among other initiatives, we installed a new plantain-snack production line, which helped to enhance our installed capacity. It also positions us to continue with the strategy to expand Tortolines as a world-class brand, taking it to new territories.

During the year, we also installed a new corn mill and fryer that allowed us to increase our corn-line production capacity by approximately 18%.

In 2014, we will install new corn and bakery lines and remodel the Guayaquil Plant with state-of-the-art technology. The initiatives will enhance our leadership position in the region.

THESE STRATEGIES STRENGTHEN ARCA CONTINENTAL'S LEADERSHIP VISION IN ALL ITS MARKETS, BRINGING IMPORTANT INNOVATIONS AND BEST PRACTICES TO THE INDUSTRY, ENHANCING THE SAFETY OF OUR ASSOCIATES AND DRIVING THE CONTINUOUS IMPROVEMENT AND QUALITY OF OUR PRODUCTS.

12.3%

INCREASE IN INALECSA'S PRODUCTION VOLUME

NEW AVENUES FOR CREATING VALUE

AT ARCA CONTINENTAL, WE FOCUS ON A CONSTANT SEARCH TO BUILD VALUE FOR OUR SHAREHOLDERS. TO DO THIS, WE HAVE CREATED A DYNAMIC GROWTH PLATFORM BASED ON A SOLID BUSINESS MODEL, OPERATING AND COMMERCIAL PRACTICES THAT EVOLVE TO PROVIDE OUR CUSTOMERS AND CONSUMERS WITH THE BEST POSSIBLE SERVICE, AND AGGRESSIVE INNOVATION IN OUR PRODUCT PORTFOLIO.

WISE
SINCE 1921
All Natural
POTATO CHIPS
PAPA NATURAL FRITA CON SAL

Standing out among the different actions we implemented in 2013 to increase the profitability of our company and generate new avenues of growth is the agreement we made for the acquisition of a majority stake in Tonicorp. We hope to finalize this transaction during 2014.

Tonicorp, a leader in the high value added dairy products market in Ecuador, boasts winning brands, innovative, high quality products, and a long tradition in that nation. It will allow us to expand our portfolio of products to a segment with great growth potential.

Moreover, the investment complements our entry into the dairy segment through the acquisition of Santa Clara, in Mexico, as a result of our share in Jugos Del Valle.

As part of our strategy to grow in territories adjacent to our current ones in the beverage business, and seeking to consolidate our position of regional leadership in Mexico, in 2013 we acquired a 25% interest in Bebidas Refrescantes de Nogales, a Coca-Cola bottler in Sonora. We are collaborating with this company to generate important growth and benefits, implementing best commercial and production practices and expanding our portfolio in the important Mexican border region where it operates.

In the Complementary Businesses Division, the recent integration of Wise and Inalecsa into our dynamic snacks business, which we entered in 2007 through Bokados, has proven to be very productive, exceeding original expectations, growing sales and operating margin, and expanding into new markets in the United States and Europe.

Santa Clara

WE EXTENDED OUR PORTFOLIO TO THE DAIRY SEGMENT THROUGH SANTA CLARA IN MEXICO

+30,000

VENDING MACHINES INSTALLED AS OF YEAR-END 2013

BECAUSE OF OUR SOLID FINANCIAL POSITION AND FLEXIBILITY TO ESTABLISH SUCCESSFUL ALLIANCES AND COMPANIES, ARCA CONTINENTAL HAS GROWN CONTINUOUSLY OVER THE PAST DECADE, POSTING RESULTS THAT EXCEED EXPECTATIONS AND THE AVERAGES OF THE INDUSTRY AND OF THE TERRITORIES WHERE WE COMPETE, AND OPERATING WITH A DIVERSIFIED PORTFOLIO OF BUSINESSES CLOSE TO OUR CORE SKILLS AND CAPABILITIES.

The diversity and quality of the portfolios of all our companies have allowed us to exploit their potential through cross-brand expansion, moving key products and brands between countries, and generating and leveraging new opportunities in the markets of the United States, Mexico and Ecuador.

Clear examples of this strategy are our entry into new regional markets in the United States with a large Hispanic population through insignia products from other markets such as Tortolines and Topitos, which have performed outstandingly in the specialized segments of plantain and corn snacks respectively, and the introduction of Wise products to our Bokados offering in Mexico.

Also in 2013, we satisfied consumers' changing needs through Bokados, integrating the brands and operations of Productos Palma into its snack portfolio. Palma is a renowned processor of chili-flavored dried fruits with popular brands that include Picapiña and Mangogo.

With a nationwide presence in Mexico, principally through the modern channel, the integration of Palma into Bokados represents a great opportunity to add value to this business.

Our vending machines business continues to flourish, posting a growth of more than 20% over the past two years. Today, we are one of Mexico's largest vending machine operators, with more than 30,000 units in the field in 2013 and on the way to achieving our goal of 42,000 machines in the market by the end of 2015.

The search for new avenues of value creation is an ongoing task, an attitude that is a fundamental part of the organizational culture that distinguishes us and one of the factors driving our success. Consequently, we will continue to seek new opportunities in the market, always bearing in mind our values and vision of the future.

DIRECT TO HOME (DTH) SALES CHANNEL

ANOTHER EXAMPLE OF COMMERCIAL INNOVATION THAT HAS GIVEN US DIRECT CONTACT WITH CONSUMERS IS OUR DIRECT TO HOME (DTH) SALES CHANNEL, WHICH TAKES OUR BEVERAGE PORTFOLIO RIGHT TO CONSUMERS' DOORS. REVENUES FROM THIS CHANNEL GREW 12.8% IN 2013, WITH A BASE OF 117,000 CONSUMERS, WHO ADD TO THE 546,000 CUSTOMERS WE ALREADY SERVE WITH HOME SALES OF JUG WATER.

SUSTAINABLE GROWTH

DRIVEN BY OUR VISION OF THE FUTURE AND A SOLID COMMITMENT TO THE COMPREHENSIVE WELLBEING OF OUR ASSOCIATES AND THE COMMUNITIES WE SERVE, IN 2013 WE MADE SIGNIFICANT PROGRESS IN THE CONSOLIDATION OF THE ARCA CONTINENTAL SOCIAL RESPONSIBILITY AND SUSTAINABILITY MODEL, ACHIEVING SIGNIFICANT GOALS IN OUR SEARCH TO LEAVE A POSITIVE MARK ON OUR ENVIRONMENT.

Coca-Cola
Coca-Cola
Ethics and Values
Environmental Protection
Sustainable Growth
Community Development
Personal Well-being

AS A RESULT OF A CONSCIOUS INTEGRATION OF THE VALUES OF SUSTAINABILITY AND SOCIAL RESPONSIBILITY INTO OUR ORGANIZATIONAL CULTURE AND BUSINESS STRATEGY, ARCA CONTINENTAL'S DAILY OPERATIONS AND ALL THE INITIATIVES WE IMPLEMENT INTRINSICALLY RESPECT THE ENVIRONMENT AND THE COMPREHENSIVE DEVELOPMENT OF OUR PEOPLE AND THE COMMUNITY.

In 2013, we continued consolidating the Human Capital and Sustainability Committee, for which the Board of Directors, together with the Chief Executive Officer, lead the formulation of strategies, integrating economic decisions of a social and environmental nature in order to make its operation more effective and coordinate the efforts of all business units in this area.

To implement its decisions at the operational level, we set up the Executive Committee for Sustainability, comprising functional teams for each strategic topic and a coordinator. The Executive Committee has the mission of standardizing sustainability and social responsibility policies, objectives, metrics and best practices across the entire organization, and generating and implementing an annual plan with goals that will lead to the achievement of our 2020 Vision.

In the area of sustainable waste management, one of the main achievements of 2013 was the expansion of PetStar, the plant we operate in partnership with The Coca-Cola Company and a group of peer Mexican bottlers. During the year, we duplicated its processing capacity to more than 60,000 tons of recycled food-grade PET resin per year.

Its scale and total integration of the bottle-to-bottle process make PetStar today the world's largest and most modern food-grade PET recycling plant.

PetStar's use of world-leading technology allows us, together with the group of other bottlers who operate it, to move forward in achieving the sustainability goals of The Coca-Cola Company. In 2014, we will incorporate at least 25% of recycled materials in all our PET containers, one year ahead of the company's original goal, and also recycle 70% of the PET bottles used in our brands.

1.3 million

PEOPLE DOING EXERCISE EVERY YEAR

With regard to the responsible use of water, we are firmly commitment to returning to nature 100% of the water used in our processes. To this end, in 2013 we continued actively participating in the National Program of Reforestation and Water Stewardship of The Coca-Cola Company and Pronatura, planting 3.4 million trees across 2,611 hectares of our territories, installing three rainwater harvesting

IN PARTNERSHIP WITH OUR SUPPLIERS, CUSTOMERS AND CONSUMERS, WE ALSO MADE PROGRESS WITH THE PROJECT FOR COLLECTING PET BOTTLES IN ECUADOR, REACHING A COLLECTION LEVEL OF 67% OF CONTAINERS PRODUCED.

tanks in San Luis Potosi and Durango, and operating five community nurseries that produced 365,000 new plants.

It is important to note that over the past five years we have taken part in the reforestation of 17,000 hectares, planting more than 18 million trees, thereby enhancing rainwater collection and recharging the groundwater in some of the nation's most important water basins.

We also made significant progress with most of our environmental indicators, such as water-use efficiency, which in 2013 fell from 1.77 to 1.71 liters of water per liter of beverage at the consolidated level. In total, we were able to save more than 400,000 cubic meters of water during the year.

With regard to the carbon footprint of our operations, we continue to maximize the efficiency of our energy consumption, having lowered it from 0.236 to 0.231 megajoules per liter of beverage, in line with our objective. Since 2010, we have reduced our energy consumption by 9.4%, despite the increase in production.

We are aware of the positive role we can play as an industry in seeking comprehensive solutions for our communities in the area of health and wellness. Thus, in 2013, we reaffirmed our position as one of Mexico's main sports promoters, through events including the Coca-Cola Cup, the Powerade Marathon, Schools in Movement and more than 2,100 sporting events organized or sponsored, thus activating more than 1.3 million people.

In Nuevo Leon, we renewed our alliance with the State Ministries of Education and Health to continue with the Health to Learn Project. This initiative seeks to teach young people about nutrition and exercise, hoping that, as a result, they will make informed decisions and enjoy sports. It has already produced encouraging results among public-school students.

A clear sign that Arca Continental lives the values of its organizational culture, including sustainability and social responsibility, is our Annual Volunteer Day. This event broke participation records once more in 2013 and we continued to implement it as a standard practice in all the markets we serve.

More than 7,000 associates and their families and members of our communities enthusiastically joined this great shared effort to help the environment. They gave 31,000 hours of their time to rehabilitate 14 schools and 15 public parks, clean 28 kilometers of riverbanks and beaches, collect 28 tons of garbage and reforest a number of areas in our territories.

We also continued to carry out institutional social responsibility actions such as Sustainability Day, Christmas with Sense and our Volunteer Program, with a great response from our people.

Since sustainability and social responsibility are integrated into Arca Continental's business strategy and organizational culture, in 2014 and the coming years, we will continue to drive initiatives to improve the environment and promote the harmonious development of society and the sustainability of the communities we serve as a way of life and of doing business.

+60,000

TONS PER YEAR: PETSTAR'S PROCESSING CAPACITY

PETSTAR

PETSTAR, THE COMPANY WE OPERATE IN PARTNERSHIP WITH THE COCA-COLA COMPANY AND A GROUP OF PEER MEXICAN BOTTLERS, DUPLICATED ITS PROCESSING CAPACITY IN 2013, BECOMING THE WORLD'S LARGEST FOOD-GRADE PET RECYCLING PLANT. IT OPERATES WITH LEADING-EDGE TECHNOLOGY AND A TOTAL INTEGRATION OF THE BOTTLE-TO-BOTTLE PROCESS, FROM PET COLLECTION TO PROCESSING AS HIGH VALUE ADDED RECYCLED RESIN.

Board of Directors

MANUEL L. BARRAGAN MORALES (63) 1
Chairman of the Board of Directors of Arca Continental since 2005 and a member of the Board of Directors since 2001. Mr. Barragan Morales is Chairman of the Board of Directors of Grupo Index. He has also been a member of the Boards of Directors of Procor, Banco Regional del Norte and Papas y Fritos Monterrey, and was an executive at a financial institution for 15 years.

GUILLERMO ALVELAIS DESTARAC (33) 3, P
Member of the Board of Directors of Arca Continental since 2009.

LUIS ARIZPE JIMENEZ (52) 1, P
Vice-President of the Board of Directors of Arca Continental since 2011. Mr. Arizpe Jimenez had been Vice-President of the Board of Directors of Embotelladoras Arca since 2008. He is Chairman of the Boards of Directors of Saltillo Kapital and Hotel Camino Real Saltillo, a member of the Boards of Directors of Grupo Industrial Saltillo and Grupo Financiero Banorte, northern region, Chairman of the Mexican Red Cross in Saltillo, a member of the Board of Trustees of Instituto Tecnologico y de Estudios Superiores de Monterrey (ITESM), Campus Saltillo, and Chairman of Consejo Civico y de Instituciones of Coahuila. He is also President of the Offering Committee of the Saltillo Diocese and Vice-President of COPARMEX, Southeast Coahuila.

EDUARDO R. ARROCHA GIO (71) 2
Member of the Board of Directors of Arca Continental since 2011. Mr. Arrocha Gio is also a Professor in the Law Schools of Universidad Nacional Autonoma de Mexico and Universidad Anahuac. He was Chief Legal Officer of Laboratorio Syntex for seven years and Legal Vice-President for Latin America of The Coca-Cola Company, retiring from the latter company after 25 years of service. He was President of the Mexican National Association of Corporate Lawyers and is a member of the Mexican Bar Association. Mr. Arrocha Gío is currently a member of the law firm De la Vega y Conde in Mexico City.

JUAN M. BARRAGAN TREVIÑO (52) 1, C
Member of the Board of Directors of Arca Continental since 2011. Mr. Barragan Treviño had been a member of the Board of Directors of Embotelladoras Arca since 2009. He has a Bachelor's Degree in Mechanical Engineering and an MBA from ITESM and has been a member of the Boards of Directors of Transportes Especializados Regiomontanos, Papas y Fritos Monterrey, Grupo Procor and Grupo Index.

FERNANDO BARRAGAN VILLARREAL (83) 1
Member of the Board of Directors of Arca Continental and of Embotelladoras Arca since 2001. Mr. Barragan Villarreal is also a member of the Board of Directors of Grupo Index and a member of the Civic Council of the Chipinque Ecological Park. He was a member of the Boards of Directors of Estructuras de Acero, Financiera General de Monterrey, Procor and Banco Regional de Monterrey and was CEO of Procor. He has also occupied several positions in Bebidas Mundiales, including CEO and Production, Maintenance and Quality Control Manager.

ALEJANDRO M. ELIZONDO BARRAGAN (60) 1, P
Member of the Board of Directors of Arca Continental and Embotelladoras Arca since 2004. Mr. Elizondo Barragan is Senior Vice-President of Business Development of Alfa. He has occupied diverse positions in Alfa's corporate area and steel and petrochemical divisions for more than 38 years. He is a member of the Boards of Directors of Banco Regional de Monterrey, Nemak, Indelpro, Polioles and Alestra.

CARLOS ENRIQUEZ TERRAZAS (65) 3, C
Member of the Board of Directors of Arca Continental since 2011. Mr. Enríquez Terrazas is a founding partner of EC Legal, and has been practicing law for more than 36 years, responsible for the area of mergers and acquisitions.

TOMAS A. FERNANDEZ GARCIA (42) 3, P
Vice-Chairman of the Board of Directors of Arca Continental and Embotelladoras Arca since 2007 and a member of the Board of Directors since 2005. Mr. Fernandez Garcia is CEO of Grupo Mercantil de Chihuahua, SOFOM ENR.

ULRICH GUILLERMO FIEHN RICE (42) 2, A
Member of the Board of Directors of Arca Continental since 2011. Mr. Fiehn Rice is Chairman of the Board of Directors of Alto Espacio Residencial. He previously occupied diverse positions in Corporate Finance at Cemex and was a financial risk analyst at Vector Casa de Bolsa.

JOSE ANTONIO RODRIGUEZ FUENTES (55) 1, P
Member of the Board of Directors of Arca Continental since 2010. Mr. Rodriguez Fuentes is CEO and Sole Administrator of Avicola Ganadera La Pasta and Arrenda Saltillo. He is a member of the Boards of Directors of Fondo Inmobiliario Trilenium 1, the Monterrey Plant of Agribands Purina Mexico, Union de Avicultores de Saltillo, Federacion Agronomica, the Coahuila College of Agronomist-Engineers and CANACO Saltillo. He is also a founding trustee of Caritas Diocesano de Saltillo, Casa del Sacerdote Emerito and Casa de Niños y Niñas, and is the Secretary of the Board of Trustees of Casa Hogar de los Pequeños, Chairman and Founding Trustee of Jovenes Unidos, and Treasurer of the Saltillo Red Cross.

CYNTHIA H. GROSSMAN, 1
Member of the Board of Directors of Arca Continental since 2011. Ms. Grossman had been Chairman of the Board of Directors of Grupo Continental since 2000 and a member of the Board of Directors since 1983.

BRUCE E. GROSSMAN, (68) 1
Member of the Board of Directors of Arca Continental since 2011. Mr. Grossman had been a member of the Board of Directors of Grupo Continental since 1977. He is a consultant expert in trusts and planning for the transfer of family businesses and assets.

ERNESTO LOPEZ DE NIGRIS (53) 2, C
Member of the Board of Directors of Arca Continental and Embotelladoras Arca since 2001. Mr. López de Nigris is a member of the Consulting Council of Telmex and of the Board of Directors of Grupo Industrial Saltillo. He was Co-Chairman of the Board of Directors and Vice-President of Operations of Grupo Industrial Saltillo.

FELIPE CORTES FONT (71) 2, A
Member of the Board of Directors of Arca Continental since 2013. Mr. Cortes Font is a founding partner of Auric and worked for 28 years at Grupo Industrial Alfa, in project development, co-investments and new companies. Later he directed the Petrochemical Sector of that company and for eight years was Chief Executive Officer of Hylsamex. He has served on the Board of Directors of several Mexican and international companies and organizations, as Vice-President of Canacintra, and President of Canacero, Centro de Productividad de Nuevo Leon and Instituto Latinoamericano del Hierro y del Acero. Mr. Cortes Font has a Bachelor's Degree from Massachusetts Institute of Technology and has taken further courses at MIT, Columbia University and the University of Chicago.

JORGE HUMBERTO SANTOS REYNA (39) 3, C
Vice-Chairman of the Board of Directors of Arca Continental and Embotelladoras Arca since 2007 and a Director since 2001. Mr. Santos Reyna is Chief Executive Officer of Grupo San Barr and Treasurer of Asociacion de Engordadores de Ganado Bovino del Noreste. He is also a member of the Boards of Directors of Banco Regional de Monterrey and of the Mexican Red Cross in Monterrey. He was a member of the Boards of Directors of Procor, CAINTRA Nuevo Leon and Papas y Fritos Monterrey. He was Vice-President of Confederación USEM and Chairman of the Board of USEM Monterrey.

ARMANDO SOLBES SIMON (58) 2, A
Member of the Board of Directors of Arca Continental since 2011. Mr. Solbes Simon was a member of the Board of Directors of Grupo Continental, Director of the Tampico Office of Banco Base and an associate and member of the Boards of Trustees of the Bene Hospital of the Centro Español in Tampico and of Universidad I.E.S.T. Anahuac. He is a member of the Board of Trustees of ITESM, Campus Tampico, and of the Tampico Red Cross. He was Chairman of the Board of Directors and CEO of Central de Divisas Casa de Cambio for 23 years and served in the Auditing Department of Gossler, Navarro, Ceniceros y Cía. for three years and in the corporate finance area of Grupo Cydsa for eight years.

MIGUEL ANGEL RABAGO VITE (58) 3, P AND C
Deputy Chief Executive Officer and Vice-Chairman of the Board of Directors of Arca Continental since 2011. Mr. Rabago Vite was previously CEO and a member of the Board of Directors of Grupo Continental and occupied diverse positions in that company for more than 35 years. He has a Bachelor's Degree in Public Accounting and Auditing from Universidad Autónoma de Tamaulipas.

JESUS VIEJO GONZALEZ (39) 3, P
Member of the Board of Directors of Arca Continental and Embotelladoras Arca since 2007. Mr. Viejo Gonzalez is Executive President of Grupo CONVEX. He is Chairman of the Board of Trustees of Museo de la Fauna y Ciencias Naturales, A.B.P. and of Safari Club Internacional in Monterrey. He is also a member of the Boards of Directors of several institutions, including CAINTRA, CONCAMIN, UDEM and Pronatura. He was Vice-President of Economic Research for Emerging Markets at Goldman Sachs and Chief Economist of Alfa. He has a Bachelor's Degree in Economics from ITESM, a Master's in Public Policy from Harvard and a PhD in Economics from Boston University.

ROBERTO GARZA VELAZQUEZ (57) 3, P
Member of the Board of Directors of Arca Continental since 2010. Mr. Garza Velazquez is Chief Executive Officer of Industria Carrocera del Norte, S.A. de C.V. and a member of the Boards of Directors of Grupo Index and Banca Afirme.

JAIME SANCHEZ FERNANDEZ (43)
General Counsel and Secretary of the Board of Directors of Arca Continental since 2009.

DIRECTORS
1. Major shareholding
2. Independent
3. Related

COMMITTEES
A. Audit and Corporate Practices
B. Human Capital and Sustainability
C. Planning

Management Team

FRANCISCO GARZA EGLOFF (59)

Chief Executive Officer of Arca Continental. Mr. Garza Egloff had previously been Chief Executive Officer of Embotelladoras Arca since 2003. He is a member of the Boards of Directors of Grupo Industrial Saltillo, Grupo Alen, Banco Banregio and Banco Holandes Rabobank, and of the Board of Trustees of the Instituto Tecnologico y de Estudios Superiores de Monterrey (ITESM) School of Engineering and Architecture. He was Chief Executive Officer of Sigma Alimentos, Akra, Petrocel-Temex and Polioles, part of Grupo Alfa's petrochemical division, where he worked for 26 years. He has a Bachelor's Degree in Chemical Engineering and Management from ITESM and has taken post-graduate courses in management at IPADE.

JEAN CLAUDE TISSOT (43)

Executive Director of Marketing of Arca Continental. Mr. Tissot was previously an executive at The Coca-Cola Company for more than 15 years and prior to that at Warner Lambert for five years. He has a Bachelor's Degree in Business Administration from Universidad ICESI and a Master's in Marketing and a Master's in Finance from Colegio de Estudios Superiores de Administracion in Colombia.

ALEJANDRO GONZALEZ QUIROGA (52)

Vice President of Arca Continental South America. Mr. Gonzalez Quiroga was previously Director of Arca's Argentina Division and Manager of the Nuevo Leon Region of Embotelladoras Arca. He has a Bachelor's Degree in Business Administration from Universidad Regiomontana and has taken several post-graduate courses in administration at ITESM and IPADE.

MANUEL GUTIERREZ ESPINOZA (61)

Executive Director of Planning of Arca Continental, responsible for the areas of Strategic Planning, Information Technologies and Strategic Projects. Mr. Gutierrez Espinoza previously spent more than 30 years at Alfa and Hylsa in the areas of Planning, Supply, Divestment, Growth Projects, Control, Informatics and Sourcing. He has a Bachelor's Degree in Mechanical Engineering and Management from ITESM and a Master's Degree in Business Administration from the Massachusetts Institute of Technology (MIT).

ARTURO GUTERREZ HERNANDEZ (48)

Executive Director of Operations of Arca Continental. Mr. Gutierrez Hernandez was previously Director of Operations in Mexico and Secretary of the Board of Directors, as well as Director of the Mexico Beverages Division, Director of Human Resources, Director of Corporate Planning and Chief Legal Officer of Embotelladoras Arca. He has a Bachelor's Degree in Law from Escuela Libre de Derecho and a Master's Degree of Laws/J.D. from Harvard University.

JULIAN GUZMAN LUNA (59)

Executive Director of Mexico Beverages Commercial of Arca Continental. Mr. Guzman Luna previously served as Director of Western Mexico Beverages at Arca Continental and also held various roles within Grupo Continental for over 35 years. He holds a Bachelor's Degree in Business Administration from Universidad del Valle de Atemajac in Mexico.

MIGUEL ANGEL RABAGO VITE (58)

Deputy Chief Executive Officer and Vice-Chairman of the Board of Directors of Arca Continental, and Chairman of the Board of Directors of Grupo PIASA and PetStar. Mr. Rábago Vite was previously Chief Executive Officer and a member of the Board of Directors of Grupo Continental and occupied diverse positions in that company for over 35 years. He has a Bachelor's Degree in Public Accounting and Auditing from Universidad Autonoma de Tamaulipas.

EMILIO MARCOS CHARUR (49)

Chief Financial Officer of Arca Continental. Mr. Marcos Charur was previously Director of Operations of Mexico Beverages, and at Embotelladoras Arca was Director of Complementary Businesses, headed the Treasury and Purchasing, and held diverse positions in the areas of Administration and Finance. He has a Bachelor's Degree in Industrial and Systems Engineering from ITESM and a Master's in Business Administration from the University of Illinois.

ALEJANDRO MOLINA SANCHEZ (46)

Technical and Supply Chain Executive Director of Arca Continental and Global Supply Chain Council Bottlers Chairman at The Coca-Cola Company. Mr. Molina Sanchez served for more than 15 years at Coca-Cola de Mexico in the areas of Quality, Environmental Sustainability and Supply Chain. He has a Bachelor's Degree in Chemical Engineering from Universidad La Salle and a Diploma in Supply Chain from Instituto Tecnologico Autonomo de Mexico (ITAM).

BALDOMERO PONCE CRUZ (59)

Executive Director of Human Capital of Arca Continental. Mr. Ponce Cruz was previously Deputy Chief Executive Officer and a member of the Board of Directors of Grupo Continental and served in various other positions in that company for more than 33 years. He has a Bachelor's Degree in Mechanical Engineering and Management from Tecnológico de Ciudad Madero.

ALEJANDRO RODRIGUEZ SAENZ (50)

Executive Director of the Complementary Businesses Division of Arca Continental. Mr. Rodriguez Saenz was previously at Embotelladoras Arca as Director of Bokados and General Manager of Compañia Topo Chico and held various other positions in the organization for 15 years. He previously worked at Orion and Akra. He has a Bachelor's Degree in Chemistry and Systems and an MBA from Monterrey Tech, and has taken several post-graduate courses at IPADE.

JAIME SANCHEZ FERNANDEZ (43)

General Counsel and Secretary of the Board of Directors of Arca Continental. Mr. Sánchez Fernández was previously General Counsel, Secretary of the Board of Directors and Corporate Legal Manager of Embotelladoras Arca. He served for eight years at Grupo Alfa as Corporate Counsel and also practiced law independently. He has a Bachelor's Degree in Law from Universidad de Monterrey and a Master Laws from the Michigan Univesity.

CONSOLIDATED FINANCIAL STATEMENTS

ARCA CONTINENTAL, S. A. B. DE C. V. AND SUBSIDIARIES

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

SALES

Consolidated net sales grew 7.3%, to Ps. 60,359.2 million, in 2013. The increase in North America was 7.8%, while in South America net sales rose 5.4%. The total sales volume, excluding jug water, was 1,175.8 MUC, almost flat year-over-year. The volume without jug water in North America was 886.4 MUC, 1.4% below 2012, while the volume in South America (Argentina and Ecuador) operations was 289.4 MUC, 2.5% above the previous year. The snacks division performed excellently in 2013, reflecting greater-than-expected increases in annual sales and profitability. Our market execution capacity, leveraged by an extensive product portfolio and flexible price architecture, was the formula for achieving this successful performance in 2013.

COST OF SALES

The cost of sales grew 3.7% in 2013, to Ps. 31,343.5 million, largely because of the incorporation of Wise and Inalecsa, partially offset by a reduction in the price of sweeteners and enhanced efficiency. It is important to note the significant 180 basis points expansion in gross margin, to 48.1% in 2013, reflecting a gross income of Ps. 29,015.6 million, 11.5% above the previous year.

OPERATING EXPENSES

Because of the incorporation of Wise and Inalecsa and the increase in market investments, consolidated operating expenses grew 9.3% in 2013, to Ps. 18,987.8 million, representing 31.5% of sales; if we exclude Wise and Inalecsa, this line grew 4.9%. In North America, operating expenses increased 8.1% year-over-year and represented 31.3% of sales, while expenses in South America represented 32.1% of sales, growing 13.4%.

OPERATING INCOME AND EBITDA

Consolidated operating income grew 16.6% compared to 2012, to Ps. 9,890.8 million in 2013, giving a margin of 16.4%, an expansion of 130 basis points. Consolidated operating cash flow (EBITDA) increased 13.4%, from Ps. 11,322.3 million in 2012 to Ps. 12,844.5 million in 2013, growing the margin by 120 basis points to 21.3%, the highest in the Coca-Cola system and in the history of Arca Continental.

COMPREHENSIVE FINANCING COST

The comprehensive financing cost of 2013 was Ps. 971.4 million, largely because of financial expenses related to the local notes program (certificados bursátiles). The ratio of net debt/EBITDA remains at 0.9 times, reflecting our healthy financial position.

INCOME TAX PROVISION

Income taxes increased to Ps. 2,774.7 million in 2013. The effective rate for the income tax provision in 2013 was 31.1%, less than the 32.1% posted in 2012.

NET INCOME

Net income in 2013 was Ps. 5,972.7 million, or Ps. 3.71 per share, 18.4% above the Ps. 5,044.9 million of 2012. The net margin was 9.9%, a growth of 90 basis points year-over-year.

CASH POSITION AND CASH FLOW

As of the close of 2013, the cash position was Ps. 2,566 million and the debt Ps. 14,078 million, resulting in a net debt of Ps. 11,512 million. Net cash flow from operations in 2013 was Ps. 8,848 million.

CAPITAL EXPENDITURES

During 2013 capital expenditures amounted to Ps. 4,862 million, largely for the purchase of coolers and returnable bottles, and to enhance production and distribution capacity.

CONSOLIDATED BALANCE SHEETS

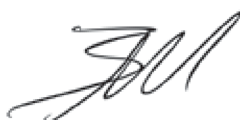
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(IN MILLIONS OF MEXICAN PESOS)

	DECEMBER 31,				
	2013 (1)	2012 (1) (2)	2011 (1)	2010	2009
ASSETS					
CURRENT ASSETS:					
CASH AND CASH EQUIVALENTS	2,566	2,676	3,298	3,628	4,421
CLIENTS AND OTHER ACCOUNTS RECEIVABLE, NET	3,176	3,429	2,791	1,761	1,333
INVENTORIES AND ADVANCE PAYMENTS	2,498	2,528	2,206	2,275	1,835
TOTAL CURRENT ASSETS	8,240	8,633	8,296	7,665	7,589
INVESTMENT IN SHARES OF ASSOCIATES	3,801	3,264	2,429	696	787
PROPERTY, PLANT AND EQUIPMENT, NET	24,171	22,735	22,070	12,315	10,869
GOODWILL AND INTANGIBLE ASSETS, NET	29,414	29,932	26,608	8,033	4,612
DEFERRED INCOME TAXES	723	1,026	909	0	0
EMPLOYEE BENEFITS	0	0	0	21	86
OTHER ASSETS	0	0	0	5,861	1,699
TOTAL ASSETS	66,349	65,591	60,311	34,592	25,642
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
SUPPLIERS	2,709	2,938	2,555	1,413	910
DERIVATIVE INSTRUMENTS	36	0	3	1	20
CURRENT PORTION OF LONG-TERM DEBT	2,376	710	1,368	531	1,961
OTHER ACCOUNTS PAYABLE AND TAXES	2,927	4,026	2,427	1,861	938
TOTAL CURRENT LIABILITIES	8,049	7,675	6,353	3,806	3,829
CURRENT DEBT	11,701	10,732	10,177	7,787	4,004
DERIVATIVE INSTRUMENTS	0	50	62	57	5
EMPLOYEE BENEFITS	717	1,180	1,058	0	0
OTHER DEFERRED LIABILITIES	108	93	119	343	246
DEFERRED INCOME TAX	4,590	4,758	3,596	2,929	1,762
TOTAL LIABILITIES	25,165	24,488	21,365	14,922	9,846
STOCKHOLDERS' EQUITY:					
CAPITAL STOCK	972	972	972	4,698	4,698
SHARE PREMIUM	28,095	28,104	28,091	729	711
RETAINED EARNINGS	11,694	10,934	8,056	12,280	10,495
OTHER RESERVES	-2,408	-1,404	-631	-382	-108
TOTAL STOCKHOLDERS' EQUITY (CONTROLLING INTEREST)	38,352	38,606	36,487	17,324	15,796
NON-CONTROLLING INTEREST	2,831	2,497	2,459	2,346	0
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	66,349	65,591	60,311	34,592	25,642

(1) FIGURES PRESENTED PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")
(2) ADJUSTMENTS IN ACQUISITIONS REASONABLE VALUE IN 2012, SEE NOTE 2.

Francisco Garza Egloff
Chief Executive Officer



Emilio Marcos Charur
Chief Financial and Administrative Officer

CONSOLIDATED STATEMENTS OF INCOME

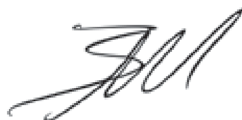
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(IN MILLIONS OF MEXICAN PESOS)

	DECEMBER 31,				
	2013 (1)	2012 (1)	2011 (1)	2010	2009
SALES VOLUME EXCLUDING JUG (MUC)	1,175.8	1,180.9	998.7	644.1	608.6
NET SALES	60,359	56,269	43,950	27,060	24,234
COST OF SALES	-31,344	-30,234	-24,162	-14,659	-13,068
GROSS INCOME	29,016	26,035	19,788	12,401	11,166
SELLING EXPENSES	-15,371	-13,775	-10,847	-6,708	-5,923
ADMINISTRATIVE EXPENSES	-3,617	-3,591	-2,760	-1,467	-1,419
OTHER (EXPENSE) INCOME, NET (3)	289	252	-23	-331	-102
NON-RECURRING EXPENSES (2)	-426	-435	-356	-7	-51
OPERATING INCOME	9,891	8,484	5,802	3,889	3,671
COMPREHENSIVE FINANCING INCOME (COST):					
INTEREST (EXPENSE) INCOME, NET	-928	-852	-581	-309	-285
EXCHANGE (LOSS) GAIN, NET	-43	-28	0	102	-1
	-971	-881	-581	-207	-286
EQUITY IN INCOME (LOSS) OF ASSOCIATED COMPANIES	98	115	96	13	-2
INCOME BEFORE TAXES	9,017	7,718	5,317	3,695	3,383
INCOME TAX	-2,775	-2,442	-802	-1,021	-932
CONSOLIDATED NET INCOME	6,243	5,276	4,515	2,675	2,451
NON-CONTROLLING INTEREST	-270	-231	-152	-43	0
CONTROLLING INTEREST	5,973	5,045	4,362	2,632	2,451
WEIGHTED AVERAGE OF OUTSTANDING SHARES (THOUSANDS OF SHARES)	1,611,264	1,611,264	1,611,264	806,020	806,020
DEPRECIATION AND AMORTIZATION	2,528	2,403	2,023	1,216	1,118
EBITDA (EXCLUDES NON-RECURRING EXPENSES)	12,845	11,322	8,181	5,112	4,840
CAPEX	3,826	3,408	4,068	1,350	1,237

(1) FIGURES PRESENTED PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")
(2) NON RECURRING EXPENSES
(3) FOR 2013 AND 2012 THE EQUITY INCOME IN STRATEGIC ASSOCIATED COMPANIES IS INCLUDED IN THIS ITEM, SEE NOTE 3 B.I.

Francisco Garza Egloff
Chief Executive Officer



Emilio Marcos Charur
Chief Financial and Administrative Officer

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

Management is responsible for preparing the financial statements and all the financial information contained in this Report. This responsibility includes maintaining the integrity and objectivity of financial records, as well as preparing the financial statements in accordance with Mexican Financial Reporting Standards (MFRS).

The company has an internal control structure whose objectives include, among other things, ensuring that company records incorporate all transactions related to its operating activities, thus providing protection against the inappropriate use or loss of company assets.

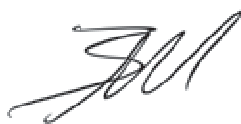
Management believes that the internal control structure complies with said objectives. The control structure is based on the hiring and training of qualified personnel, documented policies and procedures, and a team of internal auditors who apply rigorous auditing programs to all the company's operations.

The financial statements were audited by PricewaterhouseCoopers, S.C. a firm of independent public accountants. Their audit was carried out in accordance with generally accepted auditing standards and included the company's internal control structure. The external auditors' report is included in this Report. the company's Board of Directors, through an audit committee made up exclusively of directors who are not employed by the same, is responsible for ensuring that company Management complies with its obligations in regard to the financial control of operations and the preparation of financial statements.

The Audit Committee proposes the firm of external auditors to the Board of Directors and meets with Management, the internal auditors and the firm of external auditors on a regular basis.

The Audit Committee has free access to the internal auditors and the firm of external auditors, with whom it meets continuously to discuss their audit work, internal controls and the preparation of financial statements.

Francisco Garza Egloff
Chief Executive Officer



Emilio Marcos Charur
Chief Financial and Administrative Officer

REPORT OF INDEPENDENT AUDITORS

Monterrey, N. L., February 28, 2014

TO THE GENERAL STOCKHOLDERS' MEETING OF ARCA CONTINENTAL, S. A. B. DE C. V.

We have audited the accompanying consolidated financial statements of Arca Continental, S. A. B. de C. V. and subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2013, and the consolidated statements of income, of comprehensive income, of changes in stockholders' equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Arca Continental, S. A. B. de C. V. and subsidiaries as of December 31, 2013, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers, S. C.

Felipe Córdova Otero
Audit Partner

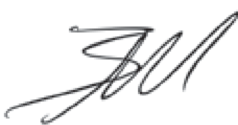
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT DECEMBER 31, 2013 AND 2012

(THOUSANDS OF MEXICAN PESOS - PS)

	NOTE	DECEMBER 31, 2013	2012
ASSETS			(1)
CURRENT:			
CASH AND CASH EQUIVALENTS	7	PS 2,565,653	PS 2,676,198
CLIENTS AND OTHER ACCOUNTS RECEIVABLE, NET	8	3,176,450	3,428,997
INVENTORIES	9	2,317,313	2,344,816
ADVANCE PAYMENTS		180,370	183,220
TOTAL CURRENT ASSETS		8,239,786	8,633,231
NON-CURRENT:			
INVESTMENT IN SHARES OF ASSOCIATES	10	3,801,469	3,263,903
PROPERTY, PLANT AND EQUIPMENT, NET	11	24,170,930	22,735,243
GOODWILL AND INTANGIBLE ASSETS, NET	12	29,413,716	29,932,376
DEFERRED INCOME TAX	17	723,302	1,026,113
TOTAL NON-CURRENT ASSETS		58,109,417	56,957,635
TOTAL ASSETS		PS 66,349,203	PS 65,590,866
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
CURRENT:			
CURRENT DEBT	13	PS 2,376,362	PS 710,185
SUPPLIERS AND OTHER ACCOUNTS PAYABLE	14	2,581,374	2,542,873
RELATED PARTIES	28	128,057	395,434
DERIVATIVE FINANCIAL INSTRUMENTS	20	36,432	-
INCOME TAX PAYABLE	25	293,593	1,526,165
INCOME TAX FROM CURRENT			-
DEFERRED TAX DECONSOLIDATION	25	98,111	
OTHER CURRENT LIABILITIES	15	2,535,275	2,500,276
TOTAL CURRENT LIABILITIES		8,049,204	7,674,933
NON-CURRENT:			
NON-CURRENT DEBT	13	11,701,140	10,732,073
DERIVATIVE FINANCIAL INSTRUMENTS	20	-	50,127
EMPLOYEE BENEFITS	16	717,199	1,179,658
DEFERRED INCOME TAX	17	4,434,595	4,663,310
INCOME TAX FROM NON-CURRENT			
DEFERRED TAX DECONSOLIDATION	25	155,660	94,453
OTHER NON-CURRENT LIABILITIES	15	107,635	93,273
TOTAL NON-CURRENT LIABILITIES		17,116,229	16,812,894
TOTAL LIABILITIES		25,165,433	24,487,827
STOCKHOLDERS' EQUITY			
CONTROLLING INTEREST:			
CAPITAL STOCK	18	971,558	971,558
SHARE PREMIUM		28,094,581	28,104,361
RETAINED EARNINGS		11,694,207	10,933,979
OTHER RESERVES	19	(2,407,888)	(1,404,079)
TOTAL CONTROLLING INTEREST		38,352,458	38,605,819
NON-CONTROLLING INTEREST		2,831,312	2,497,220
TOTAL STOCKHOLDERS' EQUITY		41,183,770	41,103,039
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		PS 66,349,203	PS 65,590,866

(1) REVISED TO INCORPORATE FAIR VALUE ADJUSTMENTS FOR ACQUISITIONS IN 2012, SEE NOTE 2.
THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.



Francisco Garza Egloff
Chief Executive Officer

Emilio Marcos Charur
Chief Financial and Administrative Officer

CONSOLIDATED STATEMENTS OF INCOME

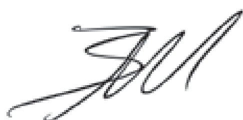
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(THOUSANDS OF MEXICAN PESOS - PS)

	NOTE	2013	2012
			(1)
NET SALES	6	PS 60,359,156	PS 56,268,733
COST OF SALES	21	(31,343,512)	(30,234,128)
GROSS PROFIT		29,015,644	26,034,605
SELLING EXPENSES	21	(15,370,637)	(13,775,481)
ADMINISTRATIVE EXPENSES	21	(3,617,181)	(3,591,447)
SHARE OF NET INCOME OF STRATEGIC ASSOCIATES	10	32,822	20,693
OTHER EXPENSES, NET	22	(169,883)	(204,571)
OPERATING PROFIT		9,890,765	8,483,799
INTEREST INCOME	24	177,099	142,570
INTEREST EXPENSE	24	(1,148,460)	(1,023,090)
FINANCIAL RESULT, NET		(971,361)	(880,520)
SHARE OF NET INCOME OF ASSOCIATES	10	97,933	114,972
PROFIT BEFORE INCOME TAX		9,017,337	7,718,251
INCOME TAX	25	(2,774,685)	(2,442,236)
NET CONSOLIDATED PROFIT		PS 6,242,652	PS 5,276,015
NET CONSOLIDATED PROFIT ATTRIBUTABLE TO:			
CONTROLLING INTEREST		PS 5,972,657	PS 5,044,894
NON-CONTROLLING INTEREST		269,995	231,121
		PS 6,242,652	PS 5,276,015
EARNINGS PER BASIC AND DILUTED SHARE, IN PESOS		PS 3.71	PS 3.13
WEIGHTED AVERAGE OF OUTSTANDING SHARES (THOUSANDS OF SHARES)		1,611,263	1,611,263

(1) RECLASSIFIED DUE TO A CHANGE IN ACCOUNTING POLICY FOR THE RECOGNITION OF SHARE OF NET INCOME OF STRATEGIC ASSOCIATES AS EXPLAINED IN NOTE 3 B.I.
THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

Francisco Garza Egloff
Chief Executive Officer



Emilio Marcos Charur
Chief Financial and Administrative Officer

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

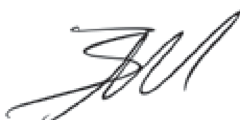
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(THOUSANDS OF MEXICAN PESOS - PS)

	NOTA	2013	2012
INCOME FOR THE YEAR		PS 6,242,652	PS 5,276,015
OTHER COMPREHENSIVE INCOME ITEMS OF THE YEAR,			
NET OF TAXES:			
ITEMS NOT TO BE RECLASSIFIED TO PROFIT OR LOSS			
REMEASUREMENT OF DEFINED BENEFIT LIABILITY, NET	25	(80,221)	(280,745)
		(80,221)	(280,745)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS			
EFFECT OF DERIVATIVE FINANCIAL INSTRUMENTS			
DESIGNATED AS CASH FLOW HEDGES, NET	25	(43,559)	12,332
EFFECT OF TRANSLATION OF FOREIGN ENTITIES	19	(637,663)	(504,540)
		(681,222)	(492,208)
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR		(761,443)	(772,953)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		PS 5,481,209	PS 4,503,062
ATTRIBUTABLE TO:			
CONTROLLING INTEREST		PS4,968,848	PS 4,271,941
NON-CONTROLLING INTEREST		512,361	231,121
COMPREHENSIVE INCOME FOR THE YEAR		PS 5,481,209	Ps 4,503,062

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

Francisco Garza Egloff
Chief Executive Officer



Emilio Marcos Charur
Chief Financial and Administrative Officer

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

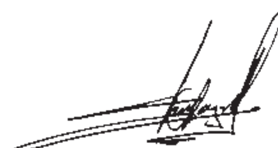
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(THOUSANDS OF MEXICAN PESOS - PS)

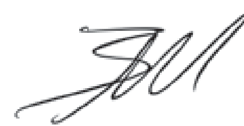
NOTE 18			
	NOTE	CAPITAL STOCK	SHARE PREMIUM
BALANCES AT JANUARY 1, 2012		PS 971,558	PS 28,090,517
TRANSACTIONS WITH SHAREHOLDERS:			
DIVIDENDS DECLARED IN CASH ON APRIL 19	18		
REPURCHASE OF OWN SHARES	3.T.		13,844
DIVIDENDS TO NON-CONTROLLING INTEREST			
			13,844
NET PROFIT			
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR	19		
COMPREHENSIVE INCOME			
BALANCES AT DECEMBER 31, 2012		971,558	28,104,361
TRANSACTIONS WITH SHAREHOLDERS:			
DIVIDENDS DECLARED IN CASH ON APRIL 29 AND DECEMBER 23	18		
REPURCHASE OF OWN SHARES	3.T.		(9,780)
DIVIDENDS TO NON-CONTROLLING INTEREST			
			(9,780)
NET PROFIT			
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR			
COMPREHENSIVE INCOME			
BALANCES AT DECEMBER 31, 2013		PS 971,558	PS 28,094,581

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

CONTROLLING INTEREST				
RETAINED EARNINGS	OTHER RESERVES	TOTAL CONTROLLING INTEREST	NON- CONTROLLING INTEREST	TOTAL STOCKHOLDERS' EQUITY
PS 8,056,052	(PS 631,126)	PS 36,487,001	PS 2,458,972	PS 38,945,973
(2,416,895)		(2,416,895)		(2,416,895)
249,928		263,772		263,772
			(192,873)	(192,873)
(2,166,967)		(2,153,123)	(192,873)	(2,345,996)
5,044,894		5,044,894	231,121	5,276,015
0	(772,953)	(772,953)		(772,953)
5,044,894	(772,953)	4,271,941	231,121	4,503,062
10,933,979	(1,404,079)	38,605,819	2,497,220	41,103,039
(4,833,790)		(4,833,790)		(4,833,790)
(378,639)		(388,419)		(388,419)
			(178,269)	(178,269)
(5,212,429)		(5,222,209)	(178,269)	(5,400,478)
5,972,657		5,972,657	269,995	6,242,652
	(1,003,809)	(1,003,809)	242,366	(761,443)
5,972,657	(1,003,809)	4,968,848	512,361	5,481,209
PS 11,694,207	(PS 2,407,888)	PS 38,352,458	PS 2,831,312	PS 41,183,770



Francisco Garza Egloff
Chief Executive Officer



Emilio Marcos Charur
Chief Financial and Administrative Officer

CONSOLIDATED STATEMENTS OF CASH FLOWS

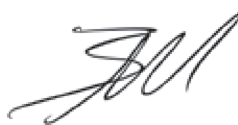
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(THOUSANDS OF MEXICAN PESOS-PS)

	NOTE	2013	2012
PROFIT BEFORE INCOME TAX		PS 9,017,337	PS 7,718,251
DEPRECIATION AND AMORTIZATION	11	2,527,715	2,403,097
WRITE-OFF OF PROPERTY, PLANT AND EQUIPMENT	11	543,860	632,794
IMPAIRMENT OF CLIENTS	21	8,249	33,276
LOSS (PROFIT) FROM SALE OF PROPERTY, PLANT AND EQUIPMENT	22	(47,294)	17,926
COSTS RELATED TO EMPLOYEE BENEFITS	16	106,831	172,429
SHARE OF NET INCOME OF ASSOCIATES	10	(130,755)	(135,665)
FINANCE RESULT, NET	24	818,787	747,747
		12,844,730	11,589,855
CLIENTS AND OTHER ACCOUNTS RECEIVABLE, NET	8	134,293	(854,050)
INVENTORIES	9	(93,016)	(138,477)
SUPPLIERS AND RELATED PARTIES	14	(83,531)	382,977
DERIVATIVE FINANCIAL INSTRUMENTS	20	(18,068)	3,794
INCOME TAX PAID	25	(3,204,055)	(1,461,272)
EMPLOYEE BENEFITS (CONTRIBUTIONS IN CASH TO PLAN ASSETS)	16	(650,808)	(372,665)
OTHER LIABILITIES		(81,979)	377,862
		(3,997,164)	(2,061,831)
NET CASH FLOW GENERATED FROM OPERATING ACTIVITIES		8,847,566	9,528,024
INVESTMENT ACTIVITIES:			
ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT	11	(4,861,570)	(4,490,915)
DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT	11	211,979	1,107,934
PURCHASE OF INTANGIBLE ASSETS	12	(140,506)	-
PURCHASE OF SHARES OF ASSOCIATES	10	(489,278)	(418,344)
INTEREST COLLECTED AND OTHER FINANCIAL INCOME	24	177,079	142,570
BUSINESS COMBINATIONS	2	-	(3,035,705)
NET CASH FLOW USED IN INVESTMENT ACTIVITIES		(5,102,296)	(6,694,460)
FINANCING ACTIVITIES:			
CURRENT AND NON-CURRENT DEBT OBTAINED	13	2,909,257	1,391,666
PAYMENT OF CURRENT AND NON-CURRENT DEBT	13	(319,830)	(1,645,026)
INTEREST PAID AND OTHER FINANCIAL EXPENSE	24	(910,380)	(827,715)
(REPURCHASE) SALE OF OWN SHARES	3.T	(388,419)	263,772
DIVIDENDS PAID TO NON-CONTROLLING INTEREST		(178,269)	(192,873)
DIVIDENDS PAID TO CONTROLLING INTEREST	18	(4,833,790)	(2,416,895)
NET CASH FLOW USED IN FINANCING ACTIVITIES		(3,721,431)	(3,427,071)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		23,839	(593,507)
FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS		(134,384)	(28,440)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,676,198	3,298,145
CASH AND CASH EQUIVALENTS AT END OF YEAR		PS 2,565,653	PS 2,676,198

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

Francisco Garza Egloff
Chief Executive Officer



Emilio Marcos Charur
Chief Financial and Administrative Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AT DECEMBER 31, 2013 AND 2012

(IN THOUSANDS OF MEXICAN PESOS - PS -, EXCEPT WHERE OTHERWISE INDICATED)

NOTE > 1. ENTITY AND OPERATIONS

Arca Continental, S. A. B. de C. V. and subsidiaries (AC or the Company) is a company engaged in the manufacturing, distribution and sale of soft drinks of brands owned or licensed by The Coca-Cola Company (TCCC). The shares of AC are registered in the National Securities Registry of the National Banking and Securities Commission (CNBV) and listed in the Mexican Stock Exchange (BMV). In accordance with the bottling agreements between AC and TCCC and the bottling authorizations granted to the latter, AC has the exclusive right to perform this type of activities with Coca-Cola products in different territories of Mexico and the republics of Argentina and Ecuador, keeping within its private label, cola and flavored soft drinks, purified and flavored water, and other carbonated and non-carbonated drinks, in different presentations (see Note 27).

Additionally, the company manufactures, distributes and sells food and snacks under the brands Bokados and Wise, and other brands managed by its subsidiaries Industrias Alimenticias Ecuatorianas, S. A. and Wise Foods, Inc. (see Note 2).

AC performs activities through subsidiary companies, which it owns or in which it directly or indirectly has the majority of common shares representative their capital stock. See Note 29. The term "the Company" as used in this report, refers to AC together with its subsidiaries.

Arca Continental, S. A. B. de C. V. is a stock corporation of variable capital incorporated in Mexico, and domiciled in Ave. San Jerónimo number 813 Poniente, in Monterrey, Nuevo León, México.

The following notes to the financial statements when referring to pesos or "Ps", it means thousands of Mexican pesos. When referring to dollars or "US", it means thousands of US dollars, except where otherwise indicated.

NOTE > 2. BUSINESS ACQUISITIONS

To continue strengthening the strategic position of the Company in the snack and nonalcoholic ready-to-drink beverage industry, the following acquisitions were announced and / or made during 2013 and 2012.

2013

On August 15, 2013, the Company entered into a sales agreement to acquire the shares of Holding Tonicorp, S. A. (Tonicorp), a leading group with a great tradition in the high added value dairy Ecuadorian market. At December 31, 2013 and date of issuance of these consolidated financial statements, this acquisition has not been concluded and the agreed price has not been settled since the operation is subject to different approvals, among which are the competition authority of Ecuador.

Tonicorp belongs to the consumer sector in Ecuador, recording sales of US308,744 at 2012 closing. It is expected that this operation incorporates into the AC portfolio, the services and products marketed under the brands of Industrias Lácteas Toni, S. A., Heladosa, S. A., Plásticos Ecuatorianos, S. A. and Distribuidora Importadora Dipor, S. A., engaged in the production of high value added dairy products, other beverages, ice cream, plastic packaging and containers aimed at the industrial and massive consumption market, through a national marketing and distribution network.

2012

A. ACQUISITION OF WISE FOODS, INC. (WISE FOODS)

On December 20, 2012, the Company acquired 100% of the representative shares of the capital stock of Wise Foods, Inc. engaged in the production, marketing and distribution of salty snacks. This company markets its products under the Wise brand and other brands owned by Wise Foods. The company operates a production plant, which is located in Berwick, Pennsylvania, in the United States of America.

The financial statements of Wise Foods were consolidated by the Company, as of December 20, 2012, date when effective control was obtained over its operations and the assets and liabilities of Wise Foods were provisionally included, under the Company's best estimate based on the information available at the date of the financial statements at December 31, 2012.

B. ACQUISITION OF INDUSTRIAS ALIMENTICIAS ECUATORIANAS, S. A. (INALECSA)

On November 19, 2012, through its subsidiary Arca Ecuador, S. A. (Arca Ecuador), the Company acquired 100% of its shares representative of the capital stock of Industrias Alimenticias Ecuatorianas, S. A. the main activity of which consists in developing, manufacturing and marketing industrial pastry and salty snack products. The company operates two manufacturing plants located in Guayaquil and Quito, Ecuador.

The financial statements of Inalecsa were consolidated by the Company, as of November 19, 2012, date when effective control was obtained over its operations and the assets and liabilities of Inalecsa were provisionally included, under the Company's best estimate based on the information available at the date of the financial statements at December 31, 2012.

During the year 2013 the studies performed by independent experts were concluded. These studies allowed to definitely record or adjust the business combinations of paragraphs a. and b. above, in virtue of the above, the provisional amounts previously recorded, were modified based on new information obtained about facts and circumstances at the acquisition date and that, had they been know, they would have affected the measurement of amounts recognized at that date.

As a result of these acquisitions, the Company increased its presence in the segments and markets discussed above and it also expects to reduce the costs through scale economies in these markets. Goodwill resulting from these acquisitions (see Notes 6 and 12 below) is attributable to the distribution channels and customers, as well as to the economies of scale expected from combined operations both from the United States of America as well as from Ecuador. Under no circumstance is acquired goodwill expected to be deductible for income tax or gains purposes.

Following is the incorporated condensed financial information from acquisitions of Wise Foods and Inalecsa expressed in thousands of pesos:

	PRELIMINARY 2012	ADJUSTMENTS FOR FAIR VALUE	FINAL 2012
CURRENT ASSETS (1)	PS 458,796	PS -	PS 458,796
PROPERTY, PLANT AND EQUIPMENT	263,559	211,399	474,958
INTANGIBLE ASSETS (2)	161,376	1,610,858	1,772,234
OTHER ASSETS	34,416	-	34,416
CURRENT LIABILITIES (3)	(356,975)	-	(356,975)
PROVISION FOR LABOR OBLIGATIONS	(214,489)	45,177	(169,312)
DEFERRED INCOME TAX	224,353	(1,330,731)	(1,106,378)
NET ACQUIRED ASSETS	571,036	536,703	1,107,739
GOODWILL	2,578,987	(536,703)	2,042,284
TOTAL PAID CONSIDERATION	PS 3,150,023	PS -	PS 3,150,023

(1) THE FAIR VALUE OF ACQUIRED ASSETS INCLUDES CASH AND CASH EQUIVALENTS AMOUNTING TO PS114,318, ACCOUNTS RECEIVABLE OF PS244,531 AND INVENTORIES OF PS87,496. THE CONTRACTUAL GROSS AMOUNT OF THE ACCOUNTS RECEIVABLE IS PS255,609, OF WHICH PS11,078 IS EXPECTED NOT TO BE RECOVERABLE.
(2) INTANGIBLE ASSETS CONSIST BASICALLY OF BRANDS OF PRODUCTS MARKETED BY WISE FOODS AND INALECSA.
(3) THE CURRENT LIABILITIES CONSIST MAINLY OF SUPPLIERS AND ACCOUNTS PAYABLE OF PS229,426 AND TAXES PAYABLE OF PS19,967. NO CONTINGENT LIABILITIES HAVE ARISEN FROM THIS ACQUISITION THAT SHOULD BE RECORDED.

Due to the conclusion of the business combination accounting, the values corresponding to the brands of Wise Foods and Inalecsa, as well as the relationship with clients, are being adjusted. See Note 12.

Expenses relative to the acquisition of Wise Foods and Inalecsa for fees were recorded in the statement of income under the item "Other expenses, net", see Note 22. Also, unaudited proforma net income of both companies as if acquired on January 1, 2012 amounted to Ps3,029,670.

NOTE > 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements and notes were authorized for issuance on February 28, 2014, by the officials with the legal power that sign the basic financial statements and accompanying notes.

Following are the most significant accounting policies followed by the Company and its subsidiaries, which have been applied consistently in the preparation of its financial information in the reporting years, unless otherwise specified:

A. BASIS FOR PREPARATION

The consolidated financial statements of Arca Continental, S. A. B. de C. V. and subsidiaries, are prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). IFRS also include all effective International Accounting Standards, as well as all related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) including those issued previously by the Standing Interpretations Committee (SIC).

The consolidated financial statements have been prepared under the historical cost, except for the cash flow hedging instruments measured at fair value, as well as financial assets and liabilities at fair value with changes in income and available-for-sale financial assets.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires Management to pursue their judgment in the process of application of the Company's accounting policies. The areas that involve a high level of judgment or complexity, as well as the areas where judgments and assumptions are significant for the consolidated financial statements, are disclosed in Note 5.

B. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

i. Presentation of the share of net income of strategic associates

During the year ended December 31, 2013, the Company modified its accounting policy relative to the presentation of the share of net income of associates considered comprehensive vehicles through which the Company performs its operations and strategy, to present this item prior to the operating profit, since it considers that this presentation more adequately reflects its operating income. Derived from this change in policy by choice, the effects have been recorded retrospectively; therefore, the consolidated statement of income for the year ended December 31, 2012 has been reclassified to present the share of net income of strategic associates amounting to Ps20,693 prior to operating profit.

The effect of this change in accounting policy for the year ended December 31, 2013 resulted in presenting the share of net income of strategic associates in the amount of Ps32,822 prior to the operating income. This change had no impact on the profit per share.

The share of net income of associates that are not considered strategic remains unchanged.

ii. New and amended standards adopted by the Company

The following standards and amendments to existing IFRS have been adopted by the Company for the first time for the financial year beginning on or after January 1, 2013:

Amendment to IAS 1, "Financial statement presentation" regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The changes do no indicate the items presented in OCI.

IFRS 10, "Consolidated financial statements" published in May 2011 and builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company considered that adoption of IFRS 10 did not result in a change on the consolidation of its subsidiaries.

IFRS 11, "Joint arrangements" issued in May 2011, focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. For the Company the adoption of this IFRS did not result in any impact on the financial information.

IFRS 12, 'Disclosures of interests in other entities' issued in May 2011, includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles (see Notes 10 and 29).

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS (see Note 20).

IAS 19, 'Employee benefits' was revised in June 2011. The changes on the Company's accounting policies has been as follows: to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). Due to the Company immediately recognized the past service cost, this changes had no significant impact in the consolidated financial information.

The Company has applied these standards retrospectively. The above rules will not result in significant changes in the Company´s financial statements.

iii. New standards and interpretations not yet adopted

IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition.

The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and has the intention to adopt IFRS 9 no later than the period starting on January 1, 2017. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

Amendments to IAS 36, "Impairment of assets", on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash generating units (CGUs) which had been included in IAS 36 by the issue of

IFRS 13. The amendment is not mandatory for the Company until 1 January 2014.

IAS 19 "Employee benefits", in November 2013, the IASB amended IAS 19 with respect to Defined Benefit Plans and Defined Contribution Plans to employees. The objective of such amendment is to provide additional guidance on the accounting of contributions from employees or third parties to the defined benefit plans. For the Company, this amendment is effective from January 1, 2015.

IAS 39 "Financial instruments: recognition and measurement", in June 2013, the IASB amended the IAS 39 to clarify that there is no need to discontinue the hedge accounting when there is a novation of a hedge derivative financial instrument, when certain criteria is met. For the Company, this amendment is applicable to the annual periods beginning on or after January 1, 2014.

C. CONSOLIDATION

i. Subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases (see Note 29).

The method of accounting used by the Company for the business combinations is the purchase method. The consideration transferred in the acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and ownership in equity issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. The costs related to acquisitions are charged to income when incurred. Acquired identifiable assets, assumed liabilities and contingent liabilities in the business combination are measured initially at fair value at their acquisition date. The Company recognizes any non-controlling interest in the acquire on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of income.

Intercompany transactions and balances, as well as unrealized gains in intercompany transactions of the Company are eliminated in the preparation of the consolidated financial statements. Unrealized losses are eliminated. In order to ensure consistency with the policies adopted by the Company, accounting policies of the subsidiaries have been modified where considered necessary.

ii. Absorption (dilution) of control in subsidiaries

The effect of absorption (dilution) of control in subsidiaries, i.e., an increase or decrease in the percentage of control, is recorded in stockholders' equity, directly in retained earnings, in the period in which the transactions that cause such effects occur. The effect of absorption (dilution) of control is determined by comparing the book value of the investment before the event of dilution or absorption against the book value after the relevant event. In the case of loss of control the dilution effect is recognized in income. AC has not been affected in the past by this situation, nor is there any knowledge of it happening in the near future.

iii. Sale or disposal of subsidiaries

When the Company ceases to have control, any retained interest in the entity is re-measured to its fair value, and the change in its carrying amount is recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to income of the year.

iv. Associates

Associates are all entities over which the Company has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Company's investment in associates includes goodwill identified on acquisition, net of any accrued impairment loss. The existence and impact of potential rights of vote that are currently exercisable or convertible are considered upon assessment of whether the Company controls another entity. Additionally, the Company evaluates the existence of control in those cases in which it has no more than 50% of the voting rights, but has the ability to direct financial and operating policies. The costs related to acquisitions are charged to income when incurred.

Investments in associates are accounted for using the equity method. Under this method, investments are recorded initially at their acquisition cost. Subsequently those investments are recorded using the equity method, which consists in adjusting the investment value by the proportional part of profits or losses and the distribution of income from reimbursements of capital subsequent to the acquisition date.

If the equity in an associated company is reduced but significant influence is maintained, only a portion of the previously recognized amounts in comprehensive income will be reclassified to income for the year, when appropriate.

The share in income of associated entities is recorded in the statement of income, and share in the changes in other comprehensive income, subsequent to acquisition, is recorded in other comprehensive income. Cumulative changes subsequent to the acquisition are adjusted against the value in books of the investment. When the share in losses of an associated company equals or exceeds the equity in associated company, including any other account receivable, the Company does not recognize additional losses, unless it has

incurred in obligations or made payments on behalf of the associate.

The Company evaluates at each reporting date whether there is objective evidence of impairment in the investment in associated company. If such impairment is present, the Company calculates the amount of impairment as the difference between the recoverable value of the associate and its value in books and records such amount in "equity in losses/utilities of associates" recorded through the equity method in the statement of income.

Unrealized gains in transactions between the Company and its associates are eliminated based on the equity held over these associates. Unrealized losses are also eliminated unless the transaction provides evidence of impairment in the transferred asset. In order to ensure consistency with the policies adopted by the Company, accounting policies of the associates have been modified. When the Company ceases to have significant influence over an associate, any difference between the fair value of the retained investment, including any consideration received from the disposal from the equity and the value in books of the investment, is recorded in the statement of income.

D. FOREIGN CURRENCY TRANSLATION

i. Functional and reporting currency

Amounts included in the financial statements of each one of the Company's overseas entities should be measured using the currency of the primary economic environment where the entity operates ("functional currency"). Consolidated financial statements are presented in Mexican pesos, which is the Company's reporting currency. Functional currency of the Company and its subsidiaries is described in Note 29.

ii. Transactions and balances

Foreign currency transactions are translated to the functional currency using the exchange rate effective at the transaction or valuation date when amounts are re-measured. Exchange gains and losses resulting from the settlement of such transactions and the conversion of the monetary assets and liabilities denominated in foreign currency translated at the closing exchange rates are recorded as an exchange gain or loss in the statement of comprehensive income and rated as cash flow hedges.

iii. Conversion of foreign subsidiaries

The results and financial position of all the entities of the Company that have a functional currency different from the reporting currency of the Company, are translated to the reporting currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the statement of financial position date.
- The stockholders' equity of each statement of financial position presented is translated at historical rates.
- Income and expenses for each income statement are translated at average exchange rate (when the average exchange rate is not a reasonable approximation of the cumulative effect of the rates of the transaction, to the exchange rate at the date of the transaction is used); and
- All the resulting exchange differences are recognized in comprehensive income.

In the case of a foreign transaction, any exchange difference related to equity is reclassified to the statement of income as part of the gain or loss from disposal.

Goodwill and adjustments at fair value arising at the acquisition date of a foreign transaction to measure these at fair value, are recorded as assets and liabilities of the foreign entity and are converted at the exchange rate at closing. Exchange differences arising are recorded in comprehensive income.

Before their conversion to pesos, the financial statements of foreign subsidiaries the functional currency of which is that of a hyperinflationary economy, is adjusted by inflation to reflect the changes in purchasing power of the local currency. Subsequently, assets, liabilities, revenues, costs and expenses are converted at the reporting currency using the exchange rate effective at year end. To determine the existence of hyperinflation, the Company evaluates the qualitative characteristics of the economic environment, as well as the quantitative characteristics established by IFRS of a cumulative inflation rate equal or greater than 100% in the most recent three-year period. At December 31, 2013 and 2012, the Company has had no foreign subsidiaries in hyperinflationary economies in accordance with IFRS.

Closing exchange rates used in the preparation of the financial statements are as follows:

	DECEMBER 31,	
	2013	2012
PESOS PER US DOLLAR	13.07	12.99
PESOS PER ARGENTINE PESO	2.00	2.64
PESOS PER EURO	18.00	17.17

Average exchange rates used in the preparation of the financial statements are as follows:

	DECEMBER 31,	
	2013	2012
PESOS PER US DOLLAR	12.84	13.16
PESOS PER ARGENTINE PESO	2.32	2.88
PESOS PER EURO	17.08	17.02

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, all of these are subject to a low significant risk of changes in value or country risk. These items are recorded at historical cost that does not significantly from its realization value.

F. FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, investments held to maturity and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets upon initial recognition. Purchases and sales of financial assets are recognized on the settlement date.

Financial assets are totally derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership and the control of the financial asset.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges.

Financial assets carried at fair value through profit or loss, are initially recognized at fair value, and transaction costs are expensed in the income statement. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement in the period in which they arise.

ii. Loans and trade receivables

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

Loans and trade receivables are measured initially at fair value, plus directly attributable transaction costs, and subsequently at amortized cost. When circumstances occur that indicate that the amounts receivable will not be collected by the amounts originally agreed or will be in a different period, the trade receivables are impaired.

iii. Held to maturity investments

If the Company has demonstrable intention and ability to hold debt securities to maturity, they are classified as held to maturity. Assets in this category are classified as current assets if expected to be settled within the next 12 months, otherwise are classified as noncurrent. Initially, are recognized at fair value plus any directly attributable transaction costs, are subsequently are measured at amortized cost using the effective interest method.

Investments held to maturity are recognized or derecognized on the day they are transferred to, or from the Company. At December 31, 2013 and 2012 there is no investment balance held at maturity.

iv. Financial assets available for sale

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures in a period less than 12 months or Management

intends to dispose of it within the following 12 months after the date of the balance sheet.

Available for sale financial assets are recognized initially at its fair value plus any directly attributable transaction costs. Subsequently, these assets are measured at its fair value (unless it cannot be measured by its price in an active market and the fair value cannot be measured reliably, in which case they are recognized at cost less impairment).

Gains or losses from changes in the fair value of monetary and non-monetary financial assets classified as available for sale are recognized in equity in the period they are incurred.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of income.

At December 31, 2013 and 2012, there are no assets available for sale.

FINANCIAL LIABILITIES

Financial liabilities that are not derivatives are initially recognized at fair value and are subsequently valued at amortized cost using the effective interest method. Liabilities in this category are classified as current liabilities if expected to be settled within the next 12 months, otherwise they are classified as non-current.

Trade payables are obligations to pay for goods or services that have been acquired or received from suppliers in the ordinary course of business. Loans are initially recognized at fair value, net of transaction costs incurred. Loans are subsequently carried at amortized cost; any difference between the funds received (net of transaction costs) and the settlement value is recognized in the income statement over the term of the loan using the effective interest method.

OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

IMPAIRMENT OF FINANCIAL INSTRUMENTS

i. Financial assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Aspects to evaluate by the Company to determine whether there is objective evidence of impairment are:

- Significant financial difficulty of the issuer or debtor.
- Default of contract, such as late payments of interest or principal.
- Granting a concession to the issuer or debtor by the Company, as a result of financial difficulties of the issuer or debtor and that would not being considered in other circumstances.
- There is likelihood that the issuer or debtor is declared in bankruptcy or other type of financial reorganization.
- Disappearance of an active market for the financial asset due to financial difficulties.
- Verifiable information indicates that a measurable decrease exists in the estimated future cash flows related to a group of financial assets after initial recognition, although the decrease cannot yet be identified with the individual financial assets of the Company, including:
  (i) Adverse changes in the payment status of debtors of the group of assets.
  (ii) National or local conditions that correlate with defaults of the issuers or debtors of the asset group.

Based on the aspects mentioned above, the Company assesses if objective evidence of impairment exists. For loans and receivables category, if impairment exists, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement in the line of administrative expenses. If a loan or held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. Alternatively, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

The calculations for the account receivables impairment are described in Note 8.

ii. Assets classified as available for sale

In the case of debt financial instruments, the Company also uses the previously listed criteria to identify whether there is objective evidence of impairment. In the case of equity financial instruments, a significant or prolonged decrease in its fair value below its cost

is also considered objective evidence of impairment.

Subsequently, in the case of financial assets available for sale, an impairment loss determined by the difference between the acquisition cost and the current fair value of the asset, less any impairment loss previously recognized is reclassified from the accounts of other comprehensive income and is registered in the income statement. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

Impairment losses recognized in the income statement related to financial debt instruments could be reversed in subsequent years if the fair value of the asset is increased as a result of any subsequent events.

G. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The derivative financial instruments entered into and identified are classified as fair value hedges or cash flow hedges, are included in the statement of financial position as assets and/or liabilities at fair value and are measured subsequently at its fair value. The fair value is determined based on the prices in recognized markets; when no quoted market prices are available, it is determined based on valuation techniques accepted in the financial sector, using inputs and observable market variables such as interest rate curves and exchange rates obtained from reliable sources.

The fair value of hedging financial derivative instruments is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

These derivative financial instruments for hedging are entered to hedge against an existing risk and they comply with the related hedge accounting requirements, its designation as a hedge is documented at the inception of the transaction, specifying the related objective, initial position, risks to be hedged, type of hedge relationship, characteristics, accounting recognition and how their effectiveness will be assessed.

The changes in the fair value of derivative financial instruments associated to fair value hedging, are recognized in the statement of income. Fair value hedges are stated at fair value and changes in valuation are recorded in income under the same caption as the hedged item.

In the case of cash flow hedges, the effective portion is temporarily included in other comprehensive income in stockholders' equity and is reclassified to income when the hedged item affects income; the ineffective portion is recognized immediately in income.

When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets.

The Company discontinues accounting for hedge transactions when the derivative instrument has expired, been cancelled or been exercised, when it has not reached a high degree of effectiveness to offset the changes in the fair value or cash flow of the hedged item, or when its designation as a hedge is cancelled.

When suspending accounting for hedge transactions, in the case of fair value hedges, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized to income statement over the period to maturity, in the case of cash flow hedges, the amounts accumulated in stockholders' equity forming part of other comprehensive income, remain in stockholders' equity until the effect of the forecasted transaction affects income. In the case the forecasted transaction seems unlikely to occur, the gains or losses accumulated in other comprehensive income are recognized immediately in income. When the hedge of a forecasted transaction is effective but later does not comply with the effectiveness test, the effects accumulated in other comprehensive income in stockholders' equity are reclassified to income in proportion as the forecasted asset or liability affects income.

The derivative financial instruments were privately negotiated with various financial institutions whose strong financial condition was supported by high ratings assigned by securities and credit risk rating agencies. The documentation used to formalize the operations entered into was that commonly used; in general terms, it follows: the Frame Agreement for Financial Derivative Transactions and the Master Agreement generated by the "International Swaps & Derivatives Association" (ISDA), and is accompanied by the annexes commonly known as "Schedule", "Credit Support Annex" and "Confirmation".

During the years ended December 31, 2013 and 2012, the Company has not contracted derivative financial instruments classified as fair value hedges.

H. NVENTORIES

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the average cost method. The cost of finished goods and work-in-progress includes cost of product design, raw materials, direct labor, other direct costs and production overheads (based on normal operating capacity). It excludes borrowing costs. The net realizable value is the estimated selling price in the normal course of business, less the applicable variable selling expenses.

I. ADVANCE PAYMENTS

Advance payments represent expenditures related to insurance, advertisement or leases made by the Company where benefits and risks inherent to the goods the company is about to acquire or the services it is about to receive, such as insurance premiums paid in advance have not been transferred yet.

J. PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment are recognized at cost less accumulated depreciation and any accumulated impairment losses in its value. The cost includes expenses directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. Significant improvements are depreciated over the remaining useful life of the related asset.

Depreciation is determined using the straight line method, considering each of the components of the asset separately. The useful life of the classes of depreciable assets is as follows:

BUILDINGS	30 TO 70 YEARS
MACHINERY AND EQUIPMENT	10 TO 25 YEARS
TRANSPORTATION EQUIPMENT	10 TO 15 YEARS
FURNITURE AND OTHERS	3 TO 10 YEARS
BOTTLES AND DISTRIBUTION BOXES	2 TO 7 YEARS
COOLERS AND SALE EQUIPMENT	10 YEARS

Land is valued at cost and is not depreciated.

The spare parts or replacements to be used for more than one year and attributable to specific machinery are classified as property, plant and equipment in other fixed assets.

Borrowing costs related to financing of property, plant and equipment whose acquisition or construction requires a substantial period (twelve months or more), are capitalized as part of the acquisition cost of such qualifying assets, until they are ready for the use to which they are intended or for its sale.

The residual value and useful lives of the assets are reviewed at least at the end of each reporting period and, if expectations differ from previous estimates, the changes are accounted as a change in accounting estimates.

Assets classified as property, plant and equipment are subject to impairment tests when facts or circumstances are present that indicate that the value in books of assets may not be recovered. An impairment loss is recognized for the amount in which the value in books of the asset exceeds its recovery value. The recovery value is the greatest between the fair value less sale costs and their value in use.

In the case that the book value is greater than the estimated recovery value, a decrease in value is recognized in the value in books of an asset and it is immediately recognized in its recovery value.

Gains and losses from disposal of assets are determined by comparing the sales value with the value in books and recorded in the item "Other expenses, net" in the statement of income.

Returnable and non-returnable bottles -

The Company operates returnable and non-returnable bottles. Returnable bottles are classified as a component of property plant and equipment at their acquisition cost and are depreciated using the straight-line method, according to their estimated useful lives.

Under certain historical business practices in certain territories, returnable bottles that have been placed with customers are subject to an agreement pursuant to which the Company retains ownership and obtains a deposit from the customers. These bottles are monitored by the sales and distribution network and the Company has the right to charge the customer with any breakage identified.

Non-returnable bottles are expensed to consolidated net income, as part of the cost of sales, at the time of product sale.

K. LEASES

The classification as finance or operating leases depends on the substance of the transaction rather than the form of the contract.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

Leases where the Company has substantially all the risks and rewards of the property are classified as finance leases. Finance leases are capitalized at the beginning of the lease at the lower of fair value of the leased property and the present value of the minimum lease payments. If its determination is practical, for discounting to present value the minimum lease payments, the implicit interest rate in the lease is used; otherwise, the incremental borrowing rate of the lessee should be used. Any initial direct cost of the lessee will be added to the original amount recognized as an asset.

Each lease payment is allocated between the liability and finance charges until reach a constant rate in the actual amount. The corresponding rental obligations are included in long term debt, net of financial burdens. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

L. INTANGIBLE ASSETS

Goodwill represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets acquired determined at the acquisition date. Goodwill is presented in the caption of goodwill and intangible assets, and is recognized at its cost less accumulated impairment losses, which are not reversed. Gains or losses in the disposition of an entity include the carrying amount of the goodwill related to the entity disposed.

Goodwill is assigned to cash-generating units in order to carry out impairment tests. The assignment is made on cash-generating units or groups of units that are expected to benefit from the business combination from which the goodwill was derived, identified in accordance with the operating segment.

Intangible assets are recognized when complying with the following characteristics: the asset is identifiable, will generate future economic benefits and the Company has control over such benefits.

Intangible assets are classified as follows:

i. Indefinite useful life

These intangible assets are not amortized and are subject to annual impairment assessment. To date, no factors have been identified limiting the life of these intangible assets.

Indefinite useful life intangible assets consist of: a) bottling agreements (franchises) that AC has held with TCCC, which grant the rights to produce, package and distribute products owned by TCCC in territories where the Company operates; b) brands with which Nacional de Alimentos y Helados, S. A. de C. V. (NAYHSA), Wise Foods and Inalecsa market their products. The aforementioned agreements have certain maturity dates and do not guarantee their perpetuity; however, the Company considers, based on its own experience and market evidence, that it will continue renovating these agreements and therefore it has assign them as indefinite useful life intangible assets. These indefinite useful life intangible assets are assigned to cash generating units in order to perform impairment tests.

ii. Finite useful life

These assets are recognized at cost less accumulated amortization and impairment losses recognized. They are amortized on a straight line basis over their estimated useful life, determined based on the expectation of generating future economic benefits, and are subject to impairment tests when triggering events of impairment are identified. These intangible assets are represented mainly by licenses acquired for the use of software amortized during a 5-year period.

The estimated useful lives of intangible assets with finite and indefinite useful lives are reviewed annually.

M. IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life, for example goodwill, are not subject to depreciation or amortization and are tested annually for impairment or before if impairment indicators exist. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

N. INCOME TAXES

The income tax reflected in the consolidated income statement, represents the tax incurred in the year, and the effects of deferred income tax determined in each subsidiary using the asset and liability method, applying the rate established by the enacted legislation or substantially enacted at the balance sheet date where the Company and its subsidiaries operate and generate taxable income to the total temporary differences resulting from comparing the accounting and tax bases of assets and liabilities and that are expected to apply when the deferred tax asset is realized or deferred tax liability is settled, considering in any case, the tax loss carry forwards to be recoverable. Taxes are recorded in income, except as related to other comprehensive income. In this case, the tax is recorded in other comprehensive income. The effect of a change in income tax rates is recognized in income in the period in determining the exchange rate.

Management periodically evaluates positions taken in tax declarations with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right and when the taxes are levied by the same tax authority.

O. EMPLOYEE BENEFITS

In Mexico, the Company grants the following plans:

i. Pension plans

Defined contribution plans:
A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognized as employee benefit expense when the Company has the obligation of the contribution.

Defined benefit plans:
A defined benefit plan is a plan which, specifies the amount of the pension an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates according to IAS 19, that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Remeasurements of liabilities for defined benefits arising from actuarial adjustments and changes in actuarial hypotheses are charged or credited to stockholders' equity within the comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in income.

ii. Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date or when an employee accepts voluntary termination of employment in exchange for these benefits. The Company recognizes termination benefits when there is a verifiable commitment to conclude the labor relationship with certain employees and a formal detailed plan saying so and it may not be given up. If there is an offer that promotes the termination of the employment relationship voluntarily by employees, termination benefits are valued based on the number of employees expected to accept the offer. Any benefits to be paid more than 12 months after the balance sheet date are discounted from their present value.

iii. Short-term benefits

The Company provides benefits to employees in the short term, which may include wages, salaries, annual compensation and bonuses payable within 12 months. The Company recognizes an undiscounted provision when it is contractually obliged or when past practice has created an obligation.

iv. Profit sharing and bonus plans

The Company recognizes a liability and an expense for bonuses and employee profit sharing when it has a legal or assumed obligation to pay these benefits and determines the amount to be recognized based on the profit for the year after certain adjustments.

P. PROVISIONS

Liability provisions represent a present legal obligation or a constructive obligation as a result of past events where an outflow of resources to meet the obligation is likely and where the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Q. PREFERRED DIVIDENDS

The Company has 356 preferred shares of Arca Ecuador (without voting rights) (475 in 2012) and a proportional part equal to 0.25% of a preferred share (without voting rights) of such company, which grants it the right to receive a preferred annual dividend. The preferred cumulative dividends of these shares are recognized until they are declared. During the years 2011 to 2013 the stockholders of Arca Ecuador declared and paid preferred dividends relative to each year.

R. COMMON STOCK

Common stock of the Company is classified as equity. Incremental costs directly attributable to the issuance of new common stock or options are shown in equity as a deduction, net of tax. However, the Company did not incur such costs.

S. COMPREHENSIVE INCOME

Comprehensive income is composed of net income plus other capital reserves, net of taxes, which are comprised by the effects of translation of foreign subsidiaries, the effects of derivative financial instruments for cash flow hedges, the remeasurement of post-employment benefit obligations, the equity in other comprehensive income items of associates, and other items that for specific requirements are reflected in stockholders' equity and are not contributions, reductions and distribution of capital.

T. FUND FOR THE REPURCHASE OF OWN SHARES

The Stockholders' Meeting periodically authorizes a maximum amount for the acquisition of the Company's own shares. Own shares acquired are presented as a reduction of the repurchase of own shares fund, included in the balance sheet within retained earnings and valued at acquisition cost. These amounts are stated at their historical value. Dividends received are recorded by reducing their historical cost.

In the case of the sale of shares of the repurchase fund, the amount obtained in excess or in deficit of the historical cost of these, is recorded within the share premium.

U. INFORMATION BY SEGMENTS

Information by segments is presented consistently with internal reports provided to the Chief Executive Officer who is the maximum authority in the operations decision making, allocation of resources and evaluation of the return of operating segments.

V. REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the normal course of operations. Revenues are presented net of discounts, rebates and returns, and after eliminating the intercompany sales.

Revenue is recognized when the following conditions have been satisfied:

- The risks and rewards of ownership are transferred.
- The amount of revenue can be reliably measured.
- It is probable that future economic benefits will flow to the entity.
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

W. EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit attributable to controlling interest by the weighted average number of common shares outstanding during the year. There are no dilutive effects from financial instruments potentially convertible into shares.

X. INCENTIVE AGREEMENT ON FRANCHISES

TCCC at its discretion and based on franchise incentive agreements, provides the Company with different incentives, including contributions for the maintenance of cold drink equipment, advertising and marketing expenses, among others. The terms and conditions of these agreements require reimbursement if certain established conditions are not complied with, including requirements of minimum performance volume. Incentive payments received from TCCC, for maintenance of cold drinks equipment and / or for advertising and marketing expenses are deducted from the corresponding expense.

NOTE > 4. FINANCIAL RISK MANAGEMENT

I. RISK MANAGEMENT

The Company's activities expose it to various financial risks: market risk (including foreign exchange risk, interest rate risk and raw materials price risk), credit risk and liquidity risk. The Company has the general policy to contract derivative financial instruments only for hedging purposes, in order to reduce the risks related to its financial liabilities, to cover certain purchases, forecasted operations or commitments in foreign currency.

Administration of exposure to credit, market and liquidity risks is done through the Financial Risk Committee of the Company.

The main financial risk exposure of the Company is related mainly to stock certificates with variable interest rates and present or future commitments in foreign currency, related to its activity and business sector, or certain forecasted operations, for example: prices for raw materials, trade accounts receivable and liquidity.

The Company has effective Master Agreements with Derivative Financial Instruments and ISDA Master Agreements, to have several quotations given the decision to perform transactions with this type of instruments, those only performed for hedging purposes of price exchange rates of raw materials documented in simple instruments (swaps or forwards). Swap operations performed by the Company only allow for the conversion of different currencies, or interest rates (variable to fixed or vice versa).

All derivative financial instrument transactions contracted by the Company are pre-analyzed, when necessary, approved and monitored periodically by the Financial Risk Committee. This committee presents proposals to the Chief Executive Officer, which then also informs the Board of Directors periodically. Both the Financial Risk Committee and the Chief Executive Officer review the performance of these instruments on a quarterly basis, performing, when necessary, the advance cancellations, change of instruments terms, etc.

Transactions with derivative financial instruments performed by the Company, are contracted and managed in a centralized and corporate manner, contracting the transactions necessary for their subsidiaries, which do not perform this type of transactions individually. The Company operates this type of agreements with financial and banking institutions and with a robust operating and financial structure.

MARKET RISK

a. Currency exchange risk (exchange rate)

The foreign currency risk is related to the risk that the fair value of future flows of a financial instrument fluctuate for variations in the exchange rate. The Company is exposed to exchange rate risks from: a) its net exposure of assets and liabilities in foreign currency, b) the revenues from export sales, c) the purchases of raw materials and capital expenditures made in foreign currency, and d) the net investment of subsidiaries maintained abroad. The greater risk exposure of the Company's exchange rate is the variation of the Mexican peso with respect to the US dollar and the Argentine peso, for purposes of translating its investments to the reporting currency.

The Company has a policy to operate mainly in the markets of its subsidiaries. The debt is contracted in the local currency of such markets.

The net sales are denominated in Mexican pesos, Argentine pesos and US dollars. During 2013 and 2012, 71.07% y 76.50% of the sales generated in Mexican pesos, 12.99% and 13.57% in Argentine pesos and 15.94% and 9.93% in US dollars, respectively. These currencies correspond to the functional currency of each consolidated entity (see Note 29).

Following is the detail of the Company's exposure to exchange rate risk at December 31, 2013 and 2012. The accompanying tables reflect the accounting value of monetary assets and liabilities of the Company denominated in foreign currency:

	(THOUSANDS OF MEXICAN PESOS) AT DECEMBER 31,			
	2013		2012	
	US DOLLAR	ARGENTINE PESO	US DOLLAR	ARGENTINE PESO
MONETARY ASSETS:	PS 1,869,046	PS 1,403,706	PS 1,264,213	PS 1,234,448
MONETARY LIABILITIES:	(2,277,503)	(1,382,361)	(1,672,344)	(1,234,243)
NET POSITION	(PS 408,457)	PS 21,345	(PS 408,131)	PS 205

Based on the net monetary position of the Company at December 31, 2013 and 2012 a hypothetical increase of one peso in the exchange rate with respect to the US dollar and fifty cents with respect to the Argentine peso, with all other variables constant, would have an unfavorable effect for the Company's comprehensive income by Ps31,263 and Ps29,036, in relation to the US dollar and favorable by Ps5,336 and Ps39, in relation with the Argentine peso. This exposure is to the changes in exchange rates related to the conversion from Argentine pesos and US dollars to Mexican pesos of the income, assets and liabilities of its subsidiaries in the United States of America, Argentina and Ecuador. As detailed below in this Note, the Company contracts derivative financial instruments for hedging purposes of certain commitments denominated in foreign currency for the purchase of raw materials. The Company does not cover the risks related to the conversion of subsidiaries, whose effects are recorded in stockholders' equity.

b. Interest rate risk

The interest rate risk arises mainly from financing sources of the Company. The main exposure is related to the obligations with variable interest rate rates based on the TIIE (Equilibrium Interbanking Interest Rate).

The Company holds derivative financial instruments agreements to minimize the market risk and the possible effects that may arise due to a significant increase in the interest rates with respect to the stock certificates issued through the Mexican Stock Exchange.

The derivative financial instruments that the Company contracts are interest rate swaps over stock certificates with variable interest rates.

At December 31, 2013 and 2012, most of the debt, considering its value in pesos was referenced at a fixed interest rate. At December 31, 2013, Ps9,050 million, which represented 64.4% with respect to total debt and at December 31, 2012, Ps6,400 million representing 67.0%, made reference to the fixed interest rate.

To manage the interest rate risk, the Company has an interest rate management policy that intends to reduce the volatility of its financial expense and maintain an ideal percentage of debt in fixed rate instruments. The financial position is mainly fixed for the use of the short term and long term debt and derivative instruments such as interest rate swaps.

The terms and conditions of the Company's obligations at December 31, 2013, including exchange rates, interest rates, maturities and effective interest rates, are detailed in Note 13.

At December 31, 2013 and 2012, considering the current hedge strategy of the Company in relation with interest rates, if the TIIE at 28 days would have increased 100 basis points (1.00%) maintaining in all other constant risk factors, would favorably impact the stockholders' equity by Ps8,865 and Ps17,910, respectively. The impact in the net income for the year would not be significant since the instruments exposing the Company to these risks are under highly effective cash flow hedges.

c. Raw materials price risk

The main exposure to the variation in prices of raw materials is related to the supply of sweetening and plastic packaging used in the production of soft drinks.

The main raw materials used in the production are those that are concentrated, acquired from TCCC, sweetening and plastic packaging. The Company is exposed to the exchange rate fluctuation risk due to the exchange rate in the prices of high fructose and plastic packaging representing overall 23.0% (25.5% in 2012) of the cost of sales of the sale of the beverages. The Company performs hedging activities on purchases of these raw materials, in order to avoid variations in the exchange rate price.

At December 31, 2013, an appreciation of 1 Mexican peso vis-a-vis the US dollar and all other variables constant, would impact the valuation of exchange rate forwards, unfavorably in the stockholders' equity by Ps19,993 (Ps58,654 en 2012). The impact in the net income for the year would not be significant since the instruments that expose the Company to these risks are under highly effective cash flow hedges.

CREDIT RISK

The Company's normal operations expose it to the potential non-compliance when its clients and counterparties cannot comply with their financial commitments or any other commitments. The Company mitigates this risk when performing transactions with a great variety of counterparties. It also considers that they could not be subject to unexpected financial problems from third parties that could affect the Company's operations.

The Company has conservative policies for the management of cash and temporary investments, which allows minimizing the risk in this type of financial assets, considering also that operations were only performed with financial institutions with high credit ratings.

The risk exposure related to accounts receivable is limited given the great number of clients located in different parts of Mexico, Argentina, Ecuador and the United States of America; however, the Company has certain reserves for impairment losses from trade accounts receivable. For risk control, the credit quality of the client is determined, taking into consideration its financial position, past experience and other factors.

Since part of the clients, to which the Company sells its products, have not independent credit quality rating, management is in charge of determining the maximum credit risk for each one of them, considering their financial position and past experiences, among other factors. The credit limits are established in accordance with policies established by management, which has controls to ensure their compliance.

During 2013 and 2012, around 71% and 87%, respectively, of the sales of the Company were made in cash; consequently, there is no relevant credit risk associated to accounts receivable. Additionally, up to 16% and 6% of the net sales of 2013 and 2012, respectively, were made to institutional clients, which have no history of payment non-compliance; therefore, no impairment has been recorded.

LIQUIDITY RISK

The Company finances its requirements of liquidity and capital resources mainly through cash generated from transactions and issuance of debt at medium and long term.

The Company has access to national and international banking institutions credit to face the needs of treasury. The Company also has the highest rating for Mexican companies (AAA) granted by independent rating agencies, which allows it to assess the capital markets in case it needs resources.

Cash excesses generated by the Company are invested in accordance with the guidelines defined by the Board of Directors with the prior opinion of the Planning and Finance Committee. The Financial Risk Committee, comprised mainly by executives of the Administrative and Finance and Planning areas, decides on a list of first-class "custodial" institutions regarding prestige and liquidity. Investments in foreign currency for specific projects are only authorized in USPs or Euros.

The Company does not invest in capital markets or investment companies, and in the case of repurchase agreements operations, these are only made with federal government documents of Mexico or the United States of America. Such operations are performed with bigger and well-recognized banks in Mexico. The foreign banks in which it is possible to invest have the greatest international coverage. Investments are made Debt Instruments of the Federal Government and Bank Debt. AC does not invest in Private and / or Corporate Instrument.

The factors that could reduce liquidity sources include a significant reduction in demand, or in the price of the products, each one of which may limit the amount of cash generated from operations, and a reduction of the credit corporate rating, which could deteriorate the liquidity and increase the new debt costs. The Company's liquidity is also affected by factors such as the depreciation or appreciation of the peso and changes in interest rates. The Company expects to meet its obligations with cash flows generated by operations.

The remaining contractual maturities of financial liabilities of the Company, which include mainly the capital and interest payable in the future up to maturity, at December 31, 2013 and 2012 are:

AT DECEMBER 31, 2013	LESS THAN ONE YEAR	1 TO 3 YEARS	3 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
CURRENT AND NON-CURRENT DEBT	PS 3,162,554	PS 5,697,523	PS 1,522,050	PS 7,958,710	PS 18,340,837
SUPPLIERS AND OTHER ACCOUNTS PAYABLE	3,423,161	-	-	-	3,423,161
DERIVATIVE FINANCIAL INSTRUMENTS	36,432	-	-	-	36,432
	PS 6,622,147	PS 5,697,523	PS 1,522,050	PS 7,958,710	PS 21,800,430

AT DECEMBER 31, 2012	LESS THAN ONE YEAR	1 TO 3 YEARS	3 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
CURRENT AND NON-CURRENT DEBT	PS 1,418,018	PS 7,943,659	PS 692,200	PS 5,285,771	PS 15,339,648
SUPPLIERS AND OTHER ACCOUNTS PAYABLE	3,613,209	-	-	-	3,613,209
DERIVATIVE FINANCIAL INSTRUMENTS	-	-	50,127	-	50,127
	PS 5,031,227	PS 7,943,659	PS 742,327	PS 5,285,771	PS 19,002,984

At December 31, 2013 and 2012, the Company has no unused credit lines.

II. CAPITAL MANAGEMENT

The Company's objectives upon managing its capital (which includes capital stock, debt, working capital and cash and cash equivalents) are to maintain a flexible capital structure to reduce the cost of capital to an acceptable risk level, to protect the ability of the Company to continue as a going concern, as well as benefiting from the strategic opportunities that allow generating returns for its stockholders.

The Company manages its capital structure and makes adjustments when there are changes in economic conditions and the risk characteristics of the underlying assets.

The Company monitors its capital based on the ratio of Net Debt divided by Equity, which resulted in to 27.96% and 21.33% at December 31, 2013 and 2012, respectively.

NOTE > 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company has identified certain key accounting estimates where its financial condition and operation results are dependent. These accounting estimates normally involve analysis or are based on subjective judgments or decisions that require that Management make estimates and assumptions that affect the figures reported in these consolidated financial statements. The Company's estimates are based on historical information when applicable, and other assumptions considered reasonable under the circumstances.

Actual results may differ from the estimates under different assumptions or conditions. Estimates normally require adjustments based on changing circumstances and the receipt of the most recent or most accurate information.

The most critical accounting estimates of the Company under IFRS are those that require Management make estimates and assumptions that affect the reported figures related to fair value accounting for financial instruments, goodwill and other indefinite life intangible assets as a result of business acquisitions, and pension benefits.

A. ESTIMATES AND ASSUMPTIONS THAT CARRY THE RISK OF CAUSING SIGNIFICANT ADJUSTMENTS TO THE VALUES IN THE FINANCIAL STATEMENTS, ARE AS FOLLOWS:

i. Estimated impairment of other intangible assets of indefinite useful life

The identification and measurement of impairment of intangible assets with indefinite lives include the estimate of fair values. These estimates and assumptions might have a significant impact on the decision to recognize a charge for impairment or not and also on the importance of such charge. The Company performs a valuation analysis and considers relevant internal information, as well as other market public information. Fair value estimates are mainly determined using discounted cash flows and market comparisons. These approaches use significant estimates and assumptions, including future projected cash flows (including terms), discount rates that reflect the inherent risk in future cash flows, perpetual growth rates, determination of comparable of appropriate markets and determining whether a premium or discount should be applied to comparable.

A certain level of risk is possible and inherent to these estimates and assumptions that the Company considers it has included in its valuations. If the real future results were lower than the estimates, a possible charge for impairment could be recognized in future periods in relation with the reduction in the carrying value of other intangibles, additionally to the amounts previously recognized (see Note 12).

ii. Business combinations - allocation of purchase price

For business combinations, the IFRS require performing a calculation of fair value assigned to the purchase price at the fair value of acquired assets and liabilities. Any difference between the acquisition cost and the fair value of identifiable acquired assets is recognized as goodwill. The calculation of fair value is performed at the acquisition date.

As a result of the nature of the assessment of fair value, the allocation of the purchase price and determinations of fair value at the acquisition date, require significant judgments based on a wide range of complex variables in a specific period of time. Management uses all the information available to make the fair value determinations (see Note 2).

iii. Pension benefits

The present value of pension obligations depends on a number of factors determined on an actuarial basis using different assumptions. Assumptions used to determine the cost (profit) for pensions include the discount rate. Any change in the assumptions will impact the carrying value of pension obligations.

The Company determines the adequate discount rate at year end. This interest rate is used to determine the present value of cash outflows required to settle expected future pension obligations. In the determination of the appropriate discount rate, the Company considers the discount interest rate in conformity with IAS 19 "Employee benefits" denominated in the currency used to pay benefits with terms at maturity that approximate the obligations terms of related pension obligations (see Note 16 i).

B. CRITICAL JUDGMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES:

i. Investments in associates

Management has evaluated the level of influence that AC has on its investment in Jugos del Valle, S. A. P. I. and has determined that it has a significant influence even though its stock ownership is less than 20% due to its representation in the board of directors and contractual terms. Consequently, this investment has been classified as an associate.

ii. Useful life of intangible assets

Indefinite life intangible assets of the Company include bottling agreements that AC has held with TCCC, which have certain maturity dates and do not guarantee their perpetuity; however, the Company considers, based on its own experience and market evidence, that it will continue renovating these agreements and therefore it has assign them as indefinite useful life intangible assets.

NOTE > 6. SEGMENT REPORTING

Segment information is presented consistently with the internal reporting provided to the Company's Chief Executive Officer who is the highest authority in operational decision-making, resource allocation and assessment of operating segment performance.

An operating segment is defined as a component of an entity on which separate financial information is regularly being evaluated.

The Company controls and assesses its continuous operations from a geographic as well as a per product perspective. Geographically, Management considers the performance in Mexico, the United States, Argentina and Ecuador. From the product perspective, Management separately considers the beverages and other products in these geographical areas.

The product segments to be reported for the Company are:

- Soft drinks (including water in the individual format and non-carbonated beverages):
  This segment manufactures, distributes and sells soft drinks of the TCCC brands, in several territories of Mexico, Argentina and Ecuador. The Company includes the following within its beverage portfolio: cola and flavored drinks, purified and flavored water in an individual format and other carbonated and non-carbonated drinks, in different presentations.

- Other segments:
  This section represents those operating segments that do not consider reportable segments individually since they do not comply with the quantitative limits, as established by the Standard applicable to any of the reported years. In accordance with this standard, the operating segments with a total of revenues equal or less than 10% of the total income of the Company, do not require to be reported individually and may be grouped with other operating segments that do not comply with such limit, provided that the sum of these operating segments does not exceed 25% of its total revenues. These segments include:
  a) Jug water (Mexico)
  b) Snacks (Mexico, Ecuador and United States)

The Company evaluates the performance of each of the operating segments based on income before financial result, net, income taxes, depreciation and amortization (EBITDA), considering that this indicator is a good metric to evaluate operating performance and the ability to meet principal and interest obligations with respect to indebtedness, and the ability to fund capital expenditures and working capital requirements. Nevertheless, EBITDA is not a measure of financial performance under IFRS and should not be considered as an alternative to net income as a measure of operating performance or cash flows as a measure of liquidity.

The Company has defined the Adjusted EBITDA as consolidated income (loss) before taxes after adding or deducting, accordingly: (1) depreciation, amortization, and (2) non-recurring expenses incurred (such as indemnities, among others, classified in the item of other expenses, net in the statement of income).

The operations between operating segments are performed at market value and the accounting policies with which the financial information by segments is prepared, are consistent with those described in Note 3. Following is the condensed financial information of these operating segments:

	YEAR ENDED DECEMBER 31, 2013					
	SOFT DRINKS			OTHER		
	MEXICO	ARGENTINA	ECUADOR	MEXICO AND OTHER	ELIMINATIONS	TOTAL
STATEMENT OF INCOME:						
SALES BY SEGMENT	PS 40,937,498	PS 7,843,438	PS 5,801,251	PS 5,776,969		PS 60,359,156
INTER-SEGMENT SALES	PS 60,877	-	-	-	(PS 60,877)	-
SALES WITH EXTERNAL CLIENTS	PS 40,998,375	PS 7,843,438	PS 5,801,251	PS 5,776,969	(PS 60,877)	PS 60,359,156
OPERATING PROFIT	PS 7,804,611	PS 1,057,447	PS 704,336	PS 324,371		PS 9,890,765
OPERATING FLOW (1)	PS 9,652,784	PS 1,408,331	PS 996,774	PS 786,615		PS 12,844,504
NON-RECURRING EXPENSES	PS 284,567	PS 89,232	PS 10,818	PS 41,407		PS 426,024
DEPRECIATION AND AMORTIZATION	(PS 1,800,662)	(PS 261,652)	(PS 281,620)	(PS 183,781)		(PS 2,527,715)
INTEREST INCOME	PS 126,461	PS 33,279		PS 17,359		PS 177,099
INTEREST EXPENSE	(PS 891,329)	(PS 133,435)	(PS 117,620)	(PS 6,076)		(PS 1,148,460)
SHARE OF NET						
INCOME OF ASSOCIATES	PS 97,933					PS 97,933
PROFIT BEFORE INCOME TAX	PS 7,137,676	PS 957,291	PS 586,716	PS 335,654		PS 9,017,337
STATEMENT OF FINANCIAL POSITION:						
TOTAL ASSETS	PS 52,622,784	PS 4,859,095	PS 11,634,354	PS 4,964,672	(PS 7,731,702)	PS 66,349,203
INVESTMENT IN ASSOCIATES (3)	PS 3,801,469					PS 3,801,469
TOTAL LIABILITIES	PS 26,232,611	PS 1,768,848	PS 687,054	PS 998,271	(PS 4,521,351)	PS 25,165,433
INVESTMENTS IN FIXED ASSETS (CAPEX)	PS 3,414,187	PS 676,276	PS 553,331	PS 217,776		PS 4,861,570

	YEAR ENDED DECEMBER 31, 2012					
	SOFT DRINKS			OTHER		
	MEXICO	ARGENTINA	ECUADOR	MEXICO AND OTHER	ELIMINATIONS	TOTAL
STATEMENT OF INCOME:						
SALES BY SEGMENT	PS 41,105,496	PS 7,755,335	PS 5,672,406	PS 1,810,319	(PS 74,823)	PS 56,268,733
INTER-SEGMENT SALES	(74,823)				74,823	-
SALES WITH EXTERNAL CLIENTS	PS 41,030,673	PS 7,755,335	PS 5,672,406	PS 1,810,319		PS 56,268,733
OPERATING PROFIT (2)	PS 6,400,558	PS 849,571	PS 683,348	PS 571,248	(PS 20,926)	PS 8,483,799
OPERATING FLOW (1) (2)	PS 8,837,116	PS 1,248,850	PS 1,018,010	PS 218,365		PS 11,322,341
NON-RECURRING EXPENSES	PS 293,265	PS 93,788	PS 48,392			PS 435,445
DEPRECIATION AND AMORTIZATION	(PS 1,744,443)	(PS 305,490)	(PS 274,235)	(PS 78,929)		(PS 2,403,097)
FINANCIAL RESULT, NET	(PS 521,277)	(PS 223,479)	(PS 57,198)	(PS 78,566)		(PS 880,520)
SHARE OF NET						
INCOME OF ASSOCIATES	PS 114,972					PS 114,972
PROFIT BEFORE INCOME TAX	PS 5,994,253	PS 626,092	PS 626,150	PS 492,682	(PS 20,926)	PS 7,718,251
STATEMENT OF FINANCIAL POSITION:						
TOTAL ASSETS REVIEWED FOR						
ADJUSTMENTS IN FAIR VALUE	PS 47,911,968	PS 5,155,038	PS 11,117,212	PS 13,305,416	(PS 11,898,768)	PS 65,590,866
INVESTMENT IN ASSOCIATES (3)	PS 3,263,903					PS 3,263,903
TOTAL LIABILITIES REVIEWED FOR						
ADJUSTMENTS IN FAIR VALUE	PS 24,939,691	PS 1,530,272	PS 2,950,447	PS 3,939,100	(PS 8,871,683)	PS 24,487,827
INVESTMENTS IN FIXED ASSETS (CAPEX)	PS 3,193,543	PS 513,275	PS 698,410	PS 85,687		PS 4,490,915

(1) CORRESPONDS TO THE WAY IN WHICH AC MEASURES ITS OPERATING FLOW.
(2) RECLASSIFIED DUE TO A CHANGE IN ACCOUNTING POLICY FROM THE RECOGNITION OF SHARE IN NET INCOME OF STRATEGIC ASSOCIATES AS EXPLAINED IN NOTE 3 B.I.
(3) TOTAL INVESTMENT IN SHARES OF ASSOCIATES IS LOCATED IN MEXICO.

Sales to outside customers as well as property, plant and equipment, goodwill and intangible assets by geographic area are shown below.

	YEAR ENDED DECEMBER 31, 2013			
	SALES WITH CUSTOMERS	PROPERTY PLANT AND EQUIPMENT	GOODWILL	INTANGIBLE ASSETS
MEXICO	PS 43,507,278	PS 19,770,108	PS 8,091,780	PS 8,430,381
UNITED STATES	2,698,621	418,021	1,336,210	1,712,410
ARGENTINA	7,843,438	1,649,229	1,668,094	423,204
ECUADOR	6,309,819	2,333,572	6,017,472	1,734,165
TOTAL	PS 60,359,156	PS 24,170,930	PS 17,113,556	PS 12,300,160

	YEAR ENDED DECEMBER 31, 2012			
	SALES WITH CUSTOMERS	PROPERTY PLANT AND EQUIPMENT	GOODWILL	INTANGIBLE ASSETS
			(1)	(1)
MEXICO	PS 42,752,762	PS 18,596,918	PS 8,091,780	PS 8,431,204
UNITED STATES	88,230	382,769	1,398,887	1,712,410
ARGENTINA	7,755,335	1,689,854	1,746,338	443,617
ECUADOR	5,672,406	2,065,702	6,299,730	1,808,410
TOTAL	PS 56,268,733	PS 22,735,243	PS 17,536,735	PS 12,395,641

(1) REVISED FOR ADJUSTMENTS OF FAIR VALUE (SEE NOTE 2).

The Company's customers are commercial establishments classified into institutional clients and general clients, including supermarkets, convenience stores, institutions, companies and mainly grocery stores from small to big. During the years ended December 31, 2013 and 2012 the Company had no client reaching 10% of its total sales.

NOTE > 7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised as follows:

	AT DECEMBER 31,	
	2013	2012
CASH AT BANK AND IN HAND	PS 70,838	PS 54,733
SHORT-TERM BANK DEPOSITS	1,102,717	810,424
SHORT TERM INVESTMENTS (LESS THAN THREE MONTHS)	1,392,098	1,811,041
TOTAL CASH AND CASH EQUIVALENTS	PS 2,565,653	PS 2,676,198

At December 31, 2013 and 2012 the Company had no restricted cash and cash equivalents.

NOTE > 8. CUSTOMERS AND OTHER ACCOUNTS RECEIVABLE, NET

Trade and other accounts receivable are comprised as follows:

	AT DECEMBER 31,	
	2013	2012
CUSTOMERS	PS 2,282,025	PS 2,467,786
PROVISION FOR IMPAIRMENT IN CUSTOMERS	(41,401)	(40,650)
CUSTOMERS, NET	2,240,624	2,427,136
RECOVERABLE TAXES	90,345	48,354
NOTES AND OTHER ACCOUNTS RECEIVABLE	162,947	58,958
SUNDRY DEBTORS	682,534	894,549
	PS 3,176,450	PS 3,428,997

At December 31, 2013 and 2012 none of the clients of AC represent individually or as a whole more than 10% of its revenues.

The analysis by age of the balances due from customers not impaired is as follows:

	AT DECEMBER 31, 2013	
	90 TO 180 DAYS	MORE THAN 180 DAYS
CUSTOMERS	PS 73,664	PS 23,757

	AT DECEMBER 31, 2012	
	90 TO 180 DAYS	MORE THAN 180 DAYS
CUSTOMERS	PS 73,572	PS 40,146

Accounts receivable are expressed in the following currencies:

	AT DECEMBER 31,	
	2013	2012
MEXICAN PESOS	PS 1,990,706	PS 2,575,140
ARGENTINE PESOS	440,743	287,330
US DOLLARS	745,001	566,527
	PS 3,176,450	PS 3,428,997

Movements in the provision for impairment of customers are analyzed as follows:

	2013	2012
OPENING BALANCE	PS 40,650	PS 45,732
PROVISION FOR IMPAIRMENT IN CUSTOMERS	8,249	33,276
RECEIVABLES WRITTEN OFF DURING THE YEAR	(7,498)	(38,358)
CLOSING BALANCE	PS 41,401	PS 40,650

The changes in income of the impairment provision of clients is recognized in sales expenses. The fair value of trade and other accounts receivable at December 31, 2013 and 2012 approximate their carrying value (see Note 20 iii.).

NOTE > 9. INVENTORIES

The inventories consist of the following:

	AT DECEMBER 31,	
	2013	2012
RAW MATERIALS	PS 905,307	PS 832,215
FINISHED GOODS	747,201	784,529
MATERIALS AND SPARE PARTS	656,721	687,645
PRODUCTION IN PROCESS	8,084	21,472
INVENTORIES IN TRANSIT	-	18,955
	PS 2,317,313	PS 2,344,816

For the years ended December 31, 2013 and 2012 Ps6,723 and Ps9,436, were recorded in income, respectively, corresponding to damaged, slow-moving and obsolete inventory.

NOTE > 10. INVESTMENT IN SHARES OF ASSOCIATES

The investment in shares of associates is comprised as follows:

	AT DECEMBER 31,	
	2013	2012
OPENING BALANCE	PS 3,263,903	PS 2,709,894
ADDITIONS	406,811	418,344
DISPOSALS	-	-
SHARE OF INCOME OF ASSOCIATES	130,755	135,665
CLOSING BALANCE	PS 3,801,469	PS 3,263,903

Following are the associates of the Company at December 31, 2013 and 2012, which in the opinion of Management, are material for the Company. The entities listed below have a capital stock consisting only of ordinary shares with voting rights, which are directly owned by AC. The incorporation and registration country is also its main place of business and the ratio of stock ownership is the same as the ratio of owned votes.

	DECEMBER 31, 2013					
NAME OF THE ASSOCIATE	COUNTRY OF INCORPORATION	NATURE	VALUATION METHOD	BALANCE	GAIN (LOSS)	STOCK OWNERSHIP
PROMOTORA INDUSTRIAL AZUCARERA, S. A. DE C. V. (PIASA) (1)	MEXICO	ASSOCIATE	EQUITY METHOD	PS 1,445,071	PS 96,371	49.00%
JUGOS DEL VALLE, S. A. P. I. (JDV) (2)	MEXICO	ASSOCIATE	EQUITY METHOD	921,781	20,481	16.45%
PETSTAR, S. A. P. I. DE C. V. (PETSTAR) (3)	MEXICO	ASSOCIATE	EQUITY METHOD	451,136	(15,793)	46.42%

	DECEMBER 31, 2012					
NAME OF THE ASSOCIATE	COUNTRY OF INCORPORATION	NATURE	VALUATION METHOD	BALANCE	GAIN (LOSS)	STOCK OWNERSHIP
PROMOTORA INDUSTRIAL AZUCARERA, S. A. DE C. V.	MEXICO	ASSOCIATE	EQUITY METHOD	PS 1,348,699	PS 100,979	49.00%
JUGOS DEL VALLE, S. A. P. I.	MEXICO	ASSOCIATE	EQUITY METHOD	877,514	9,218	16.45%
PETSTAR, S. A. P. I. DE C. V	MEXICO	ASSOCIATE	EQUITY METHOD	447,172	(8,173)	46.42%

(1) PIASA IS A COMPANY WHOSE MAIN ACTIVITY IS TO TRADE BETWEEN ITS STOCKHOLDERS AND THIRD PARTIES, SUGAR AND HONEY THAT PRODUCES AND ACQUIRES, AND AS A BY-PRODUCT THE ELECTRIC ENERGY IT GENERATES. THIS INVESTMENT ALLOWS THE COMPANY TO SUPPLY SUGAR FOR THE PRODUCTION AND AT THE SAME TIME TO REDUCE ITS PRICE RISK EXPOSURE FOR SUCH RAW MATERIALS.
(2) JDV IS A STRATEGIC INVESTMENT WHOSE MAIN ACTIVITY IS THE PRODUCTION, PACKAGING, PURCHASE, SALE, DISTRIBUTION AND MARKETING OF JUICES, NECTARS AND FRUIT BEVERAGES. JDV ALSO MARKETS PRODUCTS OF THIRD PARTIES.
(3) PETSTAR IS ENGAGED IN THE RECOLLECTION AND RECYCLING OF PET WASTES (TEREPHTHALATE POLYETHYLENE) AND ITS CONVERSION IN FOOD LEVEL RESIN AND SALE, MAINLY BUT NOT EXCLUSIVELY TO ITS STOCKHOLDERS.

The following tables include summarized financial information for those associates considered material for AC. The information disclosed presents the amounts in the financial statements of relevant associates, and not of the Company's share on such amounts. These amounts have been modified, when required, to present the adjustments made by AC at the time of applying the equity method, including fair value adjustments, in the applicable cases, and amendments for differences in accounting policies.

There are no contingent liabilities related to the Company's interest in its associates.

SUMMARIZED BALANCE SHEET	PIASA		JDV		PETSTAR	
	2013	2012	2013	2012	2013	2012
TOTAL CURRENT ASSETS	PS 1,328,927	PS 1,302,823	PS 2,547,549	PS 1,947,560	PS 311,417	PS 301,290
NON-CURRENT ASSETS	2,778,935	2,823,520	4,264,565	4,096,188	868,705	738,060
TOTAL CURRENT LIABILITIES	898,533	960,429	1,129,907	639,347	198,332	68,515
NON-CURRENT LIABILITIES	259,798	413,059	78,678	69,969	9,933	7,517
NET ASSETS	PS 2,949,531	PS 2,752,855	PS 5,603,529	PS 5,334,432	PS 971,857	PS 963,318

RECONCILIATION OF BOOK BALANCES						
OPENING BALANCE	PS 2,752,855	PS 2,546,775	PS 5,334,432	PS 3,354,521	PS 963,318	PS 521,273
CAPITAL INCREASE	-	-	144,595	1,923,872	42,561	459,652
INCOME FOR THE YEAR	194,688	203,017	124,502	56,039	(34,022)	(17,607)
OTHER COMPREHENSIVE INCOME	1,988	3,063	-	-	-	-
DIVIDENDS PAID	-	-	-	-	-	-
CLOSING BALANCE	2,949,531	2,752,855	5,603,529	5,334,432	971,857	963,318
% OF OWNERSHIP	49%	49%	16.45%	16.45%	46.42%	46.42%
BALANCE IN BOOKS	PS 1,445,071	PS 1,348,699	PS 921,781	PS 877,514	PS 451,136	PS 447,172

SUMMARIZED STATEMENT OF	PIASA		JDV		PETSTAR	
COMPREHENSIVE INCOME	2013	2012	2013	2012	2013	2012
REVENUES	PS 3,934,432	PS 4,055,365	PS 8,348,929	PS 6,448,643	PS 800,479	PS 541,254
PROFIT FOR THE YEAR	PS 194,688	PS 203,017	PS 124,502	PS 56,039	(PS 34,022)	(PS 17,607)
OTHER COMPREHENSIVE INCOME	1,988	3,063	-	-	-	-
TOTAL COMPREHENSIVE INCOME	PS 196,676	PS 206,080	PS 124,502	PS 56,039	(PS 34,022)	(PS 17,607)

During the years ended December 31, 2013 and 2012 the Company has not received dividends from its material associates.

The Company exercises significant influence on its associates since it has the power to participate in deciding the financial and operation policies without reaching control (see Note 5b i).

In addition to the interest in associates described above, AC also has interest in some other associates, which are not individually considered material and are accounted for using the equity method; the values recognized in AC of its investment in such associates are shown below:

	AT DECEMBER 31,	
	2013	2012
AGGREGATE BALANCE OF INDIVIDUALLY NON-MATERIAL ENTITIES	PS 983,481	PS 590,518
AGGREGATE AMOUNTS OF EQUITY OF AC IN:		
INCOME OF CONTINUOUS OPERATIONS	PS 29,696	PS 33,641
INCOME (LOSS) OF DISCONTINUED OPERATIONS	-	-
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME	PS 29,696	PS 33,641

None of the associate companies have their shares listed publicly and consequently, there are no published market prices.

NOTE > 11. PROPERTY, PLANT AND EQUIPMENT

The changes in property, plant and equipment for the years ended December 31, 2013 and 2012 are analyzed as follows:

	DEPRECIABLE ASSETS								NON-DEPRECIABLE ASSETS		
	BUILDINGS	MACHINERY AND EQUIPMENT	TRANS-PORTATION EQUIPMENT	COOLERS AND SALES EQUIPMENT	PACKA-GING AND DISTRIBUTION BOXES	COMPUTER EQUIPMENT	FURNITURE AND OTHERS	SUBTOTAL	LAND	INVESTMENTS IN PROCESS	TOTAL
FOR THE YEAR ENDED AT DECEMBER 31, 2012											
NET VALUE IN BOOKS	PS 5,310,874	PS 5,543,984	PS 2,109,824	PS 2,422,513	PS 701,327	PS 134,542	PS 727,413	PS 16,950,477	PS 4,692,808	PS 426,632	PS 22,069,917
ADDITIONS	384,970	1,163,843	409,226	938,497	1,082,853	108,995	219,281	4,307,665		183,250	4,490,915
ADDITIONS FROM BUSINESS COMBINATIONS (REVISED)	62,156	308,975	15,295					386,426	67,252	21,280	474,958
DISPOSALS	(258,426)	(553,125)	(325,298)	(137,890)	(456,006)	(48,161)	(77,388)	(1,856,294)	(65,275)		(1,921,569)
DEPRECIATION CHARGES RECORDED IN THE YEAR	(239,556)	(668,501)	(381,483)	(425,018)	(476,891)	(66,706)	(120,823)	(2,378,978)			(2,378,978)
TRANSFERS				24,379		(2,796)		21,583		(21,583)	-
CLOSING BALANCE REVISED BY ADJUSTMENTS OF FAIR VALUE	PS 5,260,018	PS 5,795,176	PS 1,827,564	PS 2,822,481	PS 851,283	PS 125,874	PS 748,483	PS 17,430,879	PS 4,694,785	PS 609,579	PS 22,735,243
AT DECEMBER 31, 2012											
COST	PS 8,484,404	PS 13,551,079	PS 5,723,544	PS 5,916,472	PS 2,551,428	PS 639,555	PS 1,335,569	PS 38,202,051	PS 4,694,785	PS 609,579	PS 43,506,415
ACCUMULATED DEPRECIATION	(3,224,386)	(7,755,903)	(3,895,980)	(3,093,991)	(1,700,145)	(513,681)	(587,086)	(20,771,172)			(20,771,172)
CLOSING BALANCE	PS 5,260,018	PS 5,795,176	PS 1,827,564	PS 2,822,481	PS 851,283	PS 125,874	PS 748,483	PS 17,430,879	PS 4,694,785	PS 609,579	PS 22,735,243
FOR THE YEAR ENDED AT DECEMBER 31, 2013											
NET VALUE IN BOOKS	PS 5,260,018	PS 5,795,176	PS 1,827,564	PS 2,822,481	PS 851,283	PS 125,874	PS 748,483	PS 17,430,879	PS 4,694,785	PS 609,579	PS 22,735,243
ADDITIONS	292,504	587,134	513,763	1,059,607	1,035,849	142,512	99,949	3,731,318	39,497	1,090,755	4,861,570
DISPOSALS	(51,309)	(482,415)	(174,902)	(3,140)	(55,028)	(47,656)		(814,450)	(84,448)	(94,939)	(993,837)
DEPRECIATION CHARGES RECORDED IN THE YEAR	(274,239)	(787,596)	(416,613)	(233,294)	(442,328)	(95,885)	(182,091)	(2,432,046)			(2,432,046)
CLOSING BALANCE	PS 5,226,974	PS 5,112,299	PS 1,749,812	PS 3,645,654	PS 1,389,776	PS 124,845	PS 666,341	PS 17,915,701	PS 4,649,834	PS 1,605,395	PS 24,170,930
AT DECEMBER 31, 2013											
COST	PS 8,725,599	PS 13,655,798	PS 6,062,405	PS 6,972,939	PS 3,532,249	PS 734,411	PS 1,435,518	PS 41,118,919	PS 4,649,834	PS 1,605,395	PS 47,374,148
ACCUMULATED DEPRECIATION	(3,498,625)	(8,543,499)	(4,312,593)	(3,327,285)	(2,142,473)	(609,566)	(769,177)	(23,203,218)			(23,203,218)
CLOSING BALANCE	PS 5,226,974	PS 5,112,299	PS 1,749,812	PS 3,645,654	PS 1,389,776	PS 124,845	PS 666,341	PS 17,915,701	PS 4,649,834	PS 1,605,395	PS 24,170,930

From depreciation expense for 2013 of Ps2,432,046, (Ps2,378,978 in 2012), Ps799,553 (Ps769,785 in 2012) were recorded in the cost of sales, Ps1,353,408 (Ps1,321,043 in 2012) in sales expenses and Ps279,285 (Ps288,150 in 2012) in administrative expenses.

Investments in process at December 31, 2013 correspond mainly to building constructions, an investment in information systems in process of implementation and investments in production and distribution equipment and improvements.

At December 31, 2013 and 2012, the Company had a financial lease agreement in place for the acquisition of electronic system equipment. The agreement is guaranteed by the same goods and at December 31, 2013 and 2012 the balances amount to Ps13,867 and Ps21,409, respectively, and it bears interest at a 15.5% annual rate maturing on April 30, 2016.

NOTE > 12. GOODWILL AND INTANGIBLE ASSETS, NET

The changes in intangible assets for the years ended December 31, 2013 and 2012 are analyzed as follows:

	INTANGIBLE ASSETS ACQUIRED					
	GOODWILL	FRANCHISES	BRANDS	LICENSES FOR THE USE OF SOFTWARE	OTHER	TOTAL
OPENING BALANCE						
AT JANUARY 1, 2012	PS 15,916,698 (1)	PS 9,615,187 (1)	PS 877,597	PS 73,534	PS 124,611	PS 26,607,627
TRANSLATION EFFECT	(422,247)					(422,247)
ADDITIONS				30,301		30,301
ADDITIONS THROUGH BUSINESS COMBINATIONS (REVISED)	2,042,284		1,772,234			3,814,518
DISPOSALS				(16,483)	(57,221)	(73,704)
AMORTIZATION CHARGES RECORDED IN THE YEAR				(14,758)	(9,361)	(24,119)
CLOSING BALANCE AT DECEMBER 31, 2012 REVISED BY ADJUSTMENTS OF FAIR VALUE	PS 17,536,735	PS 9,615,187	PS 2,649,831	PS 72,594	PS 58,029	PS 29,932,376
AT DECEMBER 31, 2012						
ATTRIBUTED COST	PS 17,536,735	PS 9,615,187	PS 2,649,831	PS 104,747	PS 88,812	PS 29,995,312
ACCUMULATED AMORTIZATION				(32,153)	(30,783)	(62,936)
NET VALUE IN BOOKS	PS 17,536,735	PS 9,615,187	PS 2,649,831	PS 72,594	PS 58,029	PS 29,932,376
OPENING BALANCE AT JANUARY 1, 2013	PS 17,536,735	PS 9,615,187	PS 2,649,831	PS 72,594	PS 58,029	PS 29,932,376
TRANSLATION EFFECT	(423,179)	(94,658)	7,759	(1,337)	5,684	(505,731)
ADDITIONS			30,000	52,740		82,740
DISPOSALS						
AMORTIZATION CHARGES RECORDED IN THE YEAR			(34,074)	(54,323)	(7,272)	(95,669)
CLOSING BALANCE AT DECEMBER 31, 2013	PS 17,113,556	PS 9,520,529	PS 2,653,516	PS 69,674	PS 56,441	PS 29,413,716
AT DECEMBER 31, 2013						
ATTRIBUTED COST	PS 17,113,556	PS 9,520,529	PS 2,687,590	PS 156,150	PS 94,496	PS 29,572,321
ACCUMULATED AMORTIZATION			(34,074)	(86,476)	(38,055)	(158,605)
NET VALUE IN BOOKS	PS 17,113,556	PS 9,520,529	PS 2,653,516	PS 69,674	PS 56,441	PS 29,413,716

(1) RECLASSIFIED FOR COMPARATIVE PURPOSES.

The total amortization expense of Ps95,669 (Ps24,119 in 2012) was included in the cost of sales, Ps10,186 (Ps3,076 in 2012), in sales expenses Ps4,646 (Ps2,734 in 2012) and in administrative expenses Ps80,837 (Ps18,309 in 2012).

The goodwill was increased in 2012 due to the acquisition of Wise Foods and Inalecsa in the Snack segment. Goodwill acquired in business combinations is allocated at the acquisition date to the cash generating units (CGUs) expected to benefit from the synergies of such combinations.

The carrying value of goodwill assigned to the different CGUs or group of CGUs are as follows:

CASH GENERATING UNIT	2013	2012
		(1)
BEVERAGES MEXICO	PS 7,835,007	PS 7,835,007
BEVERAGES ECUADOR	5,402,903	5,651,139
BEVERAGES ARGENTINA	1,668,094	1,746,338
WISE FOODS	1,336,210	1,398,887
INALECSA	614,569	648,591
NAYHSA	256,773	256,773
	PS 17,113,556	PS 17,536,735

(1) REVISED FOR ADJUSTMENTS OF FAIR VALUE (SEE NOTE 2).

At December 31, 2013, the recovery value estimate of the identified CGUs was performed through the value in use, using the income approach. The value in use was determined upon discounting the future cash flows generated by the continuous use of the CGUs, using among others, the following key assumptions:

	RANGE AMONG CGU'S	
GROWTH RATE	5.65%	16.87%
DISCOUNT RATE (1)	7.16%	19.99%

(1) BEFORE TAXES

At December 31, 2012 the estimated recovery value of the identified CGUs, except for Beverages Ecuador, was performed through the application of the market approach, estimating the amount of fair value less the disposal costs. Under the market approach, an indication of value is determined by comparing the CGU with another of similar assets that have been sold. This approach is applied through comparable transactions analysis methods and the analysis of comparable public companies. In the case of Beverages Ecuador, the recovery value was calculated through the estimate of value in use, using the income approach in such CGU. The value in use was determined upon discounting the future cash flows generated by the continuous use of the CGU, using a discount rate before to taxes of 13.42% with an expected average growth of volume of 12.88% for the years comprised from 2013 to 2017.

At December 31, 2013 and 2012:

- The determination of cash flows is based on financial projections approved by Management for a period of 5 years and they depend on the expected growth rates of volume, which are based on historical performance and the expectation of growth of the industry in which AC operates.

- The discount rate was calculated with the weighted average of capital (at market value) of the cost of all the financing sources that are part of the capital structure of the CGUs (liabilities with cost and share capital) and reflect the specific risks relative to the operating segments relevant to AC.

As a result of the annual impairment tests, the Company did not recognize impairment losses in the years ended December 31, 2013 and 2012.

With regard to the calculation of the value in use of the CGUs, AC's Management considers that a possible change in the key assumptions used, would not cause the carrying value of the CGUs to materially exceed their value in use.

NOTE > 13. DEBT

The debt is analyzed as follows:

	AT DECEMBER 31, 2013	2012
CURRENT:		
STOCK CERTIFICATES	PS 12,255,623	PS 9,558,722
BBVA FRANCÉS	99,145	121,697
BANCO DE LA PRODUCCIÓN	32,663	184,317
SANTANDER	1,404,509	1,261,751
BANCO BOLIVARIANO (A)	-	65,828
CITIBANK ECUADOR	52,261	114,540
INTERNACIONAL	130,652	65,828
FINANCE LEASES	13,867	21,409
OTHER	88,782	48,166
NON-CURRENT PORTION OF DEBT	(11,701,140)	(10,732,073)
CURRENT DEBT	2,376,362	710,185
NON-CURRENT:		
STOCK CERTIFICATES	10,183,619	9,583,123
SANTANDER	1,404,509	1,071,510
BBVA FRANCÉS	99,145	56,031
FINANCIAL LEASE	13,867	21,409
NON-CURRENT DEBT	11,701,140	10,732,073
TOTAL DEBT	PS 14,077,502	PS 11,442,258

(a) Short term loans bearing interest at rates between annual 7.00% and 8.32%.

The terms, conditions and carrying value of the non-current debt are as follows:

			INTEREST RATE		MATURITY	AT DECEMBER 31,	
	COUNTRY	CURRENCY	CONTRACTUAL	EFFECTIVE	DATE	2013	2012
CEBUR ARCA 09-3	MEXICO	MXN	9.75%	9.93%	27/05/2016	PS 500,000	PS 500,000
CEBUR ARCA 09-4	MEXICO	MXN	TIIE 28 MORE 0.95%	4.84%	04/12/2014	-	2,100,000
CEBUR ARCA 09-5	MEXICO	MXN	9.50%	9.64%	01/12/2016	400,000	400,000
CEBUR ARCA 10	MEXICO	MXN	7.74%	7.8%	13/11/2020	2,500,000	2,500,000
CEBUR ARCA 10-2	MEXICO	MXN	TIIE 28 MORE 0.29%	4.19%	20/11/2015	1,000,000	1,000,000
CEBUR ARCA 11	MEXICO	MXN	TIIE 28 MORE 0.25%	4.13%	07/10/2016	1,000,000	1,000,000
CEBUR ARCA 11-2	MEXICO	MXN	7.63%	7.68%	01/10/2021	2,000,000	2,000,000
CEBUR ARCA 13	MEXICO	MXN	TIIE 28 MORE 0.13%	4.01%	16/03/2018	1,000,000	-
CEBUR ARCA 13-2	MEXICO	MXN	5.88%	5.93%	10/03/2023	1,700,000	-
SECURITIZATION SERIES B (PRODUFONDOS S. A.)	ECUADOR	USD	8.75%	9.38%	13/02/2015	83,619	83,123
STOCK CERTIFICATES						10,183,619	9,583,123
BANCO SANTANDER, S. A.	ECUADOR	USD	3.60%	1.89%	24/06/2015	205,777	204,561
BANCO SANTANDER, S. A.	ECUADOR	USD	3.60%	1.72%	24/06/2015	19,598	19,482
BANCO SANTANDER, S. A.	ECUADOR	USD	3.60%	1.71%	24/06/2015	19,598	19,482
BANCO SANTANDER, S. A.	ECUADOR	USD	3.60%	1.70%	24/06/2015	48,995	48,705
BANCO SANTANDER, S. A.	ECUADOR	USD	3.15%	0.85%	15/11/2016	587,934	779,280
BANCO SANTANDER, S. A.	ECUADOR	USD	3.01%	0.90%	01/03/2017	522,607	-
BBVA FRANCÉS	ARGENTINA	ARG	15.25%	16.36%	2017	99,145	56,031
BANK LOANS						1,503,654	1,127,541
FINANCIAL LEASE	MEXICO	MXN	12.00%	12%	30/04/2016	13,867	21,409
TOTAL						PS 11,701,140	PS 10,732,073

At December 31, 2013, the annual maturities of non-current debt are as follows:

	2015	2016	2017	2018 ONWARDS	TOTAL
STOCK CERTIFICATES	PS 1,083,619	PS 1,900,000	PS -	PS 7,200,000	PS 10,183,619
BANK LOANS	293,967	587,934	621,753	-	1,503,654
FINANCIAL LEASE	-	13,867	-	-	13,867
	PS 1,377,586	PS 2,501,801	PS 621,753	PS 7,200,000	PS 11,701,140

The Company's debt has no guarantee or collateral, except for the guarantee granted by Arca Ecuador to owners of the Securities Series B related to the table above, on the collection right to clients in the city of Quito, Ecuador. This guarantee was granted prior to the acquisition of Arca Ecuador by AC and is within of the permissible terms in the restrictions of debt indicated below.

Debt restrictions:

Most of the long term debt controls contain normal conditions, mainly regarding the compliance with the delivery of internal and audited financial information, which if not complied with in a specific term to the satisfaction of the creditors, might be considered as advance maturity.

Additionally, the long-term stock certificates contain certain restrictive obligations, which, among other things and unless authorized by the owners of the stock certificates in writing, limit the capacity to:

- Change or modified the main business sector or the Company's activities and that of its subsidiaries.
- Incur or assume any guaranteed debt for a lien, including its subsidiaries, except that: i) simultaneously to the creation of any lien, the issuer (in this case the Company) guarantees its obligations in accordance with stock certificates, or ii) liens allowed in accordance to those described in the dual stock certificate revolving program.
- Participate in mergers, in which the Company is merged, except in case that derived from the merger a new entity emerges, and the latter assumes the obligations of the company issuing the debt.

The fair value of the non-current debt is disclosed in Note 20. The fair value of the current debt equals its carrying value, since the discount impact is not significant. The fair values at December 31, 2013 and 2012 are based on several discount rates, which are within level 2 of the fair value hierarchy (see Note 20).

At December 31, 2012 and the date of issuance of these financial statements, the Company and its subsidiaries complied with such covenants and restrictions.

NOTE > 14. SUPPLIERS AND OTHER ACCOUNTS PAYABLE

The suppliers and other accounts payable item is comprised as follows:

	AT DECEMBER 31,	
	2013	2012
SUPPLIERS	PS 2,581,374	PS 2,542,873
OTHER ACCOUNTS PAYABLE	-	-
	PS 2,581,374	PS 2,542,873

NOTE > 15. OTHER LIABILITIES

The other current and non-current liabilities item is comprised as follows:

	AT DECEMBER 31,	
	2013	2012
CURRENT		
SUNDRY CREDITORS	PS 713,730	PS 674,902
FEDERAL AND STATE TAXES PAYABLE	469,973	762,568
ACCUMULATED EXPENSES PAYABLE	420,255	372,172
EMPLOYEES' PROFIT SHARING PAYABLE	593,137	402,419
GRATIFICATIONS	179,026	164,497
PROVISION FOR TRIALS	91,456	36,366
DIVIDENDS PAYABLE	54,030	67,265
OTHER	13,668	20,087
TOTAL OTHER CURRENT LIABILITIES	PS 2,535,275	PS 2,500,276
NON-CURRENT		
GUARANTEE DEPOSITS FOR BOTTLES	PS 15,786	PS 40,301
PROVISION FOR TRIALS	91,819	52,972
OTHER	30	-
TOTAL OTHER NON-CURRENT LIABILITIES	PS 107,635	PS 93,273

The movements of the provisions for judgments are as follows (see Note 27):

	2013	2012
OPENING BALANCE	PS 89,338	PS 83,119
CHARGE (CREDIT) TO INCOME:		
ADDITIONAL PROVISIONS	107,608	22,274
PROVISIONS USED		
CANCELLATION OF UNUSED AMOUNTS	-	(7,234)
EXCHANGE DIFFERENCES	(13,671)	(8,821)
CLOSING BALANCE	PS 183,275	PS 89,338

NOTE > 16. EMPLOYEE BENEFITS

The valuation of employee benefits for formal retirement plans (covering a significant amount of workers in 2013 and 2012) and informal, it covers all the employees and is based mainly in their years of service, their actual age and their estimated remuneration at the retirement date.

Certain subsidiaries of the Company have defined contribution programs.

The principal subsidiaries of the Company in Mexico have established funds destined for the payment of retirement benefits, as well as medical expenses through irrevocable trusts. Contributions in 2013 amounted to Ps650,808 (Ps372,665 in 2012).

In Argentina there are no long term employee benefit obligations, since such obligations are covered by the Argentine State. In Ecuador, there are pension plans for retirement and severance (benefits upon termination of labor relationship). In the case of dismissal (severance), the employer pays the employee 25% of the last monthly remuneration for each year of work.

Following is a summary of the main financial information of such employee benefits:

	AT DECEMBER 31,	
	2013	2012
LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION:		(1)
PENSION BENEFITS	(PS 397,865)	(PS 771,285)
SENIORITY PREMIUMS	(124,244)	(178,936)
MAJOR MEDICAL EXPENSES	(102,297)	(148,536)
LABOR TERMINATION INDEMNITIES	(45,979)	(41,074)
BONUS FOR DISMISSAL (SEVERANCE)	(46,814)	(39,827)
LIABILITIES IN THE BALANCE SHEET	(PS 717,199)	(PS 1,179,658)

(1) REVISED FOR ADJUSTMENTS OF FAIR VALUE (SEE NOTE 2).

CHARGE TO THE STATEMENT OF INCOME (NOTES 21, 23 AND 24) FOR:		
PENSION BENEFITS	PS 42,777	PS 124,598
SENIORITY PREMIUM	31,942	25,548
MAJOR MEDICAL EXPENSES	12,143	12,885
LABOR TERMINATION INDEMNITIES	7,448	4,744
BONUS FOR DISMISSAL (SEVERANCE)	12,521	4,654
	PS 106,831	PS 172,429
REMEASUREMENTS RECOGNIZED IN OTHER COMPREHENSIVE INCOME FOR THE PERIOD	PS 114,603	PS 401,064

The total expenses recognized for the years ended December 31, were prorated as follows:

	2013	2012
COST OF SALES	PS 185	PS 12,350
SELLING EXPENSES	(7,883)	40,653
ADMINISTRATIVE EXPENSES	64,475	75,176
FINANCIAL COST	50,054	44,250
TOTAL	PS 106,831	PS 172,429

i. Pension benefits

The Company operates defined benefit pension plans based on employees´ pensionable remuneration and length of service. Most plans are funded by the Company. The plan assets are held in trusts, governed by local regulations and practices, as is the nature of the relationship between the Company and the respective trustees (or equivalent) and their composition.

Amounts recognized in the statement of financial position are determined as follows:

	AT DECEMBER 31,	
	2013	2012
PRESENT VALUE OF DEFINED	(PS 3,091,009)	(PS 3,294,980)
BENEFIT OBLIGATIONS	2,693,144	2,523,695
LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION	(PS 397,865)	(PS 771,285)

The movement in the defined benefit obligation during the year was as follows:

	2013	2012
		(1)
AT JANUARY 1	(PS 3,340,158)	(PS 2,810,295)
LABOR COST	(116,384)	(100,037)
INTEREST COST	(180,083)	(24,561)
REMEASUREMENT - LOSSES (GAINS) FOR CHANGES IN HYPOTHESIS	94,764	(122,226)
TRANSLATION EFFECT	(3,561)	(219,168)
PAST SERVICE COST	115,780	(3,759)
BENEFITS PAID	324,976	436,839
LIABILITIES ACQUIRED IN BUSINESS COMBINATIONS	-	(451,773)
REDUCTIONS	13,657	-
AT DECEMBER 31	(PS 3,091,009)	(PS 3,294,980)

(1) REVISED FOR ADJUSTMENTS OF FAIR VALUE (SEE NOTE 2).

The movement in the fair value of plan assets for the year was as follows:

	2013	2012
AT JANUARY 1	PS 2,523,695	PS 2,125,415
RETURN ON PLAN ASSETS	(22,912)	193,782
LOSSES (GAINS) FOR CHANGES IN HYPOTHESIS	8,270	-
TRANSLATION EFFECT	2,303	-
CONTRIBUTIONS	522,798	313,468
BENEFITS PAID	(324,976)	(436,839)
LIABILITIES ACQUIRED IN BUSINESS COMBINATIONS	-	327,869
REDUCTIONS	(16,034)	-
AT DECEMBER 31	PS 2,693,144	PS 2,523,695

Plan assets include the following:

	2013		2012	
CAPITAL INSTRUMENTS	PS 349,132	12%	PS 212,273	8%
DEBT INSTRUMENTS	2,315,980	86%	2,272,078	90%
PROPERTY	14,016	1%	22,951	1%
OTHER	14,016	1%	16,393	1%
TOTAL	PS 2,693,144	100%	PS 2,523,695	100%

Amounts recorded in the statement of income are as follows:

	2013	2012
LABOR COST	PS 17,041	PS 100,037
NET INTEREST COST	34,896	24,561
REDUCTIONS AND OTHER	(9,160)	-
TOTAL INCLUDED IN PERSONAL COSTS	PS 42,777	PS 124,598

The total expenses recognized were prorated as follows:

	2013	2012
COST OF SALES	(PS 6,436)	PS 8,914
SELLING EXPENSES	(28,603)	28,283
ADMINISTRATIVE EXPENSES	49,209	62,840
FINANCIAL COST	28,607	24,561
TOTAL	PS 42,777	PS 124,598

The principal actuarial assumptions were as follows:

	2013	2012
DISCOUNT RATE	6.92%	7.25%
INFLATION RATE	3.50%	3.50%
SALARY INCREASE RATE	4.50%	4.50%
FUTURE PENSION INCREASE	2.87%	2.63%
EXPECTED LIFE	16.17 YEARS	17.42 YEARS

The sensibility of pension benefit plans to changes in the main assumptions at December 31, 2013 is as follows:

		IMPACT PERCENTAGE IN THE PLAN	
	CHANGE IN THE ASSUMPTION	INCREASE IN THE ASSUMPTION	DECREASE IN THE ASSUMPTION
DISCOUNT RATE	0.50%	DECREASE OF 5.26%	INCREASE OF 5.58%
SALARY INCREASE RATE	0.50%	INCREASE OF 2.51%	DECREASE OF 2.7%
FUTURE PENSIONS INCREASE	0.50%	INCREASE OF 0.89%	DECREASE OF 0.53%

Prior sensibility analyses are based on a change in assumptions, while the all other assumptions remain constant. In practice, it is not likely that this occur, and there could be changes in other correlated assumptions. When the sensibility of the plans are calculated for pension benefits to main actuarial assumptions, the same method has been used as if it were the calculation of benefit plan liabilities for pensions recorded in the consolidated statement of financial position. The methods and type of assumptions used in the preparation of the sensibility analysis did not change with respect to the previous period.

ii. Seniority premium

The Company recognizes the obligation for the retirement benefit of the seniority premium with its employees. The recording method, assumptions and frequency of valuation are similar to those used in pension benefit plans.

Amounts recognized in the statement of financial position are determined as follows:

	AT DECEMBER 31,	
	2013	2012
PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS	(PS 277,844)	(PS 270,440)
FAIR VALUE OF PLAN ASSETS	153,600	91,504
LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION	(PS 124,244)	(PS 178,936)

The movement in the defined benefit obligation for seniority premiums during the year was as follows:

	2013	2012
AT JANUARY 1	(PS 270,440)	(PS 245,883)
LABOR COST	(19,013)	(15,069)
NET INTEREST COST	(18,567)	(10,479)
REMEASUREMENT - LOSSES (GAINS) FOR CHANGES IN HYPOTHESIS	15,270	(30,859)
BENEFITS PAID	14,906	31,850
AT DECEMBER 31	(PS 277,844)	(PS 270,440)

The movement in the fair value of plan assets for the year was as follows:

	2013	2012
AT JANUARY 1	PS 91,504	PS 67,673
RETURN ON PLAN ASSETS	4,898	8,157
CONTRIBUTIONS	72,104	47,524
BENEFITS PAID	(14,906)	(31,850)
AT DECEMBER 31	PS 153,600	PS 91,504

Plan assets include the following:

	2013		2012	
CAPITAL INSTRUMENTS	PS 6,419	4%	PS 1,833	2%
DEBT INSTRUMENTS	147,181	96%	89,671	98%
TOTAL	PS 153,600		PS 91,504	

Amounts recorded in the statement of income are as follows:

	2013	2012
LABOR COST	PS 19,013	PS 15,069
NET INTEREST COST	12,929	10,479
TOTAL INCLUDED IN PERSONNEL COSTS	PS 31,942	PS 25,548

The total expenses recognized were prorated as follows:

	2013	2012
COST OF SALES	PS 3,143	PS 2,740
SELLING EXPENSES	13,127	10,155
ADMINISTRATIVE EXPENSES	2,742	2,174
FINANCIAL COST	12,930	10,479
TOTAL	PS 31,942	PS 25,548

iii. Major medical expenses

The Company has established a major medical expense benefit plan, for a group of employees that comply with certain characteristics, mainly related to the defined obligation previous plans. The recording method, assumptions and frequency of valuation are similar to those used in long term pension benefit plans.

Amounts recognized in the statement of financial position are determined as follows:

	AT DECEMBER 31,	
	2013	2012
PRESENT VALUE OF FUNDED OBLIGATIONS	(PS 355,373)	(PS 366,656)
FAIR VALUE OF PLAN ASSETS	253,076	218,120
LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION	(PS 102,297)	(PS 148,536)

The movement in the defined benefit obligation for major medical expenses during the year was as follows:

	2013	2012
AT JANUARY 1	(PS 366,656)	(PS 332,059)
CURRENT SERVICE COST	(3,624)	(4,537)
NET INTEREST COST	(23,459)	(8,348)
REMEASUREMENT - LOSSES (GAINS) FOR CHANGES IN HYPOTHESIS	8,513	8,989
BENEFITS PAID	25,755	9,163
REDUCTIONS AND OTHER	4,098	-
LIABILITIES ACQUIRED IN BUSINESS COMBINATIONS	-	(39,864)
AT DECEMBER 31	(PS 355,373)	(PS 366,656)

The movement in the fair value of plan assets for the year was as follows:

	2013	2012
AT JANUARY 1	PS 218,120	PS 208,226
RETURN ON PLAN ASSETS	4,805	7,384
CONTRIBUTIONS	55,906	11,673
BENEFITS PAID	(25,755)	(9,163)
AT DECEMBER 31	PS 253,076	PS 218,120

Plan assets include the following:

	2013		2012	
CAPITAL INSTRUMENTS	PS 21,387	8%	PS 7,425	3%
DEBT INSTRUMENTS	231,689	92%	210,695	97%
TOTAL	PS 253,076	100%	PS 218,120	100%

Amounts recorded in the statement of income are as follows:

	2013	2012
CURRENT SERVICE COST	PS 3,624	PS 4,537
NET INTEREST COST	8,519	8,348
TOTAL INCLUDED IN PERSONNEL COSTS	PS 12,143	PS 12,885

The total expenses recognized were prorated as follows:

	2013	2012
COST OF SALES	PS 690	PS 696
SELLING EXPENSES	2,104	2,215
ADMINISTRATIVE EXPENSES	831	1,626
FINANCIAL COST	8,518	8,348
TOTAL	PS 12,143	PS 12,885

iv. Labor termination indemnities

Amounts recognized in the statement of financial position are determined as follows:

	AT DECEMBER 31,	
	2013	2012
PRESENT VALUE OF UNFUNDED OBLIGATIONS	(PS 45,979)	(PS 41,074)
UNRECOGNIZED PAST SERVICE COST	-	-
LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION	(PS 45,979)	(PS 41,074)

The movement in the defined benefit obligation during the year was as follows:

	2013	2012
AT JANUARY 1	(PS 41,074)	(PS 39,170)
CURRENT SERVICE COST	(30)	(4,544)
NET INTEREST COST	(208)	(200)
REMEASUREMENT - LOSSES (GAINS) FOR CHANGES IN HYPOTHESIS	-	1,666
EXCHANGE DIFFERENCES	(5,297)	2,583
REDUCTIONS AND OTHER	2,168	-
PAST SERVICE COST	(1,538)	(1,409)
AT DECEMBER 31	(PS 45,979)	(PS 41,074)

Amounts recorded in the statement of income are as follows:

	2013	2012
CURRENT SERVICE COST	PS 7,448	PS 4,544
NET INTEREST COST	-	200
TOTAL INCLUDED IN PERSONNEL COSTS	PS 7,448	PS 4,744

The total expenses recognized were prorated as follows:

	2013	2012
COST OF SALES	PS 1,434	PS -
SELLING EXPENSES	2,814	-
ADMINISTRATIVE EXPENSES	3,200	4,544
FINANCIAL COST	-	200
TOTAL	PS 7,448	PS 4,744

v. Bonus for severance

Amounts recognized in the statement of financial position are determined as follows:

	AT DECEMBER 31,	
	2013	2012
PRESENT VALUE OF UNFUNDED OBLIGATIONS	(PS 46,814)	(PS 39,827)
UNRECOGNIZED PAST SERVICE COST	-	-
LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION	(PS 46,814)	(PS 39,827)

The movement in the defined benefit obligation during the year was as follows:

	2013	2012
AT JANUARY 1	(PS 39,827)	(PS 32,037)
CURRENT SERVICE COST	(8,130)	(3,992)
NET INTEREST COST	(640)	(662)
REMEASUREMENT - LOSSES (GAINS) FOR CHANGES IN HYPOTHESIS	(609)	4,151
EXCHANGE DIFFERENCES	(353)	(642)
PAST SERVICE COST	(1,263)	(1,101)
BENEFITS PAID	952	-
REDUCTIONS AND OTHER	3,056	-
LIABILITIES ACQUIRED IN BUSINESS COMBINATIONS	-	(5,544)
AT DECEMBER 31	(PS 46,814)	(PS 39,827)

Amounts recorded in the statement of income are as follows:

	2013	2012
CURRENT SERVICE COST	PS 8,130	PS 3,992
PAST SERVICE COST	1,263	-
REDUCTIONS AND OTHER	2,805	-
NET INTEREST COST	323	662
TOTAL INCLUDED IN PERSONNEL COSTS	PS 12,521	PS 4,654

The total expenses recognized were prorated as follows:

	2013	2012
COST OF SALES	PS 1,353	PS -
SELLING EXPENSES	2,675	-
ADMINISTRATIVE EXPENSES	8,493	3,992
FINANCIAL COST	-	662
TOTAL	PS 12,521	PS 4,654

vi. Associated risks

In relation with the defined benefit pension plan and its major medical expense plans, the Company is exposed to several risks, the most significant are detailed below:

VOLATILITY OF THE ASSETS

Obligations for labor liabilities are calculated using a discount rate determined in accordance with the IAS 19; if the plan assets have a return under such differential rate, it will be recognized as a deficit. The Company is trying to reduce the risk level through the investment in assets with a profile similar to that of the aforementioned liabilities; therefore, due to the long term nature of the labor obligations and the strength of AC, the investment level in capital instruments is a relevant element that is part of the long term strategy of the Company in order to handle plans efficiently.

Changes in the discount rate - A decrease in the discount rate would result in an increase in plan obligations; however, this would be partially compensated with the increase in value of the bonuses maintained by such plans.

Inflation risk - Some labor obligations are linked to inflation, a greater inflation would result in an increase in plan obligations.

Life expectancy - Most obligations of the plans would result in benefits to be received by the plan members; therefore, an increase in the life expectancy will result in an increase of the plan obligations.

The Company has not modified the processes and activities performed in order to manage the risks mentioned in relation with prior years. Investments are diversified; therefore, any circumstance associated to any investment would not have an impact relevant over the value of plan assets.

NOTE > 17. DEFERRED INCOME TAX

NEW MEXICAN INCOME TAX LAW

During the month of October 2013, the legislative chambers in Mexico approved the issuance of a new Income Tax Law (LISR), which was published in the Federal Official Gazette on December 11, 2013 and it became effective on January 1, 2014, revoking the LISR published on January 1, 2002. The new LISR maintains the essence of the former LISR; however, it makes significant amendments among which the most important are:

i. Elimination of the consolidation tax regime and the payment of the consolidated deferred tax.
ii. Limiting deductions in contributions to pension and exempt salary funds, automobile leases, restaurant consumption and social security fees; it also eliminates the immediate deduction in fixed assets.
iii. Amending the procedure to determine the taxable basis for the Employees' Profit Sharing (PTU), establishing the mechanics to determine the initial balance of the Capital Contribution Account (CUCA) and the Net Tax Profit Account (CUFIN).
iv. Establishing an income tax rate applicable for 2014 and the following years of 30%. In contrast to the former LISR that established a 30%, 29% and 28% rate for 2013, 2014 and 2015, respectively. The effects of changes in rates were recognized by the Company at December 31, 2013.
v. For the determination of the deductible cost of sales, the direct cost system is eliminated and the valuation method of last in, first out. The Company applies the absorbing cost system and the average cost valuation method.

Even if the aforementioned amendments affect the determination of the Company's taxes in general, not all of these will have significant effects in their financial statements.

The Company has reviewed and adjusted the deferred tax balance at December 31, 2013, considering in the determination of timing differences, the application of these new provisions, the impacts of which are detailed in the reconciliation of the effective rate presented in Note 25. However, the effects in deduction limitations and others indicated previously will be applied as from 2014 and will mainly affect the tax incurred as of such year.

The ISR deferred balances at December 31, 2012 and for the year ended in this date, were reviewed to incorporate adjustments for the fair value of acquisitions of 2012, see Note 2.

DEFERRED INCOME TAX

The analysis of the deferred tax asset and deferred tax liability is as follows:

	AT DECEMBER 31,	
	2013	2012
DEFERRED TAX ASSET:		(1)
- TO BE RECOVERED IN MORE THAN 12 MONTHS	PS 597,406	PS 920,989
- TO BE RECOVERED WITHIN 12 MONTHS	125,896	105,124
	723,302	1,026,113
DEFERRED TAX LIABILITY:		
- TO BE COVERED IN MORE THAN 12 MONTHS	(4,439,699)	(4,658,648)
- TO BE COVERED WITHIN 12 MONTHS	5,104	(4,662)
	(4,434,595)	(4,663,310)
DEFERRED TAX LIABILITIES, NET	(PS 3,711,293)	(PS 3,637,197)

The gross movement in the deferred income tax account is as follows:

	2013	2012
		(1)
AT JANUARY 1	(PS 3,637,197)	(PS 2,686,419)
(CHARGE) CREDIT TO INCOME STATEMENT	(567,823)	(99,410)
INCREASE FROM ACQUISITION OF SUBSIDIARIES	-	(1,106,378)
DEFERRED LIABILITIES FROM TAX CONSOLIDATION	440,677	139,976
TAX PAYABLE (CREDITABLE) RELATED TO		
COMPONENTS OF OTHER COMPREHENSIVE INCOME	53,050	115,034
AT DECEMBER 31	(PS 3,711,293)	(PS 3,637,197)

The composition of the deferred income tax assets and liabilities was as follows:

	ASSETS (LIABILITIES)	
	AT DECEMBER 31, 2013	AT DECEMBER 31, 2012
		(1)
EMPLOYEE BENEFITS	PS 125,949	PS 425,930
TAX LOSS CARRYFORWARDS	430,967	438,540
EMPLOYEES' PROFIT SHARING	125,896	105,124
OTHER	40,490	56,519
DEFERRED TAX ASSETS	723,302	1,026,113
PROPERTY, PLANT AND EQUIPMENT, NET	(3,491,540)	(3,277,008)
INTANGIBLE ASSETS	(948,159)	(940,963)
INVENTORIES	5,104	(4,662)
TAX LOSSES USED		
TAX CONSOLIDATION	-	(440,677)
DEFERRED TAX LIABILITIES	(4,434,595)	(4,663,310)
DEFERRED TAX LIABILITIES, NET	(PS 3,711,293)	(PS 3,637,197)

(1) REVISED FOR ADJUSTMENTS OF FAIR VALUE (SEE NOTE 2).

Movements in deferred tax assets and liabilities during the year were as follows:

	BALANCE AT DECEMBER 31, 2012	RECORDED IN INCOME	INCREASE FOR BUSINESS COMBINATIONS	RECORDED IN OTHER OMPREHENSIVE INCOME	DEFERRED LIABILITIES FOR TAX CONSOLIDATION	BALANCE AT DECEMBER 31, 2013
EMPLOYEE BENEFITS	PS 425,930	(PS 334,363)	PS	PS 34,382		PS 125,949
TAX LOSS CARRYFORWARDS	438,540	(7,573)				430,967
EMPLOYEES' PROFIT						
SHARING	105,124	20,772				125,896
OTHER	56,519	(34,697)		18,668		40,490
	1,026,113	(355,861)	-	53,050		723,302
PROPERTY, PLANT AND EQUIPMENT, NET	(3,277,008)	(214,532)				(3,491,540)
INTANGIBLE ASSETS	(940,963)	(7,196)				(948,159)
INVENTORIES	(4,662)	9,766				5,104
TAX LOSSES USED IN TAX CONSOLIDATION	(440,677)				PS 440,677	-
	(4,663,310)	(211,962)	-	-	440,677	(4,434,595)
DEFERRED TAX LIABILITIES	(PS 3,637,197)	(PS 567,823)	PS	PS 53,050	PS 440,677	(PS 3,711,293)

	BALANCE AT DECEMBER 31, 2011	RECORDED IN INCOME	INCREASE FOR BUSINESS COMBINATIONS (1)	RECORDED IN OTHER OMPREHENSIVE INCOME	DEFERRED LIABILITIES FOR TAX CONSOLIDATION	BALANCE AT DECEMBER 31, 2012 (1)
EMPLOYEE BENEFITS	PS 191,008	PS 24,452	PS 90,151	PS 120,319		PS 425,930
TAX LOSS CARRYFORWARDS	580,653	(142,113)				438,540
EMPLOYEES' PROFIT						
SHARING	52,741	52,383				105,124
OTHER	84,988	(23,184)		(5,285)		56,519
	909,390	(88,462)	90,151	115,034		1,026,113
PROPERTY, PLANT AND EQUIPMENT, NET	(3,008,274)	(15,840)	(252,894)			(3,277,008)
INTANGIBLE ASSETS	8,216	(5,544)	(943,635)			(940,963)
INVENTORIES	(15,098)	10,436				(4,662)
TAX LOSSES USED IN TAX CONSOLIDATION	(580,653)				PS 139,976	(440,677)
	(3,595,809)	(10,948)	(1,196,529)		139,976	(4,663,310)
DEFERRED TAX LIABILITIES - REVIEWED FROM ADJUSTMENT TO FAIR VALUES	(PS 2,686,419)	(PS 99,410)	(PS 1,106,378)	PS 115,034	PS 139,976	(PS 3,637,197)

(1) REVISED FOR ADJUSTMENTS OF FAIR VALUE.

Tax loss carry forwards are recognized as a deferred tax asset to the extent that realization of the related tax benefit through future taxable profits is probable. The Company recognized a deferred tax asset of Ps430,967 at 2013 and Ps438,540 at 2012, with respect to tax loss carryforwards for a remaining and incurred amount of Ps1,347,123 at 2013 and Ps1,516,410 at 2012, when they were incurred and which may be amortized against future tax profits.

At December 31, 2013, accumulated tax loss carryforwards of the Mexican entities for a total of Ps810,517, expire in 2012 and those of foreign entities for a total of Ps383,527 expire between 2016 to 2031.

The Company has not recorded estimated deferred tax liabilities for approximately Ps4,041 million derived from the difference between the fiscal cost of shares of its subsidiaries and the values of net consolidated assets, due mainly to undistributed income and exchange gains (losses), among others, since in conformity with the exception applicable, the Company considers that it will not sell its investments in subsidiaries but for up to the amounts previously subject to taxes, or else distribute them in the future for up to the maximum benefits generated annually by certain subsidiaries.

The Company has determined that intangible assets acquired in the merger with Grupo Continental has full effects in its tax treatment.

NOTE > 18. STOCKHOLDERS' EQUITY

In an Ordinary General Meeting held on April 18, 2013, the stockholders declared a dividend in cash from the CUFIN equal to Ps1.50 per share for the total shares issued at that date, for a total of Ps2,416,895, which was paid as of April 29, 2013.

In an Ordinary General Meeting held on December 11, 2013, the stockholders declared a dividend in cash from the CUFIN equal to Ps1.50 per share for the total shares issued at that date, for a total of Ps2,416,895, which was paid as of December 23, 2013.

In an Ordinary General Meeting held on April 19, 2012, the stockholders declared a dividend in cash from the CUFIN equal to Ps1.50 per share for the total shares issued at that date, for a total of Ps2,416,895, which was paid as of April 30, 2012.

The number of shares of the Company at December 31, 2013 and 2012 are comprised as follows:

	PAID-IN CAPITAL STOCK		
	NUMBER OF SHARES (A)		
	FIXED	VARIABLE	TOTAL
TOTAL SHARES AT DECEMBER 31, 2013 AND 2012	902,816,289	708,447,285	1,611,263,574

(A) THE COMPANY'S CAPITAL STOCK IS REPRESENTED BY A SINGLE SERIES OF ORDINARY, NOMINATIVE SHARES WITHOUT PAR VALUE AND WITHOUT RESTRICTIONS OVER THEIR OWNERSHIP AND THEY CONFER THE SAME OWNERSHIP RIGHTS.
(B) THE PROFIT FOR THE PERIOD IS SUBJECT TO THE LEGAL PROVISION REQUIRING AT LEAST 5% OF THE PROFIT FOR EACH PERIOD TO BE SET ASIDE TO INCREASE THE LEGAL RESERVE UNTIL IT REACHES AN AMOUNT EQUIVALENT TO ONE FIFTH OF THE AMOUNT OF THE CAPITAL STOCK PAID. AT DECEMBER 31, 2013 AND 2012, THE LEGAL RESERVE AMOUNTED TO PS85,954, WHICH IS INCLUDED IN RETAINED EARNINGS.
(C) AT DECEMBER 31, 2013 THERE ARE 5,010,116 OWN SHARES IN THE REPURCHASE FUND.

At October 2013 the Mexican Legislative Chambers approved the issuance of a new LISR, which was published in the Official Gazette on December 11, 2013 and became effective on January 1, 2014. Among other aspects, this Law establishes a tax of 10% for profits generated as from 2014 to dividends paid to foreign residents and Mexican individuals, which will be withheld by the Company and will be definitive. However, retained earnings of the Company at December 31, 2013 are protected by the CUFIN balance; therefore, they will not be subject to such withholding; likewise, it is established that for fiscal years 2001 to 2013, the net tax profit is determined in accordance with the LISR effective in the corresponding fiscal year.

Dividends paid are not subject to income tax if paid from the Net Tax Profit Account (CUFIN). Any dividends paid in excess of this account will cause a tax equivalent to 42.86% if they are paid in 2014. Tax incurred will be payable by the Company and may be credited against the ISR of the year or the two immediately following years. Dividends paid from profits which have previously paid income tax are not subject to tax withholding or to any additional tax payment.

In the event of a capital reduction, the Income Tax Law provides that any excess of stockholders' equity over adjusted capital contribution will receive the same tax treatment as dividends.

At December 31, 2013, the tax value of the consolidated CUFIN and the CUCA value amounted to Ps20,107,180 and Ps12,285,120, respectively; however, due to the elimination of the tax consolidation regime as of January 1, 2014, the consolidated CUFIN ceases to be effective, and is replaced by the individual CUFIN of Arca Continental, S.A.B. de C.V., whose balance at December 31, 2013 amounted to Ps12,948,899.

NOTE > 19. OTHER RESERVES

	EFFECT OF TRANSLATION OF FOREIGN ENTITIES	REMEASUREMENT OF DEFINED BENEFIT OBLIGATIONS	EFFECTS FROM CASH FLOW HEDGES	TOTAL
BALANCE AT JANUARY 1, 2012	(PS 506,998)	(PS 132,914)	PS 8,786	(PS 631,126)
EFFECT FROM REMEASUREMENT OF DEFINED BENEFIT OBLIGATIONS		(401,064)		(401,064)
EFFECT FROM INCOME TAX OVER REMEASUREMENT OF DEFINED BENEFIT OBLIGATIONS		120,319		120,319
EFFECT OF CASH FLOW HEDGES			17,617	17,617
EFFECT OF INCOME TAX OVER CASH FLOW HEDGES			(5,285)	(5,285)
EFFECT OF TRANSLATION OF FOREIGN ENTITIES	(504,540)			(504,540)
BALANCE AT DECEMBER 31, 2012	(1,011,538)	(413,659)	21,118	(1,404,079)
EFFECT FROM REMEASUREMENT OF DEFINED BENEFIT OBLIGATIONS		(114,603)		(114,603)
EFFECT FROM INCOME TAX OVER REMEASUREMENT OF DEFINED BENEFIT OBLIGATIONS		34,382		34,382
EFFECT OF CASH FLOW HEDGES			(62,227)	(62,227)
EFFECT OF INCOME TAX OVER CASH FLOW HEDGES			18,668	18,668
EFFECT OF TRANSLATION OF FOREIGN ENTITIES	(880,029)			(880,029)
BALANCE AT DECEMBER 31, 2013	(PS 1,891,567)	(PS 493,880)	(PS 22,441)	(PS 2,407,888)

NOTE > 20. FINANCIAL INSTRUMENTS

i. Financial instruments by category

The value in books of financial instruments by category are integrated as follows:

	AT DECEMBER 31, 2013		
	ACCOUNTS RECEIVABLE AND PAYABLE AT AMORTIZED COST	DERIVATIVES FROM HEDGES	TOTAL CATEGORIES
FINANCIAL ASSETS:			
CASH AND CASH EQUIVALENTS	PS 2,565,653		PS 2,565,653
CLIENTS AND OTHER ACCOUNTS RECEIVABLE, NET	3,176,450		3,176,450
ADVANCE PAYMENTS	180,370		180,370
DERIVATIVE FINANCIAL INSTRUMENTS	-	PS 4,373	4,373
TOTAL FINANCIAL ASSETS	PS 5,922,473	PS 4,373	PS 5,926,846
FINANCIAL LIABILITIES:			
CURRENT DEBT	PS 2,376,362		PS 2,376,362
SUPPLIERS AND OTHER ACCOUNTS PAYABLE	5,244,706		5,244,706
NON-CURRENT DEBT	11,701,140		11,701,140
DERIVATIVE FINANCIAL INSTRUMENTS			
LONG TERM		PS 36,432	36,432
TOTAL FINANCIAL LIABILITIES	PS 19,322,208	PS 36,432	PS 19,358,640

	AT DECEMBER 31, 2012		
	ACCOUNTS RECEIVABLE AND PAYABLE AT AMORTIZED COST	DERIVATIVES FROM HEDGES	TOTAL CATEGORIES
FINANCIAL ASSETS:			
CASH AND CASH EQUIVALENTS	PS 2,676,198		PS 2,676,198
CLIENTS AND OTHER ACCOUNTS RECEIVABLE, NET	3,428,997		3,428,997
ADVANCE PAYMENTS	183,220		183,220
DERIVATIVE FINANCIAL INSTRUMENTS		PS 4,802	4,802
TOTAL FINANCIAL ASSETS	PS 6,288,415	PS 4,802	PS 6,293,217
FINANCIAL LIABILITIES:			
CURRENT DEBT	PS 710,185		PS 710,185
SUPPLIERS AND OTHER ACCOUNTS PAYABLE	5,438,583		5,438,583
NON-CURRENT DEBT	10,732,073		10,732,073
DERIVATIVE FINANCIAL INSTRUMENTS			
LONG TERM		PS 50,127	50,127
TOTAL FINANCIAL LIABILITIES	PS 16,880,841	PS 50,127	PS 16,930,968

ii. Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information on non-compliance rates of the counterparty:

	AT DECEMBER 31,	
	2013	2012
CUSTOMERS AND OTHER ACCOUNTS RECEIVABLE		
COUNTERPARTIES WITHOUT EXTERNAL CREDIT RATING		
TYPE OF CLIENTS X	PS 1,687,965	PS 1,899,553
TYPE OF CLIENTS Y	455,238	413,865
	PS 2,143,203	PS 2,313,418

Group X – institutional clients, key accounts and major clients/related parties.
Group Y – new clients/medium and small current with no prior lack of compliance.

Cash and cash equivalents and derivative financial instruments are maintained with major banking institutions that have high quality credit ratings.

iii. Fair value of financial assets and liabilities

The amounts of cash and cash equivalents, accounts receivable, advance payments, suppliers and other payables, outstanding debt, and other current liabilities approximate their fair value due to their short maturity. The carrying value of these accounts represents the expected cash flow.

The value in books and the estimated fair value of the rest of the financial assets and liabilities are presented as follows:

	AT DECEMBER 31, 2013	
	VALUE IN BOOKS	FAIR VALUE
ASSETS:		
EXCHANGE RATE DERIVATIVE INSTRUMENTS	PS 4,373	PS 4,373
LIABILITIES:		
NON-CURRENT DEBT	11,701,140	13,110,635
INTEREST RATE DERIVATIVE INSTRUMENTS	36,432	36,432

	AT DECEMBER 31, 2012	
	VALUE IN BOOKS	FAIR VALUE
ASSETS:		
NON-CURRENT ACCOUNTS RECEIVABLE	PS 43,023	PS 43,023
EXCHANGE RATE DERIVATIVE INSTRUMENTS	4,802	4,802
LIABILITIES:		
NON-CURRENT DEBT	10,732,073	11,147,439
INTEREST RATE DERIVATIVE INSTRUMENTS	50,127	50,127

The estimated fair values were determined based on discounted cash flows. These fair values do not consider the current portion of financial assets and liabilities, since the current portion approximates their fair value.

iv. Derivative financial instruments

The effectiveness of derivative financial instruments designated as hedges is measured periodically. At December 31, 2013 and 2012 the Company only has cash flow hedging financial instruments corresponding to exchange rate and interest rate forwards and swaps; therefore, their affectivity was assessed and it was determined that they were highly effective.

Notional amounts related to derivative financial instruments reflect the contracted reference volume; however they do not reflect the amounts at risk with respect to future cash flows. The amounts at risk are generally limited to the unrealized profit or loss from the market valuation of such instruments, which may vary according to changes in the market value of the underlying, its volatility and the credit quality of the counterparties.

The fair value of hedges is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

In the year ended December 31, 2013 and 2012, the Company had no effects from ineffective portions of cash flows hedges.

A. INTEREST RATE SWAPS

Interest rate derivative financial instruments positions of swaps are summarized as follows:

		AT DECEMBER 31, 2013						
CONTRACT	NOTIONAL AMOUNT	VALUE OF UNDERLYING ASSET		FAIR VALUE	MATURITIES PER YEAR			COLLATERAL/ GUARANTEE
		UNITS	REFERENCE		2014	2015	2016+	
SANTANDER	PS 500,000	%	8.54	(PS 18,266)	(PS 18,266)	-	-	-
SANTANDER	500,000	%	8.52	(18,166)	(18,166)	-	-	-
	PS 1,000,000			(PS 36,432)	(PS 36,432)	-	-	-

		AT DECEMBER 31, 2012						
CONTRACT	NOTIONAL AMOUNT	VALUE OF UNDERLYING ASSET		FAIR VALUE	MATURITIES PER YEAR			COLLATERAL/ GUARANTEE
		UNITS	REFERENCE		2013	2014	2015+	
SANTANDER	PS 500,000	%	8.54	(PS 25,160)	-	(PS 25,160)	-	-
SANTANDER	500,000	%	8.52	(24,967)	-	(24,967)	-	
	PS 1,000,000			(PS 50,127)	-	(PS 50,127)	-	-

Fixed and variable interest rates to which the Company is exposed are mentioned in Note 13. Effects from valuation that could represent gains and losses are recognized in Other reserves in capital (see Note 19) and derived from interest rate swap contracts at December 31, 2013, are reclassified to the statement of income within financial expenses as differences are hedged during the life of the contracts (see Note 13.)

B. EXCHANGE RATE DERIVATIVES

Positions in exchange rate derivative financial instruments with hedging purposes are summarized as follows:

CONTRACT	NOTIONAL AMOUNT	VALUE OF UNDERLYING ASSETS		FAIR VALUE	MATURITIES PER YEAR			COLLATERAL/ GUARANTEE
		AT DECEMBER 31, 2013						
		UNITS	REFERENCE		2014	2015	2016+	
SANTANDER	(US 10,000)	PESOS / DOLLAR	PS12.87-PS12.93	US 185	US 185	-	-	-
HSBC	(10,000)	PESOS / DOLLAR	PS12.85-PS12.95	150	150	-	-	-
	(US 20,000)			US 335	US 335	-	-	-

CONTRACT	NOTIONAL AMOUNT	VALUE OF UNDERLYING ASSETS		FAIR VALUE	MATURITIES PER YEAR			COLLATERAL/ GUARANTEE
		AT DECEMBER 31, 2012						
		UNITS	REFERENCE		2013	2014	2015+	
SANTANDER	(US 5,000)	PESOS / DOLLAR	PS12.89	(US 8)	(US 8)	-	-	-
DEUTSCHE BANK	(41,000)	PESOS / DOLLAR	PS12.90-PS12.99	410	410	-	-	-
BANK OF AMERICA	(13,000)	PESOS / DOLLAR	PS12.90-PS12.97	136	136	-	-	-
	(US 59,000)			US 538	US 538	-	-	-

Probable hedged budgeted transactions denominated in foreign currency are expected to occur in different dates during the months of 2014. Effects from valuation that could represent gains and losses are recognized in Other reserves in equity (see Note 19) and derived from interest rate swap contracts at December 31, 2013, are reclassified to the statement of income at the maturity date of contracts.

v. Fair value hierarchy

The Company has adopted the standard that establishes a hierarchy of 3 levels to be used when measuring and disclosing the fair value. The classification of an instrument within the fair value hierarchy is based on the lowest level of significant data used in its valuation. Following is a description of the 3 hierarchy levels:

- Level 1 - Quoted prices for identical instruments in active markets.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is considered active if quoted prices are clearly and regularly available from a stock exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regular market transactions at arm-length conditions.

- Level 2 - Quoted prices for similar instruments in active markets; prices quoted for identical or similar instruments in non-active markets; and valuations through models where all significant data are observable in active markets.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data when available and rely as little as possible on estimates specific to the Company. If all significant inputs required to measure an instrument at fair value are observable, the instrument is classified at Level 2.

- Level 3 -Valuations made through techniques wherein one or more of their significant data are not observable.

This hierarchy requires the use of observable data of the market when available. The Company considers, within its fair value valuations, relevant and observable market information, when possible.

If one or more of the significant inputs is not based on observable market data, the instrument is classified at Level 3.

A. DETERMINATION OF FAIR VALUE

The Company generally uses, when available, quotations of market prices to determine the fair value and classifies such data as Level 1. If there are no market quotations available, the fair value is determined by using models of standard valuation. When applicable, these models project future cash flows and discount the future amounts from the present value observable data, including interest rates, exchange rates, volatilities, etc. The items valued using such data are classified in accordance with the lowest level of data that is considered significant for valuation. Therefore, an item may be classified as Level 3 even though some of its significant data are observable. Additionally, the Company considers assumptions for its own credit risk, as well as the risk of its counterparty.

B. MEASUREMENT

Assets and liabilities measured at fair value are summarized as follows:

	LEVEL 2	
	AT DECEMBER 31, 2013	AT DECEMBER 31, 2012
ASSETS:		
DERIVATIVE FINANCIAL INSTRUMENTS SHORT-TERM	PS 4,373	PS 4,802
LIABILITIES:		
DERIVATIVE FINANCIAL INSTRUMENTS SHORT-TERM	PS 36,432	PS -
DERIVATIVE FINANCIAL INSTRUMENTS LONG-TERM	-	50,127
	PS 36,432	PS 50,127

There are no transfers between Levels 1 and 2, or between Levels 2 and 3 in the reported periods.

NOTE > 21. EXPENSES CLASSIFIED BY THEIR NATURE

The total cost of sales, selling and administrative expenses, classified by the nature of the expense for the years ended December 31, 2013 and 2012 are comprised as follows:

	2013	2012
RAW MATERIALS AND OTHER	PS 26,928,397	PS 26,649,766
PERSONNEL EXPENSES	9,329,432	7,925,065
EMPLOYEE BENEFIT EXPENSES	56,777	128,179
VARIABLE SELLING EXPENSES (1)	3,642,253	3,563,666
DEPRECIATION	2,432,046	2,378,978
TRANSPORTATION	2,064,760	1,837,198
ADVERTISING, MARKETING AND PUBLIC RELATIONS	1,812,191	1,472,934
MAINTENANCE AND CONSERVATION	1,305,307	1,358,301
PROFESSIONAL FEES	683,716	655,254
SUPPLIES (ELECTRICITY, GAS, TELEPHONE, ETC.)	261,303	281,108
TAXES (OTHER THAN INCOME TAX AND VALUE ADDED TAX)	279,004	244,211
SPILLS, BREAKAGES AND MISSING ITEMS	208,420	167,673
LEASES	180,787	128,040
TRAVEL EXPENSES	162,471	123,730
PROVISION FOR IMPAIRMENT IN CUSTOMERS	8,249	33,276
AMORTIZATION	95,669	24,119
CONSUMPTION OF MATERIALS AND RAW MATERIALS	16,906	5,328
BANKING AND SIMILAR SERVICES	1,985	3,377
OTHER EXPENSES	861,657	620,853
	PS 50,331,330	PS 47,601,056

(1) INCLUDES DAMAGED, SLOW-MOVING OR OBSOLETE INVENTORY.

NOTE > 22. OTHER EXPENSES, NET

Other income and expenses for the years ended December 31, 2013 are comprised as follows:

	2013	2012
EXPENSES FROM ACQUISITION OF WISE FOODS AND INALECSA IN 2012 (NOTE 2)	PS	(PS 44,544)
INDEMNITIES	(262,887)	(320,509)
TAXES FROM PRIOR YEARS	(10,647)	(67,461)
INCOME FROM DIFFERENT SOURCES	241,708	216,067
INCOME (LOSS) FROM DISPOSAL OR SALE OF FIXED ASSETS	57,902	(17,926)
OTHER	(195,959)	29,802
TOTAL	(PS 169,883)	(PS 204,571)

NOTE > 23. EMPLOYEE BENEFIT EXPENSES

Other employee benefit expenses for the years ended December 31, 2013 and 2012 are comprised as follows:

	2013	2012
SALARIES, WAGES AND BENEFITS	PS 7,920,811	PS 6,599,556
LABOR TERMINATION INDEMNITIES	30,163	278,786
CONTRIBUTIONS TO SOCIAL SECURITY	1,378,458	1,046,723
EMPLOYEES' BENEFITS (NOTE 16)	56,777	128,179
TOTAL	PS 9,386,209	PS 8,053,244

NOTE > 24. FINANCIAL RESULT, NET

Other financial income and expenses for the years ended December 31, 2013 and 2012 are comprised as follows:

	2013	2012
FINANCIAL INCOME:		
INTEREST INCOME IN SHORT-TERM BANK DEPOSITS	PS 156,625	PS 139,753
OTHER INTEREST INCOME	20,474	2,817
FINANCIAL INCOME, EXCLUDING FOREIGN EXCHANGE GAIN	177,099	142,570
FOREIGN EXCHANGE GAIN	-	-
TOTAL FINANCIAL INCOME	PS 177,099	PS 142,570
FINANCIAL EXPENSES:		
INTEREST FROM STOCK CERTIFICATES	(PS 792,418)	(PS 722,897)
INTEREST FROM BANK LOANS	(88,793)	(71,687)
FINANCIAL COST FOR EMPLOYEE BENEFITS	(50,054)	(44,250)
PAID TO SUPPLIERS	(14,924)	(7,344)
TAXES RELATED TO FINANCIAL ACTIVITIES	(109,117)	(104,333)
OTHER FINANCIAL EXPENSES	(50,040)	(44,139)
FINANCIAL EXPENSE, EXCLUDING FOREIGN EXCHANGE LOSS	(1,105,346)	(994,650)
FOREIGN EXCHANGE LOSS	(43,114)	(28,440)
TOTAL FINANCE COST	(PS 1,148,460)	(PS 1,023,090)
FINANCIAL RESULT, NET	(PS 971,361)	(PS 880,520)

NOTE > 25. DEFERRED INCOME TAX

i. Income tax under tax consolidation regime in Mexico

In 2013 and 2012, the Company determined consolidated taxable income of Ps6,749,548 y Ps5,870,997, respectively. The consolidated tax result differs from the accounting profit principally in respect of items which are taxed or deducted in different periods for accounting and tax purposes, due to the recognition of the effects of the inflation for tax purposes, as well as due to items only affecting either the accounting or tax result.

With the new LISR in Mexico becoming effective, the tax consolidation regime is eliminated. Derived from this elimination, the Company had to deconsolidate for tax purposes.

The tax payable resulting from the deconsolidation should be paid to Mexican tax authorities in accordance with the following:

AMOUNT	PAYMENT DATE
PS 51,887	BY THE LAST DAY OF MAY 2014
51,887	BY THE LAST DAY OF APRIL 2015
41,509	BY THE LAST DAY OF APRIL 2016
31,132	BY THE LAST DAY OF APRIL 2017
31,132	BY THE LAST DAY OF APRIL 2018
PS 207,547	

Derived from the merger with Grupo Continental, S. A. B. (Contal), in 2011, the Company absorbed a liability for deferred ISR derived from the tax consolidation of Ps294,572, which is being paid in installments by AC. In relation to such liability, the Company paid Ps248,348 for fiscal years 2010 to 2013, with a remaining amount payable of Ps46,224, which will be paid mainly in 2014.

ii. Profit before taxes

The national and foreign components of profit before taxes are as follows:

	FOR THE YEAR ENDED DECEMBER 31,	
	2013	2012
DOMESTIC	PS 7,214,014	PS 6,437,246
FOREIGN	1,803,323	1,281,005
	PS 9,017,337	PS 7,718,251

iii. Components of the income tax expense

Components of the income tax expense include:

	FOR THE YEAR ENDED DECEMBER 31,	
	2013	2012
TAX CURRENTLY PAYABLE:		
INCOME TAX ON PROFITS OF THE PERIOD	(PS 2,206,862)	(PS 2,342,826)
DEFERRED TAX:		
ORIGIN AND REVERSAL OF TEMPORARY DIFFERENCES	(567,823)	(99,410)
INCOME TAX EXPENSE	(PS 2,774,685)	(PS 2,442,236)

Expenses from domestic federal tax, foreign federal tax and foreign state tax shown within the consolidated statements of income is comprised as follows:

	FOR THE YEAR ENDED DECEMBER 31,	
	2013	2012
PAYABLE:		
DOMESTIC	(PS 1,631,804)	(PS 1,880,913)
FOREIGN	(575,058)	(461,913)
	(2,206,862)	(2,342,826)
DEFERRED:		
DOMESTIC	(541,323)	(180,291)
FOREIGN	(26,500)	80,881
	(567,823)	(99,410)
TOTAL	(PS 2,774,685)	(PS 2,442,236)

iv. Reconciliation between accounting and tax income

For the years ended December 31, 2013 and 2012, the reconciliation between the statutory and effective income tax rate amounts is shown as follows:

	FOR THE YEAR ENDED DECEMBER 31,	
	2013	2012
INCOME TAX AT STATUTORY RATE (30% FOR 2013 AND 2012)	(PS 2,705,201)	(PS 2,315,475)
TAX EFFECTS FROM INFLATION	28,205	(85,331)
DIFFERENCES FROM TAX RATES OF FOREIGN		
SUBSIDIARIES	(3,839)	(30,564)
NON-DEDUCTIBLE EXPENSES	(282,690)	(59,816)
SHARE OF NET INCOME OF ASSOCIATES	39,226	40,700
OTHER NON-CUMULATIVE INCOME	-	46,008
OTHERS	149,614	(37,758)
TAX AT EFFECTIVE RATE (30.8% AND 31.6% FOR 2013 AND 2012, RESPECTIVELY)	(PS 2,774,685)	(PS 2,442,236)

v. Tax related to components of other comprehensive income

The tax charge/(credit) relating to components of other comprehensive income was as follows:

	2013			2012		
	BEFORE TAXES	TAX PAYABLE (RECEIVABLE)	AFTER TAXES	BEFORE TAXES	TAX PAYABLE (RECEIVABLE)	AFTER TAXES
EFFECT OF DERIVATIVE FINANCIAL INSTRUMENTS HIRED AS CASH FLOW HEDGES	(PS 62,227)	PS 18,668	(PS 43,559)	PS 17,617	(PS 5,285)	PS 12,332
REMEASUREMENT OF LABOR LIABILITIES	(114,603)	34,382	(80,221)	(401,064)	120,319	(280,745)
DIFFERENCES FROM CURRENCY TRANSLATION	(880,029)		(880,029)	(504,540)		(504,540)
OTHER COMPREHENSIVE INCOME	(PS 1,056,859)	PS 53,050	(PS 1,003,809)	(PS 887,987)	PS 115,034	(PS 772,953)
DEFERRED TAXES		PS 53,050			PS 115,034	

NOTE > 26. COMMITMENTS

RELATED TO THE ACQUISITION OF ARCA ECUADOR, S. A., AS FOLLOWS:

i. Put option rights in favor of the minority partners of Arca Ecuador, S. A. and, Arca Continental Argentina, S. L., if: i) there is a control change in AC, as defined in the related stockholders' agreements or ii) such rights are exercised upon request of the minority stockholders during 6 periods of 30 days each (each every half-year period), as from the period started July 1, 2013.

ii. Pledge contract on shares representing 12.5% of the capital stock of Arca Ecuador to guarantee the resulting payment when exercising any put option in favor of the minority stockholders of such company.

iii. Pledge contract on shares representing 12.5% of the capital stock of Arca Continental Argentina, S. L. to guarantee the resulting payment when exercising any option right in favor of the minority stockholders of such companies.

iv. Pledge contracts on representative shares of 1.25% of Arca Continental Argentina, S. L. to guarantee the payment of indemnities that minority stockholders have the right to against AC derived from the contract through which 25% of the shares were exchanged in two merged entities into Arca Continental Argentina, S. L. for 15% of Arca Ecuador. Such indemnities are referred to as losses derived from acts or omissions in the subsidiaries of AC in Argentina realized prior to the date of transfer to minority stockholders of 25% share in these two entities.

v. Corporate guarantee granted by the subsidiaries of AC in Ecuador and Argentina to guarantee the resulting payment of any sales option right referred to in paragraph i. above.

NOTE > 27. CONTINGENCIES

BOTTLING AGREEMENT

Current bottler agreements and authorizations to AC to bottle and distribute Coca-Cola products in the regions mentioned therein, are as follows:

REGION	SUBSCRIPTION DATE	MATURITY DATE
MEXICO (1) (NORTH)	SEPTEMBER 23, 2004	SEPTEMBER 22, 2014
MEXICO (1) (WEST)	AUGUST 1, 2004	JULY 31, 2014
NORTHEASTERN ARGENTINA (2)	JANUARY 1, 2012	JANUARY 1, 2017
NORTHWESTERN ARGENTINA (2)	JANUARY 1, 2012	JANUARY 1, 2017
ECUADOR (2)	JANUARY 1, 2013	DECEMBER 31, 2017

(1) THEY MAY BE EXTENDED FOR AN ADDITIONAL TEN YEARS, AS FROM THEIR MATURITY DATE. AT DECEMBER 31, 2013 THE EXTENSION PROCESS HAD ALREADY BEGUN FOR TCCC CONTRACTS FOR MEXICO, WHICH ARE IN PROCESS AT THE DATE OF ISSUANCE OF THESE CONSOLIDATED FINANCIAL STATEMENTS.
(2) THEY MAY BE EXTENDED FOR AN ADDITIONAL FIVE YEARS, AS FROM THEIR MATURITY DATE.

During more than 85 years of business relations with TCCC, it has never denied AC the renewal of bottling agreements or the subscription of new agreements to substitute the predecessors. Derived from the above, the indefinite useful lives were assigned to these intangibles (see Note 5). Management considers that TCCC will continue to renew the agreements or extending bottling authorizations at the dates of maturity, or allowing new agreements to be subscribed or new authorizations to be granted to substitute the current ones, but there is no certainty that this will actually happen. If it does not happen, the business and the operating income of AC would be adversely affected.

TCCC provides the concentrate used for the preparation of products sold with its brands and has the unilateral right to establish the prices for such raw materials. If TCCC significantly increases the prices of its concentrates, the operating income of AC could be adversely affected.

Additionally, the bottling agreements held with TCCC establish that AC should not bottle any beverage different from those of the Coca-Cola brand, except when otherwise expressly authorized in the agreements. AC bottles and distributes some products of its own brand Topo Chico in Mexico and the United States, with the authorization of TCCC.

ECONOMIC COMPETITION IN MEXICO

In the year 2003, Contal and its subsidiaries Embotelladora La Favorita, S. A. de C. V. and Embotelladora Zapopan, S. A. de C. V. were sanctioned by the related CFC for monopolistic practices included in sections IV and V of article 10 of the Federal Economic Competition Law, in the market of carbonated beverages, commonly known as soft drinks, under file number DE-21-2003 for a claim filed by the competition: Ajemex S. A. de C. V. The amount of the sanction for each one of such companies amounted to Ps10,530, which, having appealed to all the instances and legal procedures including the injunction, was covered by Embotelladora La Favorita, S. A. de C. V. and Embotelladora Zapopan, S. A. de C. V.

Currently, the sanction imposed to Contal is subject to an injunction trial. An adverse resolution for Contal (currently AC) could no longer be challenged.

PAYMENT OF INCOME IN ECUADOR

In the year 2008, the Permanent Meeting of Ex-workers, integrated by nearly 1,000 people, filed an administrative complaint against Ecuador Bottling Company (now Arca Ecuador) before the Ministry of Labor Relations due to the lack of income since 1984 and until 2008. The claim does not express a specific amount.

The Company considers that an important part of such claim has prescribed and that it was not filed before the corresponding authorities. The Company is in the process of determining if this procedure could represent a significant contingency and, if so, its amount. However, at December 31, 2013 based on the analysis of internal and external legal advisors, the Company determined a provision of approximately Ps8,000, with respect to this contingency (see Note 15.)

TAX CONTINGENCIES IN ECUADOR

The Company in Ecuador has open tax-paying processes with the tax authorities. These processes are related mainly to the Income Tax, Tax on Special Consumption and Value Added Tax for the prior years. Management based on the analysis of its legal advisors determined the need to record a provision for this contingency at December 31, 2013 (See Note 15.)

NOTE > 28. RELATED PARTIES AND ASSOCIATES

The Company is controlled by Fideicomiso de Control, which has 51% of the total outstanding shares of the Company. The remaining 49% of shares are widely distributed. The ultimate controlling party of the group is composed by Barragán, Grossman, Fernández and Arizpe families.

Operations with related parties were made at market value.

a. Remunerations to key management personnel

The key personnel includes key management personnel relevant to the entity. Remuneration paid to key personnel for their services are shown below:

	2013	2012
SALARIES AND OTHER SHORT TERM BENEFITS	PS 151,039	PS 165,890
PENSION PLANS	133,382	107,356
SENIORITY PREMIUM	129	110
MEDICAL EXPENSES AFTER RETIREMENT	1,200	1,095
TOTAL	PS 285,750	PS 274,451

b. Balances and transactions with related parties

Balances payable to related parties are as follows:

	AT DECEMBER 31,	
	2013	2012
OTHER RELATED PARTIES:		
COCA-COLA MÉXICO (CCM)	PS 54,036	PS 129,328
ASSOCIATES:		
JDV	-	147,902
PROMOTORA MEXICANA DE EMBOTELLADORAS, S. A. DE C. V.	23,063	25,540
PIASA	15,820	42,014
INDUSTRIA ENVASADORA DE QUERÉTARO, S. A. DE C. V.	3,558	23,318
OTHER ASSOCIATES	31,550	27,332
	PS 128,057	PS 395,434

The main transactions with related parties and associates were as follows:

	YEAR ENDED AT DECEMBER 31,	
	2013	2012
OTHER RELATED PARTIES (SEE NOTES 1 AND 27):		
PURCHASE OF CONCENTRATE	PS 6,484,786	PS 6,255,446
ADVERTISING AND FEES	288,692	481,067
ASSOCIATES (SEE NOTE 10):		
PURCHASE OF JUICES AND NECTARS	1,655,013	1,048,964
PURCHASE OF SUGAR	1,333,069	1,659,567
PURCHASE OF CANNED PRODUCTS	749,635	931,801
PURCHASE OF CANS AND BOTTLES	265,782	364,454
PURCHASE OF COOLERS	65,655	379,038
FREIGHT	50,699	51,305
PALLETS	389	57,799
PURCHASE OF SPARE PARTS AND OTHER	8,534	8,624
	PS 10,902,254	PS 11,238,065

Balances payable with related parties at December 31, 2013 and 2012, unsecured, arise mainly from purchases made and services received, they mature during 2014 and 2013, respectively and bear no interest.

NOTE > 29. SUBSIDIARIES AND TRANSACTIONS WITH NON-CONTROLLING INTEREST

i. Interest in subsidiaries

At December 31, 2013 and 2012, the main subsidiaries of the Company are as follows. Except otherwise indicated, the subsidiaries maintain a capital stock consisting only in ordinary shares owned directly by the Company and the proportion of interest maintained therein is equal to the voting rights held by the Company. The country of incorporation or registration is also the main location of the business.

			CONTROLLING INTEREST PERCENTAGE		NON-CONTROLLING INTEREST PERCENTAGE		FUNCTIONAL CURRENCY
	COUNTRY	ACTIVITIES	2013	2012	2013	2012	
ARCA CONTINENTAL, S. A. B. DE C. V.(PARENT)	MEXICO	B / E					MEXICAN PESO
BEBIDAS MUNDIALES, S. DE R. L. DE C. V. (A)	MEXICO	A	99.99	99.99	0.01	0.01	MEXICAN PESO
DISTRIBUIDORA ARCA CONTINENTAL, S. DE R. L. DE C. V.	MEXICO	A / C	99.99	99.99	0.01	0.01	MEXICAN PESO
PRODUCTORA Y COMERCIALIZADORA DE BEBIDAS ARCA, S. A. DE C. V.	MEXICO	A / B	99.99	99.99	0.01	0.01	MEXICAN PESO
NACIONAL DE ALIMENTOS Y HELADOS, S. A. DE C. V.	MEXICO	C	99.99	99.99	0.01	0.01	MEXICAN PESO
COMPAÑÍA TOPO CHICO, S. DE R. L. DE C. V.	MEXICO	A	99.99	99.99	0.01	0.01	MEXICAN PESO
INDUSTRIAL DE PLÁSTICOS ARMA,S. A. DE C. V.	MEXICO	D	99.99	99.99	0.01	0.01	MEXICAN PESO
PROCESOS ESTANDARIZADOS ADMINISTRATIVOS, S. A. DE C. V.	MEXICO	E	99.99	99.99	0.01	0.01	MEXICAN PESO
EMBOTELLADORAS ARGOS, S. A.	MEXICO	B	99.99	99.99	0.01	0.01	MEXICAN PESO
FOMENTO DE AGUASCALIENTES, S. A. DE C. V.	MEXICO	F	99.99	99.99	0.01	0.01	MEXICAN PESO
FOMENTO DURANGO, S. A. DE C. V.	MEXICO	F	99.99	99.99	0.01	0.01	MEXICAN PESO
FOMENTO MAYRÁN, S. A. DE C. V.	MEXICO	F	99,99	99.99	0.01	0.01	MEXICAN PESO
FOMENTO POTOSINO, S. A. DE C. V.	MEXICO	F	99.99	99.99	0.01	0.01	MEXICAN PESO
FOMENTO RIO NAZAS, S. A. DE C. V.	MEXICO	F	99.99	99.99	0.01	0.01	MEXICAN PESO
FOMENTO SAN LUIS, S. A. DE C. V.	MEXICO	F	99.99	99.99	0.01	0.01	MEXICAN PESO
FOMENTO ZACATECANO, S. A. DE C. V.	MEXICO	F	99.99	99.99	0.01	0.01	MEXICAN PESO
PROMOTORA ARCACONTAL DEL NORESTE, S. A. DE C. V. (B)	MEXICO	F	99.99	99.99	0.01	0.01	MEXICAN PESO

	COUNTRY	ACTIVITIES	CONTROLLING INTEREST PERCENTAGE 2013	CONTROLLING INTEREST PERCENTAGE 2012	NON-CONTROLLING INTEREST PERCENTAGE 2013	NON-CONTROLLING INTEREST PERCENTAGE 2012	FUNCTIONAL CURRENCY
INMOBILIARIA FAVORITA, S. A. DE C. V.	MEXICO	F	99.99	99.99	0.01	0.01	MEXICAN PESO
ALIANZAS Y SINERGIAS, S. A. DE C. V.	MEXICO	B / E	99.99	99.99	0.01	0.01	MEXICAN PESO
DESARROLLADORA ARCA CONTINENTAL, S. DE R. L. DE C. V.	MEXICO	B / F	99.99	99.99	0.01	0.01	MEXICAN PESO
ARCA CONTINENTAL CORPORATIVO, S. DE R. L. DE C. V.	MEXICO	E	99.99	99.99	0.01	0.01	MEXICAN PESO
INTEREX, CORP	USA	A / C	100,00	100.00	0.00	0.00	US DOLLAR
ARCA CONTINENTAL USA, L.L.C.	USA	B	100.00	100.00	0.00	0.00	US DOLLAR
AC SNACKS FOODS, INC.	USA	B	100,00	100.00	0.00	0.00	US DOLLAR
WISE FOODS, INC. (VÉASE NOTA 2)	USA	C	100,00	100.00	0.00	0.00	US DOLLAR
MOORE'S QUALITY SNACK FOODS (C)	USA	E	-	100.00	-	0.00	US DOLLAR
WFI, INC. (C)	USA	E	-	100.00	-	0.00	US DOLLAR
ARCA CONTINENTAL ARGENTINA, S. L. (ARCA ARGENTINA) (D)	SPAIN	B	75.00	75.00	25.00	25.00	ARGENTINE PESO
SALTA REFRESCOS S.A.	ARGENTINA	A	99.99	99.99	0.01	0.01	ARGENTINE PESO
ENVASES PLÁSTICOS S. A. I. C.	ARGENTINA	F	99.99	99.99	0.01	0.01	ARGENTINE PESO
FORMOSA REFRESCOS, S. A. (E)	ARGENTINA	A	-	99.99	-	0.01	ARGENTINE PESO
DISTRIBUIDORA DICO, S. A. (E)	ARGENTINA	A	-	99.99	-	0.01	ARGENTINE PESO
ARCA EUROPE COÖPERATIVE U. A. (F)	HOLLAND	B	-	100.00	-	0.00	US DOLLAR
ARCA ECUADOR, S. A. (ARCA ECUADOR) (VÉASE NOTA 3Q.)	SPAIN	A / B	75.00	75.00	25.00	25.00	US DOLLAR
INDUSTRIAS ALIMENTICIAS ECUATORIANAS, S. A. (VÉASE NOTA 2)	ECUADOR	C	99,99	99.99	0.01	0.01	US DOLLAR
INDUSTRIAL DE GASEOSAS, S. A. (INDEGA) (G)	ECUADOR	E	99,99	99.99	0.01	0.01	US DOLLAR
CONGASEOSAS, S. A. (CONGASEOSAS) (G)	ECUADOR	E	-	99.99	-	0.01	US DOLLAR
EMBOTELLADORA Y PROCESADORA DE EL ORO, S. A. (EMPRORO) (G)	ECUADOR	E	99,99	99.99	0.01	0.01	US DOLLAR
EMBOTELLADORA Y PROCESADORA DEL SUR, S. A. (EMPROSUR) (G)	ECUADOR	E	-	99.99	-	0.01	US DOLLAR
EMBOTELLADORA Y PROCESADORA CENTRAL, S. A. (EMPROCEN) (G)	ECUADOR	E	-	99.99	-	0.01	US DOLLAR
DIRECTCOM Y ASOCIADOS, S. A. (DIRECTCOM) (G)	ECUADOR	E	99.99	99.99	0.01	0.01	US DOLLAR
BEBIDAS ARCA CONTINENTAL ECUADOR ARCADOR, S. A. (H)	ECUADOR	A	100.00	100.00	0.00	0.00	US DOLLAR

(A) ON APRIL 30, 2012 THIS ENTITY MERGED WITH THE FOLLOWING COMPANIES: EMBOTELLADORA AGUASCALIENTES, S. A. DE C. V., EMBOTELLADORA LA FAVORITA, S. A. DE C. V., EMBOTELLADORA ZAPOPAN, S. A. DE C. V., EMBOTELLADORA LOS ALTOS, S. A. DE C. V., EMBOTELLADORA GUADIANA, S. A. DE C. V., EMBOTELLADORA SAN LUIS, S. A. DE C. V., EMBOTELLADORA ZACATECAS, S. A. DE C. V. AND EMBOTELLADORA LAGUNERA, S. A. DE C. V.
(B) ON MARCH 26, 2013 GROSSMAN Y ASOCIADOS, S.A. DE C. V. CHANGED ITS NAME TO PROMOTORA ARCACONTAL DEL NORESTE, S. A. DE C. V.
(C) DURING 2013 THESE COMPANIES, WHICH IN PRACTICE, WERE COMPANIES WITHOUT OPERATIONS WERE LIQUIDATED.
(D) DURING 2012 THE ENTITIES IN ARGENTINA AND SPAIN WERE RESTRUCTURED AS FOLLOWS: 1) IN JUNE 2012 THE RELOCATION OF EMBOTELLADORAS ARCA DE ARGENTINA, S. A. TO SPAIN WAS COMPLETED ENDS AND ITS NAME CHANGES TO ARCA CONTINENTAL ARGENTINA, S. L., 2) IN JUNE 2012 THE REVERSE MERGER OF ROCKFALLS SPAIN, S. L. (ROCKFALLS) AND FRANKLINTON SPAIN, S. L. (FRANKLINTON) IN ARCA CONTINENTAL ARGENTINA, S. A., IS APPROVED, AND BECAME EFFECTIVE IN NOVEMBER 2012. ADDITIONALLY, ARCA CONTINENTAL ARGENTINA, S.A. BECAME SOCIEDAD LIMITADA OR S. L. AS A RESULT OF THIS RESTRUCTURING, THERE WERE NO SIGNIFICANT EFFECTS ON THE CONSOLIDATED FINANCIAL INFORMATION THAT YEAR.
(E) ON AUGUST 26, 2013 THE DEFINITIVE MERGER AGREEMENT FOR ABSORPTION OF THESE COMPANIES IN SALTA REFRESCOS, S. A. WAS GRANTED, TO FOLLOW UP ON THE PREVIOUS MERGER COMMITMENT ON MARCH 25, 2013, ENTERING INTO FORCE ON JANUARY 1, 2013.
(F) IN NOVEMBER 2012, THE LIQUIDATION OF ARCA EUROPE COÖPERATIVE U. A. A DUTCH COMPANY, WAS APPROVED. THIS LIQUIDATION WAS CONCLUDED DURING 2013.
(G) DATED MAY 15, 2013, THE MERGER FOR ABSORPTION OF EMPROCEN, EMPROSUR AND GONGASEOSAS IN INDIGA WAS AGREED. IN THE CASE OF EMPRORO AND DIRECTCOM, AT DECEMBER 31, 2013, PROCEDURES TO DISSOLVE THESE COMPANIES THAT HAVE NO OPERATIONS HAVE ALREADY STARTED. AS A RESULT OF THIS RESTRUCTURE, THERE WERE NO SIGNIFICANT EFFECTS ON THE CONSOLIDATED FINANCIAL INFORMATION.
(H) ON NOVEMBER 9, 2012 ARCA ECUADOR, S. A., INCORPORATED THE COMPANY BEBIDAS ARCA CONTINENTAL ARCADOR, S. A., WHICH AT DECEMBER 31, 2012 WAS INACTIVE AND STARTED ACTIVITIES DURING 2013.

Variation per group
A - Production and/or distribution of carbonated and non-carbonated beverages
B - Shareholding
C - Production and distribution of snacks and preserves
D - Production of materials for AC, mainly
E - Rendering of administrative, corporate and shared services
F - Rendering of property leasing services

ii. Significant restrictions

In Argentina, several regulations have been implemented to control the outflow of currencies. These regulations generate delays in payments abroad and in some cases prevent the import of goods and services and their payment abroad.

iii. Transactions with non-controlling interest

During the years ended December 31, 2013 and 2012 there were no transactions with non-controlling interest or conflicts of interest to disclose.

NOTE > 30. SUBSEQUENT EVENTS

In preparing the financial statements the Company has evaluated events and transactions for recognition or disclosure subsequent to December 31, 2013 and up to February 28, 2014 (date of issuance of the financial statements), and has concluded that there are no significant subsequent events to affect these.

Francisco Garza Egloff
Chief Executive Officer

Emilio Marcos Charur
Chief Executive Officer

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This annual report contains forward-looking statements regarding Arca Continental and its subsidiaries based on management's expectations. This information as well as statements regarding future events and expectations are subject to risks and uncertainties, as well as factors that could cause the results, performance and achievements of the company to completely differ at any time. Such factors include changes in the general economic, political, governmental and commercial conditions at the national and global levels, as well as variations in interest rates, inflation rates, exchange rate volatility, tax rates, the demand for and price of carbonated beverages and water, taxes and the price of sugar, the prices of raw materials used in the production of soft drinks, weather conditions and various others. As a result of these risks and factors, actual results could be materially different from the estimates described in this document. Therefore, Arca Continental does not accept any responsibility for variations on the information provided by official sources.

ARCACONTINENTAL