ARCACONTINENTAL

POSITIVE BALANCE

ANNUAL REPORT 2014

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. Together with The Coca-Cola Company, lead the high-value added dairy category in Ecuador under ToniCorp brands. With an outstanding history spanning more than 89 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 54 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

VOLUME: 1,039
MILLIONS OF UNIT CASES
SALES: $46,347
MILLIONS OF MEXICAN PESOS

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

MEXICO
20 BEVERAGES PLANTS
2 SNACKS PLANTS
117 BEVERAGES DISTRIBUTION CENTERS
40 SNACKS DISTRIBUTION CENTERS
373,000 POINTS OF SALE

ARCA CONTINENTAL SOUTH AMERICA

VOLUME: 290
MILLIONS OF UNIT CASES
SALES: $15,610
MILLIONS OF MEXICAN PESOS

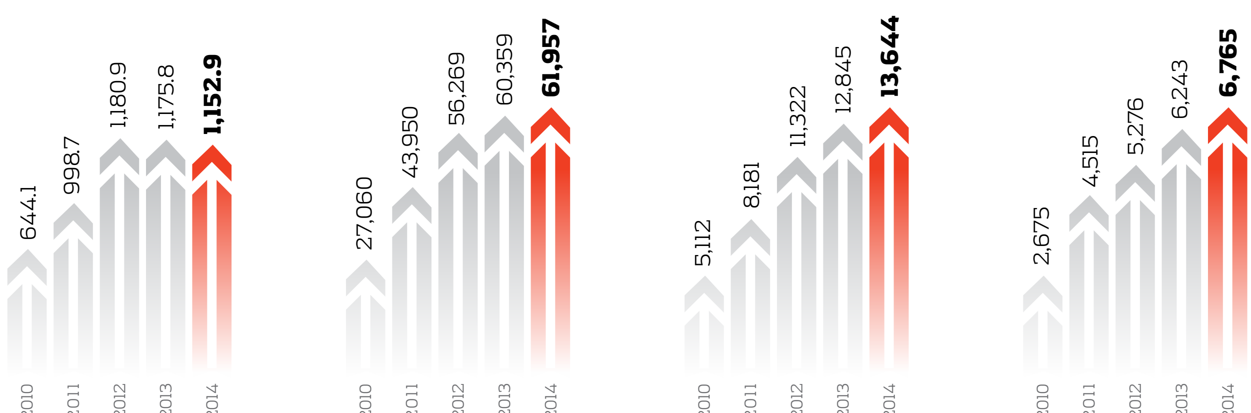
ECUADOR
3 BEVERAGES PLANTS
2 DAIRY PLANTS
2 SNACKS PLANTS
52 BEVERAGES DISTRIBUTION CENTERS
16 SNACKS DISTRIBUTION CENTERS
268,000 POINTS OF SALE

ARGENTINA
3 BEVERAGES PLANTS
25 BEVERAGES DISTRIBUTION CENTERS
91,000 POINTS OF SALE

FINANCIAL HIGHLIGHTS

	2014	2013	VAR. %
TOTAL SALES VOLUME (MUC)	**1,328.6**	1,348.8	-1.5
NET SALES	**61,957**	60,359	2.6
GROSS MARGIN	**49.0%**	48.1%	
OPERATING INCOME	**10,774**	9,891	8.9
OPERATING MARGIN	**17.4%**	16.4%	
EBITDA[1]	**13,644**	12,845	6.2
EBITDA MARGIN	**22.0%**	21.3%	
NET INCOME	**6,765**	6,243	8.4
TOTAL ASSETS	**80,367**	66,349	21.1
CASH	**9,039**	2,566	252.3
TOTAL DEBT	**15,777**	14,078	12.1
CONTROLLING INTEREST	**46,064**	38,352	20.1
CAPITAL EXPENDITURES	**4,032**	3,826	5.4
PER SHARE DATA			
NET INCOME PER SHARE	**4.04**	3.71	
BOOK VALUE	**28.59**	23.80	
DIVIDENDS PAID	**-**	3.00	
AVERAGE SHARES OUTSTANDING (THOUSANDS)	**1,611,264**	1,611,264	

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



SALES VOLUME*
(MUC)
* NOT INCLUDING JUG WATER

NET SALES
(MILLIONS OF MEXICAN PESOS)

EBITDA
(MILLIONS OF MEXICAN PESOS)

NET INCOME
(MILLIONS OF MEXICAN PESOS)

TO OUR SHAREHOLDERS

In line with the company's track record of consistent growth, in 2014 Arca Continental achieved a positive balance in all the relevant aspects of our business, including cutting-edge execution, operational excellence, broadening and diversification of our already competitive portfolio of products, as well as outstanding results in profitability and shareholder value creation. Combined with our commitment to society wellbeing and sustainability, these factors contributed to further consolidate the competitiveness and leadership of our company.

We are proud to announce that, as a result of the dedication and professionalism of over 43,000 collaborators that this great company is made up of; Arca Continental delivered consistent, profitable and competitive top and bottom line growth. EBITDA rose to Ps. 13,644 million, up 6.2%, further consolidating its position as one of the most profitable companies in the industry, and reaching 15 consecutive quarters of growth in this important indicator.

As part of a clear long-term vision, among our biggest accomplishments in 2014 was the advancement in diverse organizational productivity goals. We became the first bottling company in the Coca Cola's System to have two production facilities certified as Operational Excellence Centers. Our Culiacan and Insurgentes plants, both in Mexico.

We were awarded first place in the category of "Operational Excellence in the area of Transformation" by Coca Cola's Global Supply Chain Council for the use of this methodology to standardize the company's culture of continuous improvement between 275 entries submitted by bottlers across the globe.

Moreover, driven by a shared commitment to sustainability and in partnership with Coca-Cola de Mexico and other peer bottlers, we led the expansion of PetStar, making it the world's largest food-grade PET recycling plant. We were honored to have the President of Mexico, Mr. Enrique Peña Nieto, and Ahmet Bozer, President of Coca-Cola International, as guests of honor at the plant's inauguration.

Working in conjunction with our Arca Continental South America partners, we continued our path of profitable growth of adjacent businesses to our core, through the acquisition of a majority stake in Tonicorp, Ecuador's leading high value-added dairy products company. This transaction was conducted in partnership with The Coca-Cola Company, a reflection of our mutual trust and confidence for long-term growth in the region.

In order to address the growing demand for our products with increased quality and sustainability, in Machachi, Ecuador, we started construction of a state-of-the-art bottling plant. Furthermore, in Salta, Argentina, we inaugurated a new Hot-Fill production line with capacity to produce both sparkling and still beverages. These developments will continue driving market share gains in the territories we serve, which has steadily increased since we started operations in Argentina in 2008.

Moreover, for the second consecutive year we were recognized by the prestigious business magazine LatinFinance, this time as the "Best Managed Mexican Company" thanks to the professionalism of our team members and our solid Corporate Governance.

These accomplishments, together with consistent market investments, a competitive portfolio, a solid price-packaging architecture and innovative marketing initiatives, resulted in 2.6% growth in consolidated net sales, to Ps. 61,957 million. Sales volume reached 1,329 million unit cases, 1.5% lower than 2013, despite an environment of weakened consumption and new taxes in Mexico.

+6.2%
EBITDA 2014

MANUEL L. BARRAGÁN MORALES
CHAIRMAN OF THE BOARD OF DIRECTORS

FRANCISCO GARZA EGLOFF
CHIEF EXECUTIVE OFFICER

The precise execution of the Ps. 500 million savings plan combined with operating efficiencies; underscore our commitment to maintain a lean structure, as well as a culture of cost control. As a result, Arca Continental posted net profit of Ps. 6,765 million, up 8.4%.

2014 results reflect the resilience of our business model, which we perfect every year, and position us to develop more comparative advantages. Going forward, we will continue striving to be the number one option for our customers and consumers, while leveraging new growth opportunities across all the countries and segments in which we participate.

MEXICO BEVERAGES

In our flagship market, in 2014 we faced a challenging environment with an overall drop in volumes, weak economy and additional taxes. These circumstances challenged our commercial execution, operating efficiency and distribution capabilities. We fully transferred the new excise tax to the price of our products, which, together with weak consumer spending and adverse weather conditions, had a detrimental effect on our sales volume.

We managed to sustain our market leadership position on the back of a solid price-packaging architecture, the discipline efforts of our salesforce and the expansion of innovation strategies, such as Route To Market (RTM), Revenue Growth Management (RGM), as well as an outstanding point-of-sales performance.

Volume in Mexico declined 2% and net sales totaled Ps. 42,014 million, while EBITDA rose 6.7% to Ps. 10,605 million.

We continued with the successful expansion of our RTM service model, which optimized our service costs and perfected customer service and product distribution. RTM is based on a precise, dynamic segmentation, improving customer satisfaction levels. In 2014, 74% of our sales volume in Mexico was generated as a result of this initiative. We also launched this specific service model for the modern channel.

We currently serve over 600,000 customers through the innovative Direct-To-Home sales model, enabling us to offer our entire beverage portfolio directly to consumers' homes, reinforcing recognition of current and new brands, such as Santa Clara and Coca-Cola Life, and supporting repurchasing in the traditional and modern channels.

Driven by a strategic market investment plan, which installed close to 40,000 new coolers. In 2014, we led the Coca-Cola System in Mexico, increasing returnable options in our sales mix by 2.2% via the introduction of 3.1 million bottle cases to support product affordability.

During the year, we continued our support for our customers as strategic partners for business success through initiatives focused on increasing their competitiveness and offering consumers optimal service, generating shared value along the value chain.

Some of our most outstanding projects in this area include Siglo XXI, a modernization and improvement program to support 2,400 customers in the traditional channel, a 28.5% increase over 2013. We also provided training to over 6,500 customers in sales, inventory management, marketing and finance.

In partnership with Coca-Cola de México, we launched successful campaigns to consolidate consumer-brand connections, such as the FIFA World Cup tour, Make Someone Happy and the successful Share a Coke campaign. We further enhanced consumer's connection with our brand and implemented one of the most outstanding promotions in the Coca-Cola system in Mexico.

In 2015, we will continue to prioritize innovation and continuous improvement, building our future growth platform with the most up-to-date information technologies and cutting-edge processes. Our world-class "Enlace" program enable us to standardize and optimize administrative and financial processes in order to generate synergies and improve levels of service.

ARCA CONTINENTAL SOUTH AMERICA

The continuous market development and salesforce performance enhancement efforts in our beverage business in South America have enabled us to progress significantly in our main quality, productivity, commercial execution and market share indicators.

In this region, sales volume reached 290.1 million unit cases (MUCs), 0.2% higher than in 2013, driven by a 25% increase in still beverages, while net sales rose 10.3% to Ps. 15,610 million.

In Argentina, given the high inflation environment and a currency devaluation, we made our products more affordable to support customers and consumers via an increase in our returnable package mix and the expansion of our cooler platform, allowing us to maintain sales volumes and profitability margins.

These strategies, together with the expansion of our still beverage portfolio as a result of the new Hot-Fill line production capabilities in Salta and a precise point-of-sale execution, drove us to expand market share in sports drinks, juices and flavored water. As we also significantly strengthened performance in the modern channel.

In Ecuador, we made progress with the deployment and standardization of better operating practices. These include the Operational Excellence system, which will enable us to perfect our culture of quality, streamline processes, promoting teamwork, the identification of areas of opportunity and the design of specific plans to solve them.

We expanded the "Cold Front" strategy by installing 140,000 coolers in both Argentina and Ecuador, reaching 45% and 47% coverages respectively.

Consistent with our commitment to the brands and consumers, in 2014 The Coca-Cola Company in the Latin Center region awarded Arca Continental Ecuador, for the second consecutive year, with the Excellence Cup in Leadership of the Category for actions implemented to strengthen its relations with stakeholders, promote healthy habits in the community and make its collaborators true brand ambassadors.

All of this progress will position us to face environments of economic volatility with our characteristic discipline and excellence, in order to continue to drive our performance

In 2015, we will continue to prioritize innovation and continuous improvement, building our future growth platform with the latest information technologies and cutting-edge processes.

In a challenging year, Arca Continental delivered a Positive Balance of progress made and challenges overcome, reiterating the vision, values and commitment that distinguish us as an enterprise dedicated to creating value.

beyond expectations and industry averages. We will focus on superior customer and market service in order to continue to grow profitably and sustainably in South America.

COMPLEMENTARY BUSINESSES

In our snacks business, during 2014 we capitalized on the integration of Bokados, Wise and Inalecsa with major progress in sales, coverage and product exchange between Mexico, the United States and Ecuador throughout the year.

In Mexico, Bokados sales continued to grow in profitability and market share, as a result of several commercial and operating initiatives and the entry into new markets and territories. Furthermore, ongoing innovation in the product portfolio has improved the way in which we meet the dynamic needs of consumers.

Supporting the growth of Bokados, in 2014, we completed the expansion of the Santa Catarina plant. This plant houses a new production line and new equipment for the peanut-based candy, as well as other products under development.

Wise continues to post important increases in sales and profit in the United States, making progress with its brand presence expansion plan in diverse regions of the country through major retail chains. Meanwhile, it is expanding coverage in Mexico, where its products are already distributed to over 30,000 customers through the Bokados routes and increasingly accepted by consumers.

In addition, our Atlanta-based Research and Development Center is getting ready to begin innovating products, flavors and processes of these three businesses.

During the third quarter, we completed the acquisition of a new production plant in Fort Worth, Texas. Its strategic geographic location will contribute to the expansion of Wise to additional territories, enhance snack production capacity, and grow the distribution capabilities of Inalecsa and Bokados products in the United States.

In Ecuador, Inalecsa became the fastest growing business across our snacks companies, with single digit growth in sales volume and double-digit increase in revenues. These achievements reflect an expanded product coverage, commercial execution perfection and the launch of new products in synergy with beverage operations in that country.

In 2014, the installation of new plantain and corn production lines was completed, expanding our capability to serve increasingly demanding markets in Ecuador and abroad, and consolidating the company's leadership in the confectionery segment.

Topo Chico Mineral Water continued to grow in the United States. It is already marketed in 30 states across the nation and is positioned as the leading brand in the imported mineral water segment in the South Central region.

We further strengthened our Vending Machine business, as we underpinned our leadership in the segment with smart devices equipped with telemetry, which enabled us to optimize equipment uptime and enhance distribution. At the end 2014, we reached over 30,000 installed machines, posting a 2.8% year-over-year increase in sales.

+2.6%

Net Sales

+8.4%

Net Income

Determined to contribute to the wellbeing of our communities, in 2014 we drove the activation of 4.4 million people through the organization or support of 2,400 sports events.

SUSTAINABILITY AND SOCIAL RESPONSIBILITY

As an active participant in the development and wellbeing of the communities we serve, our commitment to sustainable operations and social responsibility has become an integrated, permanent part of our business activities, giving us insight into the diverse overall needs of Arca Continental's stakeholders.

We are fully aware that the health and integral development of our communities is a challenge that demands comprehensive solutions and the participation of all sectors of society. As a result, working in close coordination with Coca-Cola de México and state and federal institutions, in 2014 we drove the activation of 4.4 million people across our Mexican territories alone, through the organization of, or support for, 2,400 sports events. These include the Powerade Marathon, which has become one of the most outstanding of its kind in Mexico, with a record-breaking participation year after year.

In addition, the project that promotes the physical activation and sports education of state-school students in Mexico, Schools in Movement, currently benefits over 90,000 students in 110 public education facilities in the territories we serve across the country, providing them with sports fields and equipment.

In relation to sustainability, we made great progress with our key environmental indicators, such as efficiency in the use of water and energy, emissions and waste management.

We are one of the most efficient bottlers in water consumption, attaining a rate of 1.6 liters of water per liter of beverage in 2014 and continuing with the process of optimization that we have implemented over the last decade. We have also continued to reduce energy consumption and emissions, and optimize packaging and waste management.

The expansion of PetStar during the year enabled us to incorporate 37.5% of food-grade recycled resin into our PET bottles in Mexico, far surpassing the goal of 25% set by The Coca-Cola Company for 2020.

We also continued to support the National Reforestation and Water Harvesting Program. Over the past six years, in conjunction with the Coca-Cola Foundation and Pronatura, we have planted more than 21 million trees over 42 thousand acres in the territories in which Arca Continental operates.

In addition, we are one of the founding partners of the Monterrey Metropolitan Water Fund and a similar foundation in Ecuador, where companies, the government and non-profit organizations partner to undertake projects focused on enhancing sustainability in the use and conservation of this vital resource.

Sustainability and social responsibility management at Arca Continental stems from the commitment of our collaborators who, once more in 2014, demonstrated their solidarity with underprivileged communities by participating, together with their families and members of the neighborhood, in our Annual Volunteer Day. Over 7,000 participants in this event rehabilitated 14 schools and 28 public spaces in more than 20 cities in Mexico, Ecuador and Argentina.

These initiatives were recognized by diverse national and international institutions, such as the Mexican Center for Philanthropy, which, in 2014, ratified us as a Socially Responsible Company for the eleventh consecutive year, while the Mexican Stock Exchange and MSCI, a leading provider of information for investors, included us in their respective sustainability indexes.

+10.3%

Net Sales in Arca Continental South America

POSITIVE BALANCE

In a highly challenging year, Arca Continental delivered a Positive Balance of progress, reiterating the vision, values and commitment that distinguish us as an enterprise focused on creating value, finding a balance between quality customer service and efficiency, enhancing productivity while reducing costs, and expanding with profitability and sustainability.

We are a company that has consolidated its strengths across diverse settings to develop market leadership and the consumers' preference. We are supported by a robust financial structure and a determination to deliver consistently positive results. All of this has positioned us to leverage growth opportunities as we move forward.

In this ongoing search for profitable expansion, it is important to recognize and express our gratitude for the support of The Coca-Cola Company, with whom we have built a long-term relationship and commitment based on trust, integrity and a constant search for excellence in our processes, product quality and customer service.

We are also very grateful to our customers and suppliers for their preference and for becoming our allies in this value chain, allowing us to share their successes and partnering to achieve increasingly higher goals.

To our consumers, the main purpose of our business, we thank them for their trust and we reiterate our commitment to always satisfying their needs in a responsible manner, with safe, world-class products.

All of the accomplishments are result of the efforts and professionalism of the great Arca Continental team, who reflect in their work a philosophy focused on success and the overall wellbeing of the communities we serve. Many thanks for their support and perseverance.

We are also very grateful to the members of our Board of Directors for their guidance, trust and support along our route to innovation and competitiveness, constantly assuring a framework of ethics, employee development, and social and environmental responsibility.

Our shareholders can be certain that we are fully committed to achieving the objectives described in this letter, in our quest to build a successful, reliable, innovative company.

Although we have made significant progress, we are aware that we are not yet where we want to be, that every year we have to be a different, better positioned and increasingly agile organization in order to have a stronger relationship with our consumers, provide an excellent customer service, and build new value-generating opportunities for our shareholders, collaborators and communities.

Our deepest gratitude to all of you.

MANUEL L. BARRAGÁN MORALES
CHAIRMAN OF THE BOARD OF DIRECTORS

FRANCISCO GARZA EGLOFF
CHIEF EXECUTIVE OFFICER

POSITIVE

COMPETITIVENESS
+EFFICIENCY

In 2014, the company overcame a challenging economic environment while making significant advances in their key performance indicators, as well as solid results in sales and profitability, thanks to superior business execution in point of sales, market investment, agile and accurate segmentation, as well as a competitive portfolio and the use of modern technology.

GROWTH
+PROFITABILITY

Year after year, Arca Continental further consolidates as a solid platform for value creation capable of developing new avenues for profitable growth, both in it's core beverage business as well as in adjacent areas of snacks and other new categories, with a clear focus and financial flexibility to capitalize on opportunities for expansion that fit with the mission and vision of the company.

BALANCE

PRODUCTIVITY + CONTINUOUS IMPROVEMENT

Operational excellence as a capacity and an intrinsic value in the organizational culture of Arca Continental strengthens the company's competitive position in the industries and markets in which it participates through the development of an environment of greater security for the employees, efficient processes, continuous improvement in product quality, and an openness to innovation.

DEVELOPMENT + SUSTAINABILITY

Driven by the commitment of our collaborators, in 2014 we made important advances in the institutionalization of a management model of sustainability and social responsibility in all of our territories, while at the same time achieving positive results in comprehensive wellness for the consumers, clients and collaborators, and community development, always in the context of constantly promoting quality of life in the company and preserving the environment.

Superior Commercial Execution

In 2014, Arca Continental boosted profitability and accelerated growth by anticipating customers' needs and exceeding consumer expectations through innovation, a constant improvement of service models, continuous point-of-sale investments and precise market driven initiatives to strengthen its broad value-added product and service portfolio.

Facing a challenging economic and weak consumption environment, Arca Continental was able to leverage solid price-pack architecture, competitive portfolio and dynamic segmentation in order to optimize our service models as differentiating factors to ensure product preference, affordability and availability for each and every consumption occasion.

48.1% *Proportion of single-serve presentations in Mexico, one of the most profitable in the industry*

COMPETITIVENESS +EFFICIENCY

74% *Sales Volume covered by Route To Market*

3.1 ***Million physical cases*** *Returnable bottles introduced in Mexico in 2014 to support product affordability*

We supported our customers' profitability and enhanced beverage availability to drive immediate consumption, growing our cooler platform and displays in the market.

40,000

New coolers installed in Mexico

MEXICO BEVERAGES

Our results in Mexico were better than expected. Volume for the year declined only 2% despite the negative impact of deteriorated consumer environment with less disposable income, the implementation of the excise tax as well as adverse weather conditions in some of the territories we serve.

Net revenues in Mexico reach Ps. 42,014 million thanks to our disciplined point-of-sale execution and targeted commercial initiatives, supported by a solid price-pack architecture.

A stringent administrative discipline and superior point-of-sale performance allowed the company to achieve a year of outstanding results in profitability. In addition, we made progress with our key service indicators as we focused on expanding our affordability strategy with both returnable and single-serve packages.

In this context, in order to assure the right package at the right price for every consumption occasion, during 2014 we invested in the introduction of 3.1 million returnable physical cases. As a result, we achieved one the highest returnable mix in many years.

The right-size packaging efforts we have put in place in Mexico continue to generate incremental transactions tied to key price points. We also drove the availability of products for immediate consumption by increasing single-serve presentations.

We increased our cooler coverage with almost 40,000 new units, achieving 78.7% coverage of the territories, with 385,000 units.

Coca-Cola Life was launched in Mexico as part of our global commitment to innovate and to meet consumers' evolving needs and preferences. Coca-Cola Life is part of our growing portfolio of low or zero-calorie beverages and it is the first to combine stevia and sugar as sweeteners, resulting in 60% less calories compared with Coca-Cola classic. We deployed Coca-Cola Life in more than 28 cities in our territories, in both returnable and non-returnable formats, complementing Coca-Cola Light and Coca-Cola Zero offerings.

Among our other efforts to offer more and better options to meet consumers' diverse lifestyles, in 2014 Coca-Cola "lean can" was introduced in a 235 ml presentation across our portfolio, including Coca-Cola, Coca-Cola Light, Coca-Cola Zero and Coca-Cola Life for further expand our portfolio of options with less than 100 calories.

In the sports drink segment, Powerade Zero was launched, an attractive zero-calorie option with all the comparative advantages that have made our brand the market leader in the territories we serve.

Our comprehensive marketing strategies played a key role in communicating our product offer effectively, enhancing the strength of our portfolio and, above all, fostering the love and emotional link between our brands and consumers.

COCA-COLA LIFE IN MEXICO

Naturally sweetened with sugar and Stevia with only 36 calories per 200ml.

Share a Coke

We reinforced the link between the consumer and our main brand with millions of personalized cans and more than 300 activations in Mexico.

+3.3%

Sales Volume in single-serve water

+7.1%

Traditional channel Execution Index

One of these strategies was the "Share a Coke" campaign. This was a milestone in Mexico and one of the most outstanding and successful promotions in history of our system. The initiative used innovative strategies to reinforce the powerful idea of personalizing millions of cans with consumers' names.

In addition to the names placed in all our Coca-Cola presentations, Arca Continental implemented more than 300 events that enabled consumers to personalize more than half a million Coca-Cola cans for those who couldn't find their names on store shelves, giving us a truly profound connection with our consumers.

During the year, we continued to expand our Route To Market Methodology, achieving 74% of our sales volume under this initiative. We also implemented a new service model for the modern channel in Nuevo León and Jalisco, which streamlined our retailer service, reduced service costs and improved customer satisfaction indices.

The implementation of service models adapted to the customers' size and potential, the use of information technologies and the sustained efforts of our salesforce to achieve superior point-of-sale performance were reflected in a significant improvement in Execution Quality Indices of 7.1% in the traditional channel, 6.7% in Foods and 3.7% in the modern channel.

+25%

Sales Volume of Still Beverages in South America

20,700

New coolers installed in Ecuador in 2014

SOUTH AMERICA BEVERAGES

In 2014, we faced a challenging economic situation and a weaker consumer-spending environment.

We were able to capitalize on our strong product portfolio and selective pricing initiatives to mitigate the impact of inflation. We are committed to fostering immediate consumption and driving growth in single-serve presentations while developing innovative beverage products.

Total sales volume remained essentially flat while revenues increased 10.3% for the year, reaching 15.6 billion pesos, respectively, including Tonicorp.

EBITDA in South America rose 7.9% for the full year to $2.7 billion pesos. We continued improving profitability, driven by investments in coolers and targeted market initiatives to boost immediate consumption.

We supported the affordability of our products by increasing the returnable mix 1.3% and launching innovative marketing strategies, such as “Share a Coke” in Ecuador.

We also refined our service models, improving our Route To Market initiative, which significantly enhanced direct customer service through the pre-sales system.

In Argentina, with over 30% inflation and a volatile economic environment, we were able to maintain sales volumes at similar levels to 2013. Moreover, we posted a significant 3% rise in the fourth quarter, mainly due to good performance in single-serve water and still beverage segments.

In particular, the still beverage segment grew 30.6%, due to an expanded product portfolio and the availability of more affordable options for the consumer, in brands such as Powerade, Aquarius, Cepita juices in a variety of flavors and presentations, and Coca-Cola in 2.5-liter presentations in Jujuy and la Rioja.

In this way, we posted growths of over 30% in net sales in Argentine pesos, 28% in EBITDA and 29% in net income.

We also enhanced the availability of returnable and single-serve presentations, and offered a broader cooler platform, with 4,200 new units that brought coverage to 45% of the territory, compared to 42.7% at the end of 2013.

Modern channel sales improved significantly, 25% year over year, due to good performance in supermarkets, gas stations and emerging formats.

In Ecuador, we achieved a slight increase of 0.6% in sales volumes, driven mainly by the recovery of water in single-serve presentations and still beverages.

We made our products more affordable for consumers by investing strategically in the market and point-of-sales, with the introduction of returnable bottles and single-serve presentations, which increased their proportion in the sales mix by 1.8% and 0.5% respectively.

A remarkable 20,700 new coolers were installed during the year, reaching coverage of 47% of the traditional channel and 84,000 units across the country.

Arca Continental Ecuador won for the second consecutive year the Excellence in Execution Cup for Category Leadership

EN 2014, BOKADOS, WISE AND INALECSA POSTED ROBUST RESULTS IN SALES AND EBITDA, REFLECTING A GROWTH IN COVERAGE AND PENETRATION OF NEW TERRITORIES.

COMPLEMENTARY BUSINESSES

After two years of the integration of Bokados, Wise and Inalecsa, we posted positive results, with increases in sales, market share and profitability across all three businesses. We surpassed expectations via a more diverse product portfolio, replicating best practices, increasing product coverage, and expanding to new channels and markets.

Bokados continued to expand coverage and market share in its main markets. Our brand has become an increasingly important competitor in the snack industry and has extended its geographic range to the south and central regions of Mexico, including Puebla, Veracruz and Tabasco through the active participation in the modern channel.

Bokados posted a single-digit increase in net sales during the year. We were able to offset the impact of the new excise tax levied on our products by transferred in full to the consumer price during the first quarter of 2014.

Continuous innovation of our product portfolio has been one of the most decisive factors in Bokados' successful growth over the past decade, including new flavors and packages.

Wise managed to increase its coverage in Alabama, Mississippi, Louisiana and other regions in South and Central USA through major retail chains despite adverse weather conditions in its territories during the first quarter of 2014.

Wise also expanded its presence in its traditional markets and improved its performance across its main area of influence. It also continued to grow in Mexico. Wise product are now offered marketed at 30,000 outlets in the traditional channel.

30,000

Customers in Mexico selling Wise, distributed by Bokados

In 2014, Wise's net sales and EBITDA increased, consolidating our investments in the United States as a vehicle for profitable growth in the region, with an enormous potential for expansion.

In Ecuador, Inalecsa posted a single-digit rise in sales volume as a result of major improvements to distribution models, expanded coverage and increased market share in all the categories in which it participates.

Some of the most important actions during the year included the launch of new products, such as Pizzerolas, and the consolidation of projects to export Tortolines plantain chips and other products to the United States and other markets.

Our export business of Coca-Cola brand beverages sweetened with cane sugar and sold in glass bottles, implemented in conjunction with The Coca-Cola Company in the United States, grew in volume and sales due to the launch of new products, such as Fanta in a variety of flavors and multipacks.

Topo Chico mineral water posted a double-digit increase in sales volume due to the introduction of multipacks in important store chains in southern Texas, among other initiatives, consolidating its position as the leading brand of imported mineral water in the supermarket channel in the South-Central Region of the United States.

TOPO CHICO MINERAL WATER
Consolidated its position as the leading imported mineral water in the grocery channel in the Central-South Region of the United States.

PRODUCTIVITY + CONTINUOUS IMPROVEMENT

Operational Excellence

In 2014, we moved forward in our journey to consolidate a culture of continuous improvement, product quality, employee safety and cutting-edge technology which underpinned the competitive position of Arca Continental in its industry and the countries in which participates.

Ps.159million

in savings from Continuous Improvement Projects

96.67

Product Quality Index

Consistent with the path of profitable growth the company has followed over the past decade, our strategic investments in modernizing production facilities, enhancing logistics and optimizing the use of state-of-the-art information technology have allowed to sustain our position as market leaders in productivity and efficiency.

A key role to accomplish this success has been our positive attitude of ongoing transformation without complacency, combined with a constant search for better ways to optimize production at lower costs and with the highest quality, always assuring wellbeing of our employees and safety of the communities nearby our facilities.

To face the complexity and scale in our business, in 2014 we took on the challenge of building a common process platform across all Arca Continental's operations.

Program Enlace, Beverage Process Transformation was launched enterprise-wide to adopt best market practices in our day-to-day operations by standardizing business processes and technology tools. As a result, we will be able to adapt to more competitive environment and become better positioned to meet the expectations of customers, consumers, shareholders and employees.

The first phase of Enlace will be implemented in Mexico Beverages business, and gradually rolled out to other business as we swiftly move to deploy end-to-end, streamlined processes through our operations. The initiative starts all the way from sourcing to supplier payment, supply chain, commercial strategy deployment dissemination, point-of-sale execution, and data management and information security.

Tangible benefits will include an optimized product portfolio; expedite ordering processes, improvement in trade promotions execution, purchasing volume consolidation and overall savings in equipment maintenance.

The Coca-Cola Company's Global Supply Chain Council Award

30 Working Centers

for Operational Excellence activated in 2014

The Operational Excellence Methodology, driven by The Coca-Cola Company at a global level, seeks to instill habits, behaviors and attitudes that promote teamwork, the correct identification of what adds value to operations and the generation of specific continuous improvement projects to enhance business performance.

BEVERAGES MEXICO

In addition to the optimization of the administrative processes in our main beverage operations resulting from program Enlace, we are moving forward with other continuous improvement initiatives. A more robust structure was recently implemented to align clear methodological guidelines and shared metrics, knowledge and best practices.

Our Participative Management Teams, consisting of employees from different production areas, are the backbone for disseminating the Operational Excellence methodology across 30 work centers in Mexico, Ecuador and Argentina, and in the initial stage at our corporate headquarters.

In 2014, improvement projects yielded significant savings of more than Ps. 159 million, as a result of multiple initiatives to replicate best practices across operations, training programs for more than 10,000 employees and the certification of more than 3,000, thus increasing the capability of our human capital, which is one of the most important assets of our company.

Arca Continental efforts in Operational Excellence were rewarded in 2015 by The Coca-Cola Company's Global Supply Chain Council as winners in the Transformation Category, among 275 entries across the world.

During the year, the Insurgentes Plant in Nuevo Leon, was recognized as a Benchmark Center of Operational Excellence, joining the Culiacan Plant, in Sinaloa, as the world's first two facilities to receive this certification.

Keeping with our goal of continuous development through safe, profitable and sustainable operations, in 2014, 100% of our production units received or maintained ISO 9001 Quality, FSSC 22000 Food Safety, ISO 14000 Environmental and OHSAS 18001 Occupational Safety certifications.

We also initiated the process of sharing our culture of excellence, innovation and continuous improvement with Bebidas Refrescantes de Nogales at our joint operation in Sonora. We are actively participating in the project to enhance production infrastructure and overall facilities. Project should be completed in the first half of 2015.

Furthermore, in 2014 we also implemented a new Industrial Safety Policy, as well as an Industrial and Commercial Incident Management System. These efforts played a key role to achieve 22% reduction in the Lost Time Incident Rate (LTIR), a great step forward towards our goal for 2020.

Our continuous improvement initiatives have also had a positive impact in the quality of our products. At the end 2014, we achieved a 96.67 score in our Product Quality Index at a consolidated level and a Packaging Quality Index of 90.

enlace

Transformación de Procesos–Bebidas

Enlace seeks to standardize metrics, processes and best practices, in order to significantly improve the operating performance of the entire organization.

SOUTH AMERICA BEVERAGES

The initiatives that have undertaken to expand modernize and deploy continuous improvement projects in our South American operations have significantly contributed to ramp up productivity, safety and sustainability of our facilities, and also have expanded our go-to-market and customer service operating capabilities.

In 2014, we launched the Operational Excellence methodology at two plants in Ecuador. We plan to achieve full program certification before the end of 2015.

In order to continue to streamline production processes, we completed the installation of in-line PET bottle blowing at the Formosa plant. This is expected to deliver significant benefits in efficiency, productivity and quality by reducing transportation costs and reducing overall production cycles.

In Ecuador, we laid the foundation stone for the construction of a new, modern beverage bottling plant in Machachi Province. We will invest in this facility approximately 80 million dollars and provide leading manufacturing, efficiency and sustainability technology.

We were honored by the presence of important Ecuadorian government officials in the opening ceremony, included the Minister of Production, Employment and Competitiveness, Richard Espinoza; the Foreign Trade Minister, Francisco Rivadeneira; and the Deputy Vice-Minister of Industry and Productivity, Pablo de la Torre.

Our efforts to drive productivity and efficiency at the Ecuadorian production plants were recognized by the United Nations Industrial Development Organization (UNIDO) with its "Global Chemical Leasing Award."

Our Tonicorp dairy business, which we run in partnership with The Coca-Cola Company, advanced steadily with the construction of the new La Aurora plant. This facility will also have the most advanced technology in the industry, ensuring the legendary quality, flavor and safety of our brands.

TONICORP

Advances with the construction of a new state of the art facility

NATIONAL TECHNOLOGY AND INNOVATION AWARD FOR THE MAZAPAN AZTECA RE-LAUNCHING

INALECSA
Started new plantains and corn production lines

COMPLEMENTARY BUSINESSES

We have made great progress in building a solid continent-wide snacks business, enhancing the positive exchange of best practices, products and commercial practices in order to consolidate a seamless operation across the three countries in which we operate.

In 2014, Bokados completed the expansion of the Santa Catarina plant in Mexico, adding 1,500 square meters to house new production lines and packing equipment. This allows us to increase the production of our Mix Snacks portfolio, and also increases the production capacity of the peanut-based mazapán candy, thus supporting the increasing demand of these products in the market.

During the year, Bokados plant received ISO 9000 Quality and ISO 22000 Food Safety certification.

At the beginning of 2015, Bokados won the National Technology and Innovation Award in the Marketing Innovation category, organized by the Secretary of the Economy for the Mexican Federal Government.

The award recognizes the innovative marketing strategies used in re-launching the traditional Mexican peanut candy, Mazapan Azteca, such as new packaging, presentations, and co-branding.

In the United States, we made progress with the startup of the new facility that was recently acquired in Fort Worth, Texas. This will enhance production capabilities of potato and tortilla chips as well as other corn-based products, expanding distribution of Wise, Bokados and Inalecsa portfolio in the Southeast region of the United States.

In 2014, the Wise plant in Berwick, Pennsylvania, was certified by the Global Food Safety Initiative, reflecting our commitment to product quality, hygiene and safety. This recognition assures that food products are handled properly across the entire value chain. This required the implementation of leading-edge technology to enhance the quality and productivity in the packaging area, thereby improving customer service.

Our Atlanta-based Research and Development Center will play an important role to drive innovation via new formulas, flavors and packaging material, thereby strengthening competitiveness in the international marketplace.

During 2014, Inalecsa continued to optimize its processes and standardize best practices. New production lines for plantain and corn snacks were added in order to meet the pent up demand for these products in Ecuadorian and export markets.

We also initiated an organizational realignment to focus on deploying the corporate Operational Excellence methodology and supported by implementation of additional SAP capabilities system to optimize data management and handling.

GROWTH

+PROFITABILITY

Focused on Value-creation

Committed to a vision of leadership and profitable growth, in 2014 we consolidated our business model as a platform to generate new avenues of value creation for our shareholders, employees and the community. This was made possible by constant innovation in operating and commercial practices, our financial flexibility to capitalize on expansion opportunities, and an optimized management of the company's assets.

+16.6% *Tonicorp sales since its integration into Arca Continental*

+14.3% *Shares yield in 2014*

+11% *Sales of Direct-To-Home Model*

43,000 New costumers

of Direct-To-Home Model (DTH)

At the beginning of 2014, anticipating the impact on sales volumes of a new tax environment and weakened consumption in our markets, we deployed specific cost savings initiatives of above Ps. 500 million in the areas of raw materials, production efficiencies, logistics optimization and bottle lightening. These initiatives supported our profitability without affecting our investment plans.

The precise execution of this savings plan gave us the financial and administrative flexibility to continue investing in the marketplace, developing our operating capacity and profitable growth opportunities. At the end of 2014, our net income reached Ps. 6,765 million, up 8.4%.

An example of our commitment to value generation, in 2014 we consolidated the acquisition of a majority stake in Tonicorp, Ecuador's leading company in high value added dairy products, confirming our entry into a segment which has significant growth potential in the region.

The transaction was conducted in a 50/50 partnership with The Coca-Cola Company, a reflection of our mutual trust and collaboration as partners in the construction of a broader platform for leveraging strategic expansion opportunities.

The integration of this business since April 2014 has advanced swiftly. We are incorporating best commercial and operational practices into the business, standardizing metrics and developing operating routines that perfect the execution of each link in the value chain.

In the nine months we have been operating Tonicorp, we installed close to 3,000 new coolers for products in the dairy segment, increasing the existing coverage by nearly 80%, and also installed 6,350 ice-cream freezers.

Since the incorporation of Tonicorp, sales rose 6.3%, while EBITDA grew 16.6%.

About Santa Clara, our dairy business in Mexico, in partnership with Coca-Cola and other bottlers, we successfully began distributing ultra-pasteurized milk (UHT) across all the territories we serve.

Innovation in service models has allowed to consistently expanding our customer base, as we provide more flexible alternatives to meet their needs.

Specifically, our Direct-To-Home (DTH) model has proven to be a great catalyst for incremental volume, supporting new product launches and driving repurchasing of our brands in other channels, such as traditional and modern segments, generating closer brand-consumer ties.

Santa Clara

Distributes UHT milk in all the territories we serve.

8,400

Clients supported by Siglo XXI program during 2014

SIGLO XXI

Coca-Cola

+30mil

Vending Machines in our territories

In 2014, DTH serves 43 thousand additional customers, via delivery of our full portfolio of beverages, including water and still beverages directly to their homes. This has been a key factor in the successful deployment of Coca-Cola Life and Santa Clara. DTH posted an 11% year-over-year increase in volume and 9% in sales.

Our Vending Machine business allows to have a closer interaction with consumers. With over 30,000 beverage and snacks vending machines in our territories, this channel has become one of the most important individual customers for our products. In 2014, vending machines related sales rose 3%.

We are installing state-of the-art telemetry capabilities to optimize service provided by these units. This technology increases the profitability of each point-of-sale and minimizes downtime by having on-line remote communication with our central teams.

In addition to our on-going efforts to refine our service models and distribution models, in 2014 we continued to drive their competitiveness through programs such as Siglo XXI. This shared-value initiative supports over 8,400 customers in the traditional channel, joint investments in coolers, store design, paint and training.

Another shared-value initiative was the pilot project of Community Retail Centers in San Luis Potosi and Zacatecas, supporting micro-entrepreneurs and retailers to create urban centers with a range of services, thereby increasing store traffic and sales in a safe, pleasant urban environment. This program also involved introducing information technology at the point-of-sale and customized service models.

The accomplishments and good performance already mentioned were obtained in spite a complex market environment and were recognized by diverse international credit rating agencies. Fitch Ratings confirmed the highest credit rating for Mexican companies, "AAA(mex)", for its sound financial profile the strong cash generation and low leverage levels.

Similarly, Standard & Poor's rated Arca Continental's issues as "mxAAA", the credit rating agency's highest rating for Mexican companies, based on our solid operating and financial performance.

Arca Continental shares once more displayed its defensive nature in the context of high volatility in capital markets. The company shares closed 2014 with a positive yield of 14.3%, while the Mexican Stock Market Index (IPC) rose +1%.

Arca Continental was the best performing listed company in the Beverage and Retail Sector in Mexico in 2014.


UNIDOS
HACEMOS
EL CAMBIO

DEVELOPMENT +SUSTAINABILITY

Social Responsibility

We have integrated sustainability and social responsibility into our business strategy and organizational culture as part of a management system that starts at the top levels of our e company. As a result, in 2014 we made significant progress in the most important indicators of our commitment to the comprehensive wellbeing of consumers, customers and employees, the communities we serve and the environment.

4.4million
people physically activated

20% *reduction in water consumption over the past five years*

During the year, we strengthen the operations of the Sustainability Executive Committee in order to assure the strategic alignment of our multiple sustainability initiatives and programs implemented across our operations and business units. The committee consists of a general coordinator and a functional team for each pillar of our Sustainability and Social Responsibility Model.

Chaired by the company's CEO and diverse members of our senior leadership team, working in close coordination with the Board of Directors' Human Capital and Sustainability Committee to give our projects the relevance, support and long-term vision required by such transformational initiatives.

Our sustainability and social responsibility management is based on close communication with our stakeholders through surveys, focus groups and structured interviews. The information collected and concrete findings are captured in a model founded on three strategic pillars of wellbeing: individual, social and environmental.

In 2014, we focused particularly on the individual wellbeing pillar by supporting programs and initiatives that promote health, sports, physical activation and energy balance among our employees, consumers and society in general.

We strongly believe that the health of the communities we serve is a challenge that requires comprehensive solutions to change behavior. As a result, in 2014 we promoted the physical activation of over 4.4 million people, through the organization of, or support for, 2,400 sports events across the territories in which we operate.

Among these events, we can mention the Monterrey Powerade Marathon and Mini-Marathon, which, in 2015, brought together 5,500 runners from all over Mexico, breaking record of participants for nine years in a row. The race is now firmly established as one the most important sporting events of its kind in the country.

We also participated in the organization of the Coca-Cola Cup, Mexico's largest inter-school soccer tournament for junior high school students. Since it began, this nationwide event has activated 1.4 million young people in all 32 of the country's states, and has become a major pool of talent for professional soccer. We have replicated the initiative in other countries in which we have operations, such as Argentina and Ecuador.

Another initiative we directly support to promote sports among children is Schools in Movement, which to date has provided sports infrastructure for more than 110 state schools in Nuevo León, Coahuila, Chihuahua, Jalisco and Sinaloa, reaching over 90 thousand students.

Promoting active, healthy lifestyles among the members of our society is a responsibility we successfully share with public and civil organizations. For example, in the Framework Agreement for Partnering for an Active Nuevo León, the company and the Institute for Sports and Physical Culture of the Nuevo León State Government formally agreed to work together to support sports.

As well as contributing to state-run sports events, such as the State and National Olympics, and offering incentives to high-performing child and youth athletes, in 2014 we organized the Coca-Cola Movement for an Active Nuevo León in partnership with sport institute. During its initial phase, this program used music, fun and recreation to activate more than 20,000 citizens in Monterrey's public spaces.

Our relationship with the communities in which we operate is close and proactive. As corporate citizens, we are always ready and willing to collaborate with the development of our neighbors and local communities.

During our Annual Volunteer Day, over 7,000 employees, their families and neighbors gave more than 33 thousand man-hours to diverse support and conservation activities, planting

The Mexican President, Enrique Peña Nieto, in the opening ceremony of the expansion of PetStar, the largest food-grade PET recycling plant in the world.

COCA-COLA MOVEMENT FOR AN ACTIVE NUEVO LEÓN

In 2014, as a result of a partnership agreement between Arca Continental and the Nuevo León State Institute for Sports and Physical Culture (INDE), we used music, fun and recreation to activate more than 20,000 people in the city of Monterrey's public spaces.

We also made progress with the institutionalization of social responsibility actions across our operations. Among the activities that were included in this initiative were Sustainability Day, Christmas with Meaning and the Volar Volunteer Program.

approximately 7,000 trees, cleaning 15 kilometers of riverbanks and beaches, removing 12 tons of garbage, and restoring 14 schools and 28 public spaces in over 20 cities in our territories in Mexico, Ecuador and Argentina.

In 2014, six of our companies in Mexico and Ecuador were certified as "Great Places to Work" by the Great Place To Work Institute, reflecting our intense efforts to continuously train and evaluate our employees and offer them equal opportunities. During the year, we invested 720,000 man-hours in training and evaluated 100% of our mid-level employees, managers and directors.

In our environmental efforts, which are crucial for our operations, the rational use of water is of particular importance. Therefore, throughout our production processes and in line with the goal of the Coca-Cola Company's global 2020 Vision, during the year we continued to enhance our water consumption efficiency. We have reduced the use of this important resource by 20% over the past five years.

We also continued to work on our Water Source Protection Plans, updating the initiative across our production centers. This enabled us to determine in detail and scientifically the status of water resources in specific regions in order to establish conservation and improvement actions to be implemented together with local communities and the authorities.

Furthermore, in order to reinforce water recharge in Mexico, we continued to support the National Reforestation and Water Harvesting Program, in partnership with the Coca-Cola Foundation and Pronatura. Through this initiative, over the past six years 21 million trees have been planted in 42,000 acres across the territories in which we operate.

In Mexico and Ecuador, we are the founding members of initiatives called Water Funds, which combine the efforts of diverse sectors to undertake conservation and protection actions for specific watersheds in these countries, with extremely promising results.

In the first quarter of 2015, we have been able to confirm through independent studies that this, as well as other initiatives, has allowed us to reach our Vision 2020 objective of returning 100% of the water used in our processes back to nature.

One of the ways we contribute our efforts to mitigate the effects of Global Warming is our use renewable energy. At the end of 2014, 20% of our energy consumption came from these sources through biomass generation. We are now pursuing wind energy, this will allow us to reach our goal of sourcing 40% of our energy use through renewable energy sources.

Dialogue with stakeholders have been a priority for the company for more than four years. A result of these communications is that we can design strategies that allow us to meet the expectations of these groups, while also generating value for everyone that is involved. During 2014 we conducted the most comprehensive analysis to date regarding the impact our operations have on the environment and the expectations of our interest groups. We interviewed more than 1,100 people in Mexico, Argentina and Ecuador and were able to obtain information to determine the content of our reports and reaffirm the priorities of this strategy.

SOCIAL RESPONSIBILITY AND SUSTAINABILITY REPORT

Further details of these and Arca Continental's many other community and environmental actions can be found in the 2014 Social Responsibility and Sustainability Report, which acts as a vehicle to foment an open dialogue with our stakeholders and can be found on our corporate website, ***www.arcacontal.com.***

BOARD OF DIRECTORS

MANUEL L. BARRAGÁN MORALES (64) 1
Chairman of the Board of Directors of Arca Continental. Mr. Barragán Morales had been Chairman of the Board of Directors of Embotelladoras Arca since 2005 and member of the Boards of Directors since 2001. He is Chairman of the Board of Directors of Grupo Index. He has also been a member of the Boards of Directors of Grupo Procor, Banco Regional del Norte and Papas y Fritos Monterrey and an executive at a financial institution for 15 years.

GUILLERMO ALVELÁIS DESTARAC (34) 3, P
Member of the Board of Directors of Arca Continental since 2009. Member of the Board of Directors of Sistemas Axis S.A. de C.V. since 2005, also Board Member of Instituto Tecnológico y de Estudios Superiores de Monterrey Campus Cd. Juárez and Advisory Board Member of US Mexico Foundation.

LUIS ARIZPE JIMÉNEZ (53) 1, P
Vice President of the Board of Directors of Arca Continental since 2011. Mr. Arizpe Jiménez had been Vice President of the Board of Directors of Embotelladoras Arca since 2008. He is also Chairman of the Board of Directors of Saltillo Kapital and Hotel Camino Real Saltillo. Member of the Board of Directors of Grupo Industrial Saltillo and of Grupo Financiero Banorte North Zone. Chairman of the Mexican Red Cross in Saltillo, Member of the Board of Directors of Monterrey Tec, Campus Saltillo and Chairman of the Civic Board and Coahuila Institutions. Also is President of the Offering Committee of the Saltillo Diocese and Vice President of COPARMEX, Southeast Coahuila.

EDUARDO R. ARROCHA GÍO (72) 2
Member of the Board of Directors of Arca Continental since 2011. Mr. Arrocha Gio is also Professor in the Law Schools of Universidad Nacional Autonoma de Mexico, Universidad Anahuac and Universidad Iberoamericana. He was General Counsel for Laboratorio Syntex for seven years and Legal Vice President for Latin America in 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. Actually, Mr. Arrocha is Counsel of the Law Firm Littler, De la Vega y Conde at Mexico City.

JUAN M. BARRAGÁN TREVIÑO (53) 1, C
Member of the Board of Directors of Arca Continental since 2011. Previously member of the Board of Directors of Embotelladoras Arca since 2009. BS degree in Mechanical Engineering with a Master in Business Administration from Monterrey Tec. He was member of the Boards of Directors of Transportes Especializados Regiomontanos, Papas y Fritos Monterrey, Grupo Procor and Grupo Index.

LUIS LAURO GONZÁLEZ BARRAGÁN (61) 1, P
Member of the Board of Directors of Arca Continental and Embotelladoras Arca since 2001. Mr. González Barragán is Chairman of the Board of Directors of Grupo Logistico Intermodal Portuario, a member of the Boards of Directors of Grupo Index, Berel and CABAL, and a member of the Board of Trustees of Universidad de Monterrey. He was Director of Procor.

ALEJANDRO M. ELIZONDO BARRAGÁN (61) 1, P
Member of the Board of Directors of Arca Continental and Embotelladoras Arca since 2004. Mr. Elizondo Barragán is Senior Vice President of Development of Alfa. He has occupied diverse positions in Alfa's corporate area and steel and petrochemical divisions for more than 39 years. He is a member of the Boards of Directors of Banregio Grupo Financiero, Nemak, Indelpro, Polioles and Alestra.

CARLOS ENRÍQUEZ TERRAZAS (66) 3, C
Member of the Board of Directors of Arca Continental since 2011. Mr. Enríquez Terrazas is a founding partner of Enríquez, González, Aguirre y Ochoa, a law firm affiliated with Baker Hostetler, and has been practicing law for more than 35 years, responsible for the area of mergers and acquisitions.

TOMAS A. FERNÁNDEZ GARCÍA (43) 3, P
Vice Chairman of the Board of Directors of Arca Continental and Embotelladoras Arca since 2007 and Director since 2005. Mr. Fernández García is CEO of Grupo Mercantil de Chihuahua, S.A. de C.V., SOFOM ENR.

ULRICH GUILLERMO FIEHN RICE (43) 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 the Corporate Finance at Cemex and was a risk analyst at Vector Casa de Bolsa.

ALEJANDRO JOSÉ ARIZPE NARRO (60) 3, P
Member of the Board of Directors of Embotelladoras Arca, from 2008 to 2010. Biochemical Engineer degree from ITESM. CEO of Productos Alimenticios YUL through 2008 and currently CEO of Desarrollos Zendo and Elementoceroediciones. Member of the COCEEPA (Consejo Ciudadano Estatal para el Equilibrio Ecológico y la Protección al Ambiente de Coahuila), and also Board member of CONALEP and PRONATURA.

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.

ALBERTO SÁNCHEZ PALAZUELOS, (75) 3
Member of the Board of Directors of Arca Continental since 2011. He was President of Negromex, Grupo Novum and Troy Grupo Industrial and also was Board member of BBVA Bancomer, Grupo Martí, Probursa, Cityexpress Hotels, and other several companies. Currently, he is Chairman of ASP y Asociados, S.C. and Board member in the Advisory Board of Purdue University and of Instituto de Empresas de Madrid.

ERNESTO LÓPEZ DE NIGRIS (54) 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 Board of Directors and CEO of Grupo Industrial Saltillo, also is Vice President of Operations of Grupo Industrial Saltillo. Member of the Advisory Board of Telmex.

FELIPE CORTÉS FONT (72) 2, A
Member of the Board of Directors of Arca Continental since 2013. Founding Partner of Auric. Mr. Cortes worked for over 28 years in Grupo Alfa as part of the team for the strategic and financial restructure of the Group, leading the Planning and Controllership departments, also led the Petrochemical sector and later became CEO of Hylsamex. He is Board member of Grupo Financiero Afirme and Ternium Mexico. He was Director of American Iron and Steel Institute, also was President of Canacero, Centro de Productividad of Nuevo Leon and Instituto Latinoamericano del Hierro y del Acero. Mr Cortes holds a BS degree from MIT and studies in Columbia University and University of Chicago.

JORGE HUMBERTO SANTOS REYNA (40) 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 and Board Member of Banregio Grupo Financiero. He is Vice President of Asociacion de Engordadores de Ganado Bovino del Noreste and Confederacion USEM. He is a member of the Boards of Directors of the Mexican Red Cross in Monterrey. He was a member of the Boards of Directors of Procor, CAINTRA Nuevo León and Papas y Fritos Monterrey and also was Chairman of the Board of USEM Monterrey.

ARMANDO SOLBES SIMÓN (59) 2, A
Member of the Board of Directors of Arca Continental since 2011. Mr. Solbes Simón was a member of the Board of Directors of Grupo Continental, Director of the Tampico Office of Banco Base and an Associate Member of the Boards of Trustees of the Bene Hospital of the Centro Español in Tampico, of Universidad I.E.S.T. Anáhuac and Member of the Advisory Regional Board of Tecnológico de Monterrey Campus Tampico (ESTAC). He was Chairman of the Board of Directors and CEO of Central de Divisas Casa de Cambio for 23 years. Served in several positions in the corporate finance area of Grupo Cydsa for eight years and in the Auditing Department of Gossler, Navarro, Ceniceros y Cía. for three years.

MIGUEL ÁNGEL RÁBAGO VITE (59) 3, P Y C
Vice Chairman of the Board of Directors of Arca Continental since 2011. Mr. Rábago 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 Autonoma de Tamaulipas.

JESUS VIEJO GONZALEZ (40) 3, P
Member of the Board of Directors of Arca Continental and Embotelladoras Arca since 2007. Mr. Viejo González is Executive President of Grupo CONVEX . He is also a Member of the Boards of Directors of several institutions, including CAINTRA, UDEM, Filantrofilia, Pronatura Noreste and Club Harvard de Monterrey. 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 the Monterrey Tech, a Master's in Public Policy from Harvard and a PhD in Economics from Boston University.

ROBERTO GARZA VELÁZQUEZ (58) 3, P
Member of the Board of Directors of Arca Continental and Embotelladoras Arca since 2010. CEO of Industria Carrocera San Roberto, S.A. de C.V. and also Board Member of Grupo Index, Afirme Grupo Financiero and AMANEC, A.C.

JAIME SÁNCHEZ FERNÁNDEZ (44)
Executive Legal Director of Arca Continental and Secretary of the board of Directors since 2009.

LEGENDS
1. Patrimonial
2.Independent
3. Related

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

SENIOR MANAGEMENT

FRANCISCO GARZA EGLOFF (60)
CEO of Arca Continental
Previously, since 2003, he was the CEO of Embotelladoras Arca. He is a member of the Administrative Board for Grupo Industrial Saltillo, Grupo Alen, Banco Banregio, and Banco Holandés Rabobank, as well as División de Ingeniería y Arquitectura del Tecnológico de Monterrey. He was the CEO of Sigma Alimentos, Akra, Petrocel-Temex, and Polioles, in the petrochemical division of Alfa, where he developed 26 year career. He is the Chemical Engineer Administrator from the Tecnologico de Monterrey and studied Alta Direccio at IPADE.

GUILLERMO APONTE GONZÁLEZ (48)
CEO of Arca Continental Sudamérica
With a history of over 25 years at the Coca-Cola Company in Asia and Latin America, Guillermo Aponte previously served as President and CEO of the Coca-Cola Company in the Philippines and CEO in Colobia. He is the Engineer for Computer Systems at the Universided de Los Andes, with a concentration in Marketing from the same university, and he is a graudate of Executive Development Program at Wharton Business School, Univeristy of Pennsylvania.

ALEJANDRO GONZÁLEZ QUIROGA (53)
Executive Director Bebidas México
He has worked in various positions in Arca Continental for over 27 years. Previously he served as Director of Arca Continental Sudamérica and Director of Arca Continental Argentina. He graduated from the Universided Regiomontana with a degree in Business Administration and studied Alta Dirección at Tecnológico de Monterrey and the IPADE.

MANUEL GUTIÉRREZ ESPINOZA (62)
Executive Director of Planning
He worked for over 30 years at Alfa e Hylsa in Planning, Acquisitions, Divestitures, Project Growth, Control, Computers, and Supplies. He is a Mechanical Engineer Administrator at the Tecnologico de Monterrey and has his Masters in Business Administration from the Massachusetts Institute of Technoogy (MIT).

ARTURO GUTIÉRREZ HERNÁNDEZ (49)
Executive Director of Operations
Previously he was the Director of Operations in Mexico, and he servered as Secretary on the Board of Directors, Director of the Mexico Beverage Division, Director of Human Resources, Director of Planning and General Counsel. He recieved his Law Degree from the Free School of Law and has a Masters in Law from Harvard University.

EMILIO MARCOS CHARUR (50)
Executive Director of Administration and Finance
Previously he was the Director of Operations at Bebidas Mexico and Director of the Supplementary Business Division of Embotelladora Arca, additionally, he topped off the areas of Treasury and Procurement and held various Administrative and Finance positions. He is an Industrial and Systems Engineer at the Tecnológico de Monterrey and holds a masters in Administration from the University of Illinois.

ALEJANDRO MOLINA SÁNCHEZ (47)
Executive Technical and Supply Chain Director
President of the Global Supply Chain Council of Bottlers. Previously, he worked for more than 15 years at Coca-Cola of Mexico in Quality, Environmental Sustainability, and Supply Chain. He is a Chemical Engineer from the Universidad La Salle y has a Supply Chain degree from the Instituto Tecnológico Autónomo de México (ITAM).

BALDOMERO PONCE CRUZ (60)
Executive Director of Human Capital
Previously he was the Deputy Chief Executive Officer and a member of the Board of Directors for Grupo Continental, where he worked in various positions for more than 33 years. He is a Mechanical Engineer from the Instituto Tecnologico de Ciudad Madero.

ALEJANDRO RODRÍGUEZ SÁENZ (51)
Executive Director of Complementary Businesses
Previously at Embotelladoras Arca he served as the Director of Bokados and the General Manager at Topo Chico. He also held management positions at Orión y Akra. He is a Chemical and Systems Engineer, holds a Masters in Administration from Tecnológico de Monterrey, and has studied Alta Dirección at IPADE.

JAIME SÁNCHEZ FERNÁNDEZ (44)
Executive Legal Director
Previously he was the Legal Director, Secretary of the Board of Directors, and Corporate Legal Manager for Embotelladoras Arca. He worked in Alfa for 8 years as a corporate lawyer and also practiced independently. He recieved his law degree from the University of Monterrey and has a Masters in Law from the University of Michigan.

JEAN CLAUDE TISSOT (44)
Executive Director of Marketinga
He previously worked in managerial positions at the Coca-Cola Company for over 15 years, and prior to that he worked at Warner Lambert for five years. He has a PHD in Business Administration from the Universidad ICESI, as well as a masters in both Marketing and Finance that he recieved from the College of Superior Management Studies in Columbia.

CONSOLIDATED FINANCIAL STATEMENTS

ARCA CONTINENTAL, S. A. B. DE C. V. AND SUBSIDIARIES
AT DECEMBER 31, 2014 AND 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

SALES

Consolidated net sales reached Ps. 61,957 million in 2014, an increase of 2.6% (7.1% on a currency-neutral basis) when compared to 2013. This result reflects our precise execution in the marketplace, an adequate price-pack architecture motivated by our revenue growth management strategic imperatives driven by our occasion-based, brand, package, price and channel strategy to face the challenges in the Mexican beverage industry.

During the year, the sparkling beverage segment declined 2.7% while still beverages increased 2.6%. Single-serve water posted a positive performance with 3.3% growth. Total volume decreased 1.5%, including jug water, a better result than expected at the beginning of the year due to the new excise tax on sweetened beverages. In North America, volume excluding jug water reached 862.8 MUC, down 2.7% when compared to 2013, mainly affected by the weak consumption and the impact of the special tax on sweetened beverages in Mexico. In South America (Argentina and Ecuador), volume remained practically flat at 290.1 MUC, up 0.2%, when compared to 2013. In Argentina, within an environment of high inflation, we implemented segmented price adjustment, portfolio expansion and strengthening of returnable packages to offer affordable options to consumers while maintaining our market share. In Ecuador, we continue expanding our cooler coverage to drive growth in single-serve formats while adjusting our portfolio to offer options that meet the needs of consumers.

Our snacks business delivered an excellent performance during 2014 with growth in sales and profitability levels. We capitalized the integration of Bokados, Wise and Inalecsa with significant progress in sales, coverage and the cross fertilization of products between Mexico, the U.S. and Ecuador.

COST OF SALES

Cost of sales increased 0.7% in 2014, -2.8% excluding Toni, due to better prices of sweeteners and efficiencies achieved during the year. Gross profit rose Ps. 30,388 million, 4.7% higher, for a margin of 49%, 90 basis points above last year.

OPERATING EXPENSES

Selling and administrative expenses rose 4.4%, 1.9% excluding Toni, from Ps. 18,987 million to Ps. 19,824 million in 2014; reflecting the strict control of expenses in the year as well as the efficiencies achieved and implementation of best practices in our business processes. In North America, operating expenses grew 2% versus 2013, representing 31.8% of sales, while in South America, expenses represented 32.6% of sales, up 11.9%.

OPERATING INCOME AND EBITDA

Consolidated operating income grew 8.9% compared to 2013, to Ps. 10,773.7 million in 2014, for a margin of 17.4%, an expansion of 100 basis points. Consolidated operating cash flow increased 6.2%, from Ps. 12,844.5 million in 2013 to Ps. 13,644.1 million in 2014, growing the margin by 70 basis points to 22%, one of the highest in the Coca-Cola system. EBITDA for North America increased 5.8%, with a margin of 23.7%. In South America, this line rose 7.9% with a margin of 17.1%.

COMPREHENSIVE FINANCING COST

The comprehensive financing cost of 2014 was Ps. 974 million, largely because of financial expenses related to the Mexico notes program.

INCOME TAX PROVISION

Income taxes increased to Ps. 3,089 million in 2014. The effective rate for the income tax provision in 2014 was 31.3%.

MAJORITY NET INCOME

Net income in 2014 totaled Ps. 6,505.1 million, or Ps. 4.04 per share, 8.9% above the Ps. 5,972.7 million registered in 2013. The net margin was 10.5%, up 60 basis points year-over-year.

CASH POSITION AND CASH FLOW

As of December 31, 2014, the cash position was Ps. 9,039 million and the debt Ps. 15,777 million, resulting in a net debt of Ps. 6,738 million. Net debt/EBITDA ratio was 0.5x.

CAPITAL EXPENDITURES

During 2014 capital expenditures amounted to Ps. 4,032 million, largely for the acquisition of coolers, returnable bottles, infrastructure as well as projects to achieve operating efficiencies.

CONSOLIDATED BALANCE SHEETS

FOR THE YEARS ENDED AT DECEMBER 31
MILLIONS OF MEXICAN PESOS

	DECEMBER 31				
	2014	2013	2012	2011	2010
ASSETS					
CURRENT ASSETS:					
CASH AND CASH EQUIVALENTS	**9,039**	2,566	2,676	3,298	3,628
CLIENTS AND OTHER ACCOUNTS RECEIVABLE, INCLUDES RELATED PARTIES	**4,312**	3,176	3,429	2,791	1,761
INVENTORIES AND ADVANCE PAYMENTS	**3,102**	2,498	2,528	2,206	2,275
TOTAL CURRENT ASSETS	**16,453**	8,240	8,633	8,296	7,665
INVESTMENT IN SHARES OF ASSOCIATES	**3,926**	3,801	3,264	2,429	696
PROPERTY, PLANT AND EQUIPMENT, NET	**25,321**	24,171	22,735	22,070	12,315
GOODWILL AND INTANGIBLE ASSETS, NET	**33,645**	29,414	29,932	26,608	8,033
DEFERRED INCOME TAXES	**1,022**	723	1,026	909	0
EMPLOYEE BENEFITS	**0**	0	0	0	21
OTHER ASSETS	**0**	0	0	0	5,861
TOTAL ASSETS	**80,367**	66,349	65,591	60,311	34,592
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
SUPPLIERS, INCLUDES RELATED PARTIES	**2,952**	2,709	2,938	2,555	1,413
DERIVATIVE INSTRUMENTS	**0**	36	0	3	1
CURRENT PORTION OF LONG-TERM DEBT	**1,699**	2,376	710	1,368	531
OTHER ACCOUNTS PAYABLE AND TAXES	**5,937**	2,927	4,026	2,427	1,861
TOTAL CURRENT LIABILITIES	**10,588**	8,049	7,675	6,353	3,806
CURRENT DEBT	**14,078**	11,701	10,732	10,177	7,787
DERIVATIVE INSTRUMENTS	**0**	0	50	62	57
EMPLOYEE BENEFITS	**1,225**	717	1,180	1,058	0
OTHER DEFERRED LIABILITIES	**108**	108	93	119	343
DEFERRED INCOME TAX, INCLUDES DECONSOLIDATION INCOME TAX	**4,984**	4,590	4,758	3,596	2,929
TOTAL LIABILITIES	**30,983**	25,165	24,488	21,365	14,922
STOCKHOLDERS' EQUITY:					
CAPITAL STOCK	**972**	972	972	972	4,698
SHARE PREMIUM	**28,121**	28,095	28,104	28,091	729
RETAINED EARNINGS	**18,507**	11,694	10,934	8,056	12,280
OTHER RESERVES	**-1,536**	-2,408	-1,404	-631	-382
TOTAL STOCKHOLDERS' EQUITY (CONTROLLING INTEREST)	**46,064**	38,352	38,606	36,487	17,324
NON-CONTROLLING INTEREST	**3,320**	2,831	2,497	2,459	2,346
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**80,367**	66,349	65,591	60,311	34,592

Ing. Francisco Garza Egloff
Chief Executive Officer

Ing. Emilio Marcos Charur
Chief Financial and Administrative Officer

CONSOLIDATED STATEMENTS OF INCOME

FOR DECEMBER 31
MILLIONS OF MEXICAN PESOS

	DECEMBER 31				
	2014 (1)	2013 (1)	2012 (1)	2011 (1)	2010
SALES VOLUME EXCLUDING JUG (MUC)	1,152.9	1,175.8	1,180.9	998.7	644.1
NET SALES	**61,957**	60,359	56,269	43,950	27,060
COST OF SALES	**-31,569**	-31,344	-30,234	-24,162	-14,659
GROSS INCOME	**30,388**	29,016	26,035	19,788	12,401
SELLING EXPENSES	**-16,193**	-15,371	-13,775	-10,847	-6,708
ADMINISTRATIVE EXPENSES	**-3,631**	-3,617	-3,591	-2,760	-1,467
OTHER (EXPENSE) INCOME, NET (3)	**426**	289	252	-23	-331
NON-RECURRING EXPENSES (2)	**-216**	-426	-435	-356	-7
OPERATING INCOME	**10,774**	9,891	8,484	5,802	3,889
COMPREHENSIVE FINANCING RESULT (COST):					
INTEREST (EXPENSE) INCOME, NET	**-943**	-928	-852	-581	-309
EXCHANGE (LOSS) GAIN, NET	**-31**	-43	-28	0	102
	-974	-971	-881	-581	-207
EQUITY IN INCOME (LOSS) OF ASSOCIATED COMPANIES	**54**	98	115	96	13
INCOME BEFORE TAXES	**9,854**	9,017	7,718	5,317	3,695
INCOME TAX	**-3,089**	-2,775	-2,442	-802	-1,021
CONSOLIDATED NET INCOME	**6,765**	6,243	5,276	4,515	2,675
NON-CONTROLLING INTEREST	**-260**	-270	-231	-152	-43
CONTROLLING INTEREST	**6,505**	5,973	5,045	4,362	2,632
WEIGHTED AVERAGE OF OUTSTANDING SHARES (THOUSANDS OF SHARES)	**1,611,264**	1,611,264	1,611,264	1,611,264	806,020
DEPRECIATION AND AMORTIZATION	**2,655**	2,528	2,403	2,023	1,216
EBITDA (EXCLUDES NON-RECURRING EXPENSES)	**13,644**	12,845	11,322	8,181	5,112
	22.0%	21.3%	20.1%	18.6%	18.9%
CAPEX	**4,032**	3,826	3,408	4,068	1,350

(1) FIGURES PRESENTED PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")
(2) NON RECURRING EXPENSES
(3) THE EQUITY INCOME IN STRATEGIC ASSOCIATED COMPANIES IS INCLUDED IN THIS ITEM

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

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

Monterrey, N. L., February 26, 2015

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, 2014, 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, 2014, 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, 2014 AND 2013
(THOUSANDS OF MEXICAN PESOS - PS)

		DECEMBER 31	
	NOTE	2014	2013
ASSETS			
CURRENT:			
CASH AND CASH EQUIVALENTS	7	**PS 9,039,309**	PS 2,565,653
CLIENTS AND OTHER ACCOUNTS RECEIVABLE, NET	8	**4,271,207**	3,176,450
RELATED PARTIES	28	**40,612**	-
INVENTORIES	9	**2,832,499**	2,317,313
ADVANCE PAYMENTS		**269,014**	180,370
TOTAL CURRENT ASSETS		**16,452,641**	8,239,786
NON-CURRENT:			
INVESTMENT IN SHARES OF ASSOCIATES	10	**3,925,662**	3,801,469
PROPERTY, PLANT AND EQUIPMENT, NET	11	**25,321,345**	24,170,930
GOODWILL AND INTANGIBLE ASSETS, NET	12	**33,645,361**	29,413,716
DEFERRED INCOME TAX	17	**1,022,376**	723,302
TOTAL NON-CURRENT ASSETS		**63,914,744**	58,109,417
TOTAL ASSETS		**PS 80,367,385**	PS 66,349,203
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
CURRENT:			
CURRENT DEBT	13	**PS 1,698,672**	PS 2,376,362
SUPPLIERS	14	**2,497,338**	2,581,374
RELATED PARTIES	28	**455,097**	128,057
DERIVATIVE FINANCIAL INSTRUMENTS	20	**-**	36,432
INCOME TAX PAYABLE	25	**1,799,137**	293,593
CURRENT DEFERRED INCOME TAX FOR DECONSOLIDATION	25	**51,887**	98,111
OTHER CURRENT LIABILITIES	15	**4,085,737**	2,535,275
TOTAL CURRENT LIABILITIES		**10,587,868**	8,049,204
NON-CURRENT:			
NON-CURRENT DEBT	13	**14,077,954**	11,701,140
DERIVATIVE FINANCIAL INSTRUMENTS	20	**-**	-
EMPLOYEE BENEFITS	16	**1,224,703**	717,199
DEFERRED INCOME TAX	17	**4,880,355**	4,434,595
NON-CURRENT DEFERRED INCOME TAX FOR DECONSOLIDATION	25	**103,773**	155,660
OTHER NON-CURRENT LIABILITIES	15	**108,388**	107,635
TOTAL NON-CURRENT LIABILITIES		**20,395,173**	17,116,229
TOTAL LIABILITIES		**30,983,041**	25,165,433
STOCKHOLDERS' EQUITY			
CONTROLLING INTEREST:			
CAPITAL STOCK	18	**971,558**	971,558
SHARE PREMIUM		**28,120,700**	28,094,581
RETAINED EARNINGS		**18,507,756**	11,694,207
OTHER RESERVES	19	**(1,535,750)**	(2,407,888)
TOTAL CONTROLLING INTEREST		**46,064,264**	38,352,458
NON-CONTROLLING INTEREST		**3,320,080**	2,831,312
TOTAL STOCKHOLDERS' EQUITY		**49,384,344**	41,183,770
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**PS 80,367,385**	PS 66,349,203

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, 2014 AND 2013
(THOUSANDS OF MEXICAN PESOS - PS)

	NOTE	2014	2013
NET SALES	6	**PS 61,957,271**	PS 60,359,156
COST OF SALES	21	**(31,568,967)**	(31,343,512)
GROSS PROFIT		**30,388,304**	29,015,644
SELLING EXPENSES	21	**(16,193,248)**	(15,370,637)
ADMINISTRATIVE EXPENSES	21	**(3,630,577)**	(3,617,181)
SHARE OF NET INCOME OF STRATEGIC ASSOCIATES	10	**35,473**	32,822
OTHER INCOME (EXPENSES), NET	22	**173,744**	(169,883)
OPERATING PROFIT		**10,773,696**	9,890,765
INTEREST INCOME	24	**247,623**	177,099
INTEREST EXPENSE	24	**(1,221,600)**	(1,148,460)
FINANCIAL RESULT, NET		**(973,977)**	(971,361)
SHARE OF NET INCOME OF ASSOCIATES	10	**53,907**	97,933
PROFIT BEFORE INCOME TAX		**9,853,626**	9,017,337
INCOME TAX	25	**(3,088,975)**	(2,774,685)
NET CONSOLIDATED PROFIT		**PS 6,764,651**	PS 6,242,652
NET CONSOLIDATED PROFIT ATTRIBUTABLE TO:			
CONTROLLING INTEREST		**PS 6,505,128**	PS 5,972,657
NON-CONTROLLING INTEREST		**259,523**	269,995
		PS 6,764,651	PS 6,242,652
EARNINGS PER BASIC AND DILUTED SHARE, IN PESOS		**$4.04**	$3.71
WEIGHTED AVERAGE OF OUTSTANDING SHARES (THOUSANDS OF SHARES)		**1,611,264**	1,611,264

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, 2014 AND 2013
(THOUSANDS OF MEXICAN PESOS - PS)

	NOTE	2014	2013
PROFIT FOR THE YEAR		**PS 6,764,651**	PS 6,242,652
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	19	**(77,130)**	(80,221)
		(77,130)	(80,221)
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS			
EFFECT OF DERIVATIVE FINANCIAL INSTRUMENTS DESIGNATED AS CASH FLOW HEDGES, NET	19	**22,441**	(43,559)
EFFECT OF TRANSLATION OF FOREIGN ENTITIES	19	**1,261,598**	(637,663)
		1,284,039	(681,222)
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR		**1,206,909**	(761,443)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**PS 7,971,560**	PS 5,481,209
ATTRIBUTABLE TO:			
CONTROLLING INTEREST		**PS 7,377,266**	PS 4,968,848
NON-CONTROLLING INTEREST		**594,294**	512,361
COMPREHENSIVE INCOME FOR THE YEAR		**PS 7,971,560**	PS 5,481,209

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 STOCKHOLDER'S EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(THOUSANDS OF MEXICAN PESOS - PS)

NOTE 18	NOTE	CAPITAL STOCK	SHARE PREMIUM
BALANCES AT JANUARY 1, 2013		PS 971,558	PS 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	19		
COMPREHENSIVE INCOME			
BALANCES AT DECEMBER 31, 2013		971,558	28,094,581
TRANSACTIONS WITH SHAREHOLDERS:			
DIVIDENDS TO NON-CONTROLLING INTEREST			
REPURCHASE OF OWN SHARES	3.T.		26,119
			26,119
NET PROFIT			
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR	19		
COMPREHENSIVE INCOME			
BALANCES AT DECEMBER 31, 2014		971,558	28,120,700

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 10,933,979	(PS 1,404,079)	PS 38,605,819	PS 2,497,220	PS 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
11,694,207	(2,407,888)	38,352,458	2,831,312	41,183,770
			(105,526)	(105,526)
308,421		334,540		334,540
308,421		334,540	(105,526)	229,014
6,505,128		6,505,128	259,523	6,764,651
	872,138	872,138	334,771	1,206,909
6,505,128	872,138	7,377,266	594,294	7,971,560
18,507,756	(1,535,750)	46,064,264	3,320,080	49,384,344

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, 2014 AND 2013
(THOUSANDS OF MEXICAN PESOS - PS)

	NOTE	2014	2013
PROFIT BEFORE INCOME TAX		**PS 9,853,626**	PS 9,017,337
ADJUSTMENTS FOR:			
DEPRECIATION AND AMORTIZATION	11	**2,654,875**	2,527,715
WRITE-OFF OF PROPERTY, PLANT AND EQUIPMENT	11	**522,798**	543,860
IMPAIRMENT OF CLIENTS	21	**48,503**	8,249
LOSS (PROFIT) FROM SALE OF PROPERTY, PLANT AND EQUIPMENT	22	**47,500**	(47,294)
COSTS RELATED TO EMPLOYEE BENEFITS	16	**202,868**	106,831
SHARE OF NET INCOME OF ASSOCIATES	10	**(89,380)**	(130,755)
FINANCE RESULT, NET	24	**949,008**	818,787
		14,189,798	12,844,730
CHANGES IN WORKING CAPITAL:			
CLIENTS AND OTHER ACCOUNTS RECEIVABLE, NET	8	**(891,290)**	134,293
INVENTORIES	9	**(316,812)**	(93,016)
SUPPLIERS AND RELATED PARTIES	14	**(237,620)**	(83,531)
DERIVATIVE FINANCIAL INSTRUMENTS	20	**-**	(18,068)
EMPLOYEE BENEFITS (USE OF (CONTRIBUTIONS IN) CASH TO PLAN ASSETS)	16	**32,172**	(650,808)
OTHER LIABILITIES		**1,045,058**	(81,979)
		(368,492)	(793,109)
INCOME TAX PAID	25	**(1,103,447)**	(3,204,055)
NET CASH FLOW GENERATED FROM OPERATING ACTIVITIES		**12,717,859**	8,847,566
INVESTMENT ACTIVITIES			
ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT	11	**(4,031,608)**	(4,861,570)
DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT	11	**220,903**	211,979
PURCHASE OF INTANGIBLE ASSETS	12	**(567,369)**	(140,506)
PURCHASE OF SHARES OF ASSOCIATES	10	**(46,505)**	(489,278)
DIVIDENDS COLLECTED FROM ASSOCIATES	10	**34,610**	-
INTEREST COLLECTED AND OTHER FINANCIAL INCOME	24	**230,583**	177,079
INVESTMENT IN JOINT OPERATION, NET OF CASH RECEIVED	2	**(2,129,796)**	-
NET CASH FLOW USED IN INVESTMENT ACTIVITIES		**(6,289,182)**	(5,102,296)
FINANCING ACTIVITIES			
CURRENT AND NON-CURRENT DEBT OBTAINED	13	**2,988,634**	2,909,257
PAYMENT OF CURRENT AND NON-CURRENT DEBT	13	**(2,100,000)**	(319,830)
INTEREST PAID AND OTHER FINANCIAL EXPENSE	24	**(1,062,110)**	(910,380)
SALE (REPURCHASE) OF OWN SHARES	3.T	**334,540**	(388,419)
DIVIDENDS PAID TO NON-CONTROLLING INTEREST		**(105,526)**	(178,269)
DIVIDENDS PAID TO CONTROLLING INTEREST	18	**-**	(4,833,790)
NET CASH FLOW OBTAINED (USED) IN FINANCING ACTIVITIES		**55,538**	(3,721,431)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**6,484,215**	23,839
FOREIGN EXCHANGE ON CASH AND CASH EQUIVALENTS		**(10,559)**	(134,384)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**2,565,653**	2,676,198
CASH AND CASH EQUIVALENTS AT END OF YEAR		**9,039,309**	2,565,653
INVESTMENT TRANSACTIONS NOT REQUIRING CASH FLOW:			
CASH FLOW NOT PAID AS A RESULT OF INVESTMENTS IN JOINT OPERATION	2	**130,447**	-

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

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. (Inalecsa) and Wise Foods, Inc. (Wise Foods), as well as high value-added dairy products under the Toni brands in Ecuador (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 of 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 - INVESTMENT IN JOINT OPERATION:

On August 15, 2013, the Company, through its subsidiary Arca Ecuador, S. A. (Arca Ecuador), entered into a sale and purchase agreement to acquire the shares of Holding Tonicorp, S. A. (Tonicorp), a leading group with a great tradition in the high value-added dairy in the Ecuadorian market.

On April 11, 2014 Arca Ecuador transferred this agreement to JV Toni, S. L. (Toni), an entity incorporated by AC and TCCC as shareholders, with joint control and 50% of share ownership each, through the contribution of capital stock of Ps2,414,120 by each shareholder. Subsequently, Toni concluded the purchase of Tonicorp on April 15, 2014, once the approval from the authority of competition in Ecuador was obtained in this sense, acquiring control in turn until reaching a total of 89.02% of the share ownership of Tonicorp. The total value of the consideration paid for the 89.02% amounted to Ps4,695,900 (Ps2,347,950 corresponding to Toni).

On May 2, 2014 the shareholders of Toni entered into an agreement on how to operate the investment of Toni in Tonicorp. In accordance with the assessment performed by AC, this agreement was identified to have been designed and have a purpose such that it requires Arca Ecuador to acquire, distribute and market the production of Tonicorp, transferring, therefore, the rights to the benefits and obligations of the liabilities of Tonicorp and its subsidiaries to the two shareholders that have joint control over the agreement. Consequently, this agreement has been classified as a joint operation (see Notes 3c. and 5b.).

This joint operation incorporates the portfolio of AC, 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 drinks, ice cream, packaging and plastic containers focused on the industrial market and high-volume consumer market, through a marketing and distribution network in Ecuador.

At December 31, 2014 Toni is in the process of determining the allocation of the purchase price to fair values of acquired assets and assumed liabilities since it is reviewing the valuations made by independent experts. Consequently, it is also in the process of determining goodwill, estimating that this analysis will be concluded within a period not to exceed twelve months since the acquisition date.

Consequently, AC has incorporated, as part of the joint operation as of April 15, 2014, date at which Toni obtained effective control, its equity percentage in this joint operation, provisionally including the corresponding proportional part of its assets and liabilities of Tonicorp.

Following is the incorporated condensed financial information from assets and liabilities acquired by Toni by the corresponding proportion corresponding to AC for the joint operation in Toni at April 15, 2014:

CURRENT ASSETS (1)	PS 430,478
PROPERTY, PLANT AND EQUIPMENT	523,920
INTANGIBLE ASSETS (2)	1,231,103
OTHER ASSETS	7,066
CURRENT LIABILITIES (3)	(317,153)
NON-CURRENT DEBT	(137,609)
EMPLOYEE BENEFITS	(54,897)
OTHER NON-CURRENT LIABILITIES	(21,168)
DEFERRED INCOME TAX	(202,993)
NET ACQUIRED ASSETS	1,458,747
GOODWILL	889,203
TOTAL PAID CONSIDERATION	PS 2,347,950

(1) The fair value of acquired assets in the corresponding proportion to AC includes cash and cash equivalents amounting to Ps87,707, accounts receivable of Ps139,264, inventories of Ps161,006 and other current assets of Ps42,501. The contractual gross amount of the accounts receivable is Ps148,837 of which Ps9,573 is expected not to be recoverable.
(2) Proportional intangible assets consist basically of brands of products marketed by Tonicorp in the amount of Ps535,235, customers relationships of Ps595,650 and non-competition agreement for Ps100,218.
(3) The proportional current liabilities consist mainly of suppliers and accounts payable of Ps132,317, other accounts payable of Ps68,882 and current bank debt of Ps115,954. No contingent liabilities have arisen from this acquisition that should be recorded.

Expenses relative to these transactions, corresponding to the proportion of AC, for fees were recorded in the statement of income under the item "Other expenses, net", see Note 22. Also, the proportional share of AC in the unaudited proforma net income of Tonicorp as if acquired on January 1, 2014 amounted to Ps2,144,080.

At December 31, 2014 the Company had an amount payable of Ps130,447 outstanding, corresponding to its proportional part of the consideration withheld and paid in February 2015.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying consolidated financial statements and notes were authorized for issuance on February 26, 2015, 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. 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 ended December 31, 2014:

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Company financial statements.

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.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting.

The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Company has applied the amendment and there has been no significant impact on the Company financial statements as a result.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognized. The Company is not currently subjected to significant levies so the impact on the Company is not material.

II. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through Other Comprehensive Income (OCI) and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2017 and earlier application is permitted. The Company is assessing the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

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 joint operations 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 joint operation are measured initially at fair value at their acquisition date. The Company recognizes any non-controlling interest in the acquiree 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. The Company presents the share of net income of associates considered comprehensive vehicles through which the Company performs its operations and strategy as part of the operating profit. 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/income 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.

V. JOINT AGREEMENTS

The Company has applied IFRS 11 for all its joint agreements. Under IFRS 11 investments in joint agreements are classified either as a joint operation or a joint venture depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint agreement and has determined it is a joint operation. In joint operations, each operator accounts for its own assets, liabilities and income and expenses in accordance with the proportions specified in the contractual agreement. A contractual agreement may be a joint agreement even when not all its parties have joint control over the agreement.

Revenues originated by the joint operation from goods or services acquired by the Company as the business, as well as any unrealized gains with third parties are eliminated as part of the consolidation and shown in the consolidated financial statements until these are realized with third parties.

D. FOREIGN CURRENCY TRANSLATION

I. FUNCTIONAL AND REPORTING CURRENCY

Amounts included in the financial statements of each one of the Company's 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 statement of financial position 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 event of a disposition of a foreign operation, 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, 2014 and 2013, 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	
	2014	2013
PESOS PER US DOLLAR	14.73	13.07
PESOS PER ARGENTINE PESO	1.74	2.00
PESOS PER EURO	17.83	18.00

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

	DECEMBER 31	
	2014	2013
PESOS PER US DOLLAR	13.36	12.84
PESOS PER ARGENTINE PESO	1.62	2.32
PESOS PER EURO	17.63	17.08

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.

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. Income from dividends from financial assets recorded at fair value in income are recorded in the statement of income as other income when it is established that the Company has the right to receive it.

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. 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.

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 in other comprehensive income.

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, 2014 and 2013, 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. The legally enforceable right should not be contingent to future events and should be enforceable in the normal course of business, as well as in the case of default, insolvency or bankruptcy of the Company or the opposing party. At December 31, 2014 and 2013, there is no offset of financial assets and liabilities.

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, if there is any evidence, the accumulated loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss of the value of that financial asset previously recorded in income – is eliminated from capital and is recorded in income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale is increased, and this increase may be objectively related to an event occurred after having recognized the impairment loss in income, such impairment loss is reversed through the statement of income.

In the case of capital investments, a significant or prolonged decrease in the fair value of the securities below its cost is also evidence of impairment in assets. If such evidence is present, the accumulated loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss of the value of that financial asset previously recorded in income – is eliminated from capital and is recorded in income. Impairment losses on capital instruments recorded in the consolidated statement of income are not reversed through the statement of income.

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, 2014 and 2013, the Company has not contracted derivative financial instruments classified as fair value hedges.

H. INVENTORIES

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 average 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
REFRIGERATORS AND SALE EQUIPMENT	10 YEARS
COMPUTER EQUIPMENT	4 YEARS

Land and investments in process are valued at cost and are 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.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets requiring 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. At December 31, 2014 and 2013 the calculation of these costs is based on specific and general loans.

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 for 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 joint operation 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 certain limited-life brands and licenses acquired for the use of software amortized during a 30-year and 5-year period, respectively (See Note 12).

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 rate change.

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

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.

Provisions are measured at the present value of the amount necessary to settle the obligation at the date of the financial statements and they are recorded based on the best estimate made by Management.

Q. PREFERRED DIVIDENDS

The Company has 356 preferred shares of Arca Ecuador (without voting rights) (356 in 2013) 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 2014 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. As of the date of issuance of these financial statements 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 2014 and 2013, 70.23% and 71.07% of the sales generated in Mexican pesos, 11.66% and 12.99% in Argentine pesos and 18.10% and 15.94% 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, 2014 and 2013. 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			
	2014		2013	
	US DOLLAR	ARGENTINE PESO	US DOLLAR	ARGENTINE PESO
MONETARY ASSETS	PS 2,878,226	PS 1,956,085	PS 1,869,046	PS 1,403,706
MONETARY LIABILITIES	(2,968,691)	(1,438,435)	(2,277,503)	(1,382,361)
NET POSITION	(PS 90,465)	PS 517,650	(PS 408,457)	PS 21,345

Based on the net monetary position of the Company at December 31, 2014 and 2013 a hypothetical increase of one peso in the exchange rate with respect to the US dollar and hypothetical decrease of 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 Ps90,465 and Ps31,263, in relation to the US dollar and by Ps258,825 and Ps5,336, in relation with the Argentine peso (see Note 27 ii). 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, 2014 the Company had no effective interest rate hedges.

At December 31, 2014 and 2013, most of the debt, considering its value in pesos was referenced at a fixed interest rate. At December 31, 2014, Ps10,039 million, which represented 63.6% with respect to total debt and at December 31, 2013, Ps9,050 million representing 64.3%, 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, 2014, including exchange rates, interest rates, maturities and effective interest rates, are detailed in Note 13.

At December 31, 2013, 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. 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 sweeteners 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 21.1% (23.0% in 2013) 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, 2014 the Company had no effective exchange rate hedges related to the prices of raw materials.

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. 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 2014 and 2013, around 68% and 71%, 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 20% and 16% of the net sales of 2014 and 2013, 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 US$ 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, 2014 and 2013 are:

AT DECEMBER 31, 2014	LESS THAN ONE YEAR	FROM 1 TO 3 YEARS	FROM 3 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
CURRENT AND NON-CURRENT DEBT	PS 2,591,498	PS 6,343,728	PS 4,849,894	PS 6,562,066	PS 20,347,186
SUPPLIERS, RELATED PARTIES AND OTHER ACCOUNTS PAYABLE	4,102,476	-	-	-	4,102,476
	PS 6,693,974	PS 6,343,728	PS 4,849,894	PS 6,562,066	PS 24,449,662

AT DECEMBER 31, 2013	LESS THAN ONE YEAR	FROM 1 TO 3 YEARS	FROM 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, RELATED PARTIES 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, 2014 and 2013, 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.

This ratio is calculated using the Net Debt divided by the total Stockholders' Equity as shown in the consolidated statement of financial position. The Net Debt is calculated by subtracting the balance of cash and cash equivalents from the total debt (including the current and non-current portions as shown in the consolidated statement of financial position).

The Net Debt-Capital ratio at December 31, 2014 and 2013 is shown as follows:

	DECEMBER 31	
	2014	2013
TOTAL DEBT (NOTE 13)	PS 15,776,626	PS 14,077,502
LESS: CASH AND CASH EQUIVALENTS	(9,039,309)	(2,565,653)
NET DEBT	PS 6,737,317	PS 11,511,849
TOTAL STOCKHOLDERS' EQUITY	PS 49,384,344	PS 41,183,770
NET DEBT RATIO	13.64%	27.96%

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 comparables of appropriate markets and determining whether a premium or discount should be applied to comparables.

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 joint operations, 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. At December 31, 2014, Management has determined, based on the above, the preliminary values of the acquired assets and assumed liabilities in its investment in its joint operations as shown in Note 2, which may vary according to the final determination of the fair values.

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).

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. INVESTMENTS IN JOINT OPERATION

Management has assessed the terms and conditions contained in the stockholders' agreement for the joint arrangement of Toni in Tonicorp and it has concluded that it has to be classified as a joint operation since it considers its design and purpose requires Arca Ecuador to acquire, distribute and market the production of Tonicorp, transferring, therefore, the rights to the benefits and obligations of the liabilities of Tonicorp and its subsidiaries to the two shareholders that have joint control over the agreement, which according to IFRS 11, "Joint Arrangements" requires the agreement be classified as such.

III. 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, as was the case in 2014, and therefore it has assigned them as indefinite useful life intangible assets (see Note 27).

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:

- Beverages (includes carbonated and non-carbonated beverages, dairy beverages, and water in the individual format): This segment manufactures, distributes and sells soft drinks of the TCCC brands, in several territories of Mexico, Argentina and Ecuador and dairy beverages of the Santa Clara brand in Mexico and Toni in 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 - complementary businesses:
  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, 2014					
	BEVERAGES			OTHER		
	MEXICO	ARGENTINA	ECUADOR	MEXICO AND OTHER	ELIMINATIONS	TOTAL
STATEMENT OF INCOME:						
SALES BY SEGMENT	PS 40,802,796	PS 7,226,401	PS 7,775,960	PS 6,152,114		PS 61,957,271
INTER-SEGMENT SALES	72,078	-	-	-	(PS 72,078)	-
SALES WITH EXTERNAL CLIENTS	PS 40,874,874	PS 7,226,401	PS 7,775,960	PS 6,152,114	(PS 72,078)	PS 61,957,271
OPERATING PROFIT	PS 8,368,750	PS 1,001,896	PS 841,407	PS 561,643		PS 10,773,696
OPERATING FLOW (1)	PS 10,269,597	PS 1,271,649	PS 1,315,014	PS 787,845		PS 13,644,105
NON-RECURRING EXPENSES	PS 66,002	PS 23,183	93,937	PS 32,410		PS 215,532
DEPRECIATION AND AMORTIZATION	PS 1,834,845	PS 246,570	PS 379,670	PS 193,790		PS 2,654,875
INTEREST INCOME	PS 192,889	PS 43,945	-	PS 10,789		PS 247,623
INTEREST EXPENSE	PS 842,948	PS 157,345	PS 213,232	PS 8,075		PS 1,221,600
SHARE OF NET INCOME OF ASSOCIATES	PS 89,380					PS 89,380
PROFIT BEFORE INCOME TAX	PS 8,057,553	PS 888,497	628,175	PS 279,401		PS 9,853,626
STATEMENT OF FINANCIAL POSITION:						
TOTAL ASSETS	PS 56,831,292	PS 5,220,368	PS 17,474,362	PS 5,771,279	(PS 4,929,916)	PS 80,367,385
INVESTMENT IN ASSOCIATES (2)	PS 3,925,662					PS 3,925,662
TOTAL LIABILITIES	PS 24,176,216	PS 2,109,486	PS 7,717,632	PS 1,556,757	(PS 4,577,050)	PS 30,983,041
INVESTMENTS IN FIXED ASSETS (CAPEX)	PS 2,382,601	PS 474,046	PS 768,156	PS 406,805		PS 4,031,608

	YEAR ENDED DECEMBER 31, 2013					
	BEVERAGES			OTHERS		
	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	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 (2)	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

(1) Corresponds to the way in which AC measures its operating flow.
(2) 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, 2014			
	SALES WITH CUSTOMERS	PROPERTY PLANT AND EQUIPMENT	GOODWILL	INTANGIBLE ASSETS
MEXICO	PS 43,514,888	PS 19,160,447	PS 8,091,780	PS 8,984,001
UNITED STATES	2,832,500	705,393	1,467,936	1,875,692
ARGENTINA	7,226,401	1,676,633	1,478,063	377,725
ECUADOR	8,383,482	3,778,872	7,944,326	3,425,838
TOTAL	PS 61,957,271	PS 25,321,345	PS 18,982,105	PS 14,663,256

	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

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, 2014 and 2013 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	
	2014	2013
CASH AT BANK AND IN HAND	PS 6,482	PS 70,838
SHORT-TERM BANK DEPOSITS	936,874	1,102,717
SHORT TERM INVESTMENTS (LESS THAN THREE MONTHS)	8,095,953	1,392,098
TOTAL CASH AND CASH EQUIVALENTS	PS 9,039,309	PS 2,565,653

At December 31, 2014 and 2013 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	
	2014	2013
CUSTOMERS	PS 3,252,698	PS 2,282,025
PROVISION FOR IMPAIRMENT IN CUSTOMERS	(92,892)	(41,401)
CUSTOMERS, NET	3,159,806	2,240,624
RECOVERABLE TAXES	87,557	90,345
NOTES AND OTHER ACCOUNTS RECEIVABLE	324,920	162,947
SUNDRY DEBTORS	698,924	682,534
	PS 4,271,207	PS 3,176,450

At December 31, 2014 and 2013 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, 2014	
	90 TO 180 DAYS	MORE THAN 180 DAYS
CUSTOMERS	PS 98,696	PS 56,536

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

At December 31, 2014 there are trade accounts receivable impaired for Ps92,892 (Ps41,401 in 2013), which have been fully accounted for (as in 2013). Trade accounts receivable balances impaired separately are related mainly to traditional channel retailers that unexpectedly encounter economic difficulties.

Accounts receivable are expressed in the following currencies:

	AT DECEMBER 31	
	2014	2013
MEXICAN PESOS	PS 2,452,846	PS 1,990,706
ARGENTINE PESOS	615,945	440,743
US DOLLARS	1,202,416	745,001
	PS 4,271,207	PS 3,176,450

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

	AT DECEMBER 31	
	2014	2013
OPENING BALANCE	PS 41,401	PS 40,650
PROVISION FOR IMPAIRMENT IN CUSTOMERS	48,503	8,249
RECEIVABLES WRITTEN OFF DURING THE YEAR	(7,168)	(7,498)
INCREASE FROM INVESTMENTS IN JOINT OPERATION	10,156	-
CLOSING BALANCE	PS 92,892	PS 41,401

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, 2014 and 2013 approximate their carrying value (see Note 20 iii.).

NOTE 9 - INVENTORIES:

The inventories consist of the following:

	AT DECEMBER 31	
	2014	2013
RAW MATERIALS	PS 1,053,337	PS 905,307
FINISHED GOODS	954,820	747,201
MATERIALS AND SPARE PARTS	799,293	656,721
PRODUCTION IN PROCESS	25,049	8,084
	PS 2,832,499	PS 2,317,313

For the years ended December 31, 2014 and 2013 Ps9,436 and Ps6,723, respectively, 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	
	2014	2013
OPENING BALANCE	PS 3,801,468	PS 3,263,903
ADDITIONS	34,814	406,811
SHARE OF INCOME OF ASSOCIATES	89,380	130,755
CLOSING BALANCE	PS 3,925,662	PS 3,801,469

Following are the associates of the Company at December 31, 2014 and 2013, 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, 2014						
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 1,511,219	PS 65,328	49.00%
JUGOS DEL VALLE, S. A. P. I. (JDV) (2)	MEXICO	ASSOCIATE	EQUITY METHOD	921,166	16,823	16.45%
PETSTAR, S. A. P. I. DE C. V. (PETSTAR) (3)	MEXICO	ASSOCIATE	EQUITY METHOD	477,892	(7,065)	49.90%

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%

(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.

	PIASA		JDV		PETSTAR	
	2014	2013	2014	2013	2014	2013
SUMMARIZED BALANCE SHEET						
TOTAL CURRENT ASSETS	PS 1,324,392	PS 1,328,927	PS 2,819,302	PS 2,547,549	PS 273,322	PS 311,417
NON-CURRENT ASSETS	2,726,662	2,778,935	4,545,586	4,264,565	874,853	868,705
TOTAL CURRENT LIABILITIES	825,364	898,533	1,675,967	1,129,907	173,114	198,332
NON-CURRENT LIABILITIES	141,161	259,798	89,127	78,678	17,362	9,933
NET ASSETS	PS 3,084,529	PS 2,949,531	PS 5,599,794	PS 5,603,529	PS 957,699	PS 971,857
RECONCILIATION OF BOOK BALANCES						
OPENING BALANCE	PS 2,949,531	PS 2,752,855	PS 5,603,529	PS 5,334,432	PS 971,857	PS 963,318
CAPITAL INCREASE	-	-	74,000	144,595	-	42,561
INCOME FOR THE YEAR	133,322	194,688	102,265	124,502	(14,158)	(34,022)
OTHER COMPREHENSIVE INCOME	1,267	1,988	-	-	-	-
DIVIDENDS PAID	-	-	(180,000)	-	-	-
CLOSING BALANCE	3,084,120	2,949,531	5,599,794	5,603,529	957,699	971,857
% OF OWNERSHIP	49.00%	49.00%	16.45%	16.45%	49.90%	46.42%
BALANCE IN BOOKS	PS 1,511,219	PS 1,445,071	PS 921,166	PS 921,781	PS 477,892	PS 451,136
SUMMARIZED STATEMENT OF COMPREHENSIVE INCOME						
REVENUES	PS 3,477,309	PS 3,934,432	PS 8,268,153	PS 8,348,929	PS 1,201,273	PS 800,479
PROFIT FOR THE YEAR	PS 133,322	PS 194,688	PS 102,265	PS 124,502	(PS 14,158)	(PS 34,022)
OTHER COMPREHENSIVE INCOME	1,676	1,988	-	-	-	-
TOTAL COMPREHENSIVE INCOME	PS 134,998	PS 196,676	PS 102,265	PS 124,502	(PS 14,158)	(PS 34,022)

During the years ended December 31, 2014 and 2013 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	
	2014	2013
AGGREGATE BALANCE OF INDIVIDUALLY NON-MATERIAL ENTITIES	PS 1,015,385	PS 983,481
AGGREGATE AMOUNTS OF EQUITY OF AC IN:		
INCOME OF CONTINUOUS OPERATIONS	PS 13,614	PS 29,696
TOTAL COMPREHENSIVE INCOME	PS 13,614	PS 29,696

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, 2014 and 2013 are analyzed as follows:

	DEPRECIABLE ASSETS								NON-DEPRECIABLE ASSETS		
	BUILDINGS	MACHI-NERY AND EQUIPMENT	TRANS-PORTATION EQUIPMENT	REFRIGE-RATORS AND SALES EQUIPMENT	PACKAGING AND DIS-TRIBUTION BOXES	COMPU-TER EQUI-PMENT	FURNITU-RE AND OTHERS	SUBTOTAL	LAND	INVES-TMENTS IN PROCESS	TOTAL
FOR THE YEAR ENDED 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)
DEPRE-CIATION 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
ACCUMU-LATED DE-PRECIATION	(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
FOR THE YEAR ENDED DECEMBER 31, 2014											
NET VALUE IN BOOKS	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
INVES-TMENTS IN JOINT OPERATION	120,113	229,732	80,750	34,944	-	6,142	29,134	500,815	107,857	18,128	626,800
ADDITIONS	467,281	527,487	263,569	770,800	941,476	108,008	110,201	3,188,822	183,512	659,274	4,031,608
DISPOSALS	(89,236)	(36,853)	(136,490)	(87,062)	(454,195)	(32,915)	(3,375)	(840,126)	(18,108)	(61,919)	(920,153)
DEPRE-CIATION CHARGES RECORDED IN THE YEAR	(275,622)	(825,147)	(382,590)	(578,755)	(378,740)	(90,577)	(56,409)	(2,587,840)	-	-	(2,587,840)
CLOSING BALANCE	PS 5,449,510	PS 5,007,518	PS 1,575,051	PS 3,785,581	PS 1,498,317	PS 115,503	PS 745,892	PS 18,177,372	PS 4,923,095	PS 2,220,878	PS 25,321,345
AT DECEMBER 31, 2014											
COST	PS 9,223,757	PS 14,376,164	PS 6,270,234	PS 7,691,621	PS 4,019,530	PS 815,646	PS 1,571,478	PS 43,968,430	PS 4,923,095	PS 2,220,878	PS 51,112,403
ACCUMU-LATED DE-PRECIATION	(3,774,247)	(9,368,646)	(4,695,183)	(3,906,040)	(2,521,213)	(700,143)	(825,586)	(25,791,058)	-	-	(25,791,058)
CLOSING BALANCE	PS 5,449,510	PS 5,007,518	PS 1,575,051	PS 3,785,581	PS 1,498,317	PS 115,503	PS 745,892	PS 18,177,372	PS 4,923,095	PS 2,220,878	PS 25,321,345

From depreciation expense for 2014 of Ps2,587,840, (Ps2,432,046 in 2013), Ps832,510 (Ps799,553 in 2013) were recorded in the cost of sales, Ps1,488,453 (Ps1,353,408 in 2013) in sales expenses and Ps266,877 (Ps279,285 in 2013) in administrative expenses.

Investments in process at December 31, 2014 correspond mainly to building constructions, and investments in production and distribution equipment and improvements.

At December 31, 2014 and 2013, 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, 2014 and 2013 the balances amount to Ps6,121 and Ps13,867, 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, 2014 and 2013 are analyzed as follows:

		INTANGIBLE ASSETS ACQUIRED				
	GOODWILL	FRANCHISES	BRANDS	LICENSES FOR THE USE OF SOFTWARE	OTHER	TOTAL
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 REVISED FOR ADJUSTMENTS OF FAIR VALUE	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
OPENING BALANCE AT JANUARY 1, 2014	PS 17,113,556	PS 9,520,529	PS 2,653,516	PS 69,674	PS 56,441	PS 29,413,716
TRANSLATION EFFECT	890,285	185,333	232,707	(1,205)	80,856	1,387,976
ADDITIONS	5,925	2,097	10	559,337		567,369
INVESTMENTS IN JOINT OPERATION (NOTE 2)	972,339		595,733	5,816	772,648	2,346,536
DISPOSALS				(3,201)		(3,201)
AMORTIZATION CHARGES RECORDED IN THE YEAR			(1,000)	(65,593)	(442)	(67,035)
CLOSING BALANCE AT DECEMBER 31, 2014	PS 18,982,105	PS 9,707,959	PS 3,480,966	PS 564,828	PS 909,503	PS 33,645,361
AT DECEMBER 31, 2014						
ATTRIBUTED COST	PS 18,982,105	PS 9,707,959	PS 3,516,040	PS 716,898	PS 948,000	PS 33,871,002
ACCUMULATED AMORTIZATION			(35,074)	(152,070)	(38,497)	(225,641)
NET VALUE IN BOOKS	PS 18,982,105	PS 9,707,959	PS 3,480,966	PS 564,828	PS 909,503	PS 33,645,361

The total amortization expense of Ps67,035 (Ps95,669 in 2013) was included in the cost of sales, Ps8,403 (Ps10,186 in 2013), in sales expenses Ps7,735 (Ps4,646 in 2013) and in administrative expenses Ps50,897 (Ps80,837 in 2013).

The goodwill was increased in 2014 due to the investment in the joint operation in Toni in the segment of high value-added dairy. Goodwill acquired in joint operations 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	2014	2013
BEVERAGES MEXICO	PS 7,835,007	PS 7,835,007
BEVERAGES ECUADOR	7,218,977	5,402,903
BEVERAGES ARGENTINA	1,478,063	1,668,094
WISE FOODS	1,467,936	1,336,210
INALECSA	725,349	614,569
NAYHSA	256,773	256,773
	PS 18,982,105	PS 17,113,556

At December 31, 2014 and 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			
	2014		2013	
GROWTH RATE IN VOLUME	2.2%	9.4%	0.8%	13.0%
GROWTH RATE IN PRICE	1.0%	8.7%	1.0%	5.3%
OPERATING MARGIN (AS A % OF INCOME)	5.7%	20.2%	6.7%	17.6%
OTHER OPERATING COSTS	25.6%	49.0%	20.6%	47.8%
ANNUAL CAPEX	3.3%	12.94%	4.0%	9.7%
LONG-TERM GROWTH RATE	3.5%		3.5%	
DISCOUNT RATE BEFORE TAXES	5.1%	12.2%	7.2%	19.9%

At December 31, 2014 and 2013:

- 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.
- Sales volume is the average annual growth rate over the five-year forecast period. It is based on past performance and management's expectations of market development.
- Sales price is the average annual growth rate over the five-year forecast period. It is based on current industry trends and includes long term inflation forecasts for each territory.
- Gross margin is the average margin as a percentage of revenue over the five-year forecast period. It is based on the current sales margin levels and sales mix. Due to the nature of the operations, significant increases to the costs of raw materials that could not be transferred to the customers requiring adjustment to the computation of future gross margins are not expected for the future.
- Other operating costs are the fixed costs of the CGUs, which do not vary significantly with sales volumes or prices. Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases and these do not reflect any future restructurings or cost saving measures. The percentages disclosed above are the average operating costs for the five-year forecast period with respect to revenue.
- Annual Capex represents the percentage of revenue to invest in plant and equipment to keep operations at current levels. This is based on the historical experience of Management and the planned replacing programs for machinery and equipment as it is required by the Coca-Cola System. No incremental revenue or cost savings are assumed in the value-in-use model as a result of this expenditure.

As a result of the annual impairment tests, the Company did not recognize impairment losses in the years ended December 31, 2014 and 2013.

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	
	2014	2013
STOCK CERTIFICATES	PS 10,126,288	PS 12,255,623
HSBC	2,842,659	-
BBVA FRANCÉS	283,585	99,145
BANCO MACRO	101,633	
BANCO DE LA PRODUCCIÓN	-	32,663
SANTANDER	1,197,203	1,404,509
BANCO DE GUAYAQUIL	33,010	-
CITIBANK ECUADOR	40,124	52,261
INTERNATIONAL FINANCE CORP.	62,485	130,652
RABOBANK INTERNATIONAL	959,235	-
FINANCE LEASES	13,918	13,867
OTHER	116,486	88,782
TOTAL DEBT	15,776,626	14,077,502
CURRENT PORTION OF DEBT	(1,698,672)	(2,376,362)
NON-CURRENT DEBT	PS 14,077,954	PS 11,701,140

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

			INTEREST RATE		MATURITY	PERIODICITY	AT DECEMBER 31	
	COUNTRY	CURRENCY	CONTRACTUAL	EFFECTIVE	DATE	OF PAYMENT	2014	2013
CEBUR ARCA 09-3	MEXICO	MXN	9.75%	9.93%	27/05/2016	SIX-MONTHLY	PS 500,000	PS 500,000
CEBUR ARCA 09-5	MEXICO	MXN	9.50%	9.64%	01/12/2016	SIX-MONTHLY	400,000	400,000
CEBUR ARCA 10	MEXICO	MXN	7.74%	7.8%	13/11/2020	SIX-MONTHLY	2,500,000	2,500,000
CEBUR ARCA 10-2	MEXICO	MXN	TIIE 28 MÁS 0.29%	4.19%	20/11/2015	MONTHLY	-	1,000,000
CEBUR ARCA 11	MEXICO	MXN	TIIE 28 MÁS 0.25%	4.13%	07/10/2016	MONTHLY	1,000,000	1,000,000
CEBUR ARCA 11-2	MEXICO	MXN	7.63%	7.68%	01/10/2021	SIX-MONTHLY	2,000,000	2,000,000
CEBUR ARCA 13	MEXICO	MXN	TIIE 28 MÁS 0.13%	4.01%	16/03/2018	MONTHLY	1,000,000	1,000,000
CEBUR ARCA 13-2	MEXICO	MXN	5.88%	5.93%	10/03/2023	SIX-MONTHLY	1,700,000	1,700,000
TITULARIZACIÓN SERIE B								
(PRODUFONDOS S. A.)	ECUADOR	USD	8.75%	9.38%	13/02/2015	MONTHLY	-	83,619
STOCK CERTIFICATES							9,100,000	10,183,619
HSBC SPAIN	SPAIN	USD	4.96%	4.34%	19/03/2021	SIX-MONTHLY	1,473,480	-
HSBC SPAIN	SPAIN	USD	2.74%	2.75%	19/03/2021	SIX-MONTHLY	1,105,110	-
HSBC SPAIN	SPAIN	USD	2.73%	2.64%	19/03/2021	SIX-MONTHLY	147,348	-
BANCO SANTANDER, S. A.	ECUADOR	USD	3.60%	1.89%	24/06/2015	QUARTERLY	-	205,777
BANCO SANTANDER, S. A.	ECUADOR	USD	3.60%	1.72%	24/06/2015	QUARTERLY	-	19,598
BANCO SANTANDER, S. A.	ECUADOR	USD	3.60%	1.71%	24/06/2015	QUARTERLY	-	19,598
BANCO SANTANDER, S. A.	ECUADOR	USD	3.60%	1.70%	24/06/2015	QUARTERLY	-	48,995
BANCO SANTANDER, S. A.	ECUADOR	USD	3.15%	3.38%	15/11/2016	QUARTERLY	221,022	587,934
BANCO SANTANDER, S. A.	ECUADOR	USD	3.01%	0.90%	01/03/2017	QUARTERLY	-	522,607
BANCO SANTANDER (MÈXICO)	ECUADOR	USD	3.04%	3.58%	7/03/2017	QUARTERLY	589,392	-
BANCO DE GUAYAQUIL	ECUADOR	USD	7.00%	7.60%	10/12/2017	MONTHLY	22,677	-
RABOBANK INTERNATIONAL	ECUADOR	USD	3.10%	3.43%	18/07/2019	SIX-MONTHLY	442,044	-
RABOBANK INTERNATIONAL	ECUADOR	USD	1.62%	1.56%	18/07/2019	SIX-MONTHLY	442,044	-
RABOBANK INTERNATIONAL	ECUADOR	USD	1.88%	1.56%	17/12/2019	SIX-MONTHLY	30,943	-
RABOBANK INTERNATIONAL	ECUADOR	USD	3.47%	2,89%	17/12/2019	SIX-MONTHLY	44,204	-
INTERNATIONAL FINANCE CORP.	ECUADOR	USD	5.17%	6.81%	31/05/2020	SIX-MONTHLY	51,005	-
BBVA FRANCÈS	ARGENTINA	ARG	15.25%	16.36%	17/10/2017	MONTHLY	46,425	99,145
HSBC ARGENTINA	ARGENTINA	ARG	15.25%	17.70%	15/01/2017	SIX-MONTHLY	18,852	-
BANCO MACRO	ARGENTINA	ARG	15.25%	16.36%	29/08/2017	MONTHLY	911	-
BANCO MACRO	ARGENTINA	ARG	15.25%	16.36%	28/01/2018	MONTHLY	9,985	-
BANCO MACRO	ARGENTINA	ARG	23.50%	26.21%	28/01/2018	MONTHLY	12,362	-
BANCO MACRO	ARGENTINA	ARG	20.69%	22.77%	28/01/2018	MONTHLY	55,436	-
BBVA FRANCÈS	ARGENTINA	ARG	27.50%	31.25%	18/06/2018	MONTHLY	172,650	-
HSBC ARGENTINA	ARGENTINA	ARG	28.12%	32.04%	3/09/2018	MONTHLY	74,580	-
OTHERS	ECUADOR	USD	VARIAS	VARIAS	2016 A 2019		11,644	-
TOTAL BANK LOANS							4,972,114	1,503,654
FINANCIAL LEASE	MEXICO	MXN	12.00%	12.00%	30/04/2016		5,840	13,867
TOTAL							PS 14,077,954	PS 11,701,140

At December 31, 2014, the annual maturities of non-current debt are as follows:

	2016	2017	2018	2019 ONWARDS	TOTAL
STOCK CERTIFICATES	PS 1,900,000		PS 1,000,000	PS 6,200,000	PS 9,100,000
BANK LOANS	227,928	PS 690,755	340,755	3,712,676	4,972,114
FINANCIAL LEASES	5,840	-	-	-	5,840
	PS 2,133,768	PS 690,755	PS 1,340,755	PS 9,912,676	PS 14,077,954

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. Additionally, the debt of the subsidiaries of Tonicorp (see Note 29) with Banco de Guayaquil, Citibank Ecuador and the International Finance Corp. is guaranteed by certain fixed assets of such subsidiaries, the net value in books of which at December 31, 2014 in the proportion corresponding to AC is of $117,583. These guarantees were granted prior to the acquisition of Arca Ecuador by AC and the investment in joint operation in Tonicorp, respectively, and are within 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 modify 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.

Additionally, the debt agreements entered into with HSBC Spain and Rabobank International contain certain obligations similar to the above, which any event of default requires to be waived by the respective bank.

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, 2014 and 2013 are based on several discount rates, which are within level 2 of the fair value hierarchy (see Note 20).

At December 31, 2014 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	
	2014	2013
Suppliers	PS 2,497,338	PS 2,581,374

NOTE 15 - OTHER LIABILITIES:

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

	AT DECEMBER 31	
	2014	2013
CURRENT		
SUNDRY CREDITORS	PS 650,865	PS 713,730
FEDERAL AND STATE TAXES PAYABLE	1,680,589	469,973
ACCUMULATED EXPENSES PAYABLE	831,845	420,255
EMPLOYEES' PROFIT SHARING PAYABLE	597,448	593,137
GRATIFICATIONS	49,502	179,026
PROVISION FOR TRIALS	180,651	91,456
DIVIDENDS PAYABLE	61,501	54,030
OTHER	33,336	13,668
TOTAL OTHER CURRENT LIABILITIES	PS 4,085,737	PS 2,535,275
NON-CURRENT		
GUARANTEE DEPOSITS FOR BOTTLES	$ 12,660	$ 15,786
PROVISION FOR TRIALS	92,894	91,819
DIVIDENDS PAYABLE	2,834	-
OTHER	-	30
TOTAL OTHER NON-CURRENT LIABILITIES	PS 108,388	PS 107,635

As from January 1, 2014, sales in Mexico of drinks that contain added sugars as well as snacks with a caloric density of 275 kilocalories or more per 100 grs. are subject to the Special Tax on Production and Services (IEPS) of one Mexican Peso per liter and 8 %, respectively. This is an indirect tax in which the Company acts as an agent which role is to collect the tax from the final consumer which is given to the tax authority on monthly basis. At December 31, 2014, outstanding balances are included into federal and state payable taxes.

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

	2014	2013
OPENING BALANCE	PS 183,275	PS 89,338
CHARGE (CREDIT) TO INCOME:		
ADDITIONAL PROVISIONS	106,829	108,247
PROVISIONS USED	(4,464)	(639)
EXCHANGE DIFFERENCES	(12,095)	(13,671)
CLOSING BALANCE	PS 273,545	PS 183,275

NOTE 16 - EMPLOYEE BENEFITS:

The valuation of employee benefits for formal retirement plans (covering a significant amount of workers in 2014 and 2013) 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 main subsidiaries of the Company in Mexico have established funds destined for the payment of retirement benefits, as well as medical expenses through irrevocable trusts. During 2014 there were no net contributions (Ps650,808 in 2013).

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	
	2014	2013
LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION:		
PENSION BENEFITS	(PS 793,112)	(PS 397,865)
SENIORITY PREMIUMS	(179,526)	(124,244)
MAJOR MEDICAL EXPENSES	(134,461)	(102,297)
LABOR TERMINATION INDEMNITIES	(48,710)	(45,979)
BONUS FOR DISMISSAL (SEVERANCE)	(68,894)	(46,814)
LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION	(PS 1,224,703)	(PS 717,199)
CHARGE TO THE STATEMENT OF INCOME (NOTES 21, 23 AND 24) FOR:		
PENSION BENEFITS	PS 126,331	PS 42,777
SENIORITY PREMIUM	28,683	31,942
MAJOR MEDICAL EXPENSES	12,651	12,143
LABOR TERMINATION INDEMNITIES	24,860	7,448
BONUS FOR DISMISSAL (SEVERANCE)	10,343	12,521
	PS 202,868	PS 106,831
REMEASUREMENTS RECOGNIZED IN OTHER COMPREHENSIVE INCOME FOR THE PERIOD	PS 109,227	PS 114,603

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

	2014	2013
COST OF SALES	PS 33,083	PS 185
SELLING EXPENSES	71,062	(7,883)
ADMINISTRATIVE EXPENSES	73,754	64,475
FINANCIAL RESULT	24,969	50,054
TOTAL	PS 202,868	PS 106,831

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	
	2014	2013
PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS	(PS 3,511,715)	(PS 3,091,009)
FAIR VALUE OF PLAN ASSETS	2,718,603	2,693,144
LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION	(PS 793,112)	(PS 397,865)

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

	2014	2013
AT JANUARY 1	(PS 3,091,009)	(PS 3,340,158)
LABOR COST	(111,040)	(116,384)
INTEREST COST	(211,899)	(180,083)
REMEASUREMENT - LOSSES (GAINS) FOR CHANGES IN HYPOTHESIS	(188,178)	94,764
TRANSLATION EFFECT	(89,509)	(3,561)
PAST SERVICE COST	-	115,780
BENEFITS PAID	202,578	324,976
LIABILITIES ACQUIRED IN INVESTMENT IN JOINT OPERATION	(41,347)	-
REDUCTIONS	18,689	13,657
AT DECEMBER 31	(PS 3,511,715)	(PS 3,091,009)

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

	2014	2013
AT JANUARY 1	PS 2,693,144	PS 2,523,695
RETURN ON PLAN ASSETS	208,438	(22,912)
LOSSES (GAINS) FOR CHANGES IN HYPOTHESIS	2,157	8,270
TRANSLATION EFFECT	45,913	2,303
CONTRIBUTIONS	(33,451)	522,798
BENEFITS PAID	(194,251)	(324,976)
REDUCTIONS	(3,347)	(16,034)
AT DECEMBER 31	PS 2,718,603	PS 2,693,144

Plan assets include the following:

	2014		2013	
EQUITY INSTRUMENTS	PS 390,630	14%	PS 349,132	12%
DEBT INSTRUMENTS	2,291,706	84%	2,315,980	86%
PROPERTY	21,974	1%	14,016	1%
OTHER	14,293	1%	14,016	1%
TOTAL	PS 2,718,603	100%	PS 2,693,144	100%

Amounts recorded in the statement of income are as follows:

	2014	2013
LABOR COST	PS 114,611	PS 17,041
NET INTEREST COST	15,652	34,896
REDUCTIONS AND OTHER	(3,932)	(9,160)
TOTAL INCLUDED IN PERSONNEL EXPENSES	PS 126,331	PS 42,777

The total expenses recognized were prorated as follows:

	2014	2013
COST OF SALES	PS 23,519	(PS 6,436)
SELLING EXPENSES	45,400	(28,603)
ADMINISTRATIVE EXPENSES	47,960	49,209
FINANCIAL RESULT	9,452	28,607
TOTAL	PS 126,331	PS 42,777

The principal actuarial assumptions were as follows:

	2014	2013
DISCOUNT RATE	5.78%	6.92%
INFLATION RATE	3.50%	3.50%
SALARY INCREASE RATE	3.75%	4.50%
FUTURE PENSION INCREASE	2.39%	2.87%
EXPECTED LIFE	16.37 YEARS	16.17 YEARS

The sensibility of pension benefit plans to changes in the main assumptions at December 31, 2014 is as follows:

	IMPACT PERCENTAGE IN THE PLAN		
	CHANGE IN THE ASSUMPTION	INCREASE IN THE ASSUMPTION	DECREASE IN THE ASSUMPTION
DISCOUNT RATE	0.50%	(2.49%)	2.75%
SALARY INCREASE RATE	0.50%	4.53%	(4.07%)
FUTURE PENSIONS INCREASE	0.50%	1.39%	(1.35%)
LIFE EXPECTANCY	1 YEAR	0.58%	(0.51%)

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	
	2014	2013
PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS	(PS 314,105)	(PS 277,844)
FAIR VALUE OF PLAN ASSETS	134,579	153,600
LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION	(PS 179,526)	(PS 124,244)

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

	2014	2013
AT JANUARY 1	(PS 277,844)	(PS 270,440)
LABOR COST	(19,411)	(19,013)
NET INTEREST COST	(19,639)	(18,567)
REMEASUREMENT - LOSSES (GAINS) FOR CHANGES IN HYPOTHESIS	(20,681)	15,270
BENEFITS PAID	23,470	14,906
AT DECEMBER 31	(PS 314,105)	(PS 277,844)

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

	2014	2013
AT JANUARY 1	PS 153,600	PS 91,504
RETURN ON PLAN ASSETS	3,264	4,898
CONTRIBUTIONS	110	72,104
BENEFITS PAID	(22,395)	(14,906)
AT DECEMBER 31	PS 134,579	PS 153,600

Plan assets include the following:

	2014		2013	
EQUITY INSTRUMENTS	PS 10,975	8%	PS 6,419	4%
DEBT INSTRUMENTS	123,604	92%	147,181	96%
TOTAL	PS 134,579		PS 153,600	

Amounts recorded in the statement of income are as follows:

	2014	2013
LABOR COST	PS 19,411	PS 19,013
NET INTEREST COST	9,272	12,929
TOTAL INCLUDED IN PERSONNEL EXPENSES	PS 28,683	PS 31,942

The total expenses recognized were prorated as follows:

	2014	2013
COST OF SALES	PS 3,863	PS 3,143
SELLING EXPENSES	13,094	13,127
ADMINISTRATIVE EXPENSES	2,454	2,742
FINANCIAL RESULT	9,272	12,930
TOTAL	PS 28,683	PS 31,942

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	
	2014	2013
PRESENT VALUE OF FUNDED OBLIGATIONS	(PS 389,697)	(PS 355,373)
FAIR VALUE OF PLAN ASSETS	255,236	253,076
LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION	(PS 134,461)	(PS 102,297)

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

	2014	2013
AT JANUARY 1	(PS 355,373)	(PS 366,656)
CURRENT SERVICE COST	(2,650)	(3,624)
NET INTEREST COST	(24,613)	(23,459)
REMEASUREMENT - LOSSES (GAINS) FOR CHANGES IN HYPOTHESIS	(25,043)	8,513
EXCHANGE DIFFERENCES	(5,320)	
BENEFITS PAID	24,288	25,755
REDUCTIONS AND OTHER	(986)	4,098
AT DECEMBER 31	(PS 389,697)	(PS 355,373)

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

	2014	2013
AT JANUARY 1	PS 253,076	PS 218,120
RETURN ON PLAN ASSETS	22,252	4,805
CONTRIBUTIONS	1,169	55,906
BENEFITS PAID	(21,261)	(25,755)
AT DECEMBER 31	PS 255,236	PS 253,076

Plan assets include the following:

	2014		2013	
EQUITY INSTRUMENTS	PS 25,301	10%	PS 21,387	8%
DEBT INSTRUMENTS	229,935	90%	231,689	92%
TOTAL	PS 255,236	100%	PS 253,076	100%

Amounts recorded in the statement of income are as follows:

	2014	2013
CURRENT SERVICE COST	PS 6,148	PS 3,624
NET INTEREST COST	6,503	8,519
TOTAL INCLUDED IN PERSONNEL EXPENSES	PS 12,651	PS 12,143

The total expenses recognized were prorated as follows:

	2014	2013
COST OF SALES	PS 3,404	PS 690
SELLING EXPENSES	2,077	2,104
ADMINISTRATIVE EXPENSES	924	831
FINANCIAL RESULT	6,246	8,518
TOTAL	PS 12,651	PS 12,143

IV. LABOR TERMINATION INDEMNITIES

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

	AT DECEMBER 31	
	2014	2013
PRESENT VALUE OF UNFUNDED OBLIGATIONS	(PS 48,710)	(PS 45,979)
LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION	(PS 48,710)	(PS 45,979)

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

	2014	2013
AT JANUARY 1	(PS 45,979)	(PS 41,074)
CURRENT SERVICE COST	(2,186)	(30)
NET INTEREST COST	(3,100)	(208)
REMEASUREMENT - LOSSES (GAINS) FOR CHANGES IN HYPOTHESIS	8,160	-
EXCHANGE DIFFERENCES	(5,605)	(5,297)
REDUCTIONS AND OTHER	-	2,168
PAST SERVICE COST	-	(1,538)
AT DECEMBER 31	(PS 48,710)	(PS 45,979)

Amounts recorded in the statement of income are as follows:

	2014	2013
CURRENT SERVICE COST	PS 24,860	PS 7,448
NET INTEREST COST	-	-
TOTAL INCLUDED IN PERSONNEL EXPENSES	PS 24,860	PS 7,448

The total expenses recognized were prorated as follows:

	2014	2013
COST OF SALES	PS 980	PS 1,434
SELLING EXPENSES	5,963	2,814
ADMINISTRATIVE EXPENSES	17,917	3,200
FINANCIAL RESULT	-	-
TOTAL	PS 24,860	PS 7,448

V. BONUS FOR SEVERANCE

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

	AT DECEMBER 31	
	2014	2013
PRESENT VALUE OF UNFUNDED OBLIGATIONS	(PS 68,894)	(PS 46,814)
UNRECOGNIZED PAST SERVICE COST	-	-
LIABILITIES IN THE STATEMENT OF FINANCIAL POSITION	(PS 68,894)	(PS 46,814)

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

	2014	2013
AT JANUARY 1	(PS 46,814)	(PS 39,827)
CURRENT SERVICE COST	(4,823)	(8,130)
NET INTEREST COST	(3,685)	(640)
REMEASUREMENT - LOSSES (GAINS) FOR CHANGES IN HYPOTHESIS	1,455	(609)
EXCHANGE DIFFERENCES	(7,366)	(353)
PAST SERVICE COST	-	(1,263)
BENEFITS PAID	4,216	952
REDUCTIONS AND OTHER	3,027	3,056
LIABILITIES ACQUIRED IN INVESTMENT IN JOINT OPERATION	(14,904)	-
AT DECEMBER 31	(PS 68,894)	(PS 46,814)

Amounts recorded in the statement of income are as follows:

	2014	2013
CURRENT SERVICE COST	PS 11,586	PS 8,130
PAST SERVICE COST	96	1,263
REDUCTIONS AND OTHER	(2,216)	2,805
NET INTEREST COST	877	323
TOTAL INCLUDED IN PERSONNEL EXPENSES	PS 10,343	PS 12,521

The total expenses recognized were prorated as follows:

	2014	2013
COST OF SALES	PS 1,317	PS 1,353
SELLING EXPENSES	4,528	2,675
ADMINISTRATIVE EXPENSES	4,498	8,493
FINANCIAL RESULT	-	-
TOTAL	PS 10,343	PS 12,521

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 acelerated 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 were applied as from 2014 and will mainly affect the tax incurred as of such year.

REFORM TO TAX REGULATIONS IN ECUADOR

The Organic Law of Incentives to the Production and Prevention of Tax Fraud was approved in Ecuador during December 31, 2014. This law reforms several tax regulations. The main aspects effective for income tax to be determined for fiscal year 2015 are as follows:

i. A new Income Tax rate is established, which in the case of the Company might be of 22.75% (22% in December 31, 2014).
ii. The deductibility of advertising expenses is limited to 4% of the total taxable income.
iii. The deduction of promotion and advertising expenses of food products with hyperprocessed content, in accordance with the list issued by the Health Ministry, is eliminated.
iv. The deduction of salaries and wages is limited for the part that exceeds certain limits fixed by the ministry overseeing the work.

The Company has held numerous meetings with government officials and industrial chambers representatives whereby the likelihood that the Company's products do not qualify as hyperprocessed has been mentioned; therefore, the Company anticipates that it is likely that the consolidated financial statements will not be impacted derived from the disposition that prohibits the deduction of advertising expenses. A listing of the types of food that may be affected is expected to be issued by the Health Ministry during March of 2015.

DEFERRED INCOME TAX

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

	AT DECEMBER 31	
	2014	2013
DEFERRED TAX ASSET:		
- TO BE RECOVERED IN MORE THAN 12 MONTHS	PS 622,265	PS 597,406
- TO BE RECOVERED WITHIN 12 MONTHS	400,111	125,896
	1,022,376	723,302
DEFERRED TAX LIABILITY:		
- TO BE COVERED IN MORE THAN 12 MONTHS	(4,552,267)	(4,439,699)
- TO BE COVERED WITHIN 12 MONTHS	(328,088)	5,104
	(4,880,355)	(4,434,595)
DEFERRED TAX LIABILITIES, NET	(PS 3,857,979)	(PS 3,711,293)

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

	2014	2013
AT JANUARY 1	(PS 3,711,293)	(PS 3,637,197)
CREDIT (CHARGE) TO INCOME STATEMENT	57,591	(567,823)
DEFERRED LIABILITIES FROM TAX CONSOLIDATION	-	440,677
ACQUIRED FROM JOINT OPERATION	(226,756)	-
TAX PAYABLE (CREDITABLE) RELATED TO COMPONENTS OF OTHER COMPREHENSIVE INCOME	22,479	53,050
AT DECEMBER 31	(PS 3,857,979)	(PS 3,711,293)

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

	ASSETS (LIABILITIES)	
	AT DECEMBER 31, 2014	AT DECEMBER 31, 2013
EMPLOYEE BENEFITS	PS 237,234	PS 125,949
TAX LOSS CARRYFORWARDS	125,412	430,967
EMPLOYEES' PROFIT SHARING	131,565	125,896
PROVISIONS	259,726	40,490
DEFERRED TAX ASSETS	753,937	723,302
PROPERTY, PLANT AND EQUIPMENT, NET	(3,188,880)	(3,491,540)
INTANGIBLE ASSETS	(1,363,388)	(948,159)
INVENTORIES	-	5,104
ADVANCE PAYMENTS	(59,648)	-
DEFERRED TAX LIABILITIES	(4,611,916)	(4,434,595)
DEFERRED TAX LIABILITIES, NET	(PS 3,857,979)	(PS 3,711,293)

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

	BALANCE AT DECEMBER 31, 2013	RECORDED IN INCOME	INCREASE FOR JOINT OPERATION	RECORDED IN OTHER COMPREHENSIVE INCOME	DEFERRED LIABILITIES FOR FAX CONSOLIDATION	BALANCE AT DECEMBER 31,2014
EMPLOYEE BENEFITS	PS 125,949	PS 79,188		PS 32,097		PS 237,234
TAX LOSS CARRYFORWARDS	430,967	(305,555)				125,412
EMPLOYEES' PROFIT SHARING	125,896	5,669				131,565
PROVISIONS	40,490	228,854		(9,618)		259,726
	723,302	8,156		22,479		753,937
PROPERTY, PLANT AND EQUIPMENT, NET	(3,491,540)	302,660				(3,188,880)
INTANGIBLE ASSETS	(948,159)	(188,473)	(PS 226,756)			(1,363,388)
PREPAID EXPENSES		(59,648)				(59,648)
INVENTORIES	5,104	(5,104)				-
	(4,434,595)	49,435	(226,756)			(4,611,916)
DEFERRED TAX LIABILITIES	(PS 3,711,293)	PS 57,591	(PS 226,756)	PS 22,479		(PS 3,857,979)

	BALANCE AT DECEMBER 31, 2012	RECORDED IN INCOME	INCREASE FOR BUSINESS COMBINATIONS	RECORDED IN OTHER COMPREHENSIVE INCOME	DEFERRED LIABILITIES FOR FAX CONSOLIDATION	BALANCE AT DECEMBER 31,2013
EMPLOYEE BENEFITS	PS 425,930	(PS 334,363)		PS 34,382		PS 125,949
TAX LOSS CARRYFORWARDS	438,540	(7,573)				430,967
EMPLOYEES' PROFIT SHARING	105,124	20,772				125,896
PROVISIONS	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)				$ 440,677	
	(4,663,310)	(211,962)			440,677	(4,434,595)
DEFERRED TAX LIABILITIES	(PS 3,637,197)	($ 567,823)		PS 53,050	PS 440,677	(PS 3,711,293)

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 Ps125,412 at 2014 and Ps430,967 at 2013, with respect to tax loss carryforwards for a remaining and incurred amount of Ps358,747 at 2014 and Ps1,347,123 at 2013, which may be amortized against future tax profits.

At December 31, 2014, accumulated tax loss carryforwards of the Mexican entities for a total of P2,997, expire in 2020 and those of foreign entities for a total of Ps335,754 expire between 2015 and 2030.

The Company has not recorded estimated deferred tax liabilities for approximately Ps1,665 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.

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.

The number of shares of the Company at December 31, 2014 and 2013 are comprised as follows:

	PAID-IN CAPITAL STOCK		
	NUMBER OF SHARES (A)		
	FIXED	VARIABLE	TOTAL
TOTAL SHARES AT DECEMBER 31, 2014 AND 2013	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, 2014, the legal reserve amounted to Ps85,954, which is included in retained earnings.
(c) At December 31, 2014 there are 1,143,309 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 2014, 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 2015. 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, provided the Company does not have enough CUFIN balances to compensate the alleged dividend amount.

At December 31, 2014, the tax value of the consolidated CUFIN and the CUCA value amounted to Ps26,947,320 and Ps24,246,748, 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.

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, 2013	(PS 1,011,538)	(PS 413,659)	PS 21,118	(PS 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	(1,891,567)	(493,880)	(22,441)	(2,407,888)
EFFECT FROM REMEASUREMENT OF DEFINED BENEFIT OBLIGATIONS		(107,951)		(107,951)
EFFECT FROM INCOME TAX OVER REMEASUREMENT OF DEFINED BENEFIT OBLIGATIONS		33,396		33,396
EFFECT OF CASH FLOW HEDGES			32,059	32,059
EFFECT OF INCOME TAX OVER CASH FLOW HEDGES			(9,618)	(9,618)
EFFECT OF TRANSLATION OF FOREIGN ENTITIES	924,252			924,252
BALANCE AT DECEMBER 31, 2014	(PS 967,315)	(PS 568,435)		(PS 1,535,750)

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, 2014		
	ACCOUNTS RECEIVABLE AND PAYABLE AT AMORTIZED COST	DERIVATIVES FROM HEDGES	TOTAL CATEGORIES
FINANCIAL ASSETS:			
CASH AND CASH EQUIVALENTS	PS 9,039,309		PS 9,039,309
CLIENTS AND OTHER ACCOUNTS RECEIVABLE, NET	4,271,207		4,271,207
RELATED PARTIES	40,612		40,612
ADVANCE PAYMENTS	269,014		269,014
TOTAL FINANCIAL ASSETS	PS 13,620,142		PS 13,620,142

	AT DECEMBER 31, 2014		
	ACCOUNTS RECEIVABLE AND PAYABLE AT AMORTIZED COST	DERIVATIVES FROM HEDGES	TOTAL CATEGORIES
FINANCIAL LIABILITIES:			
CURRENT DEBT	PS 1,698,672		PS 1,698,672
SUPPLIERS, RELATED PARTIES AND OTHER ACCOUNTS PAYABLE	7,038,172		7,038,172
NON-CURRENT DEBT	14,077,954		14,077,954
TOTAL FINANCIAL LIABILITIES	22,814,798		PS 22,814,798

	AT DECEMBER 31, 2013		
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, RELATED PARTIES AND OTHER ACCOUNTS PAYABLE	5,244,706		5,244,706
NON-CURRENT DEBT	11,701,140		11,701,140
DERIVATIVE FINANCIAL INSTRUMENTS	-	PS 36,432	36,432
TOTAL FINANCIAL LIABILITIES	PS 19,322,208	PS 36,432	PS 19,358,640

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	
	2014	2013
CUSTOMERS AND OTHER ACCOUNTS RECEIVABLE		
COUNTERPARTIES WITHOUT EXTERNAL CREDIT RATING		
TYPE OF CLIENTS X	PS 1,845,889	PS 1,687,965
TYPE OF CLIENTS Y	1,110,733	455,238
	PS 2,956,622	PS 2,143,203

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, 2014	
	BOOK VALUE	FAIR VALUE
LIABILITIES:		
NON-CURRENT DEBT	PS 14,077,954	PS 15,425,663

	AT DECEMBER 31, 2013	
	BOOK VALUE	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

The fair values of the current debt approximate their fair value due to its short-term maturity in virtue that the effects of its discount are not significant. Fair values of the non-current debt were determined based on discounted cash flows using a discount rate of 6.97% (6.75% in 2013) under category Level 2 of the fair value hierarchy.

IV. DERIVATIVE FINANCIAL INSTRUMENTS

The effectiveness of derivative financial instruments designated as hedges is measured periodically. At December 31, 2014 and 2013 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. At December 31, 2014, the Company had no cash flow hedging financial instruments.

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, 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, 2014, the Company does not have opening positions of interest rate derivative financial instruments.

		AT DECEMBER 31, 2013						
		VALUE OF UNDERLYING ASSET			MATURITIES PER YEAR			
CONTRACT	NOTIONAL AMOUNT	UNITS	RANGE OR REFERENCE	FAIR VALUE	2014	2015	2016+	COLLATERAL/ GUARANTEE
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)			

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. At December 31, 2014 the Company has no contracted exchange rate derivative financial instrumentS.

		AT DECEMBER 31, 2013							
		VALUE OF UNDERLYING ASSETS			MATURITIES PER YEAR				
CONTRACT	NOTIONAL AMOUNT	UNITS	RANGE OF REFERENCE	FAIR VALUE	2014	2015	2016+	COLLATERAL/ GUARANTEE
SANTANDER	(US$ 10,000)	PESOS / DOLLAR	$12.87-$12.93	US$ 185	US$ 185			
HSBC	(10,000)	PESOS / DOLLAR	$12.85-$12.95	150	150			
	(US$ 20,000)			US$ 335	US$ 335			

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, 2014	AT DECEMBER 31, 2013
ASSETS:		
DERIVATIVE FINANCIAL INSTRUMENTS SHORT-TERM		PS 4,373
LIABILITIES:		
DERIVATIVE FINANCIAL INSTRUMENTS SHORT-TERM		PS 36,432
DERIVATIVE FINANCIAL INSTRUMENTS LONG-TERM		
		PS 36,432

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 and selling and administrative expenses, classified by the nature of the expense for the years ended December 31, 2014 and 2013 are comprised as follows:

	2014	2013
RAW MATERIALS AND OTHER	PS 26,768,754	PS 26,928,397
PERSONNEL EXPENSES	9,869,615	9,329,432
EMPLOYEE BENEFIT EXPENSES	177,899	56,777
VARIABLE SELLING EXPENSES (1)	3,654,220	3,642,253
DEPRECIATION	2,587,840	2,432,046
TRANSPORTATION	2,292,399	2,064,760
ADVERTISING, MARKETING AND PUBLIC RELATIONS	1,737,445	1,812,191
MAINTENANCE AND CONSERVATION	1,295,157	1,305,307
PROFESSIONAL FEES	704,969	683,716
SUPPLIES (ELECTRICITY, GAS, TELEPHONE, ETC.)	262,918	261,303
TAXES (OTHER THAN INCOME		
TAX AND VALUE ADDED TAX)	344,490	279,004
SPILLS, BREAKAGES AND MISSING ITEMS	202,610	208,420
LEASES	212,083	180,787
TRAVEL EXPENSES	246,485	162,471
PROVISION FOR IMPAIRMENT IN CUSTOMERS	48,503	8,249
AMORTIZATION	67,035	95,669
CONSUMPTION OF MATERIALS AND RAW MATERIALS	26,990	16,906
BANKING AND SIMILAR SERVICES	3,376	1,985
OTHER EXPENSES	890,004	861,657
	PS 51,392,792	PS 50,331,330

(1) Includes damaged, slow-moving or obsolete inventory.

NOTE 22 - OTHER EXPENSES, NET:

Other income and expenses for the years ended December 31, 2014 are comprised as follows:

	2014	2013
EXPENSES FROM ACQUISITION OF JOINT OPERATION (NOTE 2)	(PS 36,179)	
INDEMNITIES	(116,269)	(PS 262,887)
TAXES FROM PRIOR YEARS	(13,312)	(10,647)
INCOME FROM DIFFERENT SOURCES	455,949	241,708
(LOSS) PROFIT FROM DISPOSAL OR SALE OF FIXED ASSETS	(47,500)	57,902
OTHER	(68,945)	(195,959)
TOTAL	PS 173,744	(PS 169,883)

NOTE 23 - EMPLOYEE BENEFIT EXPENSES:

Other employee benefit expenses for the years ended December 31, 2014 and 2013 are comprised as follows:

	2014	2013
SALARIES, WAGES AND BENEFITS	PS 8,504,511	PS 7,920,811
LABOR TERMINATION INDEMNITIES	66,103	30,163
CONTRIBUTIONS TO SOCIAL SECURITY	1,299,001	1,378,458
EMPLOYEES' BENEFITS (NOTE 16)	177,899	56,777
TOTAL	PS 10,047,514	PS 9,386,209

NOTE 24 - FINANCIAL RESULT, NET:

Financial income and expenses for the years ended December 31, 2014 and 2013 are comprised as follows:

	2014	2013
FINANCIAL INCOME:		
INTEREST INCOME IN SHORT-TERM BANK DEPOSITS	PS 209,435	PS 156,625
OTHER INTEREST INCOME	21,148	20,474
FINANCIAL INCOME, EXCLUDING FOREIGN EXCHANGE GAIN	230,583	177,099
FOREIGN EXCHANGE GAIN	17,040	-
TOTAL FINANCIAL INCOME	PS 247,623	PS 177,099
FINANCIAL EXPENSES:		
INTEREST FROM STOCK CERTIFICATES	(PS 780,633)	(PS 792,418)
INTEREST FROM BANK LOANS	(200,799)	(88,793)
FINANCIAL COST FOR EMPLOYEE BENEFITS	(24,969)	(50,054)
PAID TO SUPPLIERS	(7,423)	(14,924)
TAXES RELATED TO FINANCIAL ACTIVITIES	(95,707)	(109,117)
OTHER FINANCIAL EXPENSES	(80,678)	(50,040)
FINANCIAL EXPENSE, EXCLUDING FOREIGN EXCHANGE LOSS	(1,190,209)	(1,105,346)
FOREIGN EXCHANGE LOSS	(31,391)	(43,114)
TOTAL FINANCE COST	(PS 1,221,600)	(PS 1,148,460)
FINANCIAL RESULT, NET	(PS 973,977)	(PS 971,361)

NOTE 25 - INCOME TAX:

I. INCOME TAX UNDER TAX CONSOLIDATION REGIME IN MEXICO

In 2013, the Company determined consolidated taxable income of Ps6,641,614, respectively. 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 at December 31, 2013.

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 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 155,660	

In 2014 the Company determined a standalone tax profit of Ps277,656, as a result of a tax profit during the year of Ps1,034,051 and the reduction for the remaining tax losses of Ps756,395. The tax result differs from the accounting result, mainly due to the items accumulated in time and deducted differently for accounting and tax purposes, to the recognition of the effects of inflation for tax purposes, as well as for the items that only affect the accounting or tax income.

II. PROFIT BEFORE TAXES

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

	FOR THE YEAR ENDED DECEMBER 31	
	2014	2013
DOMESTIC	PS 8,037,980	PS 7,214,014
FOREIGN	1,815,646	1,803,323
	PS 9,853,626	PS 9,017,337

III. COMPONENTS OF THE INCOME TAX EXPENSE

Components of the income tax expense include:

	FOR THE YEAR ENDED DECEMBER 31	
	2014	2013
TAX CURRENTLY PAYABLE:		
INCOME TAX ON PROFITS OF THE PERIOD	(PS 3,146,566)	(PS 2,206,862)
DEFERRED TAX: ORIGIN AND REVERSAL OF TEMPORARY DIFFERENCES	57,591	(567,823)
INCOME TAX EXPENSE	(PS 3,088,975)	(PS 2,774,685)

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	
	2014	2013
PAYABLE:		
DOMESTIC	(PS 2,602,725)	(PS 1,631,804)
FOREIGN	(543,841)	(575,058)
	(3,146,566)	(2,206,862)
DEFERRED:		
DOMESTIC	109,255	(541,323)
FOREIGN	(51,664)	(26,500)
	57,591	(567,823)
TOTAL	(PS 3,088,975)	(PS 2,774,685)

IV. RECONCILIATION BETWEEN ACCOUNTING AND TAX INCOME

For the years ended December 31, 2014 and 2013, the reconciliation between the statutory and effective income tax rate amounts is shown as follows:

	FOR THE YEAR ENDED DECEMBER 31	
	2014	2013
INCOME TAX AT STATUTORY RATE (30% FOR 2014 AND 2013)	(PS 2,956,088)	(PS 2,705,201)
TAX EFFECTS FROM INFLATION	(84,333)	28,205
DIFFERENCES FROM TAX RATES OF FOREIGN SUBSIDIARIES	27,093	(3,839)
NON-DEDUCTIBLE EXPENSES	(353,483)	(282,690)
SHARE OF NET INCOME OF ASSOCIATES	26,814	39,226
OTHER NON-CUMULATIVE INCOME	86,645	-
OTHER	164,377	149,614
TAX AT EFFECTIVE RATE (31.35% AND 30.8% % FOR 2014 AND 2013, RESPECTIVELY)	(PS 3,088,975)	(PS 2,774,685)

V. TAX RELATED TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

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

	2014			2013		
	BEFORE TAXES	TAX PAYABLE (RECEIVABLE)	AFTER TAXES	BEFORE TAXES	TAX PAYABLE (RECEIVABLE)	AFTER TAXES
EFFECTS FROM CASH FLOW HEDGES	PS 32,059	(PS 9,618)	PS 22,441	(PS 62,227)	PS 18,668	(PS 43,559)
REMEASUREMENT OF EMPLOYEE BENEFITS	(109,227)	32,097	(77,130)	(114,603)	34,382	(80,221)
EFFECTS OF TRANSLATION OF FOREIGN ENTITIES	1,261,598	-	1,261,598	(880,029)		(880,029)
OTHER COMPREHENSIVE INCOME	PS 1,184,430	PS 22,479	PS 1,206,909	(PS 1,056,859)	PS 53,050	(PS 1,003,809)
DEFERRED TAXES		PS 22,479			PS 53,050	

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 and ending January 31, 2016.

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 (NORTH)	SEPTEMBER 23, 2014	SEPTEMBER 22, 2024
MEXICO (WEST)	AUGUST 1, 2014	JULY 31, 2024
NORTHEASTERN ARGENTINA (1)	JANUARY 1, 2012	JANUARY 1, 2017
NORTHWESTERN ARGENTINA (1)	JANUARY 1, 2012	JANUARY 1, 2017
ECUADOR (1)	JANUARY 1, 2013	DECEMBER 31, 2017

(1) 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 a number of its subsidiaries 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 the subsidiaries, having appealed to all the instances and legal procedures including the injunction, was covered.

For Contal, at the date of issuance of these financial statements, the sanction imposed of Ps10,530 was confirmed by the Supreme Court of Justice of the Nation upon dismissal of the injunction trial filed by such company. Therefore, the sanction is definitive and no legal recourse may be applied for its challenge, in virtue of which the Company recorded the corresponding liability for this sanction.

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 (See Note 15).

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 at December 31, 2014 based on the analysis of internal and external legal advisors, the Company determined a provision of approximately Ps20,000 (Ps8,000 in 2013), 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, 2014 of approximately Ps145,030 (Ps83,456 in 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:

	2014	2013
SALARIES AND OTHER SHORT TERM BENEFITS	PS 153,763	PS 151,039
PENSION PLANS	162,987	133,382
SENIORITY PREMIUM	116	129
MEDICAL EXPENSES AFTER RETIREMENT	1,398	1,200
TOTAL	PS 318,264	PS 285,750

B. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Balances receivable from related parties presented in the consolidated statements of financial position at December 31, 2014 come from PIASA's commercial relationship.

Balances payable to related parties are as follows:

	AT DECEMBER 31	
	2014	2013
OTHER RELATED PARTIES:		
COCA-COLA MÉXICO (CCM)	PS 261,720	PS 54,036
ASSOCIATES:		
JDV	90,801	-
PROMOTORA MEXICANA DE EMBOTELLADORAS, S. A. DE C. V.	25,938	23,063
PIASA	-	15,820
INDUSTRIA ENVASADORA DE QUERÉTARO, S. A. DE C. V.(IEQSA)	45,189	3,558
OTHER ASSOCIATES	31,449	31,580
	PS 455,097	PS 128,057

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

	YEAR ENDED DECEMBER 31	
	2014	2013
OTHER RELATED PARTIES (SEE NOTES 1 AND 27):		
PURCHASE OF CONCENTRATE	PS 6,472,831	PS 6,484,786
ADVERTISING AND FEES	181,583	288,692
PURCHASE OF REFRIGERATORS	-	65,655
AIR TRANSPORTATION	43,466	56,397
PURCHASE OF CANS	411,728	287,107
ASSOCIATES (SEE NOTE 10):		
PURCHASE OF JUICES AND NECTARS FROM JDV	1,935,042	1,655,013
PURCHASE OF SUGAR FROM PIASA	1,370,912	1,333,069
PURCHASE OF CANNED PACKAGING FROM IEQSA	861,928	749,635
PURCHASE OF CANS AND BOTTLES	266,227	265,782
FREIGHT	41,091	50,699
PALLETS	68,555	389
PURCHASE OF SPARE PARTS AND OTHER	1,592	8,534
	PS 11,654,955	PS 11,245,758

Balances payable with related parties at December 31, 2014 and 2013, 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, 2014 and 2013, 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		
	COUNTRY	ACTIVITIES	2014	2013	2014	2013	FUNCTIONAL CURRENCY
ARCA CONTINENTAL, S. A. B. DE C. V. PARENT)	MEXICO	B / E					MEXICAN PESO
BEBIDAS MUNDIALES, S. DE R. L. DE C. V.	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. (PROCOBASA) (A)	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. (ARGOS) (A)	MEXICO	B	-	99.99	-	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.	MEXICO	F	99.99	99.99	0.01	0.01	MEXICAN PESO
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. (AYS) (A)	MEXICO	B / E	-	99.99	-	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.	USA	C	100.00	100.00	0.00	0.00	US DOLLAR
ARCA CONTINENTAL ARGENTINA S. L. (ARCA ARGENTINA)	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
ARCA ECUADOR, S. A. (ARCA ECUADOR) (VÉASE NOTA 30.)	SPAIN	A / B	75.00	75.00	25.00	25.00	US DOLLAR
INDUSTRIAS ALIMENTICIAS ECUATORIANAS, S. A.	ECUADOR	C	99.99	99.99	0.01	0.01	US DOLLAR
INDUSTRIAL DE GASEOSAS, S. A.	ECUADOR	E	99.99	99.99	0.01	0.01	US DOLLAR
EMBOTELLADORA Y PROCESADORA DE EL ORO, S. A.	ECUADOR	E	99.99	99.99	0.01	0.01	US DOLLAR
BEBIDAS ARCA CONTINENTAL ECUADOR ARCADOR, S. A.	ECUADOR	A	100.00	100.00	0.01	0.00	US DOLLAR

(a) On June 30, 2014, the merger from absorption of Argos and AyS in Procobasa was agreed to.

Activity 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. SUMMARIZED FINANCIAL INFORMATION OF SUBSIDIARIES WITH SIGNIFICANT NON-CONTROLLING INTEREST BEFORE ELIMINATIONS FROM CONSOLIDATION

	ARCA ARGENTINA		ARCA ECUADOR	
SUMMARIZED BALANCE SHEET	**2014**	**2013**	**2014**	**2013**
CURRENT ASSETS	PS 1,956,170	PS 1,427,321	PS 2,119,299	PS 1,220,641
NON-CURRENT ASSETS	3,264,198	3,431,774	15,812,856	10,701,417
CURRENT LIABILITIES	1,438,435	1,382,362	2,527,290	1,915,320
NON-CURRENT LIABILITIES	671,051	386,486	5,426,167	1,771,734
NET ASSETS	PS 3,110,882	PS 3,090,247	PS 9,978,698	PS 8,235,004
SUMMARIZED STATEMENT OF COMPREHENSIVE INCOME				
INCOME	PS 7,226,401	PS 7,843,438	PS 8,383,482	PS 6,309,819
TOTAL COMPREHENSIVE INCOME	PS 560,479	PS 613,969	PS 466,281	PS 463,737
SUMMARIZED CASH FLOWS				
OPERATING ACTIVITIES NET CASH FLOW	PS 256,038	PS 944,158	PS 514,533	PS 890,870
INVESTMENT ACTIVITIES NET CASH FLOW	(474,046)	(676,276)	(2,894,721)	(558,374)
FINANCING ACTIVITIES NET CASH FLOWS	501,530	(158,601)	2,628,838	(330,596)
INCREASE IN CASH	283,522	109,281	248,650	1,900
CASH EXCHANGE (LOSS) GAIN	(64,116)	(120,125)	34,807	1,598
CASH AT BEGINNING OF YEAR	486,750	497,594	272,380	268,882
CASH AT END OF YEAR	PS 706,156	PS 486,750	PS 555,837	PS 272,380

IV. TRANSACTIONS WITH NON-CONTROLLING INTEREST

During the years ended December 31, 2014 and 2013 there were no transactions with non-controlling interest or conflicts of interest to disclose.

V. JOINT OPERATIONS

At December 31, 2014 the company has an investment of 50% in JV Toni, S. L., company incorporated in Spain to jointly operate its investment in Holding Tonicorp, S. A. and its subsidiaries as shown below:

ENTITY	COUNTRY	ACTIVITIES	OWNERSHIP PERCENTAGE	FUNCTIONAL CURRENCY
HOLDING TONICORP, S. A.	ECUADOR	A	89.02	US DOLLAR
INDUSTRIAS LÁCTEAS TONI, S. A.	ECUADOR	B	100.00	US DOLLAR
HELADOSA, S. A.	ECUADOR	C	100.00	US DOLLAR
PLÁSTICOS ECUATORIANOS, S. A.	ECUADOR	D	100.00	US DOLLAR
DISTRIBUIDORA IMPORTADORA DIPOR, S. A.	ECUADOR	E	100.00	US DOLLAR
COSEDONE, C. A.	ECUADOR	F	100.00	US DOLLAR
ASESORÍA & SERVICIOS CORPORATIVOS FABACORPSA, S.A.	ECUADOR	G	100.00	US DOLLAR

A - Shareholding
B - Production and/or distribution of high value-added dairy products
C - Production and/or distribution of ice cream and related products
D - Production and/or distribution of all kinds of plastic packaging
E - Distribution and marketing of high value-added dairy products and other products
F - Local freight transportation services to companies of group Toni
G - Rendering of administrative, corporate and shared services

In accordance with the assessment performed by AC, the design and purpose of this joint agreement requires that Arca Ecuador acquire, distribute and market the production of Tonicorp, transferring the rights to the benefits and obligations of the liabilities of Tonicorp and its subsidiaries to the two shareholders that jointly control the agreement. Consequently, the agreement has been classified as a joint operation (see Note 3c. and 5b.). AC has incorporated in its financial statements at December 31, 2014 its equity percentage in this joint operation as of the acquisition date.

The partners agreement for the joint operation includes call / put options for each partner in the event of change in control or in business strategy at any of the two parties.

NOTE 30 - SUBSEQUENT EVENTS:

In preparing the financial statements the Company has evaluated events and transactions for recognition or disclosure subsequent to December 31, 2014 and up to February 26, 2015 (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 Financial and Administrative Officer

GLOSSARY

AC
Arca Continental, S.A.B. de C.V.

In-line Blowing Machine
Equipment for the conversion of preforms into PET bottles.

Consumer
Individual who purchases Company products at a point of sale.

Customer
Owner of a point of sale that offers Company products to consumers.

Handheld
Electronic device used by the sales force for taking orders.

ISR
Income tax.

MUC
Million Unit Cases.

PET Bottle
Non-returnable plastic container.

PET Resin (Polyethylene terephthalate)
Material used in the production of plastic containers.

Post-Mix Machine
Soft drink dispenser that mixes carbonated water with concentrated syrup; mainly found in restaurants, cafeterias and schools.

Preform
Intermediate product made from PET resin; preforms are blow molded to make plastic bottles.

Preform Injection Machine
Equipment for conversion of PET resin into preforms.

Pre-sale System
System of visiting points of sale prior to the delivery of products: during visits, specific orders are taken for each point of sale, optimizing product delivery and the product load carried by distribution trucks.

REF-PET Bottle
Returnable plastic container.

RTM
Route To Market, a market service model.

Unit Case
Unit of measurement used in the beverage industry; equivalent to 24 eight-ounce bottles.

Vending Machine
Non-returnable, coin-operated soft-drink dispenser.

INVESTOR RELATIONS

in Monterrey
Ulises Fernandez de Lara
Juan Hawach
Av. San Jeronimo 813 Pte.
64640 Monterrey, Nuevo Leon, Mexico
Phone: 52 (81) 8151-1400
ir@arcacontal.com

In New York
Melanie Carpenter
i-advize Corporate Communications
Phone: (212) 406-3692
arcacontal@i-advize.com

CORPORATE COMMUNICATIONS

Guillermo Garza
Fidel Salazar
Av. San Jeronimo 813 Pte.
64640 Monterrey, Nuevo Leon, Mexico
Phone: 52 (81) 8151-1400
info@arcacontal.com

www.arcacontal.com

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