ARCACONTINENTAL

ANNUAL REPORT 2017

COMMITMENT
BEYOND BORDERS

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 and Deep River in the U.S. with an outstanding history spanning more than 92 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 119 million consumers in Northern and Western Mexico, Ecuador, Peru, Northern Argentina and the Southwest region of the U.S. The Company's shares trade on the Mexican Stock Exchange under the ticker symbol "AC".

ARCA CONTINENTAL NORTH AMERICA

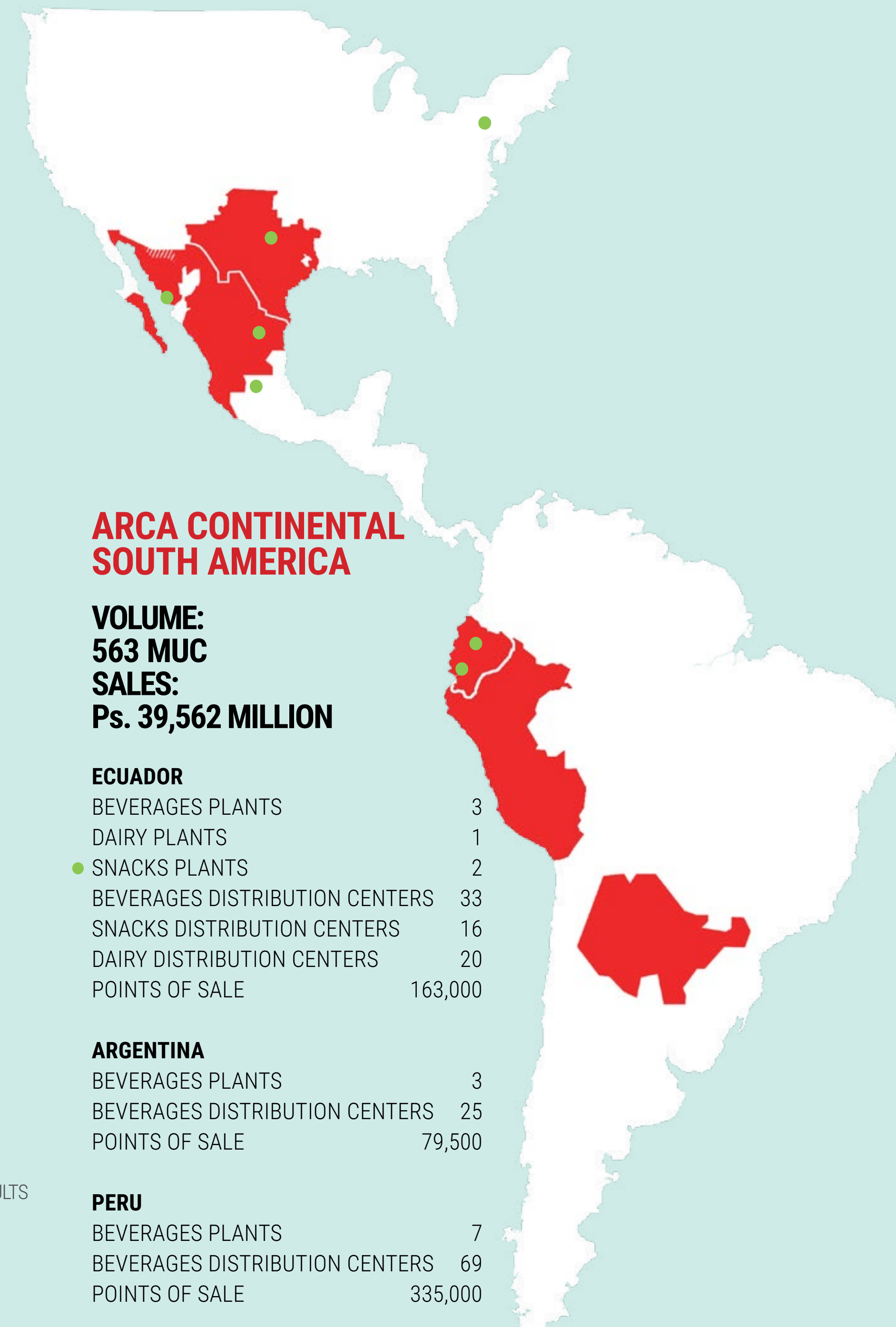
VOLUME:
1,522 MUC
SALES:
Ps. 99,925 MILLION

UNITED STATES

BEVERAGES PLANTS	10
SNACKS PLANTS	2
BEVERAGES DISTRIBUTION CENTERS	40
SNACKS DISTRIBUTION CENTERS	14
POINTS OF SALE	149,000

MEXICO

BEVERAGES PLANTS	20
SNACKS PLANTS	3
BEVERAGES DISTRIBUTION CENTERS	116
SNACKS DISTRIBUTION CENTERS	42
POINTS OF SALE	360,000



ARCA CONTINENTAL SOUTH AMERICA

VOLUME:
563 MUC
SALES:
Ps. 39,562 MILLION

ECUADOR

BEVERAGES PLANTS	3
DAIRY PLANTS	1
SNACKS PLANTS	2
BEVERAGES DISTRIBUTION CENTERS	33
SNACKS DISTRIBUTION CENTERS	16
DAIRY DISTRIBUTION CENTERS	20
POINTS OF SALE	163,000

ARGENTINA

BEVERAGES PLANTS	3
BEVERAGES DISTRIBUTION CENTERS	25
POINTS OF SALE	79,500

PERU

BEVERAGES PLANTS	7
BEVERAGES DISTRIBUTION CENTERS	69
POINTS OF SALE	335,000

CONTENT

FINANCIAL HIGHLIGHTS

FIGURES IN MILLIONS OF MEXICAN PESOS, EXCEPT VOLUME AND PER SHARE DATA

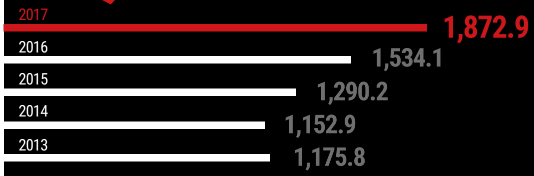
	2017	2016	CAMBIO %
TOTAL SALES VOLUME (MUC)	**2,084.7**	1,740.6	19.8
NET SALES	**139,487**	93,666	48.9
GROSS MARGIN	**44.8%**	47.0%	
OPERATING INCOME	**22,406**	16,300	37.5
OPERATING MARGIN	**16.1%**	17.4%	
EBITDA[1]	**25,993**	20,092	29.4
EBITDA MARGIN	**18.6%**	21.5%	
NET INCOME	**16,789**	9,711	72.9
TOTAL ASSETS	**240,285**	138,924	73.0
CASH	**23,842**	5,546	329.9
TOTAL DEBT	**55,123**	31,184	76.8
CONTROLLING INTEREST	**110,473**	71,425	54.7
CAPITAL EXPENDITURES	**10,880**	7,379	47.4
PER SHARE DATA			
NET INCOME PER SHARE	**7.42**	5.38	
BOOK VALUE	**62.62**	42.55	
DIVIDENDS PAID	**2.00**	1.85	
AVERAGE SHARES OUTSTANDING (THOUSANDS)	**1,764,283**	1,678,753	

[1] Operating Income plus depreciation, amortization and non-recurrent expenses.

SALES VOLUME WITHOUT JUG WATER

(MUC: Millions of Unit Cases)

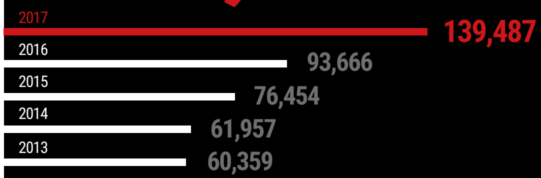
1,872.9



NET SALES

(Millions of Mexican Pesos)

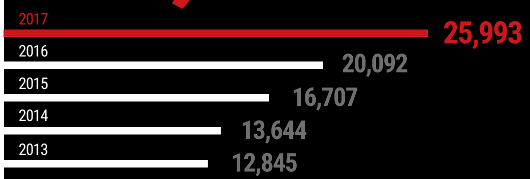
139,487



EBITDA

(Millions of Mexican Pesos)

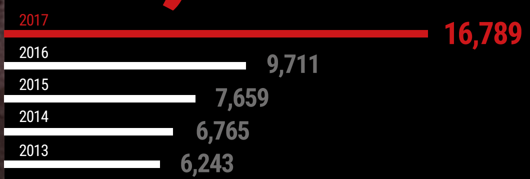
25,993



NET INCOME

(Millions of Mexican Pesos)

16,789



TO OUR SHAREHOLDERS

FRANCISCO GARZA EGLOFF
Chief Executive Officer

MANUEL L. BARRAGAN MORALES
Chairman of the Board of Directors

In 2017, a historic year for Arca Continental, our commitment to customer service, operational excellence, value creation, and sustainability continued to transcend borders as we entered the U.S. market. This reaffirmed our commitment to leadership as well as our ability to deliver positive results, even in challenging times.

Thanks to the efforts and professionalism of our talented associates, we are pleased to inform that in 2017 we surpassed—for the third consecutive time—our goal of profitably doubling sales every 5 years. This achievement does not include the acquisition of Coca-Cola Southwest Beverages (CCSWB), which operates in Texas as well as parts of Oklahoma, Arkansas and New Mexico.

Including the nine-month results of CCSWB and four months of the Oklahoma Market Unit, our Consolidated Net Sales grew 49%, reaching Ps. 139,487 million.

In this context, our sound price/package architecture and our disciplined management of cost and expenses, among other factors, contributed to increase EBITDA 29.4% year-over-year, to Ps. 25,993 million, with a margin of nearly 19%.

The transformational expansion we undertook in 2017, with Arca Continental becoming the first Latin American bottler to participate in the U.S. Coca-Cola system, is testament to our corporate commitment to consistently create value.

Following the successful transition process, which has become an example of our operational efficiency and organizational capabilities, we completed our first year of operating in the U.S., making significant progress in standardizing best practices and capturing significant synergies, despite facing challenges and natural disasters, such as the most destructive hurricane ever to hit Texas.

On our road to profitable growth, transferring the Topo Chico trademark rights to The Coca-Cola Company in the U.S. was also a relevant event in 2017. This transaction will contribute to boosting the remarkable success that this iconic brand has enjoyed in the territories where we operate, with Coca-Cola extending it to other areas, while maintaining the legacy and authenticity of this 123-year old brand.

In order to strengthen and expand our innovative and functional beverage portfolio, in March 2017 we acquired, in conjunction with The Coca-Cola Company and other bottlers in the system, the soy-based AdeS brand with outstanding success, offering this brand in our markets in Argentina and Mexico.

We also increased the availability of no-calorie products by launching Coca-Cola Sugar Free in Mexico and the U.S., where it has been well received, contributing to our commitment to offer a well-balanced portfolio that includes low and no-calorie options.

In Ecuador, we inaugurated a new and modern value-added dairy plant in Guayaquil, in the presence of President Lennin Moreno. The new plant positions our dairy-products company, Tonicorp, at the forefront in the region in terms of productivity, quality and sustainability.

In the snacks business, we continued to expand our portfolio by acquiring Deep River, a brand that is recognized in the U.S. by consumers who are looking for more innovative products with very specific characteristics.

These and other initiatives drove our company's operating results, delivering a sales volume of 2,085 million unit cases at the end of 2017, up 19.8% from previous year, driven by both our organic growth and our expansion into new territories.

Operating Income for the year grew 37.5%, reaching Ps. 22,406 million, with an operating margin of 16.1%. Net Income was Ps. 16,789 million, up 73% compared to 2016.

Consistent with the prudent financial management we are known for, AC Bebidas, a subsidiary of Arca Continental, successfully issued public bonds in the Mexican market for Ps. 7,000 million, backed by AAA credit rating from S&P and Fitch Ratings, and oversubscribed. Funds were allocated to refinance short-to long-term debt.

Coca-Cola Southwest Beverages also issued its first private placement debt offering for USD 800 million among several institutional investors in the U.S., obtaining a Global "A" rating from Fitch Ratings.

+49%
NET SALES

+29.4%
EBITDA

MEXICO

Our core beverage business in Mexico continued to show strength and ability to transform, based on superior marketing and customer service capabilities. Sales volume rose 2.6% when compared to 2016, and revenues were up 9.6% year-over-year to Ps. 58,469 million.

During 2017, we took another step forward in the deployment of our Arca Continental Total Execution (ACT) commercial model, incorporating new service models focused on maximizing a positive customer experience at a lower cost.

We also continued to expand the modernization process of the Traditional Channel with a new digital point-of-sale platform for retail stores, aimed at improving their perspective, increasing store customer traffic, and capturing additional revenue through electronic payments. This also allows Arca Continental to ensure its product availability at the store.

Additionally, we installed new production lines in the states of Aguascalientes and Chihuahua, to serve the growing demand in these markets.

The dairy business in Mexico registered double-digit growth, particularly in the flavored milk segment, capitalizing on the strengths of the Traditional and Direct-to-Home channels.

Our team and our company were models of solidarity during the earthquakes that affected Mexico in September. We donated over Ps. 7 million and gathered more than 12,000 non-perishable products, in all of our territories, to support the victims of these disasters.

UNITED STATES

A year after its integration, Coca-Cola Southwest Beverages reported sequential revenue growth and a significant improvement in operating performance.

Following an assessment of new improvement opportunities, we updated our synergies goal from a range of UDS $60-80 million in three years, to USD 90 million.

Furthermore, the CCSWB team showed great commitment and resilience following Hurricane Harvey in Texas, both by coming to the aid of the community, our employees, and the authorities, and by being the first supplier to reestablish service to local retailers.

By year-end 2017, annual revenue for our U.S. operation reached Ps. 39,125 million, and volume of 323 million unit cases, including the results of the Great Plains territory in Oklahoma, which was incorporated in late August.

Since the beginning of the transition process, we worked on finding ways to better serve our market with a renewed IT infrastructure and a customer-centric culture.

As part of our process to standardize best practices, we started implementing the ACT Fundamentals module across the franchise, achieving an important reduction in the incidence of in-store product shortages and improvements in the commercial execution metrics.

SOUTH AMERICA

Operations in South America contributed to the profitability of our business and strengthened the competitiveness of our portfolio by successfully adapting to challenging climate and macroeconomic conditions.

Consolidated Net Sales were Ps. 39,562 million, an 8.4% increase year-over-year. EBITDA grew 10.4%, to Ps. 7,694 million.

In Argentina, macroeconomic growth and a slowdown in inflation enabled us to post a slight increase in volume during the fourth quarter.

We also expanded operational profitability with the acquisition and vertical integration of the Famaillá sugar mill, as well as strategies focused on returnable and single-serve products.

Arca Continental Argentina obtained the ICE 2016/2017 Cup granted by Coca-Cola South Latin, confirming that the ACT Model is the right path to achieve the executional excellence required to apply our strategy at every point-of-sale.

In its effort to adapt to new consumption trends, Arca Continental Ecuador became the first operation in the Coca-Cola System worldwide to attain a 50% mix of low- and no-calorie product offerings.

Based on these and other initiatives, particularly the success Coca-Cola No Sugar has had in this country, we registered 6.8% growth in the Colas category.

At Tonicorp, our dairy products company, we focused our efforts on capturing new market quotas with key products such as yogurt, flavored milk, and ice cream, while strengthening commercial execution capabilities.

In Peru, progress in the integration of Arca Continental Lindley helped us capture additional savings synergies while improving customer service in Lima, with our East Mega Distribution Center, located in Huachipa, which can serve 2.8 million customers.

Worth mentioning is the great solidarity and fortitude shown by our employees in face of the national emergency, declared by the Peruvian Central Government, following natural disasters attributed to the Coastal El Niño weather phenomenon.

In this context, we successfully faced two major challenges: first, we were able to respond in a timely manner to the #UnaSolaFuerza relief campaign led by the government in support of thousands of victims of these disasters, donating more than 3 million liters of water. Simultaneously, we promptly delivered the products required to serve the surge in demand resulting from the urgent need for beverages nationwide, particularly bottled water.

We installed new production lines in the states of Aguascalientes and Chihuahua, to serve the growing demand in these markets.

We confirmed our company's commitment beyond borders, allowing us to go further and be a proven source of value creation, innovation, and continuous improvement, a more agile and competitive company that is able to lead change and continue to show results.

FOOD AND SNACKS

Our Food and Snacks division continued to improve its production, distribution, and marketing capabilities in the three countries where it operates, while extending its geographic presence and growing its portfolio with innovative products.

To this end, we expanded capacity at our plant in Fort Worth, Texas, which will produce both Wise and Deep River brands, and we installed the third Bokados plant in the state of Queretaro to expand our brand presence in Central and Southern Mexico.

Additionally in 2017, Bokados developed strategies to increase its customer base and strengthen the brand's national presence.

In Ecuador, Inalecsa celebrated 45 years as a company with a profitable in-country business and exports to new markets, such as Peru, Spain and certain other regions in the world, while introducing Bokados and Wise products, including Prispas.

Wise registered growth in categories such as cheese puffs, popcorn, and mixed packages, in a year characterized by high volatility among customers. The company also increased distribution of the Si Señor brand in Chicago and New Mexico, capturing additional market share in the Hispanic community.

The Vending business reached 40,000 machines in Latin America, with an increase of almost 8% in sales in Mexico, and improved productivity per machine, thanks to, among other efforts, the effective relocation of 9% of the machines with high-performance potential.

SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Last year was key in the consolidation of our strategic Sustainability and Social Responsibility platform, with progress made in the adjustment and standardization of metrics and initiatives in the five countries we serve, including the recently integrated U.S. territories.

We continued to implement initiatives to promote the total well-being of our employees, our communities, and the environment, while at the same time responding, with solidarity and sensitivity, to the aftermath of the natural disasters faced by our neighbors in Texas, after Hurricane Harvey; in Peru, resulting from the coastal El Niño; and in Mexico, due to the September earthquakes.

The company was included for the second consecutive year in the London Sustainable Stock Exchange's FTSE4Good Emerging Index. We also maintained our prominent position in the Sustainability Index of the Mexican Stock Exchange (BMV) and were among the highest ranked companies in the 2017 Socially Responsible Companies award of the Mexican Philanthropy Center (CEMEFI), which has certified us for 14 consecutive years.

In terms of our environmental commitment, we improved our operating indicators, particularly in terms of water efficiency, reaching a global ratio of 1.68 liters of water per liter of beverage, which is 17% below our 2010 baseline. We also optimized the use of energy, with 39% of the electricity we employ in Mexico coming from renewable sources.

During this year's Annual Volunteers Day, we refurbished 35 public spaces spanning the five countries we serve, with the participation of more than 7,000 employees.

COMMITMENT BEYOND BORDERS

In a year that was full of both opportunities and challenges, as well as expansion and sustained progress on our road to profitable growth, we affirmed our company's ***Commitment Beyond Borders*** to take our efforts a step further and become a proven source of value creation, innovation, and continuous improvement. Our increasingly more agile and competitive company is leading change and delivering consistent results, even under dynamic and complex conditions.

We thank our Board of Directors for their guidance and for trusting that we will honor our commitment to our shareholders, always within the framework of the ethics and values that are the basis for our organizational culture.

We also recognize our employees and their families for their talent and determination to obtain these results, and we reiterate our appreciation and recognition to The Coca-Cola Company, for their support, trust, and collaboration.

The progress we share with you herein fills us with pride, but also motivates us to continue surpassing expectations year after year, to follow our path to excellence in everything we do, based on our conviction to promote shared value initiatives that leave a positive mark on society and the environment.

In 2018, we will work on further strengthening the competitive advantages and scale we have built, capitalizing on our solid financial position and on our firm conviction to be leaders in carrying out changes that favor of our customers and consumers, generating new paths to profitable and sustainable growth, in both the beverage and food & snacks businesses.

MANUEL L. BARRAGAN MORALES
Chairman of the Board of Directors

FRANCISCO GARZA EGLOFF
Chief Executive Officer

COMMITMENT BEYOND BORDERS

PROFITABLE GROWTH

We made progress on our journey to profitable growth, based on the company's long-term vision, by capitalizing on our financial strength, our ability to establish partnerships, and the strength of our business model. As a result, we are able to integrate, standardize, share best practices, and transform them into a winning and efficient business culture.

PRODUCTIVITY AND EFFICIENCY

We affirmed the determination of our company and employees to produce always in a more efficient manner, with higher quality and safety. This process is only possible with active participation at all levels of the organization to constantly search for improvements in every process.

The geographic expansion of Arca Continental in 2017 was a clear testament to the company's commitment to profitable growth. It represents more than integrating new markets and expanding our borders. It is a commitment that involves diversifying the portfolio and strengthening our commercial and production capabilities, as well as our team's dedication to value creation, customer and consumer service, operational excellence, and sustainability.

EXCELLENCE IN COMMERCIAL EXECUTION

Our focus on competitiveness at the point-of-sale and on consistently investing in the market, in addition to a culture of constant learning and continuous improvement, were the forces that drove the deployment of our state-of-the-art commercial capabilities in the markets we serve. This also helped us develop a culture of innovation that puts us on the cutting-edge of digitalization, information technologies, and Big Data analysis.

SHARED VALUE

In alignment with the organizational culture we are known for, employees in every business unit proved their strong commitment to our communities by showing their solidarity in times of emergency and by committing shared responsibility initiatives aimed at promoting good health in our employees and consumers, the integral well-being of society, and environmental stewardship.

PROFITABLE GROWTH

Consistent with our development plan to become an increasingly agile and competitive company, in 2017 Arca Continental concluded the integration of the refranchised Coca-Cola territories in Texas and parts of Oklahoma, Arkansas, and New Mexico, while making progress in capturing synergies, strengthening the snacks business, and investing to improve production capacity and market service.

SUCCESSFUL INTEGRATION

In an unprecedented transition within the historic refranchising of the Coca-Cola System in the US, Arca Continental set up a new company, Coca-Cola Southwest Beverages (CCSWB), integrating nine plants, 34 Distribution Centers, and 7,500 employees with minimal market disruption. We converted 10,000 point-of-sale devices, commercial software, and accounting systems in just one day.

HIGHER SYNERGIES GOAL

CCSWB's solid performance and the inclusion of new territories in Oklahoma enabled us to update the operation's synergies goal, up from the original USD 60-80 million in three years, to USD 90 million.

USD **90** MILLION

Three-year synergies goal for CCSWB.

FIRST LATIN AMERICAN BOTTLER TO OPERATE IN THE USA COCA-COLA SYSTEM

EXPANSION IN OKLAHOMA

In August 2017, the Great Plains Coca-Cola Bottling Company, including the Oklahoma and Tulsa markets, was integrated into CCSWB. Now Arca Continental serves more than 32 million consumers in the US beverages business and accounts for one-third of the Group's revenue, with 10 plants, 40 Distribution Centers, and more than 149,000 points of sale.

149,000

Points of sale served by CCSWB in the US.

10,000

New devices upgraded and configured within CCSWB to serve the market on the same day as the transition.

TOPO CHICO WITHOUT BORDERS

In order to expand and strengthen the availability of Topo Chico sparkling mineral water in the US, Arca Continental finalized the transfer of its trademark rights to The Coca-Cola Company in that country. The traditional beverage bottled at the source at Monterrey, Mexico, is now being distributed in Texas by CCSWB, and on the Coca-Cola trucks in other states.

DIVERSIFYING THE SNACKS BUSINESS

With the investment made in Deep River, Arca Continental's Food and Snacks division expanded its portfolio into a product category that is appreciated by an emerging market niche—consumers looking for unique taste, organic ingredients, and marketing with a cause—with great potential. This, in addition to distribution of Wise, Si Señor, Bokados, and Inalecsa products, will multiply the company's presence in the U.S.

EXPANDING OUR PORTFOLIO WITH AdeS

In partnership with The Coca-Cola Company and a group of Latin American bottling companies, we acquired the AdeS brand, a leader in soy-based beverages in Latin America, to expand our functional beverages portfolio with high-quality and great tasting options for consumers.

After including it in to our distribution routes, by year-end we had tripled the coverage in the Traditional Channel in Mexico to 27%.

27%

AdeS' coverage in the Traditional Channel in Mexico.

BOKADOS OPENS ITS THIRD PLANT

The brand expanded its presence and distribution in Mexico to serve new customers in the Central and Southern regions of the country by opening its third production facility in Queretaro. When construction is finished, the new plant will provide 16,000 tons of additional capacity and seven production lines, four of which are already operating.

MORE SNACKS PRODUCTION LINES IN THE US

We installed new production lines for kettle cooked potato chips in the Berwick, Pennsylvania, and Fort Worth, Texas plants to address the needs of both Wise and Deep River.

Wise headquarters in Chicago hosted the AC Snack Innovation Summit during which different brands shared new ideas.

Tonicorp, a company jointly-owned by Arca Continental and The Coca-Cola Company, reinforced the commitment of both companies by expanding and diversifying their portfolios.

TONICORP DOUBLES ITS PRODUCTION CAPACITY

Tonicorp's new high-value-added dairy plant was opened to the public in a ceremony attended by the President of Ecuador, Lenin Moreno. The facility is one of the most modern, largest, and most efficient in Latin America, with 19 production lines and a capacity to produce 150 million liters of milk annually, which is double the capacity of the prior facility.

PERU STRENGTHENS MARKET SERVICE

In order to continue improving logistics and commercial systems in Lima, in August we opened the East Mega Distribution Center in Huachipa, the largest in Peru, increasing operational efficiency in order to serve 16 districts in Lima and improve the service we provide for more than 30,000 points of sale and over 2.8 million people.

We also built another 16,000m^2 Distribution Center in the Villa El Salvador district, providing modern facilities for storing both products and packaging, serving our distribution units, and housing our sales force.

LEADERS IN ONLINE COMMERCE

Through myCoke.com, our B2B online platform, CCSWB continues to lead the North America System, with 25% of the total customers registered in the country and 40% growth in the buyer base with respect to the prior year.

PROMOTING INNOVATION WITH BETTER TECHNOLOGY TO BENEFIT OUR CUSTOMERS

Arca Continental promotes competitiveness among its customers in the Traditional Channel by providing better consumer-service tools, such as e-payment terminals and digital services, that improve our customers' ability to operate their business and generate detailed information about performance at the point-of-sale.

SUPERIOR MARKET SERVICE

In the beverage business, we implemented new technologies to help us improve our understanding of how our products perform in the market, how our customers behave, and what their needs are, all to serve them better and more efficiently.

In Mexico, we launched AC Movil, an app designed to provide our sales force with the information market developers need in order to align initiatives with operating routines.

ACT
ARCACONTINENTAL

INTELLIGENCE CENTER

In our effort to continue improving the way we manage the ACT Model, we developed a web platform that concentrates information on the processes, methodologies, and monitoring routines followed by each one of the elements in the model.

SOLID RESULTS

The key operating indicators showed considerable progress, with improvements in the competitive position of our brands.

POWERADE STRENGTHENS ITS LEADERSHIP

10%

Volume growth in Mexico

52%

Coverage in the Traditional Channel

SANTA CLARA MAKES PROGRESS

28%
Annual compound growth

44%
Coverage in the Traditional Channel

31%
Coverage in all channels

GROWTH IN SOFT DRINKS

Our continuous improvement in market service, flexible price-packaging architecture, new launches and products contributed to our ability to maintain our growth pace in key categories across different territories and businesses.

2,085MUC
Consolidated Annual Volume

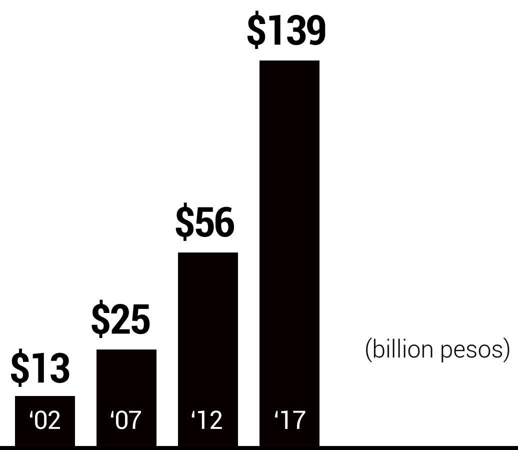
47.8%
Volume Growth in Still Drinks (excluding jug water)

18.7%
Volume Growth in Sparkling Drinks

10.6%
Increase single-serve Water in Mexico

WE SURPASSED OUR GOAL

Net sales reached 139,487 million pesos, surpassing our 2012 goal by almost 40% and doubling sales every five years for the third consecutive time.



PROFITABLE AND SUSTAINABLE GROWTH

In 2017, we implemented savings and efficiencies to offset the increase in operating expenses following the integration of CCSWB and Great Plains, as well as price hikes for certain raw materials and higher depreciation expenses, resulting in a 29.4% increase in EBITDA and a 73% growth in Consolidated Net Income, with a 12% margin.

Annual EBITDA growth

29.4%

PS. 25,993 M

Consolidated Annual EBITDA

PS. 16,789 M

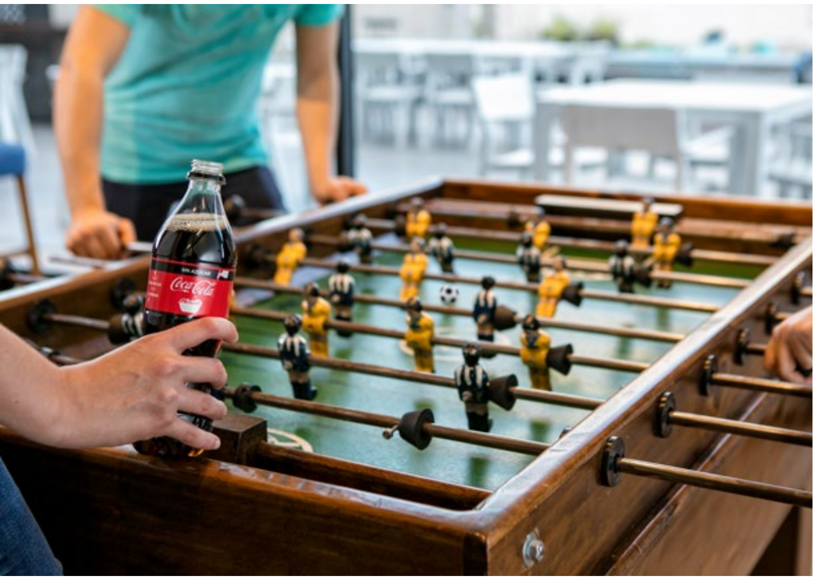
Consolidated Net Income

HEALTHY FINANCIAL MANAGEMENT

We developed important savings projects such as our initiatives to centralize operations and productivity in transportation, environmental efficiency, asset efficiency and waste optimization.

USD800MM

First CCSWB debt issue among private investors in the US.



CREDIT RATINGS COMPANIES RECOGNIZE AC'S FINANCIAL STRENGTH

International credit ratings companies gave high valuations to Arca Continental and its subsidiaries, and investors rewarded us, which in turn further strengthened the company's debt structure.

ARCA CONTINENTAL

- Fitch Ratings granted us a AAA rating in Mexico and A- in Peru, with a stable outlook, both of which are higher than the sovereign debt risk of their respective countries.
- Standard & Poor's ratified their mxAAA rating for our company at the consolidated level.

AC BEBIDAS

- Fitch Ratings granted AC Bebidas an A rating on the global scale, placing it among the highest levels for corporations in Mexico, and higher than the sovereign rating for the country.
- Standard & Poor's also gave an mxAAA rating to this subsidiary which groups the beverage businesses.
- Domestic bonds cebures for Ps. 7,000 million issued by AC Bebidas, were well received by investors with an over demand of almost twice the forecast, obtaining a AAA (mex) rating by Fitch Ratings and an mxAAA by Standard & Poor's.

CCSWB

- Fitch Ratings granted an A global rating to the USD 800 million debt issued among private institutional investors by CCSWB to refinance short-term debt.

EXCELLENCE IN COMMERCIAL EXECUTION

In 2017, Arca Continental expanded its market scope and presence to reach more consumers and add new customers, mainly by perfecting the point-of-sale service model.

COMMITTED TO OUR CUSTOMERS

As part of our permanent goal to become customer's best commercial partner, our operations in Mexico, the USA, and South America continue to fine-tune our customer service and point-of-sale methodology.

At CCSWB, progress is being made to standardize service models, metrics and indicators. Tonicorp employed the ACT methodology to design and implement its first proprietary Route To Market (RTM) model, known as 5D, in 20 Distribution Centers nationally.

By adapting the standardized model to its particular market conditions, Arca Continental Lindley generated a 1.7% increase in revenue and efficiency-based savings in the operation for USD 1.2 million.

In Argentina, we deployed pilot tests for new customer service models, including Specialized Pre-sale, Universal Pre-sale, Self-service, Wholesalers and/or Face&Call. These models will be standardized across the country in 2018.

FOOD AND SNACKS

20%
Growth in the potato chips category in Ecuador.

18%
Increase in Bokados sales in the Modern Channel in Mexico.

ROUTE TO MARKET (RTM) 4.0

In Mexico, we implemented RTM version 4.0 for the Commercial Channel in 26 territories, reaching 66% of the total volume with a standardized version of our service models and sales force routines.

30%

Increase in the average sales slip in Direct-to-Home, thanks to the introduction of card payments in one-third of the routes.

FACE&CALL

We included the Face&Call Model, with two variants for small customers in the Traditional Channel, alternating face-to-face sales promoter visits with telephone calls in order to ensure satisfaction.

@WORK MODEL

The @Work Model is aimed at consumers who prefer to receive their beverages at work. This model helped increase volume 12.9% and year-over-year revenue 24% in territories where it was implemented, serving close to 2,000 companies and 1.1 million employees as of 2017.

RTM MODERN CHANNEL

In 2017, the Route To Market Evolution program for the Modern Channel was deployed in 83% of total channel sales in markets where it was implemented.

From the moment the first ACT Module was launched in the USA, CCSWB was able to reduce product shortage reports with each consecutive visit, and the Quality in Execution index improved markedly.

WE OFFER MORE OPTIONS TO OUR CONSUMERS

Constant innovation in sweetener mixes and formulas enabled us to increase our low- and no-calorie products offering, even in the soft drinks category, by providing delicious, refreshing, and zero sugar beverages in every market we serve.

RENEWED IMAGE AND PACKAGING

SANTA CLARA CHANGED ITS IMAGE AND REGISTERED DOUBLE-DIGIT GROWTH, PARTICULARLY IN FLAVORED MILK.

NEW IMAGE FOR FUZE TEA.

BEVERAGES FOR LIFE

Aligned with the dynamic needs of consumers, Arca Continental has evolved its beverage portfolio by participating in new categories, in collaboration with other bottler partners and The Coca-Cola Company.

PERU

In the still drinks category, we launched flavored Agua San Luis, Frugos light, Kapo, and Fuze Tea, increasing low- and no-calories offerings in Peru from 24% to 40%. In the sparkling beverages category, Zero Sugar grew 27%, thanks to the efforts of our sales and distribution teams to make them more readily available in the Traditional Channel.

ARGENTINA

Argentina grew its market share and is the leader in still drinks.

- The AdeS brand was seamlessly transferred ensuring supply and market execution. Furthermore, given its scale, we were able to make distribution more efficient while reducing costs.
- Argentina entered new market segments by launching HI-C and Sifón Aybal.

COCA-COLA SUGAR FREE CONQUERED CONSUMERS

Coca-Cola Sugar Free was among our best launches of the last decade, offering consumers the taste of their favorite beverage with zero calories. In Mexico, it reached 5% of the consumer base and a mix of almost 2% in the Arca Continental cola category for 2017. It was also rolled out in the CCSWB market, capturing a 14.2% volume growth for the category.

ECUADOR: WORLD EXAMPLE IN REDUCTION OF THE CALORIC FOOTPRINT

The Coca-Cola business in Ecuador was the first to achieve a 50% sales volume of low- or no-calories presentations, because of how well Coca-Cola Sugar Free performed in the market and due to the launch of an exclusive grapefruit-flavored low-calorie beverage, with an acid-sweet taste, represented by the Quatro brand.

ARGENTINA PROMOTED LOW-CALORIE OPTIONS BY LAUNCHING SPRITE ZERO SUGARS, AMONG OTHER ACTIONS, DOUBLING THE MIX OF NO-CALORIES BEVERAGES IN THE COUNTRY.

We concluded the commercial deployment of the ENLACE methodology in the main Distribution Centers in Mexico, which represent 86% of sales and 80% of routes. This methodology helped us integrate all systems into one platform, making it easier for us to control the operation and serving as the basis for standardizing the company's main processes and consolidating our position as leaders in the industry.

Arca Continental constantly makes investments in the market and in order to serve the point-of-sale consistently and strategically, with a long-term vision, focused on strengthening competitiveness in every business and capturing growth cycles in every territory.

103,500 NEW COOLERS INTRODUCED IN THE US AND LATIN AMERICA

MEXICO: 45,500
PERU: 18,800
ECUADOR: 17,800
ARGENTINA: 4,500
UNITED STATES: 17,400

47,000 NEW EXHIBIT PLATFORMS IN MEXICO

7,240 COOLERS INSTALLED BY TOPSY IN ECUADOR

3% GROWTH IN THE ICE CREAM CATEGORY AT TONICORP

Mexico promoted single serve returnable packaging to offer products at prices that are more affordable for the consumer

1.8 MILLION returnable packages introduced in the market.

PERMANENT SEARCH FOR EXCELLENCE

In territories served by Arca Continental, Coca-Cola "love" indicators were higher than the national average.

GREAT BRANDS, GREAT PARTNERS

Arca Continental pursued strategic partnerships with important commercial brands in Mexico and became the bottler with the largest presence in restaurants at the national level, with 51% absorption.

- Carl's Jr.: 40 restaurants in Monterrey and six in Saltillo.
- Cinemex: 104 movie theater complexes in AC territories.

EXPERIENTIAL MARKETING

We continued to create new, innovative experiences and disruptive communication in social media channels to establish an authentic connection between our consumers and their favorite brands.

POSSIBILITY CHALLENGE

The Coca-Cola music platform returned with its 5th edition to make dreams come true for many talented young people who are striving to jumpstart their musical career. Finalists achieved their goal of receiving masterful advice from Aleks Syntek and made their debut in front of 12,000 spectators at Arena Monterrey.

The program had 57% more auditions than before, with 112,000 experiential impacts and 1.5 million website visits.

THE PRO-EXPERIENCE BY POWERADE

The Atlas soccer team participated in the second edition of the sports reality show during which amateur soccer players compete against a dream team of their favorite players, with a 52% increase in the number of participants and 28.5 million impacts on social media.

ARGENTINA: CHAMPIONS OF COMMERCIAL EXECUTION

Argentina achieved the best Commercial Execution Indexes for the South Latin level, winning the 2016/2017 ICE CUP which recognizes the best customer service out of the nine bottling companies in Paraguay, Chile, Uruguay, Bolivia and Argentina.

This achievement confirms that the ACT Model is the correct path to excellence in point-of-sale service.

CUSTOMERS RECOGNIZE PERFORMANCE IN SERVICE

During the Walmart Global Annual Reunion, the Coca-Cola Company Mexico business units received The Julie Hamilton President's Award for exceptional performance in complying with the Company's international strategies, with double-digit growths over the past three years, as well as for excellence in Marketing, e-Commerce, Supply Chain, and point-of-sale Execution.

CCSWB: VENDOR OF THE YEAR

Giant Oil, a chain of gas stations and convenience stores in the US, recognized CCSWB for its continuous improvement in service models for key accounts.

28.5 MILLION

ProExperience impacts in social media.

PRODUCTIVITY AND EFFICIENCY

As part of our operational excellence philosophy, we made investments in infrastructure which allowed us to provide our plants with enhanced capabilities and employ technological tools to improve employee safety, product quality, and environmental stewardship, while still focusing on our customers and consumers. For this work, we obtained several certifications and awards.

MEXICO

IN TOPO CHICO WE RENEWED WATER TREATMENT EQUIPMENT AND MADE TECHNOLOGICAL UPGRADES TO THE PLANT WITH AN INVESTMENT OF MORE THAN PS. 30 MM

- In Aguascalientes we renewed our water treatment equipment and upgraded the ionic exchange technology.
- New production and bottling line at our Chihuahua Plant.

IN-LINE BLOW MOLDING AT CCSWB

As part of the detailed work plans we have in place to identify short- and medium-term synergies, we installed in-line blow molding in the Abilene and San Antonio plants during 2017.

ARGENTINA

At the Famailla sugar mill we built a new laboratory and a fully equipped refinery room, which contributed to the mill obtaining the Coca-Cola sugar-quality certification, positioning it as a state-of-the-art sugar mill.

ECUADOR

Installed and started operating a bottling line for tea and isotonic beverages, and carried out civil engineering and upgrades at Guayaquil Plant.

PERU

- New Hot-Fill line at Zarate Plant to develop sensitive products.
- Pucusana consolidated its upgrade to a mega-plant by adding two additional production lines, for a total of 10 lines currently in operation.

Operations improve when technology is adapted to the market and by using the tools that complement them most.

VENDING MACHINES

The vending business made considerable strides in implementing telemetry in the machines, a technology that helps minimize distribution costs and significantly increases sales. Currently four out of 10 Arca Continental vending machines in Mexico employ this technology, making us the sector leader and generating a competitive advantage for the company.

LIGHTENING OF OUR PET PACKAGING

In Mexico and South America, we lightened certain PET preforms and package presentations, resulting in savings in resin consumption of up to 13.4% for some cases.

WE MAINTAIN THE HIGHEST QUALITY STANDARDS, OBTAINING CERTIFICATIONS AND AWARDS FOR OUR RESULTS.

QUALITY IS A PRIORITY

The standardized quality indicator registered levels above 90 in the Arca Continental production plants in the countries where it operates.

PRODUCT QUALITY INDEX

MEXICO	99.7
ECUADOR	92.6
PERU	96.8
ARGENTINA	99.4
US	94.4
TONI	98.9

EFFICIENCY RECOGNIZED IN ECUADOR

Ekos Corporation granted the Gold Award recognizing Arca Continental as the most efficient company in the non-alcoholic beverages category. We also received the Gold Award for being among the most efficient and outstanding plastics companies in Ecuador.

OPERATIONAL EXCELLENCE

Arca Continental's production centers continued to implement the Operational Excellence methodology, making strides in offering employees training on a culture of systematic continuous improvement, which generated important savings for the company.

43 Active Operational Excellence sites

PS. 83.6 million in economic benefits

6,085 Certified Associates

13,102 Ideas generated

Ps.48

MILLION

in savings from lightening PET packaging

SHARED VALUE

Social responsibility and sustainability are key pillars of the Arca Continental business model. They maximize efficiency in production and distribution operations and always take into consideration potential reductions in environmental impacts and benefits for the community.

INDIVIDUAL WELL-BEING

In 2017, we undertook several initiatives to promote physical activation and a culture of health and personal care, activating 3.8 million people with more than 1,200 sports events sponsored by Arca Continental.

FIRST PLACE

In four out of the five events organized by Asociación Queremos Mexicanos Activos in 2017.

We have been recognized for the 3rd consecutive year as a Healthy Responsible Organization.

Workplace Wellness Council-Mexico
Consejo Empresarial de Salud y Bienestar

LIVE YOUR PARK

IN COLLABORATION WITH THE COCA-COLA FOUNDATION AND ESCUELAS SUSTENTABLES, AND WITH THE SUPPORT OF THE MUNICIPALITIES THAT HAVE BENEFITED FROM THIS PROGRAM, ARCA CONTINENTAL INSTALLED 82 URBAN GYMS IN 82 PUBLIC PARKS IN DIFFERENT COMMUNITIES IN MEXICO.

FOSTERING COMPETITIVENESS IN OUR CUSTOMERS

ARGENTINA

- Uncapping my entrepreneurship. Program aimed at retailers that is designed to reinforce their capabilities and strengthen their businesses, contributing also to the growth of their cities.
- 162 trained Mom & Pop store owners in the province of Salta.

PERU

- In the traditional channel, more than 800 customers were benefited by the Siglo XXI program and 10,000 by the Bodegas Elegidas program.

MEXICO

- The Siglo XXI project provides training and point-of-sale investments for 9,350 customers, of whom 1,000 were added in 2017.
- As of 2017, 22 Complementary Business Centers have been installed, consisting of commercial integration projects for small businesses.

VOLUNTEERING

More than 11,000 employees across our territories volunteered their time during the institutional Annual Sustainability Day, Annual Volunteer Day, and Christmas with Meaning event. These volunteers had an impact on more than 35,000 people in different communities, rehabilitated 35 public spaces, collected 7.5 tons of waste, and planted more than 8,000 trees.

11,600 Volunteers.

SUSTAINABLE LIBRARIES

In Argentina, in collaboration with the government of the province of Jujuy, several art schools and the Ministry of Indigenous Peoples refurbished 100 coolers that were no longer in use, transforming them into sustainable libraries. The coolers were artistically decorated, equipped with books written by Jujuy authors, and distributed to 80 communities with no prior access to reading materials.

ENVIRONMENTAL STEWARDSHIP

We have several programs in place to protect water sources. We replenish more than 100% of the water we use in our operations through several reforestation and water harvesting programs, all of which also provide abundant social benefits.

92%

Average recycling of industrial waste in our operations.

39% of the energy we use in Mexico comes from renewable sources and we have set ambitious goals for reducing our carbon footprint and increasing efficiency at our operations. Our Carbon Disclosure Project score is higher than the world average.

We set the standard in the collection and recycling industry, thanks to our partners and allies PetStar and ECOCE. On average, our beverage packaging includes 28% food-grade recycled PET or BioPet. Two of our plants are zero-waste certified and on average we recycle more than 92% of our industrial waste.

100%

Of food-grade recycled PET resins are used to produce the Ciel Ecoblue bottles.

WE ARE WORKING ON REDUCING OUR ENVIRONMENTAL FOOTPRINT WITH RECYCLING EFFORTS

PetStar, the world's largest food-grade PET recycling plant, broke its own production record by producing 51,000 tons of recycled PET. Arca Continental is one of the main shareholders in the company.

In line with other bottlers in the Coca-Cola Mexican Industry, we changed the color of the Ciel bottle to a lighter shade of blue, which enables us to make the bottles out of 100% recycled PET resin and still be fully recycled.

In Peru, we reached the goal of gradually incorporating 25% of recycled resin into the whole portfolio of non-returnable plastic packages.

Because we are committed to their comprehensive development, more than 52,000 of our associates received 1.7 million training hours during 2017. In addition to our programs and the large investments we have made, this has allowed us to increase safety in the work place, reducing our Lost Time Incident Rate (LTIR) by more than 74%.

SUPPORT FOR COMMUNITIES AFFECTED BY NATURAL DISASTERS

- CCSWB and the US Coca-Cola System donated more than 1 million units of product and USD 1.5 million to the victims of Hurricane Harvey.
- In Peru, when faced with the national emergency declared by the central government, the company and its supply chain gave its support to the #UnaSolaFuerza aid campaign which provided more than 3 million liter of bottled water to thousands of victims.
- In Mexico, Arca Continental and its employees donated 7 million pesos and in-kind donations to the victims of the September earthquakes in several Central and Southern states.

PROGRESS RECOGNIZED

In 2016, the London Stock Exchange included us in the FTSE4Good Emerging Index, and in 2017 we were ratified in this category when we increased our score.

The Sustainability Index of the Mexican Stock Exchange, to which we belong since it was first created in 2011, ranks us among the top companies in our sector.

Arca Continental, PetStar, and Bokados all received the Socially Responsible Company distinction. Arca Continental has been granted this distinction for 14 consecutive years.

Ecuador received the ODS Recognition for Best Practices in Sustainable Development for its Water for the Future and Bottle-to-Bottle Recycling System.

In Peru, the Pucusana Plant received Gold level LEED® certification for the facility's high efficiency in the use of natural resources and for the way it cares for human health.

MSCI places us among the top 30% most sustainable companies in our sector worldwide.

Scotiabank Equity Research categorized us as Environmental Champions in Latin America.

We are the only bottling group in the world with two production centers certified as Benchmark Operational Excellence Center Silver Level.

BOARD OF DIRECTORS

MANUEL L. BARRAGAN MORALES (67) 1
Chairman of the Board of Directors since 2005 and a member since 2001. He also serves as Chairman of the Board of Directors at Grupo Index. He has served on the Boards of Grupo Procor, Banco Regional del Norte, and Papas y Fritos Monterrey. He also was an executive at a financial institution for 15 years.

GUILLERMO ALVELAIS DESTARAC (37) 1, P
Member of the Arca Continental Board of Directors since 2009 and member of the Sistemas Axis, S.A. de C.V. Board since 2005. He also serves on the Board of the Instituto Tecnologico y de Estudios Superiores de Monterrey (ITESM), Ciudad Juarez Campus, and is a member of the Consulting Council of the US-Mexico Foundation.

LUIS ARIZPE JIMENEZ (56) 1, P
Vice-Chairman of the Board of Directors since 2008. Chairman of the Board of Directors of Saltillo Kapital and of Hotel Camino Real Saltillo. Member of the Board of Grupo Industrial Saltillo. Chairman of the Mexican Red Cross, Saltillo Delegation, Vice-Chairman of the Board of Trustees of ITESM, Saltillo Campus, and member of the Board of Consejo Civico y de Instituciones de Coahuila. He is also President of the Tithe Committee of the Saltillo Diocese and of the Southeastern Chapter of COPARMEX, as well as a member of the Advisory Board at Grupo Financiero Banorte, Northern Region.

ALEJANDRO JOSE ARIZPE NARRO (64) 1, P
Member of the Board of Directors of Embotelladoras Arca since 2008. He holds a degree in Chemical Engineering from ITESM. He held the position as CEO of Productos Alimenticios YUL until 2008.

JUAN MANUEL BARRAGAN TREVIÑO (56) 1, C
Member of the Board of Directors since 2009. He holds a Bachelor's Degree in Mechanical Engineering and an MBA from ITESM. He also served on the Boards of Directors of Transportes Especializados Regiomontanos, Papas y Fritos Monterrey, Grupo Procor, and Grupo Index.

JUAN CARLOS CORREA BALLESTEROS (46) 1, C
Member of the Board of Directors since 2016. He has been a member of the Executive Committee and of the Human Capital Committee of the Board of Directors at Arca Continental South America since 2010. He worked for 14 years for Ecuador Bottling Company, the Coca-Cola bottler for Ecuador, occupying a number of different positions. During his last three years at the company he served as Chief Operating Officer and Corporate Vice-President. He currently occupies the position of Executive Vice-President of CorMa Holding Family Office. He holds a Master's Degree in Finance from the University of Miami.

FELIPE CORTES FONT (76) 2, A
Member of the Board of Directors since 2013. Founding partner at Auric. He worked for Grupo Industrial Alfa for 28 years, and was part of the team in charge of the strategic and financial restructuring of the company, heading the Planning and Controllership divisions. He also led the Petrochemical Sector division and later held the position of CEO at Hylsamex. He currently serves on the Boards of Grupo Promax, Arendal, Stiva, and Ternium Mexico. He was Director of the American Iron and Steel Institute and President of Canacero, Centro de Productividad de Nuevo Leon, and Instituto Latinoamericano del Hierro y el Acero. He holds a Bachelor of Science Degree from the Massachusetts Institute of Technology.

JAIME IGNACIO ECHEGARAY VILLEGAS (56) 2
Member of the Board of Directors of Arca Continental since 2017. He held the position of IT Director at Manpower Mexico and Information Director for Latin America at The Coca-Cola Company, retiring after 25 years of working for the company. He is a member of the Educational & Instructional Technology Association. Currently, Mr. Echegaray is a consultant in technology, innovation, and logistics management for the public and private sector.

ALEJANDRO M. ELIZONDO BARRAGAN (64) 1, P
Member of the Board of Directors since 2004. Development Director at Grupo Alfa. He has held several positions at Alfa's corporate and steel and petrochemical divisions for more than 42 years. He also serves on the Boards of Banregio Grupo Financiero, Indelpro, Polioles, and Axtel.

TOMAS ALBERTO FERNANDEZ GARCIA (46) 1, C, P
Vice-Chairman of the Arca Continental Board of Directors since 2007 and a member of the Embotelladoras Arca Board since 2005. CEO of Grupo Mercantil de Chihuahua, S.A. de C.V., SOFOM ENR.

ULRICH GUILLERMO FIEHN RICE (46) 2, A
Member of the Board of Directors of Arca Continental since 2011. Chairman of the Board of Alto Espacio Residencial and Grupo Industrial Mazatlan. He held several positions in the Corporate Finances division at CEMEX. He was a financial risk analyst at Vector Casa de Bolsa.

ROBERTO GARZA VELAZQUEZ (61) 1, P
Member of the Board of Directors of Arca Continental since 2010. Shareholder at Industria Carrocera San Roberto, S.A. de C.V. He serves on the Boards of Grupo Index, Afirme Grupo Financiero, and AMANEC, A.C. He has been a member of the Grupo Autofin Monterrey Board of Directors since 2017.

JOSE ROBERTO GAVILANO RAMIREZ (45) 2
Member of the Board of Directors of Arca Continental since 2016. He also serves on the Boards of Lindcorp and Oben Group, and is the General Manager at Griffin S.A.C. Prior to his current position, he was Corporate Manager for Business Development at Breca, one of the most important business groups in Peru. He also worked for the Latin America mergers and acquisitions division at JPMorgan in New York, where he held the position as Executive Director. He has also served on the Board of Directors for Corporación Lindley S.A. He holds a Bachelor's Degree Cum Laude in Economics from Harvard University.

LUIS LAURO GONZALEZ BARRAGAN (64) 1, P
Member of the Board of Directors of Arca Continental since 2001. Chairman of the Board for Grupo Logístico Intermodal Portuario. He also serves on the Boards of Terra Regia, Berel, CABAL, UNIDOS, and of the Universidad de Monterrey. He served as Alternate Director at Procor.

CYNTHIA H. GROSSMAN 1
Member of the Board of Directors of Arca Continental since 2011. She was Chairman of the Board of Directors of Grupo Continental since 2000 and a member of the Board of Directors since1983

ERNESTO LOPEZ DE NIGRIS (57) 2, C
Member of the Board of Directors of Arca Continental and Embotelladoras Arca since 2001. He serves on that Board of Grupo Industrial Saltillo and is also a member of the Telmex Advisory Board.

MIGUEL ANGEL RABAGO VITE (62) 1, C, P
Vice-Chairman of the Board of Directors of Arca Continental since 2011. Formerly, he was CEO and member of the Board of Directors of Grupo Continental and held several positions in the company for more than 35 years. He is a Certified Public Accountant and Auditor from the Universidad Autónoma de Tamaulipas.

ALBERTO SANCHEZ PALAZUELOS (78) 1
Member of the Board of Directors of Arca Continental since 2011. He was President of Negromex, Grupo Novum, and Troy Grupo Industrial. He served on the Boards of BBVA Bancomer, Grupo Martí, Probursa, and Cityexpress Hotels, among others. He is currently President of ASP y Asociados, S.C. He serves on the Board of Procorp and Inmobiliaria CADU and is a member of the Advisory Board of Purdue University and Instituto de Empresas de Madrid.

JORGE HUMBERTO SANTOS REYNA (43) 1, C
Vice-Chairman of the Board of Directors of Arca Continental and Embotelladoras Arca since 2007, and a member of the Board since 2001. He is Chief Executive Officer of Grupo SanBarr and a member of the Banregio Grupo Financiero Board. He is Treasurer of the Asociación Mexicana de Engordadores de Ganado Bovino, and was formerly the President of this association. He is Chairman of the Board for Integradora de Insumos Pecuarios del Noreste and Grupo Regio Engordas. He is President of the Consejo Estatal Agropecuario de Nuevo León. Vice-President of the Mexican Red Cross Managing Board. He has served on the Boards of Grupo Procor, CAINTRA Nuevo León, and Papas y Fritos Monterrey. He has also served as Chairman of the Board at Arca Continental South America.

ARMANDO SOLBES SIMON (62) 2, A
Member of the Board of Directors of Arca Continental since 2011. He has been a member of the Grupo Continental Board. He currently heads the Tampico Office of Banco Base, is an Associate and Member of the Management Boards at Bene Hospital of the Centro Español in Tampico and Universidad I.E.S.T. Anahuac. He is also a member of the Regional Consulting Board of ITESM, Tampico Campus (ESTAC). He was Chairman of the Board and Chief Executive Officer at Central de Divisas Casa de Cambio for 23 years. He held several positions in the finances division of Grupo Cydsa, S.A.B. for eight years, and in external auditing services for Gossler, Navarro, Ceniceros y Cia. for three years.

JESUS VIEJO GONZALEZ (44) 1, P
Member of the Board of Directors of Arca Continental and Embotelladoras Arca since 2007. He is Executive President of Trefilia Capital Investments and Grupo CONVEX. Additionally, he serves as Technical Secretary for the Consejo Nuevo Leon para la Planeacion Estrategica, as Executive Member of the Universidad de Monterrey (UDEM), and as President of the Patronato del Museo de la Fauna y Ciencias Naturales del Estado de Nuevo Leon A.B.P. Furthermore, Dr. Viejo is a member of the Advisory Board at the Rockefeller Center for Latin American Studies at Harvard University and of the Centro de Estudios Economicos del Sector Privado. Finally, he also collaborates with several institutions including CAINTRA, Pronatura Noreste, and the Monterrey Harvard Club. He was Vice-President for Economic Research for Emerging Markets at Goldman Sachs and Chief Economist at Grupo Alfa. He holds a degree in Economics from ITESM, and a Master's Degree in Public Policy from Harvard University. He also holds a PhD in Economics from Boston University.

JAIME SANCHEZ FERNANDEZ (47)
General Counsel and Secretary of the Board of Directors since 2009.

LEGEND
1. Proprietary
2. Independent

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

SENIOR MANAGEMENT

FRANCISCO GARZA EGLOFF (63)
Chief Executive Officer
Chief Executive Officer since 2003. He serves on the Boards of Grupo Industrial Saltillo, Grupo Alen, Banco Banregio, Ovniver, Ragasa, Proeza, and Axtel. He held the position of CEO at Sigma Alimentos, Akra, Petrocel-Temex, and Polioles, all at Grupo Alfa, where he worked for 26 years. He currently serves on the Board of Fundación UANL and of the School of Engineering and Sciences of ITESM, and is Vice-President of CONCAMIN. He holds a degree in Chemical Engineering and Business Administration from ITESM, and a post-graduate certificate in Top Management from IPADE.

GUILLERMO APONTE GONZALEZ (52)
Executive Director of Food and Snacks
He formerly held the position of Chief Executive Officer for Arca Continental South America, and worked for The Coca-Cola Company in Asia and Latin America for more than 25 years, holding positions as Chairman and CEO of Coca-Cola Philippines, Mexico, and Colombia. He holds a Degree in Systems Engineering and Computer Engineering, as well as a specialization in Marketing, from the Universidad de los Andes, in Colombia. He also took courses on Executive Development at the University of Pennsylvania's Wharton School of Business.

JOSE BORDA NORIEGA (49)
Executive Director of Commercial and Digital
He held the position of General Manager for Corporación Lindley since January 2015. Before that, he was General Manager for Coca-Cola Central America and Chief Operating Officer for Sparkling Beverages at Coca-Cola de Mexico. He holds a degree in Industrial Engineering from the Pontificia Universidad Católica del Perú and an MBA from J.L. Kellogg School of Management.

GUILLERMO GARZA MARTINEZ (50)
Executive Director of Public Affairs and Communication
He was formerly Communications and Social Responsibility Director. He serves on several Boards for industry-related companies worldwide. He has over 28 years' experience in journalism, communications, social responsibility, and public affairs. He holds a Degree in Communications from the Universidad Regiomontana, a Master's in Science Degree from ITESM, and post-graduate certificates in Top Management from Boston College and IPADE.

ALEJANDRO GONZALEZ QUIROGA (56)
Executive Director of Latin America Beverages
He has occupied several positions at the company for more than 31 years. He was Director for Arca Continental South America and Arca Continental Argentina. He is currently President of the Asociación de Embotelladores de Coca-Cola en Mexico. He holds a Degree in Business Administration from the Universidad Regiomontana and postgraduate certificates in Top Management from ITESM and IPADE.

EMILIO MARCOS CHARUR (53)
Chief Financial Officer
He was formerly Director for Beverage Operations Mexico and for the Complementary Businesses Division, besides heading our Treasury and Procurement divisions. He holds a Degree in Industrial Engineering and Computer Systems from ITESM and an MBA from Illinois University.

ARTURO GUTIERREZ HERNANDEZ (52)
Deputy Chief Executive Officer
He has held several company positions for 16 years, including Chief Operating Officer, Secretary of the Board of Directors, and Director for the Mexico Beverages Division, Human Resources, Planning, and Legal. He serves on several Boards of industry-related companies. He holds a Law Degree from Escuela Libre de Derecho and a Master's Degree in Law from Harvard University.

GABRIEL MENESES JONES (44)
Executive Director of Human Capital
He worked for The Coca-Cola Company for 17 years, holding several leadership positions in Human Resources for Asia Pacific, Europe, North America, Mexico and Central America, and the Caribbean. He holds a Degree in Business Administration from ITESM, and postgraduate studies in Human Resources from the London Business School.

ALEJANDRO MOLINA SANCHEZ (50)
Executive Director of Technical and Supply Chain
He is Chairman of the Global Bottlers Supply Chain Council. He worked for Coca-Cola Mexico for more than 15 years in the Quality Control, Environmental Sustainability, and Supply Chain divisions. He holds a Degree in Chemical Engineering from Universidad La Salle, and a post-graduate certificate in Supply Chain from the Instituto Tecnológico Autónomo de México (ITAM).

ALEJANDRO RODRIGUEZ SAENZ (55)
Executive Director of Planning
He formerly held the positions of Executive Director, Complementary Businesses, Director for Bokados, and General Manager for Topo Chico. He currently serves on the Board of Andamios Atlas S.A. He also held management positions at Orión and Akra. He holds a Degree in Chemical Engineering and Computer Systems and an MBA from ITESM, and a post-graduate certificate in Top Management from IPADE.

JAIME SANCHEZ FERNANDEZ (47)
General Counsel
He formerly held the position of Legal Director, Secretary of the Board of Directors, and Legal Corporate Manager at Embotelladoras Arca. He worked for Alfa for 8 years as a corporate lawyer and practiced law independently. He holds a Law Degree from the Universidad de Monterrey and a Master's Degree in Law from Michigan University.

MARK SCHORTMAN (61)
Executive Director of Coca-Cola Southwest Beverages
He currently serves as President and Executive Director of Coca-Cola Southwest Beverages (CCSWB). He is Chairman of the Board of The Coca-Cola Sales and Services Company LLC, responsible for purchasing raw materials (packaging and ingredients) as well as indirect goods and services for all the Coca-Cola bottlers in North America. He formerly held several key positions within the Coca-Cola System in North America and Europe. He holds a Degree in Business Administration from California Polytechnic State University and an MBA from Saint Mary's College of California.

Consolidated Financial Statements

Arca Continental, S. A. B. de C. V. and subsidiaries

At December 31, 2017 and 2016

Management's Discussion and Analysis of Financial Results

NET SALES

In 2017, net sales increased 49% (9.1% currency neutral and excluding Coca-Cola Southwest Beverages) compared to last year, reaching Ps. 139,487 million, thereby reaching the target set forth in 2012 of doubling in sales every 5 years.

Volume reached 1,873 MUC (excluding jug water). All categories posted positive results, mainly driven by the integration of U.S. operations, with 33%, 32% and 48% growth in flavors, single-serve water and stills, respectively. Mexico reached 1,000 MUC, excluding jug water, a 2.4% increase compared to 2016. This result derives from the continuous improvements in market execution and innovation. Accumulated in 9 months, U.S. operations reached 323 MUC.

In South America, volume was down 1.3% to 550 MUC excluding jug water. This result was mainly due to declines of 8.7% and 15.9% in the flavors and stills categories, respectively, derived from low consumption levels in the region.

COST OF SALES

Cost of sales increased 55.1% due to the integration of the U.S. operations and the increase in prices of raw materials, such as sugar and concentrate. Gross profit reached Ps. 62,461 million, up 42%, for a gross margin of 44.8%.

OPERATING EXPENSES

Selling and administrative expenses increased 51% to Ps. 44,127 million mainly due to operations in the U.S. In Mexico, operating expenses grew 12.9% when compared to 2016, representing 31.2% of sales, mainly derived from higher fuel prices; while in South America these were up 12% resulting from the 52% increase in Peru.

OPERATING INCOME AND EBITDA

Consolidated operating income rose 37.5% to Ps. 22,406 million, representing an operating margin of 16.1%. Consolidated EBITDA increased 29.4% from Ps. 20,092 million to Ps. 25,993 million in 2017, representing a margin of 18.6%. In Mexico, EBITDA grew 2% with a 23% margin. In South America it was up 10.4% with a margin of 19.4%.

COMPREHENSIVE FINANCING RESULTS

The comprehensive financing result in 2017 reached a cost of Ps. 2,537 million, an increase of only 2.9% mainly due to bank debt partially offset by an increase in financing income and exchange rate gains generated from a significant cash position in dollars.

INCOME TAXES

Income taxes decreased to Ps. 3,259 million from Ps. 4,288 million in 2016. The effective tax rate for 2017 was 16.3% derived from adjustments made in deferred taxes due to the new tax reforms in the U.S.

MAJORITY NET INCOME

In 2017, majority net income grew 45% to Ps. 13,090 million or Ps. 7.42 per share, with a net margin of 9.4%.

CASH POSITION AND NET DEBT

In 2017, AC registered a cash balance of Ps. 23,842 million and debt of Ps. 55,123 million, resulting in a net debt position of Ps. 31,281 million. The Net Debt/EBITDA ratio was 1.2x.

CAPEX

Capex reached Ps. 10,880 million in 2017 mainly allocated towards investments as part of the synergy plan for CCSWB, such as improvements at production facilities and execution at the point of sale. We also continue investing in the logistics and production networks in the other countries to meet the needs of our customers and consumers.

Consolidated Balance Sheets

For the years ended December 31
(In millions of Mexican Pesos)

DECEMBER 31,	2017	2016	2015 (1)	2014	2013
ASSETS					
Current assets:					
Cash and cash equivalents	**23,842**	5,546	8,295	9,039	2,566
"Clients and other accounts receivable, net, include related parties"	**11,428**	6,586	6,772	4,312	3,176
Inventories and advance payments	**8,428**	5,464	4,705	3,102	2,498
Derivative instruments	**83**	53	23	0	0
Total current assets	**43,781**	17,650	19,795	16,453	8,240
Investment in shares of associates	**6,770**	5,211	4,491	3,926	3,801
Property, plant and equipment, net	**71,664**	49,233	42,913	25,321	24,171
Goodwill and intangible assets, net	**116,406**	65,110	56,321	33,605	29,414
Deferred Income Taxes	**933**	1,246	865	1,022	723
Derivative instruments	**165**	125	550	0	0
Other accounts receivable	**566**	349		0	0
Total assets	**240,285**	138,924	124,934	80,327	66,349
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Suppliers, include related parties	**8,311**	6,514	5,394	2,952	2,709
Derivative instruments	**5**	1	118	0	36
Current portion of long-term debt	**1,785**	4,368	6,998	1,699	2,376
Other accounts payable and taxes	**13,217**	7,477	6,575	5,937	2,927
Total current liabilities	**23,318**	18,359	19,084	10,588	8,049
Current debt	**53,338**	26,816	32,916	14,078	11,701
Derivative instruments	**444**	11	0	0	0
Employee benefits	**2,724**	2,198	1,767	1,225	717
Other deferred liabilities, include related parties	**939**	464	491	108	108
Deferred income tax	**17,945**	10,755	9,043	4,944	4,590
Total liabilities	**98,708**	58,603	63,302	30,943	25,165
STOCKHOLDERS' EQUITY:					
Capital stock	**982**	978	972	972	972
Share premium	**45,121**	38,674	28,141	28,121	28,095
Retained earnings	**60,524**	27,911	22,942	18,508	11,694
Other reserves	**3,847**	3,862	-1,011	-1,536	-2,408
Total stockholders' equity (controlling interest)	**110,474**	71,425	51,044	46,064	38,352
Non-controlling interest	**31,103**	8,896	10,588	3,320	2,831
Total liabilities and stockholders' equity	**240,285**	138,924	124,934	80,327	66,349

(1) Revised to include fair value adjusments due to bussiness combination in 2015

Francisco Garza Egloff
Chief Executive Officer

Emilio Marcos Charur
Administration and Finance Director

Consolidated Statements of Income

For the years ended December 31
(In millions of Mexican Pesos)

DECEMBER 31,	2017 (1)	2016 (1)	2015 (1)	2014 (1)	2013 (1)
Sales volume excluding jug (MUC)	**1,872.9**	1,534.1	1,290.2	1,152.9	1,175.8
Net sales	**137,156**	93,666	76,454	61,957	60,359
NPSG income	**2,331**				
Cost of sales	**-77,025**	-49,654	-39,363	-31,569	-31,344
Gross income	**62,462**	44,012	37,090	30,388	29,016
Selling expenses	**-36,825**	-24,143	-20,218	-16,193	-15,371
Administrative expenses	**-7,302**	-5,095	-4,281	-3,631	-3,617
Other (expense) income, net (3)	**1,006**	671	579	425	289
Non-recurring expenses (2)	**3,065**	855	-417	-216	-426
Operating income	**22,406**	16,300	12,754	10,774	9,891
Comprehensive financing income (cost):					
Interest (expense) income, net	**-3,036**	-2,137	-1,041	-943	-928
Exchange (loss) gain, net	**500**	-329	-777	-31	-43
	-2,536	-2,466	-1,818	-974	-971
Equity in income (loss) of associated companies	**178**	165	157	54	98
Income before taxes	**20,048**	13,999	11,093	9,854	9,017
Income tax	**-3,259**	-4,288	-3,434	-3,089	-2,775
Consolidated net income	**16,789**	9,711	7,659	6,765	6,243
Non-controlling Interest	**-3,699**	-677	-413	-260	-270
Controlling Interest	**13,090**	9,034	7,246	6,505	5,973
Weighted average of outstanding shares (thousands of shares)	**1,764,283**	1,678,753	1,611,264	1,611,264	1,611,264
Depreciation and Amortization	**6,651**	4,646	3,536	2,655	2,528
EBITDA (excludes non-recurring expenses)	**25,993**	20,092	16,707	13,644	12,845
	19.0%	21.5%	21.9%	22.0%	21.3%
CAPEX	**10,880**	7,379	5,728	4,032	3,826

(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
Administration and Finance Director

Management's Responsability for the Financial Statements

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 international 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 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
Administration and Finance Director

Report of the Independent Auditors

To the General Stockholders' Meeting of
Arca Continental, S.A.B. de C.V.

OPINION

We have audited the consolidated financial statements of Arca Continental, S.A.B. de C.V. and its subsidiaries (Company), which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of income, of comprehensive income, of changes in stockholders' equity and of cash flows for the year then ended, as well as the explanatory notes to the consolidated financial statements, that include a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2017, and its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Ethics Standards of Mexican Institute of Public Accountants together with other requirements applicable to our audit in Mexico. We have fulfilled our other ethical responsibilities in accordance with those requirements and standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, an in forming our opinion thereon, and we do not provide a separate opinion on these matters. Figures expressed in Mexican pesos, unless otherwise specified.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE MATTER

Recognition of a business acquisition in the United States of America, in exchange for an interest in the capital stock of the subsidiary AC Bebidas, S. de R. L. de C. V. (AC Bebidas)

As described in Note 2 to the consolidated financial statements, on February 8, 2017, AC and Coca Cola Refreshments (CCR), a subsidiary of The Coca Cola Company (TCCC), entered into an agreement (master agreement) under US law, whereby AC agreed to conduct the shareholding restructuring described in Note 2 and CCR agrees to transfer control of Coca-Coca Southwest Beverages LLC, (CCSWB) to AC Bebidas, in exchange for an interest in the latter. On April 1, 2017, CCR contributed 100% of CCSWB's capital stock to AC Bebidas. As from that date, AC controls the CCSWB business and net assets through AC Bebidas.

For recognition of a business acquisition, IFRS require the determination of the fair value of the overall consideration, including any contingent compensation and the fair value of the assets and liabilities acquired. Any difference between the fair value of the overall consideration and the fair value of the identifiable net assets acquired is recorded as goodwill. Management used an independent expert to determine the fair value of the net assets acquired and of the overall consideration.

During our audit, we focused on this transaction due mainly to the significance of the fair value of the assets acquired and liabilities assumed, as well as goodwill determined and recorded, totaling Ps53,618 million, Ps30,300 million and Ps19,018 million, respectively, and to the determination of the aforementioned fair values, as well as the determination of the fair value of the consideration requires applying significant judgment by management based on a broad range of complex variables.

In particular, we concentrated our audit efforts on the methodology used in determining the fair values of the most relevant assets acquired (the bottling agreement) and of the consideration and the most significant premises taken into account, which were: a) for the bottling agreement: estimated revenue growth, perpetuity growth, operating cash flow margins in cash flow projections and the discount rate, and b) for the consideration: average price of AC share and determination of the percentage that the AC Bebidas business represent of total AC businesses.

Moreover, we focused on the analysis of the different agreements entered into between the parties to evaluate that all the transactions that comprise an integral part of the acquisition were considered.

As part of our audit, we have obtained and read the agreements related to the transaction and determined whether or not all transactions forming an integral part of the acquisition were considered, through interviews with management and an analysis of certain clauses of the contractual agreements.

We relied in our valuation experts in considering the methods and models for determining the fair values of the net assets acquired and the premises used by management and the independent expert. In particular:

1 We obtained the models and methodologies applied to determine the fair values of the intangible: “bottling agreement” (Multi Excess Earnings Method) and of the rest of the assets and liabilities acquired, and compared them to the models commonly used and recognized in the industry to determine the fair value of similar assets and liabilities.
2 We evaluated that the bottling agreement was considered of indefinite life according to the Company's estimate, as per the industry's common practices, as well as CCSWB's share in the US market.
3 We evaluated and considered the financial projections used in the valuation models for the determination of CCSWB's fair values and of the bottling agreement, including the terminal value, comparing them with the performance and historical trends of the business acquired. Also, we compared the estimated revenue growth and perpetuity growth considered in the terminal value with the estimated inflation and expected growth of the GDP in the US and the operating cash flow margins, with industry comparables and historical performance.
4 We evaluated the discount rate used to calculate the present values of estimated future cash flows, comparing it to the risk-free reference rates published in the market and considering:
   - Those risks are not duplicated.
   - The adjustments in the risk-free reference rate that were compared against independent sources, such as Bloomberg and Capital IQ.
5 We re-performed the calculations conducted by the independent expert contracted by AC for the determination of the fair value of the bottling agreement.

Moreover, we relied on our valuation experts in considering the methods and models for the determination of the fair value of the consideration. In particular:

1 We compared the methodology followed in the determination of the fair value of the capital and enterprise value of AC Bebidas, with the methodology and models used and recognized for this item in the industry.
2 We reconciled the average prices of the AC share with the published information available.
3 We compared the percentage that AC Bebidas represents of the overall AC business, with the respective calculations based on financial information reported by segment.
4 We calculated the fair value of the consideration, using other approaches (of multiples of operating cash flows and of projected cash flows) and compared them against the approach used by the Company.

We compared the information disclosed and its presentation in the notes to the consolidated financial statements with the agreements in place and information described above.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE MATTER
Recognition and disclosures from the sale of the Topo Chico US brand. As mentioned in Notes 1 and 29, on September 30, 2017, an agreement was signed with TCCC for the sale of all rights, titles, interest, intellectual property and the formulas of the Topo Chico brand in the US (Topo Chico US) to TCCC. For this sale, Compañía Topo Chico, S. de R. L. de C. V., a subsidiary, received Ps3, 951 million (US$217 million) in cash. IFRS requires that contractual agreements be reviewed to identify whether or not this transaction should be considered as part of the business acquisition between AC and TCCC, previously mentioned. We have focused on this transaction due to its significance and because it requires professional judgment to conclude whether or not based on the contractual terms and conditions and the background information, this sale should be considered an integral part of the business acquisition or a transaction that should be recognized separately. Our audit efforts focused in a) the Company's projections and most relevant assumptions (sale prices and margins) and b) the prices set down in all of the agreements entered into in connection with this transaction.	As part of our audit, we obtained and read the contractual agreements entered into with respect to the sale of Topo Chico US to TCCC and the business acquisition. We have considered the significant judgments and criteria used by management in determining whether or not the sale of Topo Chico US is an integral part of the business acquisition conducted on April 1, 2017 or it should be considered a separate transaction. In particular: 1 We have considered and evaluated Management's arguments as to whom, AC or TCCC, benefits most from the sale of Topo Chico US, based on the qualitative and quantitative information prepared by the Company. With respect to the quantitative information, we considered and evaluated the future projections prepared by Topo Chico US Management before and after the agreements entered into, comparing them to the historical trends and business plans approved by the Company. Moreover, we evaluated the most relevant premises of said projections, such as, sales prices and margins that were compared with the agreements entered into. 2 Through interviews with Management, we corroborated and obtained an understanding of the business reason for conducting the sale of Topo Chico US. 3 We verified that the prices shown in the agreements related to the transaction were set at market values, comparing them to the estimated fair values of the respective goods and services obtained through valuation techniques accepted in the industry. 4 Lastly, we compared the disclosures in the consolidated financial statements with the agreements entered into.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE MATTER
Use of judgments and estimations to estimate the recovery value of intangible assets with indefinite useful lives. As mentioned in Notes 5 and 12 to the financial statements, when recording intangible assets with an indefinite useful life, the recovery values of the cash-generating units (CGUs) to which said assets are assigned must be estimated annually to identify and recognize possible impairment. Indefinite-life intangible assets are mainly comprised of goodwill and bottler's agreements with book values at December 31, 2017 of Ps56, 180,538 and PS50, 956,262, respectively. We have focused on this area in our audit, due to the significance of the balances mentioned and because said estimations involve the application of significant judgments in determining the approaches, assumptions and premises used in calculating the recovery value, such as: the revenue growth rates, operating margin, future investment in fixed assets (CAPEX), long-term growth rate and discount rate.	With regard to the recovery value of indefinite life intangible assets, we considered and evaluated the future cash flow projections prepared by Management, and the processes used to prepare them, verifying that future cash flow projections are in line with the historical trends and long-term business plans approved by the Board of Directors for 2018 – 2022. For each CGU, we compared the actual results for the three years immediately prior with the figures budgeted for those years in each prior period, to determine whether or not any of the assumptions included in the projections could be considered to be very optimistic. With respect to the most relevant approaches and assumptions used, and relying on our valuation experts, we: 1 Verified that the income approach, considering multiples of exit operating cash flows for terminal value used by the Company in the determination of the recovery value, is commonly used and accepted in the market for similar assets.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE MATTER
	2 Compared the following assumptions with industry comparables obtained from databases taken from recognized sources of information: revenue growth rates, operating margin, CAPEX, long-term growth rate and discount rate. 3 Additionally, we calculated the recovery value of the CGUs, using the market approach involving implied multiples of comparable companies adjusted through liquidity, control premiums and exit costs. 4 Compared the results of the calculations of the aforementioned recovery values against the book values of the CGUs; we discussed with management the differences between the methodologies used for calculation of the recovery value, and we verified that they were applied consistently with prior years. 5 Compared the disclosures included in the financial statements with the information set down previously.

ADDITIONAL INFORMATION

Company management is responsible for all additional information presented. Said additional information includes the Annual Report submitted to the National Banking and Securities Commission (NBSC) and the Annual Report issued to the stockholders, (but does not include the consolidated financial statements and our independent auditors' report thereon), which are to be issued subsequent to the date of this report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information not yet received, we will issue the report on the Annual Report, as required by the National Banking and Securities Commission, and if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if required, describe the issue in our report.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS 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.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company´s financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company and subsidiaries audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is stated below.

PricewaterhouseCoopers, S.C.

C.P.C. Felipe Córdova Otero
Audit Partner

Monterrey, N. L., March 13, 2018

Consolidated Statements of Financial Position

December 31, 2017 and 2016
(Thousands of Mexican pesos)

	NOTE	December 31, 2017	2016
ASSETS			
CURRENT:			
Cash and cash equivalents	7	$ **23,841,697**	$ 5,546,220
Clients and other accounts receivable, net	8	**11,318,390**	6,481,056
Related parties	29	**110,975**	105,310
Inventories	9	**7,717,934**	5,126,085
Derivative financial instruments	21	**82,829**	53,424
Prepayments		**709,556**	338,004
Total current assets		**43,781,381**	17,650,099
NON-CURRENT:			
Investment in shares of associates	10	**6,769,478**	5,210,747
Property, plant and equipment, net	11	**71,664,381**	49,233,497
Goodwill and intangible assets, net	12	**116,405,365**	65,109,896
Deferred income tax	18	**932,819**	1,246,245
Derivative financial instruments	21	**165,045**	125,177
Other accounts receivable	8	**566,043**	348,733
Total non-current assets		**196,503,131**	121,274,295
TOTAL ASSETS		$ **240,284,512**	$ 138,924,394
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
CURRENT:			
Current debt	13	$ **1,785,229**	$ 4,368,363
Factoring	14	**1,053,228**	1,539,631
Suppliers	15	**7,381,278**	5,513,619
Related parties	29	**929,950**	1,000,055
Derivative financial instruments	21	**4,718**	614
Income tax payable	26	**3,154,204**	695,569
Current deferred income tax for deconsolidation	26	**35,446**	34,314
Other current liabilities	16	**8,973,558**	5,207,119
Total current liabilities		**23,317,611**	18,359,284
NON-CURRENT:			
Non-current debt	13	**53,337,569**	26,815,861
Related parties	29	**150,014**	-
Employee benefits	17	**2,724,595**	2,197,859
Deferred income tax	18	**17,945,224**	10,719,546
Derivative financial instruments	21	**443,789**	11,478
Non-current deferred income tax for deconsolidation	26	**-**	35,508
Other non-current liabilities	16	**789,423**	463,648
Total non-current liabilities		**75,390,614**	40,243,900
TOTAL LIABILITIES		**98,708,225**	58,603,184
STOCKHOLDERS' EQUITY			
Controlling interest:			
Capital stock	19	**981,959**	977,956
Share premium		**45,120,404**	38,673,544
Retained earnings		**60,523,740**	27,911,008
Other accrued comprehensive income	20	**3,846,935**	3,862,368
Total controlling interest		**110,473,038**	71,424,876
Non-controlling interest		**31,103,249**	8,896,334
TOTAL STOCKHOLDERS' EQUITY		**141,576,287**	80,321,210
TOTAL LIABLITIES AND STOCKHOLDERS' EQUITY		$ **240,284,512**	$ 138,924,394

The accompanying notes are an integral part of these consolidated financial statements.

Francisco Garza Egloff
Chief Executive Officer

Emilio Marcos Charur
Administration and Finance Director

Consolidated Statements of Income

For the years ended December 31, 2017 and 2016
(Thousands of Mexican pesos)

	NOTE		2017		2016
Net sales	6	$	**137,155,823**	$	93,665,902
Income related to NPSG	6 and 29		**2,330,679**		-
Cost of sales	22		**(77,025,031)**		(49,654,126)
Gross profit			**62,461,471**		44,011,776
Selling expenses	22		**(36,825,043)**		(24,142,854)
Administrative expenses	22		**(7,301,661)**		(5,094,709)
Share of net income of strategic associates	10		**25,784**		59,366
Other income, net	23		**4,045,718**		1,466,317
Operating profit			**22,406,269**		16,299,896
Financial income	25		**3,894,681**		1,541,973
Financial expense	25		**(6,431,533)**		(4,007,855)
Financial result, net			**(2,536,852)**		(2,465,882)
Share of net income of associates	10		**178,448**		165,077
Profit before income tax			**20,047,865**		13,999,091
Income tax	26		**(3,259,248)**		(4,288,383)
Net consolidated profit		$	**16,788,617**	$	9,710,708
Net consolidated profit attributable to:					
Controlling interest		$	**13,090,185**	$	9,033,535
Non-controlling interest			**3,698,432**		677,173
		$	**16,788,617**	$	9,710,708
Earnings per basic share, in pesos		$	**7.42**	$	5.38
Earnings per diluted share, in pesos	30.i.	$	**7.42**	$	5.12
Weighted average of outstanding shares (thousands)			**1,764,283**		1,678,753

The accompanying notes are an integral part of these consolidated financial statements.

Francisco Garza Egloff
Chief Executive Officer

Emilio Marcos Charur
Administration and Finance Director

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016
(Thousands of Mexican pesos)

	NOTE		2017		2016
Profit for the year		$	**16,788,617**	$	9,710,708
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	20		**(380,980)**		(215,391)
Equity in other comprehensive income of Associates under equity method, net	20		**(4,771)**		(34,775)
			(385,751)		(250,166)
Items that may be reclassified to profit or loss					
Effect of derivative financial instruments designated as cash flow hedges, net	20		**(243,725)**		312,659
Effect of translation of foreign entities	20		**1,067,564**		7,097,623
			823,839		7,410,282
Total other comprehensive income for the year			**438,088**		7,160,116
Total comprehensive income for the year		$	**17,226,705**	$	16,870,824
Attributable to:					
Controlling interest		$	**13,074,752**	$	13,906,674
Non-controlling interest			**4,151,953**		2,964,150
Comprehensive income for the year		$	**17,226,705**	$	16,870,824

The accompanying notes are an integral part of these consolidated financial statements.

Francisco Garza Egloff
Chief Executive Officer

Emilio Marcos Charur
Administration and Finance Director

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2017 and 2016
(Thousands of Mexican pesos)
(Note 19)

	NOTE	CAPITAL STOCK	PREMIUM ON ISSUANCE OF SHARES
Balances at January 1, 2016		$ 971,558	$ 28,141,266
Transactions with stockholders:			
Dividends declared in cash on April 14, 2016	19	-	-
Dividends to non-controlling interest			
Repurchase of own shares	3.u.	-	9,062
Acquisition of non-controlling interest in subsidiaries	30	1,975	3,156,623
Capital stock increase	2 and 19	4,423	7,366,593
		6,398	10,532,278
Net profit		-	-
Total other comprehensive income for the year	20	-	-
Comprehensive income		-	-
Balances at December 31, 2016		977,956	38,673,544
Transactions with shareholders:			
Dividends declared in cash on April 27, 2017	19	-	-
Repurchase of own shares	3.u.	-	98,100
Non-controlling interest acquired in subsidiaries	19	4,003	6,348,760
Effects of business combination	2 and 19	-	-
		4,003	6,446,860
Net profit		-	-
Total other comprehensive income for the year	20	-	-
Comprehensive income		-	-
Balances at December 31, 2017		$ 981,959	$ 45,120,404

The accompanying notes are an integral part of these consolidated financial statements.

CONTROLLING INTEREST				
RETAINED EARNING	OTHER ACCUMULATED COMPREHENSIVE INCOME	TOTAL CONTROLLING INTEREST	NON CONTROLLING INTEREST	TOTAL STOCKHOLDERS' EQUITY
$ 22,941,806	($ 1,010,771)	$ 51,043,859	$ 10,588,125	$ 61,631,984
(3,101,215)	-	(3,101,215)	-	(3,101,215)
			(166,424)	(166,424)
(101,107)	-	(92,045)	-	(92,045)
205,791	-	3,364,389	(4,489,517)	(1,125,128)
(1,067,802)	-	6,303,214	-	6,303,214
(4,064,333)	-	6,474,343	(4,655,941)	1,818,402
9,033,535	-	9,033,535	677,173	9,710,708
-	4,873,139	4,873,139	2,286,977	7,160,116
9,033,535	4,873,139	13,906,674	2,964,150	16,870,824
27,911,008	3,862,368	71,424,876	8,896,334	80,321,210
(3,528,566)	-	(3,528,566)	-	(3,528,566)
38,990	-	137,090	-	137,090
(5,447,099)	-	905,664	(906,601)	(937)
28,459,222	-	28,459,222	18,961,563	47,420,785
19,522,547	-	25,973,410	18,054,962	44,028,372
13,090,185	-	13,090,185	3,698,432	16,788,617
-	(15,433)	(15,433)	453,521	438,088
13,090,185	(15,433)	13,074,752	4,151,953	17,226,705
$ 60,523,740	$ 3,846,935	$ 110,473,038	$ 31,103,249	$ 141,576,287

Francisco Garza Egloff
Chief Executive Officer

Emilio Marcos Charur
Administration and Finance Director

Consolidated Statements of Cash Flows

For the years ended on December 31, 2017 and 2016
(Thousands of Mexican pesos)

	NOTE		2017		2016
Profit before income tax		$	20,047,865	$	13,999,091
Adjustments for:					
Depreciation and amortization	22		6,651,320		4,646,262
Write-off of property, plant and equipment	11		559,306		593,393
Write-off of brand	23		(3,733,281)		(1,488,176)
Impairment of clients	22		120,745		155,708
Revenue from sale of property, plant and equipment	23		(175,855)		(183,974)
Costs related to employee benefits	17		396,330		341,806
Share of net income of associates	10		(204,232)		(224,443)
Financial result, net	25		2,434,957		2,388,989
			26,097,155		20,228,656
Changes in working capital:					
Clients and other accounts receivable, net			(1,678,292)		(205,894)
Inventories			(442,207)		(383,762)
Suppliers and related parties			(1,890,606)		722,939
Derivative financial instruments			242,117		(166,510)
Employee benefits			246,378		88,810
Other liabilities			(769,490)		(206,183)
			(4,292,100)		(150,600)
Income tax paid			(3,573,794)		(4,320,312)
Net cash flow generated from operating activities			18,231,261		15,757,744
INVESTING ACTIVITIES					
Acquisitions of property, plant and equipment	11		(10,879,820)		(7,378,938)
Disposal of property, plant and equipment	11		505,052		1,639,612
Purchase of intangible assets	12		(1,353,802)		(120,444)
Purchase of shares of associates	10		(1,058,927)		(507,730)
Dividends collected from associates	10		26,799		14,450
Interest collected and other financial income	25		786,567		330,966
Sale of brand	23		3,733,281		1,488,176
Business acquisition, net of cash received from that operation	2		(2,915,249)		(1,721,660)
Net cash flow used in investment activities			(11,156,099)		(6,255,568)
FINANCING ACTIVITIES					
Current and non-current debt obtained	13		54,193,008		4,700,000
Payment of current and non-current debt	13		(41,794,402)		(18,367,568)
Factoring	14		(486,403)		98,698
Interest paid and other financial expense	25		(3,572,747)		(2,258,818)
(Purchase) sale of own shares	3.u		137,090		(92,045)
Capital increase	2 and 19		-		7,371,016
Dividends paid to non-controlling interest			-		(166,424)
Effect received in transfer of non-controlling interest in business acquisition	2		6,547,765		-
Acquisition of non-controlling interest	30		(937)		(1,125,128)
Dividends paid to controlling interest	19		(3,528,566)		(3,101,215)
Net cash flow (used) generated in financing activities			11,494,808		(12,941,484)
Net increase (decrease) in cash and cash equivalents			18,569,970		(3,439,308)
Exchange fluctuation of cash and cash equivalents			(274,493)		690,194
Cash and cash equivalents at beginning of year			5,546,220		8,295,334
Cash and cash equivalents at end of year		$	23,841,697	$	5,546,220
Investment transactions not requiring cash flow:					
Business combination with CCSWB not requiring cash flows	2	$	35,124,000	$	-
Acquisition of non-controlling interest in Arca Argentina	19	$	905,664	$	-
Acquisition of non-controlling interest in Arca Ecuador	30	$	-	$	3,364,389
Acquisition of building under financial lease	11	$	-	$	75,356

The accompanying notes are an integral part of these consolidated financial statements.

Francisco Garza Egloff
Chief Executive Officer

Emilio Marcos Charur
Administration and Finance Director

Notes to the Consolidated Financial Statements

For the years ended December 31, 2017 and 2016
(Figures in thousands of Mexican pesos, unless otherwise specified)

Note 1. Entity and operations

Arca Continental, S. A. B. de C. V. and subsidiaries (AC or the Company) is mainly engaged in the production, distribution and sale of soft drinks pertaining to the brands owned by or licensed to The Coca-Cola Company (TCCC). AC shares is registered at the National Securities Registry of the Banking and Securities Commission (NBSC). According to the bottler's agreement entered into between AC and TCCC and the bottler authorization granted by the latter, AC holds the exclusive right to conduct this type of activities with Coca-Cola products in different territories in Mexico, Argentina, Ecuador, Peru and as from the second quarter of 2017, in the Southwestern US (see Note 2 below). The Company's soft drink portfolio includes: cola and other-flavor soft drinks, purified and flavored water, and other carbonated and non-carbonated drinks in different presentations (see Note 28). Moreover, the Company's portfolio included an own trademark and registered distribution rights to operate in Mexico and the US. On July 22, 2016, the Company sold the trademark and distribution rights to operate in Mexico and on September 30, 2017, it sold the trademark and distribution rights to operate in the US (see Note 29), both to TCCC.

Additionally, the Company produces, distributes and sells food and snack under the Bokados, Wise and Deep River brands as from 2017 (see Note 2), and other brands used by the subsidiaries Nacional de Alimentos y Helados, S. A. de C. V., Bbox Vending, S. de R. L. de C. V., Industrias Alimenticias Ecuatorianas, S. A. (Inalecsa), Wise Foods, Inc. (Wise Foods) and Deep River, as well as dairy products of high added value under the Industrias Lácteas Toni, S.A. (Toni) brand in Ecuador.

AC conducts its activities through subsidiary companies of which it is the owner or of which it controls, either directly or indirectly, most of the common shares representing their capital stock. See Note 30. The term "the Company", as used in this report, refers to AC and its subsidiaries in the aggregate.

As mentioned in Note 2, AC transferred to its subsidiary AC Bebidas, S. de R. L. de C. V., (AC Bebidas) its interest in the capital stock of its subsidiary and associated companies, as well as its joint operation, mainly engaged in the drinks business. This transfer was conducted at the book value of these entities shown in AC's consolidated financial statements and because it is a transaction within the group, it had no impact at the consolidated level. Subsequently, upon delivery by AC of its 20.14% interest in AC Bebidas, as explained in Note 2, the effects described in said Note were recognized.

As mentioned in Note 19, the merger of AC and Carismed XXI, S. de R. L. de C. V. became effective on January 2, 2017, for which, AC acquired 25% of the interest in its subsidiary Arca Continental Argentina, S. L.

Arca Continental, S. A. B. de C. V. is a variable capital publicly traded stock company incorporated in Mexico, domiciled at Ave. San Jerónimo 813 Poniente, in Monterrey, Nuevo León, Mexico.

In the notes to the financial statements, "$" refers to thousands of Mexican pesos. The captions dollars or "US$" refers to thousands of U.S. dollars, unless otherwise specified.

Note 2. Business combinations

2017

A. OPERATION WITH TCCC TO OPERATE AS EXCLUSIVE BOTTLER OF A FRANCHISE IN SOUTHWESTERN US.
On February 8, 2017, AC and TCCC, through its subsidiary Coca-Cola Refreshments USA, Inc. (CCR), signed a Transaction Agreement (the Transaction Agreement) governed by US laws, whereby:

1. Effective as from April 1, 2017, AC transferred, through a contribution to its subsidiary, AC Bebidas, it interest in the capital stock of some of its subsidiary and associated companies, as well as of its joint operation (and other activities integrated in said businesses) in Mexico and Argentina, in exchange for an interest in AC Bebidas and through a purchase/sale in Peru;

2. Effective as from April 1, 2017, CCR transferred to AC Bebidas the entire capital stock of Coca-Cola Southwest Beverages LLC, (CCSWB) a company that has the (i) exclusive right to bottle, distribute and sell TCCC beverages in the Southeastern US comprise of Texas, part of Oklahoma, New Mexico and Arkansas (the Territory), (ii) ownership of different assets related to operations in the Southeastern US, and (iii) certain liabilities related to operations in the Southeastern US, in exchange for an interest in AC Bebidas capital stock.

3. On November 30, 2017, AC transferred its interest in the capital stock of other subsidiary and associated companies in exchange for an additional interest in AC Bebidas; and

4. AC will transfer to AC Bebidas, the remaining portion of the assets and liabilities pertaining to AC's Ecuador branch in exchange for an additional interest in AC Bebidas. This transfer is planned for 2018.

On the basis of the foregoing, AC will hold an 80% interest in AC Bebidas. To date, AC holds 79.86% of the capital stock of AC Bebidas and CCR holds the remaining 20.14%.

B. ACQUISITION OF CCSWB AND SUBSIDIARIES.
In order to continue with AC's growth strategy in US territories and reach synergies arising from its operating performance, on April 1, 2017, CCR contributed to AC Bebidas 100% of CCSWB's capital stock and as from that date, AC Bebidas is the holding company of the shareholding interests and net assets for CCSWB's business operation in the Territory and of the all voting rights. The acquired assets include all those related to TCCC's beverage business in the Territory, such as, (i) 9 plants and other facilities related to the production, promotion and marketing of beverages; (ii) the refrigerators, vending machines, quality control laboratory equipment, production lines, office furniture, computers, vehicles, tools, machinery in general, and all of the working capital related to the production, bottling, distribution, promotion and marketing of said beverages; (iii) the rights arising from contracts, licenses and administrative permits related to the production, bottling, distribution, promotion and marketing of beverages; (iv) the licenses and authorizations to use the brands pertaining to said beverages; (v) the insurance policies that cover the fixed assets and other insurance policies and bonding related to the same operation; and (vi) cash on hand.

The liabilities assumed by AC Bebidas through CCSWB as a result of the transaction include those related to the beverage operation, such as, among others, (i) tax obligations related to the production, bottling, distribution, promotion and marketing of the beverages; (ii) accounts payable related to the assets transferred and to the production, bottling, distribution, promotion and marketing of the beverages; and (iii) the payment obligations arising from the loan agreement contracted by CCR and transferred to CCSWB as a result of the transaction in the amount of $11,255 million.

As a result of the transfer from CCSWB to AC Bebidas described above, CCR holds 20.14% of the outstanding capital stock of AC Bebidas at December 31, 2017, see Note 19.

The acquisition of businesses recognized in the books of account in these financial statements has been recorded by the purchase method established in IFRS 3. This acquisition is included in the US segment, see Note 6. The acquisition was recorded, distributing the total assets acquired, including intangible assets and assumed liabilities, based on the fair values determined at the date of acquisition. The acquisition cost in excess of the net fair values of the assets acquired and assumed liabilities has been recorded as goodwill.

The total consideration transferred by AC Bebidas, consisting of 20.14% of its capital, was determined in the amount of $47,421 million, corresponding to the estimated fair value of Series B equity units issued by AC Bebidas in exchange for the interest in CCSWB (equivalent to 100% of its capital, 79.86% the AC level), with a par value of $10,289 million, and premium per issue of $37,132 million. The fair value of the certificate issued to CCR was determined on the basis of the average market value of the AC share traded on the Mexican Stock Exchange in effect during the thirty days prior to the date of the announcement of the signing of the master agreement and from which the capitalization value adjusted to AC's beverage business was determined. The total amount of the consideration determined includes the cash received in the transaction of $3,771 million, the cash from the price adjustments established in the Master Agreement for a net total of $5,504 million received by AC on the transaction close date and the net amount of $419 million paid on December 27, 2017 regarding the final adjustments at April 1, 2017.

As a result of the above transaction, control over CCSWB was obtained, acquiring 100% interest (80.00% at the AC level) in exchange for delivery of 20.00% of the shareholding interest in the AC Bebidas business (20.14% at December 31, 2017). This transaction generated no cash flows from the exchanges of shares, except for the net payments made to adjust the values of the transaction, as per the agreement between AC, AC Bebidas and CCR. IAS 7 requires gross presentation of impact on the transaction; therefore, for presentation in the cash flow, the net flows paid with regard to the price adjustment of the acquired business and cash in the acquired entity of ($1,463) million and $3,771 million are included as part of investment activities. On the other hand, cash received by AC to adjust the price of the shares delivered to AC Bebidas for CCR's non-controlling interest in said entity is shown as part of financing activities.

The acquisition gave rise to a decrease in AC's interest in AC Bebidas, without loss of control. The $28,459 million effect of this decrease was applied to retained earnings and is shown in the statement of changes in stockholders' equity. The non-controlling interest over 20.14% of AC Bebidas corresponding to CCR was determined at $18,961 million, which is also shown in the statement of changes in stockholders' equity.

Following is a summary of the consideration delivered by AC and the determination of the fair value of the assets and liabilities acquired at the acquisition date (millions of pesos):

Cash	$	3,771
Trade receivables and other accounts receivable, net (1)		3,382
Inventories		1,678
Prepayments		393
Property, plant and equipment, net		18,367
Bottling agreement (Note 12)		24,936
Intangible assets (2)		728
Other non-current assets		363
Current debt		(11,225)
Suppliers		(3,714)
Other current liabilities		(3,410)
Deferred taxes on income		(11,909)
Other non-current liabilities (3)		(42)
		23,318
Goodwill (4) (Note 12)		19,018
Net assets acquired from the CCSWB business		42,336
Adjustments to price in cash, net		5,085
Non-controlling interest in CCSWB (5)		(8,526)
Total consideration delivered	$	38,895

(1) The contractual amount of the accounts receivable is $3,422 million, of which $40 million is not expected to be recoverable.
(2) Intangible assets are mainly comprised of software.
(3) No contingent liability has arisen from this acquisition that would require to be recorded.
(4) Goodwill is attributed to the work force acquired, as well as to the market share and includes the effect of deferred taxes on income from the assignment of fair values of the net assets acquired.
(5) The non-controlling interest was determined by the proportional value method of the net assets acquired.

Expenses related to this transaction were recorded in the "Other expenses, net" line item, see Note 23. AC's equity in the net proforma revenue of CCSWB, as if it had been acquired on January 1, 2017, would have been $43,628 million (unaudited) and in net gross profit would have been $7,790 million (unaudited). CCSWB's income for the period from the date of acquisition and up to December 31, 2017 totaled $33,248 million.

C. ACQUISITION OF GREAT PLAINS COCA COLA BOTTLING COMPANY

For the purpose of expanding AC's primary operation in a territory adjacent to that of CCSWB, on August 25, 2017, through its subsidiary CCSWB, AC acquired from CCR the overall capital stock of Great Plains Coca Cola Bottling Company (Great Plains) for the price of $3,798,501 (US$215,573) in cash. At the date of issuance of these audited financial statements, AC and CCR have concluded the review of the final adjustments to the price mainly related to the operating flow for 12 months ended August 25, 2017 and working capital at that date.

Great Plains operates as bottler and distributor of Coca Cola in the state of Oklahoma, the most import cities of which are Oklahoma and Tulsa.

The valuation method for this acquisition was the purchase method and at December 31, 2017, AC is in the process of determining the distribution of the purchase price at the fair values of the assets and liabilities acquired from Great Plains, due to the fact that they are reviewing the valuation conducted by independent experts, and consequently, in the process of determining the goodwill, estimating that said analysis will be concluded within a maximum period of twelve months from the date of acquisition. Following is a summary of the consideration paid by AC and the preliminary determination of the fair value of the assets and liabilities acquired at the acquisition date:

Cash	$	68,336
Accounts receivable, net (1)		491,371
Inventories		203,274
Other current assets		45,875
Property, plant and equipment		1,022,873
Intangible assets (2)		-
Other assets		4,092
Suppliers and other accounts payable		(159,862)
Other accounts payable (3)		(59,947)
Net assets acquired		1,616,012
Goodwill		2,182,489
Total compensation paid	$	3,798,501

(1) The contractual amount of the accounts receivable is $491,371, which is expected to be fully recoverable.
(2) The intangible assets line item is estimated to be mainly comprised of the bottling contract with TCCC for an approximate value of 35% to 40% of total assets acquired.
(3) To date, no contingent liability has been identified from this acquisition that would require to be recorded.

Expenses related to this transaction were recorded in the "Other expenses, net" line item, see Note 23. Moreover, AC's equity in the net proforma revenue of Great Plains, as if it had been acquired on January 1, 2017, would have been $6,498,809 (unaudited) and in net gross profit would have been $102,586 (unaudited). Great Plains' income for the period from the date of acquisition up to December 31, 2017 totaled $1,701,486.

D. ACQUISITION OF DEEP RIVER

In November 2017, through its subsidiary AC Foods LLC., the Company reported on the acquisition of Old Lyme Gourmet Company, known as Deep River Snacks, a company engaged in the production of snack food under the Deep River brand, which is based in the state of Connecticut and is known for its line of home style potato chips and organic seasoned corn chips under the Deep River brand. The acquisition of businesses was recognized on preliminary basis in the books of account in these financial statements has been recorded by the purchase method established in IFRS 3.

This acquisition was conducted at a price of approximately $1,493,693, to be determined definitively once the aforementioned valuation as is concluded. At December 31, 2017, AC is still in the process of determining the distribution and recording of the purchase price, taking into account the fair values of the Deep River assets acquired and liabilities assumed, due to the fact that at the date of these financial statements, the necessary appraisals have not yet been conducted by independent experts. The valuation and book recognition will be concluded within the maximum twelve-month period allowed under IFRS 3, immediately following the acquisition date.

Expenses related to this transaction were recorded in the "Other income (expenses), net" line item, see Note 23.

2016

A. ACQUISITION OF INGENIO FAMAILLÁ

On April 5, 2016, through its subsidiary Salta Refrescos, S. A. (SRSA), the Company signed a "Transfer Agreement", for the purchase of certain assets required to process sugar cane. As a result of said acquisition, SRSA added, in its books of account, the "Famaillá" assets, including existing machinery, the building, as well as the workforce of certain operating personnel thereof.

Additionally, as a condition to close this transaction, certain commitments were assumed by the prior owner of the "Famaillá" sugar mill, consisting of: a) procurement of sugar cane to the mill acquired and b) the purchase of sugar and alcohol produced in the mill during the period.

The main purpose of the acquisition of said sugar mill is the partial substitution and securing of sources of basic raw materials for production.

The transaction was completed at the market value of the acquired assets, according to the data arising from valuation and studies conducted by independent experts. The fair value of the acquired assets totaled $711,313; however, this transaction required obtaining a $222,185 mortgage guarantee, which was recognized by the Company in parallel with a right and a provision for contingencies. The Company has recognized this operation in accordance with the applicable IFRS.

B. ACQUISITION OF NORCO COMPANY INCORPORATED S. A. C.

For the purpose of expanding the vending operation in Peru, on May 10, 2016, AC Negocios Complementarios, S. A. de C. V., a subsidiary of AC, entered into an agreement for the acquisition of 100% of the shares representing the capital stock of Norco Company Incorporated, S. A. C. (Norco) shares, a Peruvian company (Vendomática), holding of 100% of Vend S. A. C. (Vendsac) and Vendtech S. A. C. (Vendtech) shares, engaged in marketing mass consumer products such as coffee, cookies, chocolates, etc. through vending machines, and in the installation and maintenance of this type of machine, respectively.

This acquisition was completed at a final price of $981,290 and in 2017, within the period of months allowed under IFRS 3, to conclude the determination of the fair values of the assets and liabilities acquired, the study conducted by independent experts was concluded (allowing for definitive recording of the distribution of the purchase price at the fair values of the assets and liabilities acquired from Norco), which was under analysis and had a preliminary status at December 31, 2016. Following is a summary of the consideration paid by AC and the final determination of the fair value of the assets and liabilities acquired at the acquisition date:

Current assets	$	119,204
Non-current assets		785,241
Current liabilities		(155,117)
Non-current liabilities		(102,132)
Net assets acquired		647,196
Goodwill		334,094
Total compensation paid	$	981,290

Expenses related to this transaction were recorded in the "Other income (expenses), net" line item, see Note 23.

Note 3. Summary of significant accounting policies

The consolidated financial statements and notes thereto were authorized for issuance on March 13, 2018 by the undersigned officers.

Following is a summary of the most significant accounting policies followed by the Company and its subsidiaries, which have been applied consistently in preparing its financial information in the years presented, unless otherwise specified:

A. BASES FOR PREPARATION

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

The consolidated financial statements have been prepared on the historical cost basis of accounting, except for the cash flow hedging financial instruments, which are measured at fair value.

Preparation of the consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires that Management exercise its judgment in the process of applying the Company's accounting policies. The areas involving a greater degree of judgment or complexity, as well as the areas in which the judgments and estimates are significant for the consolidated financial statements are disclosed in Note 5.

B. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New standards, amendments to standards and interpretations

- **Revisions of IAS 7 - Statement of Cash Flows**: On January 1, 2017, the Company adopted the revisions of IAS 7 to explain the changes in its liabilities arising from financial activities. This includes changes arising from incoming cash flow from new loans and outgoing from payments and changes that are not in cash such as exchange fluctuations, cancellations and the amortized cost of debt (see Note 13).

  There are other changes in IFRS that took effect on January 1, 2017, which had no effect on the consolidated financial statements.

A number of new standards, changes and interpretations of standards, whose adoption is not yet mandatory, have been published. Following is the AC's evaluation of the effects of these new standards and interpretations:

- **IFRS 9 - Financial Instruments:** IFRS 9 addresses the classification, measurement and disposal of financial assets and financial liabilities, it introduces new rules for hedge accounting and a new model of impairment for financial assets. At the closing date, Company Management conducted an exercise to assess the impact of prospective implementation of IFRS 9, which went into effect on January 1, 2018. Financial instruments, internal processes for management and accounting treatment thereof have been evaluated in connection with the standard's three chapters as shown in the next page.

  1. Classification and measurement of financial assets and liabilities
  2. Impairment of accounts receivable
  3. Hedge accounting

  In light of the analysis, the Company's financial assets within the scope are comprised of accounts receivable and derivative financial instruments designated as hedging. The findings from the analysis are as follows:

  Classification and measurement of investments in securities and accounts receivable - No changes are expected in the classification and measurement. The Company's financial assets are managed under a business model, the purpose of which is to recover contractual cash flows over an unpaid balance or principal on agreed-upon dates. Therefore, subsequent classification and measurement thereof remains at amortized cost.

  Classification and measurement of financial liabilities - No changes are expected in the classification and measurement of the Company's financial liabilities.

  Impairment of accounts receivable - A change is foreseen in the internal process for the determination of impairment of accounts receivable. This is as a result of the new expected credit loss model which requires a provision for initial recognition of the account receivable. The results of the impairment determined under the new model showed no significant differences with respect to the current model under IAS 39.

  Hedge accounting - The Company has confirmed that its current hedge relationships will qualify as hedges in adopting IFRS 9; therefore, elimination of any hedge relationship due to the adoption is not expected. During 2017, the Company designated the intrinsic value of foreign exchange options as cash flow hedge relationships. IFRS 9 allows for the subsequent time value to be recognized in other comprehensive income; therefore, the reclassification will be done retrospectively, although the accumulated time value affect at December 2017 is not significant. IFRS 9 allows for qualitative or quantitative follow up on the effectiveness of hedge relationships; as a result of which, the Company has applied the guidelines for the determination of each type of hedge relationship it keeps. However, in all cases, there are changes in the documentation of hedge relationships.

Considering the foregoing, no significant impact is expected on the business activities, internal processes, contractual obligations or the Company's financial position, except for the additional disclosures required by the standard.

• IFRS 15 - Revenue from contracts with customers The IASB issued a new rule for recognition of income. This rule replaces IAS 18, which covers product and service contracts and IAS 11, which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of an item or service is transferred to a customer. Therefore, the notion of control replaces the existing notion of risks and rewards.

A five-step process must be applied before revenue recognition:

• Identify contracts with customers.
• Identify the performance obligation separately
• Determine the transaction price in the agreement
• Assign the price of the transactions pertaining to each performance obligation.
• Recognize revenue when each of the performance obligations is met.

For its adoption, the standard allows for a complete retrospective approach, as well as a modified retrospective approach.

As part of its analysis process for adoption of this standard, Company Management evaluated the different sources of income per reportable segment to determine whether or not the performance obligations are met over time or at a specific point in time, as well as to identify whether or not there are potential gaps between its current accounting policies and IAS 18 Revenue. The Company's income is mainly related to the production, distribution and sale of beverages and snacks, and is currently recognized in the consolidated statement of comprehensive income when the products are transferred to the customer. This source of income is supported by formal and informal agreements entered into with different customers within the modern and traditional channels, in which prices are continually negotiated given the high turnover of products and the competitiveness required in the marketplace. The Company has identified no gaps with respect to revenue recognition as per IFRS 15 based on its current accounting policy.

Adoption of this standard by the Company is planned for January 1, 2018, which is when the standard becomes mandatory. The Company intends to adopt the standard using the modified retrospective approach, which means that the accumulated impact of adoption will be applied to retained earnings as from January 1, 2018; however, as mentioned above, no material effects have been identified with respect to adoption of this standard. The Company expects no significant changes in its revenue recognition policies, beyond the fact that the new standard requires a higher level of disclosures of contract with customers.

• **IFRS 16 - Leases:** IFRS 16 was published in January 2016, and requires that practically all lease agreements be recognized in the statement of financial position, as the distinction between financial and operating leasing is eliminated. The new standard requires recognition of an asset for the right to use the leased goods, and a financial liability representing the obligation to pay the rent, except short-term and/or irrelevant value leases.

This standard will primarily affect the accounting of AC's operating leases. At the date of this report, AC maintains operating lease agreements not subject to cancellation; however, some of the commitments can fall under the exception of short-term and/or immaterial value, and other commitments can refer to agreements that do not qualify as leasing under IFRS 16.

To date, AC has yet to determine the extent to which these commitments will result in recognition of an asset and liability for future payments, and how this will affect profits and the classification of its cash flows. AC does not intend to adopt the standard early. This standard is mandatory for periods starting on January 1, 2019.

There are no other standards yet to take effect or still expected to have a significant impact on the entity in the reporting periods, either current or future, and in foreseeable future transactions.

C. CONSOLIDATION

i. Subsidiaries

Subsidiaries are entities over which the Company exercises control. The Company controls an entity when it is exposed or is entitled to variable yields arising from an interest in the entity and is capable of affecting yields through its power over the entity. Subsidiaries are consolidated as from the date on which control is transferred to the Company. They cease to consolidate as from the date on which said control ceases (see Notes 2 and 30).

When combinations are carried out through acquisitions of businesses under common control, the Company initially recognizes the assets transferred and liabilities incurred at the preceding values in the books of account of the seller at the transaction date, and includes the adjustments at fair value and goodwill of prior combinations. Differences, if any, between shares issued by the Company or consideration paid and the preceding values are applied directly to stockholders' equity. Acquisition-related costs related to the acquisition under common control are recorded as expenses as they are incurred.

The Company uses the purchase method of accounting to record the business combinations. The consideration transferred in the acquisition of an independent company is the fair value of the assets transferred, the liabilities incurred and the equity issued by the Company. The consideration transferred includes the fair value of any assets and liabilities resulting from a contingent consideration agreement.

When payment of any portion of the consideration in cash is deferred, the amounts payable in the future are discounted at their present value at the transaction date. The discount rate used is the incremental rate of the Company's debt, as this rate is similar to that which would be obtained in a debt from independent sources of financing under comparable terms and conditions, depending on their characteristics. The contingent consideration is classified as either capital or a financial liability. The amounts classified as financial liabilities are subsequently disclosed at fair value with the changes recognized in the consolidated results.

Acquisition- costs related to the acquisition are recorded as expenses as they are incurred. The identifiable assets acquired and liabilities and contingent liabilities assumed in a combination of businesses are initially valued at their fair value on the acquisition date. The Company recognizes any non-controlling interest in the acquired company based on fair values or for the proportional part of the non-controlling interest in the net assets of the acquired company, as opted for in each case. Any consideration transferred, the amount corresponding to any non-controlling interest in the acquired entity and the fair value on the date of acquisition of any prior interest in the capital of the acquired entity in excess of the fair value of the net identifiable assets acquired is recorded as goodwill. If the entire consideration transferred, the minority interest recorded and the previously measured interest are less than the fair value of the acquired subsidiary's net assets, in the case of a purchase below market price, the difference is recorded directly in the statement of income.

In the consolidation the transactions, the balances and unrealized gains from transactions between the companies are eliminated. Unrealized losses are also eliminated. The subsidiaries' accounting policies are harmonized and homologated when necessary to ensure that they are in line with the Company's policies.

ii. Changes in interest in subsidiaries without the loss of control

The transactions with the non-controlling interest not conducive to a loss of control are recorded as transactions in stockholders' equity, that is, as transactions with stockholders in their capacity as such. The difference between fair value of the consideration paid and the interest acquired in the carrying value (book value) of the subsidiary's net assets is recorded in equity. Gains or losses on the sale of non- controlling interests are also recorded in stockholders' equity.

iii. Sale or disposal of subsidiaries

When the Company no longer controls a subsidiary, any shareholding retained in the entity is revalued at fair value and the change in book value is recorded in income for the year. Fair value is the initial book value for the purpose of subsequent accounting for the shareholding retained in the associate, joint business or financial asset. Any amount previously recorded in comprehensive income concerning that entity is recorded as if the Company had directly disposed of the respective assets and liabilities. This implies that the amounts previously applied to other comprehensive income are reclassified to income for the period.

iv. Associated companies

Associated companies are those over which the Company has significant influence, but not control or joint control, generally from holding between 20% and 50% of the voting rights in the associated company. The Company's investment in associated companies includes the goodwill identified in the acquisition, net of accumulated impairment losses. The existence and impact of potential voting rights, currently exercisable or convertible, are considered upon assessing whether or not 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 capability to direct the financial and operating policies. Costs related to acquisitions are charged to income as they are incurred.

The investment in shares of associated companies is valued by the equity method. Under this method, investments are initially recorded at the acquisition cost. They are subsequently valued by the equity method, which consists of adjusting the investment value for the proportionate part of profits or losses and the distribution of profits in the form of capital reimbursements subsequent to the date of acquisition.

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

Equity in the results of associated companies is recognized in the income statement, and equity in movements in other comprehensive income, subsequent to the acquisition, is recognized in other comprehensive income. The Company presents equity in the net profits of associated companies considered integral vehicles through which the Company conducts operations and strategy, as part of operating income. Movements accrued post-acquisition are adjusted against the book value of the investment. When equity in the losses of an associated company equals or exceeds its investment in the associated company, including any other accounts receivable, the Company recognizes no additional losses, unless it incurred obligations or made payments on behalf of the associated.

The Company assesses, at each reporting date, whether or not there is objective evidence that the investment in the associated company is impaired. If so, the Company calculates the impairment loss as the difference between the recoverable value of the associated company and its book value, and recognizes the amount in "Equity in (losses)/gains of associated companies recognized by the equity method" in the statement of income.

The unrealized gains on transactions between the Company and its associated companies are eliminated according to the interest the Company has in each. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. In order to ensure consistency with Company policies, the associated companies' accounting policies have been modified. When the Company ceases to have significant influence over an associated company, any difference between the fair value of the retained investment, including any consideration received from disposal of part of the equity, and the book value of the investment, is recognized in income for the year.

When investments in associated companies are transferred in a restructuring under common control, said investments are measured at fair value in the entity receiving the transfer.

v. Joint arrangements

The Company has applied IFRS 11 for all its joint arrangements. Under IFRS 11, investments in joint arrangements are classified either as a joint operation or a joint business, depending on the contractual rights and obligations of each investor. The Company has evaluated the nature of its joint agreement and has determined it qualifies as a joint operation. In joint operations, each joint operator records its assets, liabilities, income and expenses according to the proportions specified in the contractual agreement. A contractual agreement can be a joint agreement even if not all of its parts have joint control over the agreement.

Revenue arising from the joint operation regarding goods or services acquired by the Company as joint operator, as well as any unrealized profit with third parties are eliminated as part under consolidation and reflected in the consolidated financial statements until they are realized with third parties.

D. FOREIGN CURRENCY TRANSLATION

i. Functional and reporting currency

The amounts included in each of the Company's subsidiaries' financial statements must be measured in the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Mexican pesos, which is the Company's reporting currency. Note 30 contains a description of the functional currency of the Company and its subsidiaries.

ii. Transactions and balances

Foreign currency transactions are converted to the functional currency using the exchange rate in effect on the transaction or valuation dates, when the amounts are remeasured. Exchange gains and losses resulting from settlement of said transactions and from conversion of monetary assets and liabilities denominated in a foreign currency at the closing exchange rates are recognized as exchange fluctuation in the statement of income, except when they are deferred in other comprehensive income because they qualify as cash flow hedges.

iii. Conversion of foreign subsidiaries

The results and financial position of all of the Company's entities with a functional currency different from the Company's reporting currency are converted to the reporting currency, as follows:

- Assets and liabilities pertaining to each statement of financial position presented are translated at the exchange rate prevailing at the close of each statement of financial position.
- Stockholders' equity in each statement of financial position presented is convertible to the historical exchange rate.
- Income and expenses shown in each statement of income are converted at the average exchange rate (when the average exchange rate is not a reasonable approximation of the accumulated effect of the rates of the transaction, the exchange rate prevailing at the transaction date is used).
- All resulting exchange differences are recognized under comprehensive income.

In a disposal of a foreign operation, any related exchange difference in capital is reclassified to the statement of income as part of the gain or loss on the disposal.

Goodwill and adjustments to fair value arising at acquisition date of a foreign transaction that are to be measured at fair value are recognized as assets or liabilities of the foreign entity and converted to the closing exchange rate. Exchange differences, if any, are applied to comprehensive income.

Prior to conversion to pesos, the financial statements of foreign subsidiaries whose functional currency is that of a hyper inflationary economy are adjusted for inflation to reflect the changes in the purchasing power of the local currency. Subsequently, the assets, liabilities, capital, income, costs and expenses are converted to the reporting currency using the exchange rate prevailing at the period close. 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 an accumulated inflation rate equivalent or higher than 100% over the past three years.

The closing exchange rate used in preparing the financial statements are as follows:

	December 31,	
	2017	**2016**
Pesos to the US dollar	**19.74**	20.66
Pesos to the Peruvian sol	**6.09**	6.16
Pesos to the Argentine peso	**1.06**	1.30
Pesos to the euro	**23.69**	21.80

The exchange rate of the peso to the US dollar at April 1, 2017, date of the business combination with CCSWB was $18.71.

The average exchange rate used in preparing the financial statements are as follows:

	December 31,	
	2017	2016
Pesos to the US dollar	**18.85**	18.62
Pesos to the Peruvian sol	**5.80**	5.51
Pesos to the Argentine peso	**1.13**	1.25
Pesos to the euro	**21.46**	20.68

E. CASH AND CASH EQUIVALENTS
Cash and cash equivalents include cash on hand, bank deposits available for the operation and other high-liquidity short-term investments with original maturities of three months or less, all subject to immaterial risks 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 income, loans and accounts receivable, and investments available for sale. Classification depends on the intended purpose of the financial assets. Management determines the classification of its financial assets upon initial recognition thereof. Purchases and sales of financial assets are recognized on the settlement date.

Financial assets are canceled in their entirety when the right to receive related cash flows expires or is transferred and the Company has substantially transferred all of the risks and benefits inherent to ownership thereof, as well as control over the financial asset.

i. Financial assets at fair value through income
Financial assets at their fair value through income are financial assets held for trading. A financial asset is classified in this category is it was mainly acquired to be sold in the short-term. Derivative financial instruments are also classified as held for trade, unless they are designated as hedges.

Financial assets recorded at fair value through income are initially recognized at their fair value and transaction costs are recorded as expenses in the statement of income. Gains or losses arising from changes in the fair value of these assets are applied to income for the period in which they were incurred, in the other expenses, net line item. Dividend income stemming from financial assets recorded at fair value through income are recognized in the statement of income as other income when it is established that the Company is entitled to receive them.

ii. Loans and accounts receivable
Loans and accounts receivable are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. They are included as current assets, except for maturities of over 12 months after the date of the statement of financial position, which are classified as non-current assets.

Loans and accounts receivable are initially valued at fair value, plus transaction costs incurred, and are subsequently recognized at amortized cost. When circumstances arise that indicate that receivables will not be collected in the amounts initially agreed or will be collected in a different term, said accounts receivable are impaired.

Accounts receivable represent amounts owed by customers arising from the sale of goods or services rendered in the regular course of the Company's operations.

iii. Financial assets available for sale
Financial assets available for sale are non-derivative financial assets that are either classified in this category or not classified in any of the other categories. They are included as non-current assets, unless they mature in under 12 months or management intends to dispose of said investment within the 12 month-period following the date of the statement of financial position.

Financial assets available for sale are initially recognized at their fair value, plus directly attributable transaction costs. Subsequently, these assets are recorded at fair value.

Gains or losses arising from changes in the fair value of monetary and non-monetary instruments classified as available for sale are applied directly to capital in the period in which they occur in other comprehensive income.

When instrument classified as available for sale are sold or impaired, the cumulative fair value adjustments applied to capital are included in the statement of income.

At December 31, 2017 and 2016, there were no financial assets available for sale.

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

Accounts payable are obligations to pay for goods or services either acquired or received from suppliers in the normal course of business. Loans are initially recognized at fair value, net of transaction costs incurred. Loans are subsequently recorded at their amortized cost. Any differences between the amounts received (net of transaction costs) and the settlement value is recognized in the statement of income during the term of the loan, using the effective interest rate method.

Offsetting of financial instruments
Financial assets and liabilities are offset and the net figure is shown in the statement of financial position when the right to offset amounts recorded is legally applicable and they are intended to be settled on net bases or the asset is to be realized and the liability is to be paid simultaneously. The legally enforceable right should not be contingent of future events and must be payable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty. At December 31, 2017 and 2016, no financial assets and liabilities have been offset.

IMPAIRMENT OF FINANCIAL INSTRUMENTS

i. Financial assets valued at their amortized cost
At the end of every reporting year, the Company evaluates whether or not there is objective evidence of impairment of each financial assets or group of financial assets. Impairment losses are recorded when there is objective evidence of impairment resulting from one or more events occurring subsequent to the initial recognition of the asset (a "loss event"), provided the loss event(s) impact(s) estimated future cash flows derived from the financial asset or group of financial assets that can be reliably estimated.

The factors evaluated by the Company when determining whether or not there is objective evidence of impairment are:

- Significant financial difficulties of the issuer or debtor.
- Breach of contract, such as late payment.
- The Company's granting of a concession to the issuer or debtor as a result of the issuer's or debtor's financial difficulties not considered under other circumstances.
- The issuer or debtor is likely to declare bankruptcy or some other type of financial reorganization.
- The disappearance of an active market for the financial asset is due to financial difficulties.
- Verifiable information indicates that there is a quantifiable decrease in future estimated cash flows relative to a group of financial assets subsequent to initial recognition, although the decrease cannot yet the identified with individual financial assets, such as:

(i) Adverse changes in the status of debtor payments on the group of assets.
(ii) Domestic or local conditions related to noncompliance on the part of issuers of the group of assets.

Based on the above-mentioned factors, the Company determines whether or not there is any objective evidence of impairment. Then, for the category of loans and accounts receivable, if impairment is considered to exist, it determines the amount of the respective loss by computing the difference between the book value of the asset and the present value of estimated effective future cash flows (excluding future credit losses not yet incurred), discounted at the original effective interest rate. That amount, which is recorded in the statement of income under "selling costs" is subtracted from the book value of the asset. If the interest rate of a loan or investment held to maturity is variable, the discount rate to measure any impairment loss is the current effective interest rate determined according to the terms of the contract. Alternatively, the Company could determine the impairment of the asset considering its fair value determined on the basis of its current observable market price.

If the impairment loss is reduced in subsequent years due to objective verification of an event occurred subsequent to the date on which said impairment was recorded (such as an improvement in the debtor's credit rating), the reversal of the impairment loss is recorded in the statement of income.

Information on impairment of accounts receivable is set out in Note 8.

G. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES
Derivative financial instruments contracted and classified as fair value hedging or cash flow hedging are recognized in the statement of financial position as assets and/or liabilities at fair value and are subsequently measured at fair value. Fair value is determined on the basis of recognized market prices and when they are not traded in the market, it is determined based on valuation techniques accepted in the financial sector, using inputs and variables observable in the market, such as interest rate and exchange rate curves obtained from reliable sources of information.

The fair value of derivative financial instruments used as hedging instruments is classified as a non-current asset or liability if maturity of the remaining hedge amount is over 12 months, and as a current asset or liability if maturity of the remaining hedge amount is under 12 months.

Derivative financial instruments documented as hedges are contracted to cover risks and there is compliance with all coverage requirements. Designation is documented at the outset of the coverage operation, describing the purpose, item hedged, risk to be hedged, hedge instruments and the method for evaluating and measuring the effectiveness of the hedge relationship, features, book recognition and the manner in which effectiveness is to be measured, applicable to that operation.

Changes in the fair value of derivative financial instruments classified as fair value hedge, are recorded in the statement of income. The change in the fair value of hedges and the change in the primary position attributable to the risk hedged are applied to income in the same line item of the position they hedge.

The effective portion of the changes in fair value of derivative financial instruments related to cash flow hedging is temporarily applied to stockholders' equity, under comprehensive income, and is reclassified to income when the position if it hedges affects income; the infective portion is immediately applied to income.

When the forecasted transaction hedged gives rise to recognition of a non-financial asset (i.e: Inventory or fixed asset), gains or losses previously deferred in capital are transferred from capital and included in the initial valuation of the cost of the asset. The deferred amounts are ultimately recognized in the cost of sales, in the case of inventories or in the depreciation expense in the case of fixed assets.

The Company suspends hedge accounting when the derivative matures, is canceled or exercised, when the derivative fails to reach a high effectivity to offset the cash flows of the item hedged, or when the Company decides to cancel the hedge designation.

When suspending hedge accounting in the case of fair value hedges, the adjustment to the book value of an amount hedged for which the return on active interest rate is used, is amortized in income for the maturity period, and in the case of cash flow hedges, the amounts accumulated in stockholders' equity as part of comprehensive income, remain in the Capital until the effects of the forecasted transaction affect income. In the event the forecasted transaction is unlikely to occur, the gains or losses that were accumulated in the comprehensive income account are immediately applied to income. When hedging of a forecasted transaction was shown as satisfactory and is subsequently shown to fail the effectiveness test, the accrued effects on comprehensive income in stockholders' equity are proportionately applied to income, to the extent that the forecasted transaction is applied to income.

The Company's derivative financial operations have been entered into on a private basis with a number of financial institutions, whose financial soundness is backed by high ratings assigned by agencies engaged in rating securities and credit risks. The documentation used to formalize the operations conducted is the usual, which in general terms, is in line with the contracts denominated: Master Agreement for Derivative Financial Operations or ISDA Master Agreement, which is prepared by the "International Swaps & Derivatives Association" (ISDA), which is accompanied by the usual accessory documentation for this type of operation, known in generically as "Schedule", "Credit Support Annex" and "Confirmation".

At December 31, 2017, the Company holds the following hedge derivative financial instruments: Foreign currency forwards and interest rate swaps in Mexico and foreign currency swaps, foreign currency call spread, sugar hedge futures and foreign currency cross currency swaps in Peru. At December 31, 2016, the same instruments were held, except for foreign currency call spreads.

H. INVENTORIES
Inventories are shown at the lesser of its cost and net realization value. The cost is determined by the average cost method. The cost of finished products and products in process include product-design costs, raw materials, labor, other direct costs and indirect manufacturing expenses (based on the normal operating capacity). Excluding loan costs. - The net realization value is the selling price estimated in the normal course of the business, less the applicable corresponding variable selling costs.

I. LONG-LIVED ASSETS HELD FOR SALE
Non-current assets (or groups for disposal) are classified as held for sale when their book value will mainly be recovered through a sale transaction which is considered highly probable.

These assets are recorded at the lesser of the value arrived at from comparing their book value and fair value, less the cost of sales, are not depreciated or amortized while they are classified as available for sale and are shown separate from other assets in the statement of financial position. At December 31, 2017 and 2016, the Company held no assets available for sale.

J. PREPAYMENTS
Prepayments represent disbursements corresponding to insurance, advertising or rent, made by the Company where the benefits and risks inherent in the goods to be acquired or the services to be received, such as insurance paid in advance, have not yet been transferred.

K. PROPERTY, PLANT AND EQUIPMENT
Property, plant and equipment are valued at cost, less accumulated depreciation and the accrued amount corresponding to impairment losses. The cost includes expenses directly attributable to acquisition of the asset.

Subsequent costs are included in the book value of the asset or recognized as an asset separately, as appropriate, only when the Company is likely to obtain future economic benefits from the asset, and the cost of property, plant and equipment can be calculated reliably. The carrying amount of the replaced parts is de-recognized. Repairs and maintenance are recognized in the statement of income during the year in which they are incurred. Significant improvements are depreciated during the remaining useful lives of the related asset.

Depreciation is calculated by the straight-line method, separately considering each of their components. The average useful life of families of assets are as follows:

Buildings	30 – 70 years
Machinery and equipment	10 - 25 years
Transportation equipment	10 - 15 years
Furniture and other	3 - 10 years
Bottles and distribution cases	2 – 7 years
Refrigerators and selling equipment	10 years
Computer equipment	4 years

The land and investments in process are valued at their cost and are not depreciated.

Spares and parts for use at more than a year and attributable to specific machinery are classified as property, plant and equipment in other fixed assets.

Costs pertaining to general and specific loans, directly related to the acquisition, construction and production of qualifying assets, which necessarily take a substantial period of time (twelve months or longer), are capitalized to form part of the acquisition cost of said qualifying assets until such time as they are ready for their intended use or sale. At December 31, 2017 and 2016, the determination of said costs is based on specific and general financing.

The residual and useful live of assets will be reviewed, at least at the end of each reporting period and if expectations differ from prior estimates, the changes will be recorded as a change in accounting estimate.

Assets classified as property, plant and equipment are subject to impairment testing when there are events or circumstances that indicate that the carrying value of the assets may not be recovered. An impairment loss corresponds to the amount at which the carrying value of the asset exceeds its recovery value. Recovery value is the greater of fair value net of selling costs and the asset's value in use.

If the carrying value exceeds the estimated recovery value, impairment of an asset's carrying value is recognized and the asset is immediately recognized at its recovery value.

Gains or losses on asset disposals are determined comparing the selling value and the carrying value and are recognized in the "Other income (expenses), net" line item in the statement of income.

Returnable and non-returnable bottles

The Company handles returnable and non-returnable bottles. - Returnable bottles are recorded as fixed assets in the Property, plant and equipment line item, at their acquisition cost and are depreciated by the straight-line method, considering their estimated useful lives.

Under certain historical operating practices in certain territories, returnable bottles delivered to customers are subject to agreements whereby the Company retains ownership of the bottle and receives a deposit from the customer. This bottle is controlled by the Company, through its commercial and distribution network, and the Company has the right to charge the customer for any breakage identified.

Non-returnable bottles are applied to consolidated income, as part of the cost of sales, at the product is sold.

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

Leasing, in which a significant portion of the risks and benefits pertaining to the property are retained by the lessor, is classified as straight operating leasing. Payments made under operating leasing (net of any incentive received from the lessor) are charged to the statement of income by the straight line method over the leasing period.

Leases whereby the Company assumes substantially all the risks and benefits of the leased property are classified as financial leases. Financial leases are capitalized at the outset of the lease at least between the fair value of the property under lease and the present value of minimum lease payments. If it is practical to determine the respective value, the interest rate implicit in the lease is used to discount minimum payments at present value; otherwise, the incremental rate on the lessee's loan is used. Any initial direct costs incurred by the lessee are added to the original amount recognized as assets.

Every lease payment is allocated between the liability and the financial charges until a constant rate for the outstanding balance is achieved. The corresponding rent obligations are included in non-current debt, net of the financial charges. Financial cost interest is charged to income for the year during the lease period, with a view to producing a constant periodic interest rate in the remaining balance of the liability for each period. Property, plant and equipment acquired through financial leases is depreciated between the lesser of the useful lifetime of the asset and term of the lease.

M. INTANGIBLE ASSETS
Goodwill represents the acquisition cost of a subsidiary in excess of the Company's interest in the fair value of the identifiable net assets acquired, determined on the acquisition date. Goodwill is shown in the "Goodwill and intangible assets, net" line item and is recognized at its cost, less accumulated impairment losses, which are not reverted. Gains or losses on the sale of an entity include the book value of goodwill relating to the entity sold.

For impairment testing purposes, goodwill is assigned to the cash generating units. The assignment is made to cash generating units or cash generating groups of units expected to benefit from the business combination from which the goodwill arose, identified according to the operating segment.

Intangible assets are recognized when they are identifiable and provide future economic benefits and when there is control over those benefits.

Intangible assets are classified as follows:

i. Indefinite life - Intangible assets are not amortized and are subject to annual impairment testing. To date, no factors have been determined that might limit the useful life of these intangible assets.

Indefinite life intangible assets consist mainly of: a) bottler agreements entered into by the Company with TCCC, which grant rights to product, bottle and distribute TCCC products in the territories in which the Company operates, b) brands with which Nacional de Alimentos y Helados, S. A. de C. V. (Nayhsa), Wise Foods, Deep River, Tonicorp and Inalecsa market their products, which are considered of high value and positioning in the market and c) Tonicorp distribution rights. The aforementioned bottler agreements have specific expiration dates and do not guarantee they are perpetual; however, based on own experience and market evidence, the Company considers it will continue to renew these agreements and has thus assigned them as indefinite life intangible assets (see Notes 5, 12, and 28). Brands and distribution rights have no expiration and are those used by the Company to operate in its snack and dairy product segments. These indefinite life intangible assets are assigned to cash generating units for the purpose of conducting impairment tests.

ii. Defined useful life - These are recognized at cost, less accumulated amortization and impairment losses recognized. They are amortized by the straight-line method, according to the useful life, determined based on expected future economic benefits, and are subject to impairment testing when there is evidence of such. These intangible assets correspond to the non-compete agreements of some business combinations and to certain distribution rights, certain brands and software, which are amortized in 5, 10 and 30-year periods according to each asset's features (see Note 12).

The estimated useful lives of intangible assets with a definite useful life are reviewed annually.

N. IMPAIRMENT OF NON-FINANCIAL ASSETS
Assets without an indefinite useful life, such as goodwill, are not depreciated or amortized, and are subject to annual impairment testing or earlier if there is an indication of the impairment. Assets subject to amortization are tested for impairment when events or changes in circumstances indicate that the book value might not be recoverable. An impairment loss corresponds to the amount by which the carrying value of long-lasting non-financial asset exceeds its recovery value. Recovery value is the greater of the fair value of an asset less costs incurred for its sale and its value in use. For the purpose of evaluating impairment, assets are grouped in the minimum levels where there are identifiable cash flows separately (cash generating unit). Non-financial long-lasting assets other than goodwill that have been impaired are reviewed for possible reversal of impairment on each reporting date.

O. FACTORING
A liability with suppliers is eliminated from the statement of financial position when it is extinguished, that is to say, when the obligation is eliminated, canceled or expires. The Company contracts financial factoring to finance accounts payable to suppliers in Peru and when changes in the terms and conditions indicate that the liability with suppliers is extinguished, the existence is considered of a new financial liability with the entity granting the factoring, giving rise to cancellation of the original liability with the supplier.

P. TAXES ON INCOME
The amount shown for income taxes reflected in the consolidated statement of income represents the tax incurred in the year, as well as the effects of deferred income taxes determined in each subsidiary by the assets and liabilities method, applying the tax rate established in the enacted or substantially enacted legislation in effect at the balance sheet date, where the Company and its subsidiaries operate and generate taxable income, to total temporary differences resulting from comparing the book and tax values of assets and liabilities expected to apply when the deferred tax asset is realized or the deferred tax liability is settled, taking into account unamortized tax losses, if any, following an analysis of their recovery. Taxes are applied to income, except to the extent they relate to other comprehensive income, in which case the tax is applied to comprehensive income. The effect of changes in tax rates in effect is applied to income for the period in which said rate change is determined.

Management periodically evaluates the positions exercised in tax returns with respect to the situations in which the applicable legislation is subject to interpretation. Provisions are recognized when appropriate based on the amounts expected to be paid to the tax authorities.

The deferred tax asset is recognized only when a future taxable profit is likely to exist against which temporary difference deductions can be used.

Deferred income taxes on temporary differences arising from investments in subsidiaries, associated companies and joint ventures are recognized, except when the reversal period of the temporary differences is controlled by the Company and the temporary differences are unlikely to be reversed in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legal right and when the taxes are collected by the same tax authority.

Q. 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 to an entity on a separate basis. The Company has no legal or assumed obligations to pay additional contributions if the fund fails to maintain sufficient assets with which to pay all employees the benefits related to the service in current and past periods. Contributions are recorded as employee benefit expenses on the date on which the contribution is due.

Defined benefit plans:
A benefit plan is defined as the pension benefit to be received by an employee upon retirement, which usually depends on one or more factors, such as age, years of service and compensation.

The liability recognized in the statement of financial position with respect to defined benefit plans is the present value of the defined benefit obligation at the end of the accounting period, less the fair value of the plan assets. Obligations for defined benefits are calculated annually by independent actuaries via the projected unit credit method. The present value of defined benefit obligations is determined discounting estimated future outgoing cash flows using discount rates, as per IAS 19 denominated in the currency in which the benefits are to be paid and whose. Maturity dates are similar to those of the corresponding pension liability. In those countries in which there is no deep market for such securities, the market rates of government bonds are used.

Re-measurements of the defined benefit liability arising from experience adjustments and changes in actuarial assumptions are charged or credited to stockholders' equity under comprehensive income in the period in which they occur.

The costs of past services are applied immediately to income.

ii. Termination benefits
Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee voluntarily accepts the termination of the labor relationship in exchange for these benefits. The Company recognizes termination benefits when there is a verifiable commitment to conclude the work relationship of certain employees and a formal detailed plan providing so and that cannot be surrendered. If there is an offer promoting termination of the labor relationship voluntarily by the employees, the termination benefits are valued based on the expected number of employees estimated to accept said offer. The benefits payable in the long-term are discounted at present value.

iii. Short-term benefits
The Company provides short-term employee benefits, which can include wages, salaries, annual bonuses and bonuses payable over the following 12 months. The Company recognizes a liability, when it is contractually obligated or when the former practice has created an obligation.

iv. Employees' statutory profit sharing and bonuses
The Company recognizes a liability and expenses corresponding to bonuses and employees' statutory profit sharing when it has a legal or assumed obligation to pay benefits and determines the amount to be recognized based on the profit for the year after certain adjustments.

R. PROVISIONS
Liability provisions represent a present legal obligation or an assumed obligation as a result of past events, when the use of economic resources is likely in order to settle the obligation and when the amount can be reasonably 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 is recorded based on Management's best estimate.

S. CAPITAL STOCK
The Company's common stock is classified as capital. The incremental costs directly attributable to issuance of new shares are included in the capital as a deduction of the consideration received, net of taxes; however, the company has incurred no such costs.

T. COMPREHENSIVE INCOME
Comprehensive income is comprised of net income, plus re-measurement of the definite benefit liability and other capital reserves, net of taxes, which are comprised of the effects of conversion of foreign entities, the effects of the derivative financial instruments contracted for hedging cash flows and equity in other components of the comprehensive income of associated companies, as well as of other items required by specific provisions to be reflected in stockholders' equity and which do not constitute capital contributions, reductions or distributions.

U. FUND FOR REPURCHASE OF OWN SHARES
The Stockholders periodically authorize disbursement of a maximum amount for the acquisition of own shares. Own shares acquired are shown as a decrease in the fund for repurchase of own shares included in the consolidated statement of financial position under retained earnings, and are valued at their acquisition cost. These amounts are stated at their historical cost. Dividends received are recognized by decreasing their historical cost.

With respect to the sale of shares from the repurchase fund, the amount obtained in excess or deficit of their historical cost is recognized in the premium on the sale of shares.

V. SEGMENT REPORTING
Segment reporting is presented consistently with the internal reports provided to the Chief Executive Officer, who is the highest authority for making operating decisions, allocation the resources and evaluating the operating segments' yield.

W. REVENUE RECOGNITION
Revenue is comprised of the fair value of the compensation received or to be received on the sale of goods during the normal course of operations. Income is shown net of returns and discounts, and after eliminating inter-company sales.

Revenue is recognized when the following conditions are met:

- The risks and benefits of ownership are transferred.
- The amount of the revenue can be measured reasonably.
- Future economic benefits are likely to flow to the Company.
- The Company retains no implication related to the property or effective control of the goods sold.
- Costs incurred or to be incurred, in connection with the transaction can be measured reliably.

X. EARNINGS PER SHARE
The basic profit per share is calculated dividing the net profit attributable to the controlling interest by the weighted average of common shares outstanding during the year.

The amounts used in the determination of the basic profit per share are adjusted on the basis of the diluted profits from taking into account the weighted average of the number of additional shares that would have been outstanding, assuming the conversion of all potentially dilutive ordinary shares.

Y. BOTTLERS' INCENTIVE AGREEMENT
At its discretion and as per the bottlers' incentive agreement, TCCC provides the Company a number of incentives, including contributions for maintenance of equipment of cold drinks, advertising and marketing expenses, and other. The terms and conditions of these agreements require reimbursement, if certain conditions stipulated are met, including minimum volume performance requirements. The incentives received from TCCC for maintenance of cold beverage equipment and /or for advertising and marketing expenses are deducted from the corresponding expense.

Note 4. Risk and capital management

I. RISK MANAGEMENT
The Company's activities expose it to a number of financial risks: market risks (including foreign currency risks, interest rate risk and raw material price risk), credit risks and liquidity risk. The Company has a general policy to contract derivative financial instruments only for hedging purposes, with a view to reducing risks related to its financial liabilities, to hedge certain purchases, forecasted operations and commitments in foreign currencies.

The exposure to credit, market and liquidity risks is managed through the Company's Financial Risk Committee.

The Company's main exposure to financial risk is mainly related to the notes payable at variable interest rates and present or future commitments in foreign currency, always related to its business activity, or certain forecasted operations, such as: prices of raw materials, accounts receivable from customers and liquidity.

The Company has Master agreements in place for Operations with Derivative Financial Instruments or ISDA Master Agreements, to have multiple quotations in the event of deciding to conduct transactions with this type of instruments, those only conducted for exchange rate hedging of prices of raw materials that are documented in simple instruments such as swaps and forwards. Operations with swaps conducted by the Company only allow for conversion of different currencies, or interest rates (variable to fixed or vice versa).

All operations with derivative financial instruments contracted by the Company are pre-analyzed, if applicable, approved and monitored periodically by the Financial Risk Committee. This committee presents the proposals to the CEO, who informs the Board of Directors periodically. Both the Financial Risk Committee and the CEO review these instruments' performance on a quarterly basis, preforming, if applicable, early cancellations, changes in instrument terms, etc.

Operations with derivative financial instruments are contracted and managed on a centralized and corporate basis, contracting any transactions necessary for its subsidiary companies, which do not conduct this type of operations individually. An exception to the above is CL, which conducts its own operations. The Company operates this type of contracts with recognized financial and banking institutions that have a robust operating and financial structure.

Market risk

a. Foreign currency risk (exchange rate)
The foreign currency risk is related to the risk of the fair value of future cash flows from a financial instrument fluctuating due to changes in the exchange rate. The Company is exposed to exchange rate risks stemming from: a) its net exposure to assets and liabilities in foreign currency, b) income from export sales, c) purchases of raw materials, production materials and investments in capital made in foreign currencies, and d) the net investment in subsidiaries and joint operations held abroad. The greatest exposure to exchange rate risks is the change in the exchange rate of the Mexico peso to the US dollar, the Peruvian sol and the Argentinian pesos, for the purposes of translation of its investments to the reporting currency.

It is company policy to operate mainly in the markets where its subsidiaries reside. Also, debt contracted in the local currency of said markets, except Peru where CL maintains a long-term debt in US dollars (see Note 13), for which Management monitors the risk of the fair value or future cash flows of these financial instruments fluctuating due to changes in exchange rates, through macroeconomic variables. The Company subscribed Cross Currency Principal Only Swaps to hedge part of its exchange rate exposure arising from its 144 A corporate bonds in Peru. The Company holds interest rate swaps to hedge long-term debt from variable to fix.

Net sales are denominated in Mexican pesos, Argentinian pesos, US dollars and Peruvian soles. During 2017 and 2016, 41.77% and 60.04% of sales were generated in Mexican pesos, 7.72% and 9.95% in Argentinian pesos, 38.25% and 13.63% in US dollars, and 12.26% and 15.97% in Peruvian soles. These foreign currencies correspond to the functional currency of each consolidated entity (see Note 2).

In the next page is an analysis of the Company's exposure to the exchange risk at December 31, 2017 and 2016. The accompanying table reflects the book value of the Company's monetary assets and liabilities denominated in a foreign currency.

	Figures stated in thousands of Mexican pesos					
	At December 31,					
	2017			2016		
	US DOLLAR	ARGENTINIAN PESO	PERUVIAN SOLES	US DOLLAR	ARGENTINIAN PESO	PERUVIAN SOLES
Monetary assets	$ 15,246,776	$ 2,471,270	$ 3,437,796	$ 4,038,941	$ 2,150,177	$ 3,327,194
Monetary liabilities	(13,477,451)	(2,056,695)	(4,584,444)	(3,353,518)	(1,627,273)	(4,709,235)
Non-current monetary liabilities	(25,585,127)	(2,013,006)	(2,178,177)	(14,467,365)	(791,815)	(1,801,765)

Following is a sensitivity analysis related to the adverse impact on the comprehensive income the Company would have due to its exposure to the net foreign currency position at December 31, 2017 and 2016:

	Hypothetical variation (maintaining all other variables constant)	
	2017	2016
One-peso increase to the dollar	($ 1,206,755)	($ 666,954)
A50-cent increase / decrease with respect to the Argentinian peso	754,120	(258,401)
A50-cent increase / decrease with respect to the Peruvian sol	273,019	(103,285)

This exposure is to the movements in exchange rates related to conversion from US dollars, Argentinian pesos and Peruvian soles to Mexican pesos of the results, assets and liabilities of subsidiaries in the US, Argentina, Ecuador and Peru. As mentioned ahead in this Note, the Company also contracts hedging derivative financial instruments to hedge certain commitments denominated in foreign currency related to the purchase of raw materials. The Company does not hedge against risks related to conversion of subsidiaries and joint operations, the effects of which are recorded in stockholders' equity.

b. Interest rate risk

Interest rate risk is mainly related to the Company's sources of financing. The main exposure is related to debentures with variable interest rates based on the TIIE (interbank interest rate in Mexico) and the bank debt with interest rates based on the LIBOR.

The Company occasionally enters into derivative financial instrument contracts for the purpose of minimizing the market risk and possible effects that could arise from a significant rise in interest rates.

The derivative financial instruments occasionally contracted by the Company are interest rate swaps on notes payable at variable interest rates. At December 31, 2017, the Company maintains an interest rate swap to hedge $1,000,000 from variable rate to fixed rate at 7.369% (see Note 13). At December 31, 2016, the Company had no interest hedges in place.

At December 31, 2017 and 2016, a large part of the debt, considering its value in pesos, was referred to a fixed interest rate. At December 31, 2017, $37,685 million representing 68% of the overall debt and at December 31, 2016, $20,130 million representing 65%, were referred to a fixed interest rate.

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

The terms and conditions of the Company's obligations at December 31, 2017, including exchange rates, interest rate, maturities and effective interest rates are explained in Note 13.

At December 31, 2017, had the TIIE or the LIBOR increased 100 base points (1.00%) maintaining all other risk factors constant, there would have been an adverse impact on comprehensive income of $99,149 and $15,240, respectively.

c. Risk of price of raw materials

The main exposure to changes in the prices of raw materials is related to the supply of sweeteners, aluminum for cans and plastic bottles for the production of soft drinks.

The main raw materials used in the production are concentrates, acquired from TCCC, sweeteners, aluminum cans and plastic bottles. The Company is exposed to the risk of exchange rate fluctuations in the prices of sweeteners and plastic bottles, jointly representing approximately 15% (22% in 2016) of the cost of sales of the beverages. The Company conducts hedging activities on purchases of said raw materials, to avoid variations in the price related to the exchange rate (See Note 21).

At December 31, 2017, a one-peso or one-sol appreciation to the US dollar and maintaining all other variables constant, would have impacted the valuation of derivative financial instruments adversely in stockholders' equity in the amount of $361,047 and $297,203 respectively. The impact on net income for the period would be immaterial due to the fact that 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 potential default when its customers and counterparties are unable to meet their financial or other commitments. The Company mitigates this risk by conducting transactions with a diverse range of counterparties, and considers they cannot be the object of unexpected financial problems due to third parties that could affect its operations.

The Company's policies for managing cash and temporary cash investments are conservative, which allows for minimizing risk in this type of financial asset, taking into account also that operations are only conducted with financial institutions with high credit ratings.

The risk exposure related to accounts receivable is limited, given the large number of customers located in different parts of Mexico, Peru, Argentina, Ecuador and the US; however, the Company maintains certain reserves for impairment losses of accounts receivable from customers. For risk control, the customer's credit quality is determined, taking into account their financial situation thereof, past experience and other factors.

Given that part of the Company's customers have no credit risk independent rating, management determines the maximum credit risk for each of them, taking into account their financial position, past experiences, among other factors. Credit limits are set according to the policies established by management, which has controls in place to ensure compliance.

During 2017 and 2016, approximately 53% and 60%, respectively, of Company sales were in cash, as a result of which, there is no relevant credit risk related to account receivable.

Additionally, up to 35.9% and 36% of net sales in 2017 and 2016, respectively, were made to institutional customers, which historically have shown no default, as a result of which, no impairment has been recognized in this regard.

Liquidity risk

The Company finances its liquidity requirements and capital resources mainly through the cash generated from operations and debt issued at medium and long term. The Company has access to credit from domestic and international banking institutions to face its treasury requirements. Moreover, the Company has the highest rating for Mexican issuers (AAA), as well as a global rating (A and A2), both granted by independent rating agencies, which allows it to evaluate both the domestic and international capital markets in the case of need of resources.

The Company's cash surpluses are invested according to the guidelines established by the Board of Directors with the opinion of the Planning and Finance Committee. The Financial Risk Committee mainly made up of executives from the Administration, Finance and Planning areas, decides a list of "custodial" institutions of the first order in 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 in investment companies, and with respect to repos (reportos), operations are only conducted with federal government securities of Mexico and the US. Said operations are conducted with larger and recognized prestigious banks in Mexico. The foreign banks in which the Company can invest are those with the largest international coverage. Investments are made in Federal Government and Bank Debt Securities. AC does not invest in Private and/or Corporate Paper.

The factors that could decrease the sources of liquidity include a significant reduction in demand, or in the price of the products, each of which could limit the cash generated by operations, and a reduction in the corporate credit rating, which would impair liquidity and increase the costs of new debt. The Company's liquidity is also affected by factors such as depreciation or appreciation of the peso and by changes in interest rates. The Company pays its obligations with the cash flows provided by operations.

The remaining contractual maturities of the Company's financial liabilities that mainly include capital and interest payable in the future up to maturity, at December 31, 2017 and 2016 are:

AT DECEMBER 31, 2017	UNDER 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
Current and non-current debt	$ 5,393,492	$ 24,445,482	$ 14,236,870	$ 35,425,577	$ 79,501,421
Suppliers, related parties and sundry creditors	11,514,766	-	-	-	11,514,766
	$ 16,908,258	$ 24,445,482	$ 14,236,870	$ 35,425,577	$ 91,016,187

AT DECEMBER 31, 2016	UNDER 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
Current and non-current debt	$ 5,963,137	$ 14,544,835	$ 10,492,145	$ 7,560,531	$ 38,560,648
Suppliers, related parties and sundry creditors	7,198,381	-	-	-	7,198,381
	$ 13,161,518	$ 14,544,835	$ 10,492,145	$ 7,560,531	$ 45,759,029

At December 31, 2017 and 2016, the Company had not unused credit facilities.

II. CAPITAL MANAGEMENT

The Company goal in managing its capital (which includes stockholders' equity, debt, working capital, and cash and cash equivalents) is to maintain a flexible capital structure that will reduce the capital cost to an acceptable level of risk, protect the Company's ability to continue operating as a going concern, and to take advantage of strategic opportunities that will allow it to generate returns for the shareholders.

The Company manages its capital structure and makes adjustments to it in the event of changes in the economic conditions and risk characteristics of underlying assets. The Company monitors its capital based on the Net Debt to Capital ratio.

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

The Net Debt to Capital ratio at December 31, 2017 and 2016 is as follows:

	At December 31,			
	2017		2016	
Total debt (Note 13)	$	55,122,798	$	31,184,224
Less: Cash and cash equivalents		(23,841,697)		(5,546,220)
Net debt	$	31,281,101	$	25,638,004
Total stockholders' equity	$	141,576,287	$	80,321,210
Net debt ratio		22.09%		31.92%

Note 5 - Critical accounting estimates and significant judgments:

The Company has identified certain key accounting estimates on which its financial condition and operating results are related. These accounting estimates normally involve analyses or are based on subjective judgments or decisions, requiring that Management conduct estimates and assumptions that affect this figures reported in these consolidated financial statements. The Company's estimates are based on historical information when applicable, and other assumptions considered reasonable in the circumstances.

Current results could differ from these estimates under different assumptions or conditions. Moreover, the estimates normally require adjustments based on changing circumstances and receipt of more recent and more accurate information.

In preparing the consolidated financial statements, the Company's most critical accounting estimates under IFRS are those requiring that Management conduct estimates and make assumptions that affect the figures reported in connection with the determination of the value in use for identification of impairment of indefinite life intangible assets, fair value accounting for financial instruments, goodwill and other indefinite life intangible assets as a result of business acquisitions and pension benefits.

a. The estimates and assumptions that imply a risk of significant adjustments to the values in the financial statements are as follows:

i. Estimated impairment of indefinite-life intangible assets

Identification and measurement of impairment of intangible assets with an indefinite life, including goodwill, involves an estimation of fair values. These estimates and assumptions could have a significant impact on the decision to recognize or not an impairment charge and also on the magnitude of said charge. The Company conducts a valuation analysis considering relevant internal information, as well as other public market information. Estimates of fair value are mainly determined using discounted cash flows and market comparisons. These approaches use significant estimates and assumptions, including projected cash flows (including terms), discount rates that reflect the risk inherent to future cash flows, multiples of outgoing cash flows, perpetual growth rates, determination of proper market comparables and the determination of whether or not a premium or discount should be applied to the comparables.

A certain level of risk inherent to the estimates and assumptions that the Company believes to have considered in its valuations is possible. If actual future results are below those estimated, a possible impairment charge can be recognized in future periods in connection with the decrease in the book value of other intangibles, aside from the amounts previously recognized.

ii. Business combinations - purchase price allocations

For business combinations, IFRS require calculation of the fair value, allocating the purchase price to the fair value of the assets and liabilities acquired. Any difference between the acquisition cost and fair value of the identifiable net assets acquired is recorded as goodwill. Fair value is calculated on the acquisition date.

As a result of the nature of the evaluation of fair value at the acquisition date, the determination of fair value of the price paid with own shares or equity participation units, if any, allocation of the purchase price and the determinations of fair value require significant estimates based on a broad range of complex variables with a certain time period. Management uses all of the information available to make the determinations of fair value. At December 31, 2017, Management has determined, on this basis, the fair value of CCSWB price; as well as the values, some preliminary, of the assets acquired and liabilities assumed in the other business combinations, as shown in Note 2, which could vary according to the final determination of fair values.

iii. Pension-related benefits
The present value of pension-related obligations depends on a number of factors determined on an actuarial basis, using a number of different assumptions. The assumptions used in determining the net cost (profit) of pensions include the discount rate. Any changes in these assumptions will impact the book value of pension-related obligations.

The Company determines the proper discount rate at each year end. This interest rate is used to determine the present value of cash outflows required to settle obligations arising from expected future pensions. To determine the proper discount rate, the Company considers the discount interest rate in accordance with IAS 19 "Employee benefits" stated in the currency in which the benefits will be paid and whose maturities approximate those related to the pension obligation (see Note 17).

a. Critical judgments in applying accounting policies are as follows:

i. Investment in associated companies
Management has evaluated the Company's level of influence with respect to its investment in Jugos del Valle, S. A. P. I. and has determined that it has significant influence, despite the fact that its shareholding interest is less than 20%, given its representation in the board of directors and contractual terms. Consequently, this investment has been classified as an associated investment.

ii. Investment in joint operation
Management has evaluated the terms and conditions contained in the stockholders' agreement for the joint agreement of JV Toni, S.L. in Holding Tonicorp, S.A. (Tonicorp) and has concluded that it must be classified as a Joint Operation, as it considers that its design and purpose require that AC's beverage business in Ecuador acquire, distribute and market Tonicorp's production, thus transferring to the two stockholders that jointly control the agreement, the rights to the benefits and liability obligations of Tonicorp and its subsidiaries, which, in accordance with IFRS 11 "Joint Arrangements", requires that the agreement be classified as such (see Note 30).

iii. Useful lives of intangible assets
The Company's indefinite life intangible assets include the aforementioned bottler agreements entered into between AC and TCCC, which have specific expiration dates and do not guarantee they are perpetual; however, based on own experience, during the business relationship of over 90 years with TCCC, and market evidence, the Company considers it will continue to renew these agreements and has thus assigned them as indefinite life intangible assets (see Note 28).

iv. Transactions related to the sale of Topo Chico brands
The determination of whether or not the sale transactions of the Topo Chico brands which are described in Note 29, formed part of the business combination with CCSWB required the use of significant judgment by Management. Had these transactions been considered part of the business combination, the accounting treatment would have been similar to the current treatment, as per IFRS 3.

Note 6. Segment reporting

Segment reporting is presented consistently with the internal reports provided to the Chief Executive Officer, who is the highest authority for making operating decisions, allocation the resources and evaluating the operating segments' yield. An operating segment is defined as a component of an entity on which there is separate financial information which is evaluated on a regular basis.

The Company controls and evaluates its continuous operations from both a geographic and product perspective. Geographically, Management considers the performance in Mexico, the US, Ecuador, Argentina and Peru. From a product perspective, Management considers beverages and other products in these geographic areas separately, as well as the National Product Supply Group (NPSG) operations described in Note 29.

The segments per products to be reported on by the Company are as follows:

- Beverages (includes carbonated and non-carbonated, and dairy drinks, carboy and individual format purified water) : This segment produces, distributes and sells TCCC brand soft drinks in different territories of Mexico, the US, Argentina, Ecuador and Peru, and dairy beverages of the Santa Clara brand in Mexico and Toni in Ecuador. As part of the beverage portfolio, the Company has cola and other flavor soft drinks, purified and flavored water in the individual format, dairy beverages and other carbonated and non-carbonated beverages, in different presentations.
- NPSG: This segment shows the income from manufacturing and supply of products to other bottlers in the US, as described in Note 29.
- Other segments - complementary businesses: This section represents operating segments that are not considered reportable segments on an individual basis, as they do not meet the quantitative limits, as established in the standard applicable to any of the years reported on. In accordance with this standard, the operating segments whose total income is equal to or under 10% of the Company's total income need not be reported individually and can be grouped with other operating segments that do not meet the 10% limit, provided the sum of these grouped operating segments does not exceed 25% of total income. These segments comprise the following complementary businesses:

a. Beverages in the individual format that are marketed in vending machines (Mexico and Peru).
b. Snack food (Mexico, Ecuador and the US)

The Company evaluates the performance of each of the operating segments based on profits before the net financial results, taxes, depreciation, amortization (operating flow or EBITDA), considering that said indicator represents a good measure for evaluating the operating performance and the capability to satisfy capital and interest obligations with respect to the Company's debt, as well as the capability to fund capital investments and working capital requirements. Notwithstanding the above, the EBITDA is not a measure of financial performance under IFRS, and should not be considered as an alternative indicator of the net profit as a measure of operating performance, or of cash flows as a measure of liquidity.

The Company has determined the EBITDA or operating cash flow as consolidated operating income (loss) after adding or subtracting, the following, as applicable: (1) depreciation, amortization, and (2) non-recurring expenses incurred (such as severance, among others, classified in the Other expenses line item, net in the statement of income). Operations between operating segments are conducted at market value and the accounting policies used in preparing segment information are consistent with those described in Note 3. Following is condensed financial information on the operating segments to be reported on:

	Year ended December 31, 2017								
	BEVERAGES						OTHER		
	MEXICO	ARGENTINA	ECUADOR	PERU	US	NPSG	MEXICO AND OTHERS	ELIMINA-TIONS	TOTAL
STATEMENT OF INCOME:									
Sales per segment	$ 55,728,412	$ 10,588,415	$ 11,428,038	$ 16,232,943	$ 34,969,265		$ 9,565,350	($ 1,356,600)	$ 137,155,823
Inter-segment sales	(980,748)	-	-	(172,713)	-		(203,139)	1,356,600	-
Sales with external customers	$ 54,747,664	$ 10,588,415	$ 11,428,038	$ 16,060,230	$ 34,969,265		$ 9,362,211	$	$ 137,155,823
Income from NPSG						$ 2,330,679			$ 2,330,679
Operating income	$ 13,288,796	$ 1,734,763	$ 962,205	$ 2,137,730	$ 3,415,533		$ 867,242	$	$ 22,406,269
Operating cash flow (1)	$ 11,988,662	$ 2,187,493	$ 1,792,525	$ 3,409,250	$ 5,068,035		$ 1,546,609	$	$ 25,992,574
Non-recurring (income) expenses	($ 3,575,212)	$ 19,821	$ 118,672	$ 72,337	$ 209,311		$ 90,056	$	($ 3,065,015)
Depreciation and amortization	$ 2,275,078	$ 432,909	$ 711,648	$ 1,199,182	$ 1,443,192		$ 589,311	$	$ 6,651,320
Financial income	$ 1,226,873	$ 211,687	($ 9,788)	$ 326,503	$ 771		$ 2,138,635	$	$ 3,894,681
Financial expenses	$ 2,104,229	$ 714,283	$ 202,568	$ 919,463	$ 225,795		$ 2,265,195	$	$ 6,431,533
Sharing in net profits of associated companies	$ 168,989	$ -	$ -	$ -	$ -		$ 9,459	$	$ 178,448
Profit (loss) before taxes	$ 12,580,429	$ 1,232,167	$ 749,850	$ 1,544,770	$ 3,190,509		$ 750,140	$	$ 20,047,865
STATEMENT OF FINANCIAL POSITION									
Total assets	$ 47,848,977	$ 6,557,900	$ 23,707,880	$ 46,191,262	$ 88,486,912		$ 33,894,315	($ 6,402,734)	$ 240,284,512
Investment in associ-ated company (2)	$ 5,959,748	$ 466,334	-	-	343,396		-	-	$ 6,769,478
Total liabilities	$ 38,172,761	$ 4,188,432	$ 6,236,210	$ 19,055,258	$ 29,802,516		$ 6,816,158	($ 5,563,110)	$ 98,708,225
Investment in fixed assets (Capex)	$ 3,314,112	$ 781,277	$ 955,725	$ 1,895,464	$ 2,935,080		$ 998,162		$ 10,879,820

(1) Corresponds to the manner by which AC measures its operating cash flow.
(2) In addition to the Mexico segment, there are investments in associated companies in other geographic segments (Note 10).

	Year ended December 31, 2016						
	BEVERAGES				OTHER		
	MEXICO	ARGENTINA	ECUADOR	PERU	MEXICO AND OTHERS	ELIMINATIONS	TOTAL
STATEMENT OF INCOME:							
Sales per segment	$ 49,030,335	$ 9,318,233	$ 11,374,046	$ 14,634,105	$ 9,309,183	$ -	$ 93,665,902
Inter-segment sales	931,183	-	-	-	-	(931,183)	-
Sales with external customers	$ 49,961,518	$ 9,318,233	$ 11,374,046	$ 14,634,105	$ 9,309,183	($ 931,183)	$ 93,665,902
Operating profit	$ 11,653,790	$ 1,274,561	$ 1,093,885	$ 1,830,690	$ 446,970	$ -	$ 16,299,896
Operating cash flow	$ 12,466,369	$ 1,822,844	$ 1,928,494	$ 3,025,509	$ 848,415		$ 20,091,631
Non-recurring (income) expenses	($ 1,335,108)	$ 173,749	$ 147,826	$ 133,992	$ 25,014		($ 854,527)
Depreciation and amortization	$ 2,147,687	$ 374,534	$ 686,783	$ 1,060,827	$ 376,431		$ 4,646,262
Financial income	$ 848,964	$ 168,587	6,561	$ 491,866	$ 25,995		$ 1,541,973
Financial expenses	($ 2,154,836)	($ 280,884)	($ 170,164)	($ 1,353,972)	($ 47,999)		($ 4,007,855)
Sharing in net profits of associated companies	$ 165,077						$ 165,077
Income before taxes	$ 10,512,995	$ 1,162,264	$ 930,282	$ 968,584	$ 424,966	$ -	$ 13,999,091
STATEMENT OF FINANCIAL POSITION							
Total assets	$ 59,830,182	$ 6,147,702	$ 24,559,521	$ 46,732,146	$ 10,085,022	($ 8,430,179)	$ 138,924,394
Investment in associated company (3)	$ 5,210,747						$ 5,210,747
Total liabilities	$ 34,781,641	$ 2,526,660	$ 6,555,177	$ 19,567,961	$ 3,140,461	($ 7,968,716)	$ 58,603,184
Investment in fixed assets (Capex)	$ 3,434,838	$ 609,076	$ 1,072,864	$ 1,849,674	$ 412,486		$ 7,378,938

(3) The total investment in shares of associated companies was located only in Mexico in 2016.

Sales with external customers, as well as property, plant and equipment, goodwill and intangible assets per geographic area are as follows:

	Year ended December 31, 2017			
	SALES TO CUSTOMERS	PROPERTY PLANT AND EQUIPMENT	GOODWILL	INTANGIBLE ASSETS
Mexico	$ 58,469,026	$ 22,047,499	$ 8,091,780	$ 9,972,799
Peru	16,060,230	18,530,980	10,346,664	15,287,453
US	39,124,574	22,051,262	26,024,215	30,301,126
Argentina	10,588,415	2,399,204	900,148	343,948
Ecuador	12,913,578	6,635,436	10,817,731	4,319,501
Total	$ 137,155,823	$ 71,664,381	$ 56,180,538	$ 60,224,827

	Year ended December 31, 2016			
	SALES TO CUSTOMERS	PROPERTY PLANT AND EQUIPMENT	GOODWILL	INTANGIBLE ASSETS
Mexico	$ 52,056,928	$ 20,812,251	$ 8,091,780	$ 8,956,648
Peru	14,951,360	17,971,598	11,041,126	15,135,031
US	5,101,145	1,196,909	2,172,301	2,386,819
Argentina	9,318,233	2,545,182	1,105,702	308,584
Ecuador	12,238,236	6,707,557	11,326,732	4,585,173
Total	$ 93,665,902	$ 49,233,497	$ 33,737,641	$ 31,372,255

The Company's customers are commercial establishments classified as institutional customers and customers in general, including supermarkets, convenience stores, institutions, companies and mainly small to large grocery stores, as well as other bottlers in the US under NPSG (see Note 29). During the years ended December 31, 2017 and 2016, the Company maintained no customer that reached 10% of its total sales.

Note 7. Cash and cash equivalents

Cash and cash equivalents are comprised as follows:

	At December 31,			
	2017		2016	
Cash on hand and in banks	$	76,605	$	35,104
Short-term bank deposits		13,943,223		3,506,018
Short-term investments (under three months)		9,821,869		2,005,098
Total cash and cash equivalents	$	23,841,697	$	5,546,220

At December 31, 2017 and 2016, the Company had no restricted cash and cash equivalents.

Note 8. Trade receivables and other accounts receivable, net

Trade receivables and other accounts receivable are comprised as follows:

	At December 31,			
	2017		2016	
Trade receivables	$	9,431,131	$	4,946,641
Provision for impairment of trade receivables		(524,859)		(417,767)
Trade receivables, net		8,906,272		4,528,874
Taxes recoverable		529,660		526,922
Notes and other account receivable		782,900		290,845
Sundry debtors		1,099,558		1,134,415
	$	11,318,390	$	6,481,056

At December 31, 2017 and 2016, none of AC's customers accounts for, either individually or in the aggregate, more than 10% of its income.

The analysis of the aging of past due balances from unimpaired customers is as follows:

	At December 31, 2017			
	90 TO 180 DAYS		OVER 180 DAYS	
Trade receivables	$	309,254	$	262,353

	At December 31, 2016			
	90 TO 180 DAYS		OVER 180 DAYS	
Trade receivables	$	105,787	$	217,202

At December 31, 2017, there are impaired accounts receivable from customers of $524,859 ($417,767 in 2016), which have been reserved in their entirety (entirely in 2016). Individually impaired balances of accounts receivable are mainly related to traditional channel retailers unexpectedly facing financial difficulties.

Account receivable are denominated in the following currencies:

	At December 31,	
	2017	2016
Mexican pesos	$ 3,043,162	$ 2,770,052
Peruvian soles	1,021,925	1,320,927
Argentinian pesos	486,920	597,094
US dollars	6,766,383	1,792,983
	$ 11,318,390	$ 6,481,056

Following is an analysis of the movements pertaining to the allowance for impairment of trade receivables:

	At December 31,	
	2017	2016
Beginning balance	$ 417,767	$ 281,687
Provision for impairment of customers	120,745	155,708
Receivables written off during the year	(52,150)	(19,628)
Increase from business combination	38,497	-
Ending balance	$ 524,859	$ 417,767

The movements in income of the provision for impairment of trade receivables is recognized in selling costs. The fair values of trade receivables and other accounts receivable at December 31, 2017 and 2016 closely resemble their book values (see Note 21 ii).

The balance of other non-current accounts receivable shown at December 31, 2017, is mainly comprised of the asset related to guarantees received in the purchase of the Famaillá sugar refinery in Bebidas Argentina in the amount of $222,185 ($272,920 in 2016), as described in Note 2, as well as by other long-term accounts receivable.

Note 9. Inventories

Inventories are analyzed as follows:

	At December 31,	
	2017	2016
Raw materials	$ 2,657,116	$ 1,848,426
Finished products	3,261,787	1,930,433
Materials and spare parts	1,724,448	1,278,457
Products in process	74,583	68,769
	$ 7,717,934	$ 5,126,085

For the years ended December 31, 2017 and 2016, $66,278,889 and $41,449,758 was applied to income, respectively, corresponding to inventories consumed.

For the years ended December 31, 2017 and 2016, $4,509 and $7,546 was applied to income, respectively, corresponding to damaged, slow-moving and obsolete inventories.

Note 10. Investments in shares of associated companies

Investments in the shares of associated companies are comprised as follows:

	At December 31,			
		2017		2016
Beginning balance	$	5,210,747	$	4,490,533
Additions		1,058,927		507,730
Additions from business combinations		327,142		-
Dividends received		(26,799)		(14,450)
Equity in the results of associated companies		204,232		224,443
Equity in other comprehensive income of associated companies		(4,771)		(34,775)
Other movements		-		37,266
Ending balance	$	6,769,478	$	5,210,747

Following are the Company's associated companies at December 31, 2017 and 2016, which, in Management's opinion, are material to the Company. The entities listed below have capital stock only represented from ordinary shares with voting rights, and with respect to Jugos del Valle, S. A. P. I., with no voting rights, held directly by the Company. The country of incorporation and registration is also their main place of business, and the shareholding proportion is the same as that for votes held:

	December 31, 2017					
NAME OF ASSOCIATED COMPANY	COUNTRY CORPORATION	NATURE	VALUATION METHOD	BALANCE	GAIN (LOSS)	SHAREHOLDING PERCENTAGE
Promotora Industrial Azucarera, S. A. de C. V. (PIASA) (1)	Mexico	Associate	Equity method	$ 2,987,872	$ 132,511	49.18%
Jugos del Valle, S. A. P. I. (JDV) (2)	Mexico	Associate	Equity Method	977,660	(10,518)	16.45%
Petstar, S. A. P. I. de C. V. (PETSTAR) (3)	Mexico	Associate	Equity method	534,172	38,519	49.90%

	December 31, 2016					
NAME OF ASSOCIATED COMPANY	COUNTRY CORPORATION	NATURE	VALUATION METHOD	BALANCE	GAIN (LOSS)	SHAREHOLDING PERCENTAGE
Promotora Industrial Azucarera, S. A. de C. V.	Mexico	Associate	Equity method	$ 2,256,281	$ 130,303	49.18%
Jugos del Valle, S. A. P. I.	Mexico	Associate	Equity method	984,519	28,146	16.45%
Petstar, S. A. P. I. de C. V.	Mexico	Associate	Equity method	493,395	27,631	49.90%

(1) PIASA is a company mainly engaged in marketing the sugar it produces or acquires, among its stockholders and to third parties, and the electric power it generates, as a byproduct. This investment allows the Company to stock up on sugar for production and in so doing reduce its exposure to the price risk of said raw material.
(2) JDV is a strategic investment mainly engaged in the production, bottling and canning, purchasing, sale, distribution and marketing of juices, nectars, fruit-based beverages, other beverages, as well as dairy products under the Santa Clara brand. JDV also markets third parties products.
(3) PETSTAR is engaged in collecting and recycling PET (Polyethylene Terephthalate) waste and its conversion to food grade resin and sale, mainly but not exclusively to its stockholders.

On May 31, 2017 and February 26, 2016, the Company increased its investment in PIASA through payment in cash of $592,678 and $507,730, respectively. These increases did not change the shareholding percentage, as the capital stock increases were made in the proportion of all of the PIASA shareholders.

Following is a summary of the financial information pertaining to associated companies considered to be material to AC. The information disclosed reflects the amounts shown in the financial statements of the most relevant associated companies, and not the Company's interest over said amounts. These amounts have been modified to reflect the adjustments made by AC in applying the equity method, including fair value adjustments, when applicable, and changes arising from differences in accounting policies.

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

	PIASA		JDV		PETSTAR	
	2017	2016	2017	2016	2017	2016
SUMMARIZED STATEMENT OF FINANCIAL POSITION						
Current assets	**$ 2,561,166**	$ 1,589,851	**$ 4,519,611**	$ 3,341,226	**$ 321,413**	**$ 254,486**
Non-current assets	**6,071,052**	4,968,228	**7,423,215**	5,513,700	**930,034**	**894,887**
Current liabilities	**1,382,158**	904,319	**3,628,109**	1,844,816	**118,532**	**98,636**
Non-current liabilities	**1,175,286**	1,065,780	**2,370,520**	1,024,209	**62,430**	**61,970**
Net assets	**$ 6,074,774**	$ 4,587,980	**$ 5,944,197**	$ 5,985,901	**$ 1,070,485**	**$ 988,767**
RECONCILIATION OF BOOK BALANCES						
Beginning balance	**$ 4,587,980**	$ 3,366,352	**$ 5,985,901**	$ 5,827,486	**$ 988,767**	**$ 933,394**
Capital stock increase	**1,204,641**	1,032,431	**-**	-	**-**	**-**
Income for the year	**269,413**	264,961	**(63,952)**	171,126	**77,192**	**54,880**
Other comprehensive income	**12,740**	(75,764)	**22,248**	(12,711)	**4,526**	**493**
Dividends paid	**-**	-	**-**	-	**-**	**-**
Ending balance	**6,074,774**	4,587,980	**5,944,197**	5,985,901	**1,070,485**	**988,767**
Shareholding %	**49.18%**	49.18%	**16.45%**	16.45%	**49.90%**	**49.90%**
Book balance	**$ 2,987,872**	$ 2,256,281	**$ 977,660**	$ 984,519	**$ 534,172**	**$ 493,395**

	PIASA		JDV		PETSTAR	
	2017	2016	2017	2016	2017	2016
SUMMARIZED STATEMENT OF COMPREHENSIVE INCOME						
Income	**$ 7,524,166**	$ 6,230,007	**$ 14,266,135**	$ 11,592,333	**$ 1,375,685**	**$ 1,218,756**
Income for the year	**$ 269,413**	$ 264,961	**$ (63,952)**	$ 171,126	**$ 77,192**	**$ 54,880**
Other comprehensive income	**12,740**	(75,764)	**22,248**	(12,711)	**4,526**	**493**
Total comprehensive income	**$ 282,153**	$ 189,197	**($ 41,704)**	$ 158,415	**$ 81,718**	**$ 55,373**

During the years ended December 31, 2017 and 2016, the Company has received no dividends from its material associated companies.

The Company exercises significant influence over its associated companies, as it has the power to participate in deciding the financial and operating policies without actually having control over them (see Note 5).

In addition to the aforementioned interest in associated companies, AC also has interests in some other associated companies that are not considered material individually and which are recognized by the equity method; the value, recognized in AC, of its investments in said associated companies is as follows:

	At December 31,	
	2017	2016
Balance of entities not material on an individual basis	**$ 2,269,774**	$ 1,476,552
Aggregated amounts of AC's interest in:		
Profit from continuing operations	**$ 43,720**	$ 38,363
Total comprehensive income	**$ 43,720**	$ 38,363

None of the associated companies' shares are publicly traded and consequently, there are no published market prices.

Note 11. Property, plant and equipment

Movements of property, plant and equipment for the years ended December 31, 2017 and 2016 are analyzed as follows:

	DEPRECIABLE ASSETS								NON-DEPRECIABLE ASSETS		
	BUILDINGS	MACHINERY AND EQUIP-MENT	TRANS-PORTA-TIONEQUIP-MENT	REFRIGERA-TORS AND SELLING EQUIPMENT	BOTTLES AND DIS-TRIBUTION CASES	COMPUTER EQUIPMENT	FURNITURE AND OTHER	SUBTOTAL	LAND	INVES-TMENTS IN PROCESS	TOTAL
For the year ended December 31, 2016											
Net book value	$ 9,031,934	$ 8,896,407	$ 1,534,341	$ 4,496,869	$ 2,740,973	$ 157,009	$ 1,062,240	$ 27,919,773	$ 11,358,505	$ 3,634,828	$ 42,913,106
Acquisitions from business combinations (Note 2)	67,011	563,263	23,187	174,522	-	27,577	67,641	923,201	19,959	-	943,160
Effect of conversion	882,201	1,206,983	56,462	362,964	163,735	4,387	75,631	2,752,363	1,508,815	398,222	4,659,400
Additions / Transfers	314,768	625,661	439,119	1,054,352	1,948,787	139,338	60,796	4,582,821	83,590	2,712,527	7,378,938
Disposals	(387,278)	(19,118)	(52,033)	(31,164)	(376,546)	(6,227)	(89,004)	(961,370)	(1,357,452)	(12,540)	(2,331,362)
Depreciation charges Recognized in the year	(360,024)	(1,234,923)	(465,989)	(973,621)	(1,058,452)	(157,706)	(79,030)	(4,329,745)	-	-	(4,329,745)
Ending balance	$ 9,548,612	$ 10,038,273	$ 1,535,087	$ 5,083,922	$ 3,418,497	$ 164,378	$ 1,098,274	$ 30,887,043	$ 11,613,417	$ 6,733,037	$ 49,233,497
At December 31, 2016											
Cost	$ 13,998,110	$ 21,457,049	$ 7,110,081	$ 10,661,815	$ 7,757,964	$ 1,151,896	$ 2,086,624	$ 64,223,539	$ 11,613,417	$ 6,733,037	$ 82,569,993
Accumulated depreciation	(4,449,498)	(11,418,776)	(5,574,994)	(5,577,893)	(4,339,467)	(987,518)	(988,350)	(33,336,496)	-	-	(33,336,496)
Ending balance	$ 9,548,612	$ 10,038,273	$ 1,535,087	$ 5,083,922	$ 3,418,497	$ 164,378	$ 1,098,274	$ 30,887,043	$ 11,613,417	$ 6,733,037	$ 49,233,497
For the year ended December 31, 2017											
Net book value	$ 9,548,612	$ 10,038,273	$ 1,535,087	$ 5,083,922	$ 3,418,497	$ 164,378	$ 1,098,274	$ 30,887,043	$ 11,613,417	$ 6,733,037	$ 49,233,497
Acquisitions from business combinations (Note 2)	4,314,622	993,169	2,787,352	4,397,106	-	320,596	29,491	12,842,336	6,066,952	75,705	18,984,993
Effect of conversion	68,894	(300,617)	125,214	109,155	(73,898)	(68)	(72,072)	(143,392)	196,844	(14,012)	39,440
Additions / Transfers	1,408,843	5,676,802	1,931,179	2,844,997	1,424,247	490,986	(117,953)	13,659,101	505,632	(3,284,913)	10,879,820
Disposals	(103,608)	(7,544)	(89,966)	(85,785)	(559,306)	(12,315)	(29,446)	(887,970)	(69,909)	(333,526)	(1,291,405)
Depreciation charges Recognized in the year	(581,369)	(1,522,534)	(783,507)	(1,597,250)	(1,303,759)	(255,703)	(137,842)	(6,181,964)	-	-	(6,181,964)
Ending balance	$ 14,655,994	$ 14,877,549	$ 5,505,359	$ 10,752,145	$ 2,905,781	$ 707,874	$ 770,452	$ 50,175,154	$ 18,312,936	$ 3,176,291	$ 71,664,381
At December 31, 2017											
Cost	$ 18,948,302	$ 25,853,613	$ 10,236,304	$ 17,221,303	$ 7,762,625	$ 1,838,517	$ 1,759,138	$ 83,619,802	$ 18,312,936	$ 3,176,291	$ 105,109,029
Accumulated depreciation	(4,292,308)	(10,976,064)	(4,730,945)	(6,469,158)	(4,856,844)	(1,130,643)	(988,686)	(33,444,648)	-	-	(33,444,648)
Ending balance	$ 14,655,994	$ 14,877,549	$ 5,505,359	$ 10,752,145	$ 2,905,781	$ 707,874	$ 770,452	$ 50,175,154	$ 18,312,936	$ 3,176,291	$ 71,664,381

Of the depreciation expense for 2017 of $6,181,964 ($4,329,745 in 2016), $1,899,316 ($1,493,893 in 2016) was recorded in the cost of sales, $3,607,763 ($2,496,297 in 2016) in selling costs and $674,885 ($339,555 in 2016) in administration expenses.

Investments in process at December 31, 2017 correspond mainly to construction of buildings and investments in production and distribution equipment and improvements.

At December 31, 2017 and 2016, the Company had entered into financial lease agreements in its operations in Peru, for the following amounts:

	2017		
	COST	DEPRECIATION	NET BOOK VALUE
Buildings	$ 74,494	($ 2,173)	$ 72,321
Refrigerators and selling equipment	10,414	(6,047)	4,367
Transportation equipment	36,681	(31,826)	4,855
	$ 121,589	($ 40,046)	$ 81,543

	2016		
	COST	DEPRECIATION	NET BOOK VALUE
Buildings	$ 75,356	$ -	$ 75,356
Refrigerators and selling equipment	37,346	(30,298)	7,048
Transportation equipment	10,535	(4,177)	6,358
	$ 123,237	($ 34,475)	$ 88,762

Note 12. Goodwill and intangible assets, net

Movements of intangible assets for the period ended December 31, 2017 and 2016 are analyzed as follows:

	Intangible assets acquired					
	GOODWILL	BOTTLER'S AGREEMENT	BRANDS	LICENSES FOR THE USE OF SOFTWARE	OTHER	TOTAL
Beginning balance at January 1, 2016	$ 28,674,942	$ 21,952,174	$ 3,783,755	$ 604,146	$ 1,305,840	$ 56,320,857
Effect of translation	4,020,092	3,142,998	468,025	4,222	311,842	7,947,179
Additions	-	-	-	74,922	45,522	120,444
Acquisitions from business combinations (Note 2)	1,042,607	-	-	-	-	1,042,607
Disposals	-	-	-	-	(4,674)	(4,674)
Amortization charges recognized in the year	-	-	(54,616)	(28,451)	(233,450)	(316,517)
Ending balance at December 31, 2016	$ 33,737,641	$ 25,095,172	$ 4,197,164	$ 654,839	$ 1,425,080	$ 65,109,896
At December 31, 2016						
Attributed cost	$ 33,737,641	$ 25,095,172	$ 4,287,854	$ 926,726	$ 1,925,089	$ 65,972,482
Accumulated amortization	-	-	(90,690)	(271,887)	(500,009)	(862,586)
Net book value	$ 33,737,641	$ 25,095,172	$ 4,197,164	$ 654,839	$ 1,425,080	$ 65,109,896
Beginning balance at January 1, 2017	$ 33,737,641	$ 25,095,172	$ 4,197,164	$ 654,839	1,425,080	65,109,896
Effect of translation	232,938	872,710	(137,586)	25,551	(36,883)	956,730
Additions	-	-	-	96,323	1,257,479	1,353,802
Acquisitions from business combinations (Nota 2)	22,209,959	24,988,380	1,096,188	729,494	468,788	49,492,809
Disposals	-	-	-	(4,517)	(33,999)	(38,516)
Amortization charges recognized in the year	-	-	(151,053)	(116,096)	(202,207)	(469,356)
Ending balance at December 31, 2017	$ 56,180,538	$ 50,956,262	$ 5,004,713	$ 1,385,594	$ 2,878,258	$ 116,405,365
At December 31, 2017						
Attributed cost	$ 56,180,538	$ 50,956,262	$ 5,246,456	$ 1,773,576	$ 3,580,475	$ 117,737,307
Accumulated amortization	-	-	(241,743)	(387,982)	(702,217)	(1,331,942)
Net book value	$ 56,180,538	$ 50,956,262	5,004,713	$ 1,385,594	$ 2,878,258	$ 116,405,365

The total amortization expense of $469,356 ($316,517 in 2016) was included in the cost of sales $11,382 ($7,276 in 2016), $13,115 in selling costs ($12,492 in 2016), $321,253 in administrative expenses ($241,896 in 2016), and $123,606 in other expenses ($54,853 in 2016).

Goodwill acquired in business combinations is assigned on the date of acquisition to the CGU, expected to benefit from the synergies of said combinations.

The book value of goodwill assigned to the different CGU or group thereof are as follows:

CASH GENERATING UNIT	2017	2016
Beverages Mexico	$ 7,835,007	$ 7,835,007
Beverages United States	23,066,137	-
Beverages Peru	9,967,187	10,112,196
Beverages Ecuador	8,366,581	8,760,250
Beverages Argentina	900,148	1,105,702
Wise Foods	2,074,683	2,172,301
Inalecsa	971,513	1,017,225
Toni	1,479,637	1,549,257
Norco	379,477	928,930
Deep River	883,395	-
Nayhsa	256,773	256,773
	$ 56,180,538	$ 33,737,641

At December 31, 2017 and 2016, the estimation of the recovery value of the CGUs identified was conducted through the value in use, using the revenue approach. The value in use determined in discounting future cash flows provided by the uninterrupted use of the CGUs, using, among others, the following key assumptions:

	Range between CGUs			
	2017		2016	
Growth rate in volume	2.1%	5.5%	1.0%	9.5%
Growth rate of revenue	6.6%	15.6%	4.4%	9.8%
Operating margin (as a % of revenue)	7.5%	22.2%	6.4%	19.8%
Other operating costs	5.3%	18.1%	3.6%	10.2%
Annual Capex (as a % of revenue)	3.2%	9.3%	4.0%	9.0%
Discount rate before taxes	7.6%	16.5%	7.6%	16.5%

At December 31, 2017 and 2016:

- The determination of cash flows is based on the financial projections approved by Management for a five-year period and considering a multiple of operating cash to perpetuity and are dependant on the expected growth rates of the volume, which are based in historical performances and the expectation of growth of the industry in which AC operates.
- The discount rate was calculated based on the weighted average of the capital (at market value) of the cost of all sources of financing that form part of the capital structure of CGUs (liabilities with cost and shareholding capital) and reflect the specific risks related to AC's relevant operating segments.
- The volume of sales is the average growth rate throughout the five-year projection period. It is based on past performance and Management expectations for market evolution.
- The selling price is the average growth rate throughout the five-year projection period. It is based on actual industry trends and includes long-term inflation forecasts for each territory.
- The operating margin corresponds to the average margin as a percentage of revenue throughout the five-year projection period. It is based on current sales margin and product mix levels. Due to the nature of the operation, no increases are expected in the cost of raw materials in the future that can not be passed on to customers, that required adjustment in the determination of future margins.
- Other operating costs are fixed costs of the CGUs as a percentage of revenue, which do not vary significant with the sales volumes or prices. Management projected these costs based on the current business structure, adjusting inflationary increases, which do not reflect any future restructuring or cost reduction measures. The percentages disclosed above are the average of other operating costs for the five-year projection period with respect to revenue.
- The annual Capex represents the percentage of revenue to invest in machinery and equipment to maintain the operation at its current levels. It is based on Management's historical experience and the plans for replacement of machinery and equipment, as required by the Coca-Cola System. No incremental revenue or cost reductions are assumed in the value in use model, as a result of these investments.

The values in use resulting from the calculations of impairment of all of the Company's CGUs, prepared on prior bases, exceed the book value of each of the CGUs, as shown below:

	% of value in use in excess of book value	
CASH GENERATING UNIT	2017	2016
Beverages Mexico	278%	142%
Beverages Ecuador	10%	7%
Beverages Peru	30%	59%
Beverages Argentina	1,127%	616%
Wise Foods	21%	23%
Inalecsa	18%	9%
Toni	55%	8%
Nayhsa	228%	146%

Management considers that a possible change in the key assumptions used, within a reasonable range, would not mean that the book value of the CGUs would materially excess its value in use.

As a result of annual testing for impairment, the Company recognized no impairment losses in the years ended December 31, 2017 and 2016 (see Note 5).

Note 13. Debt

a. The debt is analyzed as follows:

	At December 31,			
	2017		2016	
Debt instruments and bonds	$	**34,819,431**	$	16,460,715
HSBC		**1,981,174**		2,104,679
Bancomer		**697,400**		-
Bancomext		**4,279,575**		-
Santander		**1,798,338**		5,252,988
Scotiabank		**5,938,062**		616,060
Banco Rabobank		**1,646,468**		1,723,815
Banamex		**1,594,057**		3,100,000
International Finance Corp.		**789,334**		688,795
BBVA Frances		**27,509**		106,664
Banco Bolivariano		**59,192**		-
Banco Internacional		**130,687**		-
Banco de Guayaquil		**113,605**		136,382
Banco Macro		**1,026,418**		425,687
Citibank Ecuador		**92,006**		61,992
Financial leases		**129,542**		196,849
Other		**-**		309,598
Total debt		**55,122,798**		31,184,224
Current portion of debt		**(1,785,229)**		(4,368,363)
Non-current debt	$	**53,337,569**	$	26,815,861

b. The terms, conditions and book values of the non-current debt are as follows:

	COUNTRY	CURRENCY	INTEREST RATE CONTRACTUAL	EFFECTIVE	MATURITY DATES	FREQUENCY OF INTEREST PAYMENTS	At December 31, 2017	2016
CEBUR ARCA 10	Mexico	MXN	7.74%	7.88%	13/11/2020	Biyearly	**$ 2,500,000**	$ 2,500,000
CEBUR ARCA 11-2	Mexico	MXN	7.63%	7.75%	01/10/2021	Biyearly	**2,000,000**	2,000,000
CEBUR ARCA 13	Mexico	MXN	TIIE 28% + 0.13%	4.23%	16/03/2018	Monthly	**-**	1,000,000
CEBUR ARCA 13-2	Mexico	MXN	5.88%	5.99%	10/03/2023	Biyearly	**1,700,000**	1,700,000
CEBUR ACBE 17	Mexico	MXN	7.84%	8.00%	03/09/2027	Biyearly	**6,000,000**	-
CEBUR ACBE 17-2	Mexico	MXN	TIIE 28 + 0.20%	7.36%	09/09/2022	Monthly	**1,000,000**	
144A Corporate bonds	Peru	USD	6.75%	6.86%	23/11/2021	Biyearly	**5,119,807**	5,411,671
144A Corporate bonds	Peru	USD	4.63%	4.68%	12/04/2023	Biyearly	**2,734,733**	2,890,812
Private bond	Peru	SOL	7.50%	7.64%	09/12/2026	Biyearly	**913,515**	924,090
C type debenture (DIPOR)	Ecuador	USD	7.50%	7.50%	01/06/2019	Monthly	**2,524**	10,562
Private bond at 12 years	US	USD	3.49%	1.96%	28/12/2029	Monthly	**5,920,620**	-
Private bond at 15 years	US	USD	3.64%	1.96%	28/12/2032	Monthly	**5,920,620**	-
Debt instruments and bonds							**33,811,819**	16,437,135
HSBC Spain	Mexico	USD	4.96%	4.61%	19/03/2021	Biyearly	**1,966,034**	2,066,400
Santander	Mexico	USD	2.99%	2.72%	16/03/2020	Biyearly	**236,825**	371,952
Santander	Mexico	USD	LIBOR + 0.65%	2.06%	08/09/2020	Monthly	**-**	2,275,597
Santander	Mexico	USD	LIBOR + 0.65%	2.06%	08/09/2020	Monthly	**-**	1,750,267
Santander	Mexico	MXN	TIIE 91 + 0.90%	8.79%	20/06/2024	Quarterly	**1,443,101**	-
Scotiabank	Mexico	MXN	TIIE 28 + 0.45%	8.29%	19/01/2022	Monthly	**3,288,628**	-
Scotiabank	Mexico	MXN	TIIE 91 + 0.90%	8.77%	20/06/2024	Quarterly	**996,177**	-
Banamex	Mexico	MXN	TIIE 91 + 0.90%	8.56%	15/06/2024	Quarterly	**1,594,057**	-
Scotiabank	Mexico	MXN	TIIE 91 + 0.90%	8.56%	15/06/2024	Quarterly	**996,286**	-
Bancomer	Mexico	MXN	TIIE 91 + 0.90%	8.56%	21/06/2024	Quarterly	**697,400**	-
Bancomext	Mexico	MXN	TIIE 91 + 0.80%	8.46%	22/06/2027	Quarterly	**4,279,575**	
Banco Rabobank	Ecuador	USD	2.93%	2.81%	18/07/2019	Biyearly	**572,327**	619,920
Banco Rabobank	Ecuador	USD	2.93%	2.81%	18/07/2019	Biyearly	**611,797**	619,920
Banco Rabobank	Ecuador	USD	2.93%	2.81%	17/12/2019	Biyearly	**118,412**	123,984
Banco Rabobank	Ecuador	USD	3.05%	3.05%	27/10/2021	Biyearly	**58,755**	61,396
Banco Rabobank	Ecuador	USD	3.19%	3.34%	29/05/2020	Biyearly	**142,588**	149,297
Banco Rabobank	Ecuador	USD	3.16%	2.88%	29/05/2020	Biyearly	**142,588**	149,297
International Finance Corp.	Ecuador	USD	5.05%	5.51%	15/12/2023	Biyearly	**716,956**	688,795
Banco Bolivariano	Ecuador	USD	8.00%	8.36%	23/09/2019	Quarterly	**25,368**	87,111
Banco Guayaquil	Ecuador	USD	7.25%	7.45%	20/11/2020	Quarterly	**78,459**	136,382
Banco Internacional	Ecuador	USD	7.35%	7.60%	15/11/2020	Monthly	**56,739**	92,988
Banco Bolivariano	Ecuador	USD	8.83%	9.33%	23/05/2018	Monthly	**-**	6,457
Citibank	Ecuador	USD	5.70%	6.45%	13/06/2019	Quarterly	**8,223**	-
Scotiabank Inverlat	Peru	SOL	5.98%	5.98%	29/12/2023	Quarterly	**656,972**	616,060
Banco Macro	Argentina	ARG	15.25%	17.48%	28/01/2018	Monthly	**-**	426
Banco Macro	Argentina	ARG	23.50%	27.86%	28/03/2018	Monthly	**-**	1,283
Banco Macro	Argentina	ARG	29.80%	35.23%	28/06/2020	Monthly	**192,452**	343,962
Banco Macro	Argentina	ARG	21.88%	25.88%	10/08/2018	Monthly	**-**	12,832
Banco Macro	Argentina	ARG	27.35%	31.49%	18/06/2018	Monthly	**-**	30,148
Banco Macro	Argentina	ARG	27.35%	33.38%	03/09/2018	Monthly	**-**	18,597
Banco Macro	Argentina	ARG	22.50%	25.83%	10/03/2021	Monthly	**255,381**	-
Banco Macro	Argentina	ARG	22.50%	25.83%	21/03/2021	Monthly	**340,508**	-
Total bank loans							**19,475,608**	10,223,071
Financial leases and other							**50,142**	155,655
Total							**$53,337,569**	$ 26,815,861

c. At December 31, 2017, the annual maturities of the non-current debt are as follows:

	2019	2020	2021	2022 ONWARDS	TOTAL
Debt instruments and bonds	$ 2,524	$ 2,500,000	$ 7,119,807	$ 24,189,488	$ 33,811,819
Bank loans	1,336,128	849,651	2,620,678	14,669,151	19,475,608
Financial lease and other	8,382	16,052	5,003	20,705	50,142
	$ 1,347,034	$ 3,365,703	$ 9,745,488	$ 38,879,344	$ 53,337,569

At December 31, 2016, the annual maturities of the non-current debt are as follows:

	2018	2019	2020	2021 ONWARDS	TOTAL
Debt instruments and bonds	$ 1,024,143	$ 6,604	$ 2,495,991	$ 12,910,397	$ 16,437,135
Bank loans	69,743	1,450,935	5,269,743	3,432,650	10,223,071
Financial lease and other	11,271	23,884	30,119	90,381	155,655
	$ 1,105,157	$ 1,481,423	$ 7,795,853	$ 16,433,428	$ 26,815,861

d. Following is an analysis of the net debt and movements in net debt during the year ended December 31, 2017:

Cash and cash equivalents	$ 23,841,697
Current debt	(1,785,229)
Non-current debt	(53,337,569)
Net debt	($ 31,281,101)
Cash and cash equivalents	$ 23,841,697
Debt at fixed rate	(37,684,746)
Debt at variable rate	(17,438,052)
Net debt	($ 31,281,101)

		Financial liabilities			
		Short-term		Long-term	
	CASH AND CASH EQUIVALENTS	OBLIGATIONS	FINANCIAL DEBT	OBLIGATIONS	FINANCIAL DEBT
Net debt at January 1, 2017	$ 5,546,220	($ 14,135)	($ 4,354,228)	($ 16,437,135)	($ 10,378,726)
Business combination (Note 2)	3,632,516	-	(11,224,740)	-	-
Cash flow	14,937,454	(7,771)	15,272,306	(18,277,829)	(9,385,312)
Exchange rate effects	(274,493)	-	(257,477)	(185,355)	238,288
Other movements not requiring cash flows	-	(1,009,444)	(189,740)	1,088,500	-
Net debt at December 31, 2017	$ 23,841,697	($ 1,031,350)	($ 753,879)	($ 33,811,819)	($ 19,525,750)

e. Main aspects of the debt:
On December 28, 2017, CCSWB in the US issued a first block of new debt to syndicated creditors through a private placement through two blocks of bonds at 12 and 15 years of $5,920,620 (US$300 million) each. The second block of US$100 million at 12 and at 15 years each was obtained on March 2, 2018.

The debt of Tonicorp subsidiaries with Banco de Guayaquil, Citibank Ecuador and with the International Finance Corp. is secured with certain fixed assets of said subsidiaries, whose net book value at December 31, 2017 in the proportion corresponding to AC is of $869,912. These guarantees were granted prior to the acquisition of Arca Ecuador and the investment in joint operation in Tonicorp, respectively. These guarantees fall within the permitted parameters according to the debt restrictions set out below.

On November 23, 2011, CL conducted an international issue of corporate bonds under rule 144A/Regulation S of the US Securities Market Law for US$320,000 at a rate of 6.75% and maturing on November 23, 2021 (Bond 21). Moreover, on April 12, 2013, another international issue of bonds was conducted, under the same Regulation, in the amount of US$260,000 at a rate of 4.63%, maturing on April 12, 2023 (Bond 23). 144 A Corporate bonds have no guarantees.

On April 29, 2016, CL repurchased US$70,000 of Bond 21 and US$130,000 of Bond 23. The cash amount paid at that date, equivalent to the fair value of the repurchases was US$81,200 and US$137,150, respectively, for bonds 21 and 23. The Company conducted an evaluation of this operation and concluded that it did not represent a substantial change of Bonds 21 and 23. The cash amount of this operation was paid with cash surpluses and financing from local banks in Mexican pesos. On December 9, 2016, CL conducted a local issue of corporate bonds in the amount of 150,000,000 of Peruvian soles at an annual rate of 7.5%, maturing on December 9, 2026. The resources obtained were used to pay the Company's short-term financial loans with local banks.

Financial leases are secured with the goods related to the contracts.

Through its subsidiary AC Bebidas, AC acts as guarantor of the bank debt in Mexico and the private bonds issued in the US.

Debt restrictions:
Most of the long-term debt contracts contain normal conditions, mainly in terms of compliance with delivery of internal and audited financial information. Failure to do so within a determined time frame to the satisfaction of the creditors could be a cause for early expiration.

Additionally, long-term debt instruments contain certain restrictive obligations, which, among other matters and unless authorized in writing by the holders of the debt instruments, limit the ability to:

- Change or modify the Company's main business purpose or activity and of its subsidiaries.
- Incur or assume any debt secured by a lien, including its subsidiaries, except that: i) simultaneous to the creation of any lien, the issuer (the Company in this case) guarantees in the same way its obligations according to the debt instruments, or ii) the lien in question are permitted according to those described in the dual programs of revolving debt instruments.
- With respect to mergers, in which the Company is the merged company, the surviving company must expressly assume the Company's obligations as debt issuer.

Additionally, certain bank loan agreements contain obligations similar to the prior obligations, such as to comply with the interest hedge financial ratios and maximum debt financial ratios over cash flows, non- compliance with which requires being dispensed by the respective bank.

The fair value of the non-current debt is disclosed in Note 21. The fair value of current debt is the equivalent of book value, as the discount impact is not significant. Fair values at December 31, 2017 and 2016 are based on a number of different discount rates, which fall within level 2 of the fair value hierarchy (see Note 21).

At December 31, 2017 and 2016, and at the date of issuance of these financial statements, the Company and its subsidiaries had duly complied with the obligations set down in the loan agreements.

Note 14. Factoring

At December 31, 2017 and 2016, the Company has entered into agreements in Peru with financial institutions to finance its current accounts payable to suppliers. The periods of the obligations with suppliers extend an average 100 days and are not subject to guarantees and are comprised as follows:

	At December 31,			
	2017		2016	
Banco Continental (BBVA)	$	384,702	$	1,005,022
Banco de Crédito del Peru (BCP)		668,526		104,785
Scotiabank		-		429,824
	$	1,053,228	$	1,539,631

Note 15. Suppliers

The suppliers line item is comprised as follows:

	At December 31,			
	2017		2016	
Suppliers	$	7,381,278	$	5,513,619

Note 16. Other liabilities

The other current and non-current liabilities line items are comprised as follows:

	At December 31,			
		2017		2016
CURRENT				
Sundry creditors	$	1,551,789	$	684,707
Federal and state taxes payable		2,443,427		1,899,933
Accrued expenses payable		3,621,416		1,447,414
Employees' profit sharing payable		914,679		845,325
Bonuses		65,314		64,707
Provision for trials		154,749		156,861
Dividends payable		101,429		57,975
Other		120,755		50,197
Total other current liabilities	$	8,973,558	$	5,207,119
NON-CURRENT				
Guarantee deposits per bottle	$	281,756	$	98,572
Provision for trials		60,252		91,711
Famaillá mortgage guarantee (Note 2)		222,185		272,920
Other		225,230		445
Total other non-current liabilities	$	789,423	$	463,648

Sales in Mexico and Ecuador of beverages containing added sugar, as well as snack food with a certain caloric density defined by law are subject to special taxes. These are indirect taxes in which the Company acts as collector agent of the tax transferred to the final consumer, which is paid to the authorities on a monthly basis. The balances of these taxes pending payment at the 2017 and 2016 period close are shown in the Federal and state taxes payable line item.

The movements of the provisions for trials are as follows (see Note 28):

		2017		2016
Beginning balance	$	248,572	$	199,797
Debit (credit) to income:				
Additional provisions		16,555		29,925
Provisions used		(33,883)		(4,859)
Exchange rate differences		(16,243)		23,709
Ending balance	$	215,001	$	248,572

Note 17. Employee benefits

The valuation of employee benefits under formal and informal retirement plans (covering a significant number of employees in 2017 and 2016) covers all employees and is mainly based on the number of years of service of employees, their current age and estimated compensation at the retirement date.

Certain Company subsidiaries have defined contribution schemes.

The main subsidiaries of the Company in Mexico have set up funds for payment of pensions and seniority premiums, as well as medical expenses through irrevocable trusts. In 2017 and 2016, there was no net contributions.

In Argentina and Peru, there are no long-term employee benefit obligations, as said obligations are covered by the State. In Ecuador, there are pension plans in place for retirement and dismissal (benefits upon termination of employment). In a termination of employment due to dismissal, the employer pays the employee 25% of the equivalent of the last monthly compensation for every year of work.

Following is summary of the most relevant financial information on said employee benefits obligations:

	At December 31,			
	2017		2016	
Obligations in the statement of financial position:				
Pension benefits	($	1,854,277)	($	1,432,226)
Seniority premiums		(335,100)		(260,097)
Major medical expenses		(345,216)		(236,932)
Compensation upon termination of employment		(35,213)		(104,096)
Severance upon dismissal		(154,789)		(164,508)
Liability in the statement of financial position	($	2,724,595)	($	2,197,859)

	At December 31,			
	2017		2016	
Charge in the statement of income (Notes 22, 24 and 25)				
corresponding to:	$	292,308	$	227,180
Pension benefits	$	292,308	$	227,180
Seniority premium		45,320		40,481
Major medical expenses		25,283		18,058
Compensation upon termination of employment		8,212		35,249
Severance upon dismissal		25,207		20,838
	$	396,330	$	341,806
Remeasurements recognized in other comprehensive income for the period	($	538,040)	$	74,659

Total expenses recognized for the years ended December 31 were prorated as follows:

	2017		2016	
Cost of sales	$	73,445	$	55,703
Selling costs		109,569		118,114
Administration expenses		111,421		91,096
Financial gain (loss)		101,895		76,893
Total	$	396,330	$	341,806

i. Pension-related benefits

The Company operates defined benefit pension plans based on the employees' pensionable compensation and the length of the service. Most of the plans are funded by the Company. Plan assets are held under trust, under each country's local regulations and practices, such as the nature of the relationship between the Company and the beneficiaries (or equivalent) and composition thereof.

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

	At December 31,			
	2017		2016	
Present value of defined benefit obligations	($	4,503,823)	($	4,086,387)
Fair value of plan assets		2,649,546		2,654,161
Liability in the statement of financial position	($	1,854,277)	($	1,432,226)

Movements in the defined benefit obligation during the year were as follows:

	2017		2016	
At January 1	($	4,086,387)	($	3,841,120)
Labor cost		(171,697)		(126,407)
Interest cost		(268,438)		(240,537)
Re-measurement – Gains (losses) due to changes in hypotheses		(407,540)		104,605
Exchange differences		58,996		(208,114)
Benefits paid		359,147		231,008
Labor cost of past service		10,167		(21,138)
Reductions		1,929		15,316
At December 31	($	4,503,823)	($	4,086,387)

Movements in the fair value of plan assets for the year were as follows:

	2017		2016	
At January 1	$	2,654,161	$	2,665,939
Return on plan assets		172,377		93,344
Gains on changes in hypotheses		47,635		12,337
Exchange rate differences		(23,516)		91,257
Utilization		28,281		(8,050)
Benefits paid		(224,259)		(200,666)
Reductions		(5,133)		-
At December 31	$	2,649,546	$	2,654,161

Plan assets include the following:

	2017			2016		
Capital instruments	$	444,881	17%	$	452,986	17%
Debt instruments		2,132,635	80%		2,152,033	81%
Property		72,030	3%		49,142	2%
Total	$	2,649,546		$	2,654,161	

The amounts shown in the statement of income are as follows:

	2017		2016	
Labor cost	$	171,697	$	172,117
Interest cost - net		84,086		83,919
Reductions and other		36,525		(28,856)
Total included in personnel costs	$	292,308	$	227,180

Total expenses recognized were prorated as follows:

	2017		2016	
Cost of sales	$	35,029	$	41,863
Selling expenses		59,212		64,399
Administration expenses		134,782		71,715
Financial gain (loss)		63,285		49,203
Total	$	292,308	$	227,180

The main actuarial assumptions were as follows:

	2017	2016
Discount rate	5.12%	5.11%
Inflation rate	3.50%	3.50%
Salary growth rate	3.00%	3.50%
Future increase in pensions	2.25%	2.83%
Life expectancy	23.58 years	22.84 years

The sensitivity of pension benefit plans to changes in the main assumptions at December 31, 2017 is as follows:

	Percentage impact on the plan		
	CHANGE IN ASSUMPTION	**INCREASE IN ASSUMPTION**	**DECREASE IN ASSUMPTION**
Discount rate	1.00%	(3.72%)	4.23%
Salary growth rate	1.00%	1.01%	(1.04%)
Future pension increase	1 year	(0.22%)	0.39%

The above-mentioned sensitivity analyses are based on a change in an assumption, while all other assumptions remain constant. In practice, this is not likely to occur, and there may be changes in other correlated assumptions. When calculating the sensitivity of pension plans to principal actuarial assumptions, the same method has been used as if it involved calculation of liabilities pertaining to pension benefit plans recorded in the consolidated statement of financial position. The methods and type of assumptions used in preparing the sensitivity analysis suffered no changes with respect to the prior period.

ii. Seniority premium

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

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

	At December 31,			
	2017		2016	
Present value of defined benefit obligations	($	395,181)	($	347,209)
Fair value of plan assets		60,081		87,112
Liability in the statement of financial position	($	335,100)	($	260,097)

Movements in the seniority premium defined benefit obligation during the year were as follows:

	2017		2016	
At January 1	($	347,209)	($	344,689)
Labor cost		(24,002)		(24,161)
Interest cost - Net		(26,959)		(22,855)
Re-measurement – Gains (losses) due to changes in hypotheses		(31,262)		23,516
Liabilities acquired in the business combination		-		(666)
Benefits paid		34,251		21,646
At December 31	($	395,181)	($	347,209)

Movements in the fair value of plan assets for the year were as follows:

	2017		2016	
At January 1	$	87,113	$	110,567
Return on plan assets		4,885		(2,915)
Contributions		26		-
Benefits paid		(31,943)		(20,540)
At December 31	$	60,081	$	87,112

Plan assets include the following:

	2017			2016		
Capital instruments	$	4,900	8%	$	7,104	8%
Debt instruments		55,181	92%		80,008	92%
Total	$	60,081		$	87,112	

The amounts shown in the statement of income are as follows:

	2017		2016	
Labor cost	$	24,002	$	24,160
Interest cost - Net		21,318		16,321
Total included in personnel costs	$	45,320	$	40,481

Total expenses recognized were prorated as follows:

	2017		2016	
Cost of sales	$	4,326	$	4,378
Selling expenses		15,720		16,121
Administration expenses		3,957		3,661
Financial gain (loss)		21,317		16,321
Total	$	45,320	$	40,481

iii. Major medical expenses

The Company has established a major medical expense benefit plan for a group of employees that meet certain requirements, mainly related to former defined obligation plans. The recording method, assumptions and valuation frequency are similar to those used in the other long-term benefit plans for employees.

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

	At December 31,			
	2017		2016	
Present value of funded obligations	($	574,410)	($	468,550)
Fair value of plan assets		229,194		231,618
Liability in the statement of financial position	($	345,216)	($	236,932)

Movements in the defined benefit obligation related to medical expenses during the year were as follows:

	2017		2016	
At January 1	($	468,550)	($	435,281)
Cost of current service		(3,276)		(3,201)
Interest cost - Net		(35,959)		(28,530)
Re-measurement – Losses from changes in hypotheses		(89,832)		(29,190)
Exchange rate differences		(2,131)		(4,711)
Benefits paid		25,338		32,363
At December 31	($	574,410)	($	468,550)

Movements in the fair value of plan assets for the year were as follows:

	2017		2016	
At January 1	$	231,618	$	246,643
Return on plan assets		16,376		10,195
Contributions		6,537		7,143
Benefits paid		(25,337)		(32,363)
At December 31	$	229,194	$	231,618

Plan assets include the following:

	2017			2016		
Capital instruments	$	23,178	11%	$	23,385	10%
Debt instruments		206,016	89%		208,233	90%
Total	$	229,194		$	231,618	

The amounts shown in the statement of income are as follows:

	2017		2016	
Current cost of service	$	7,360	$	6,689
Interest cost - Net		17,923		11,369
Total included in personnel costs	$	25,283	$	18,058

Total expenses recognized were prorated as follows:

	2017		2016	
Cost of sales	$	4,318	$	3,390
Selling expenses		2,255		2,469
Administration expenses		1,417		830
Financial gain (loss)		17,293		11,369
Total	$	25,283	$	18,058

iv. Compensation upon termination of employment

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

	At December 31,			
	2017		2016	
Present value of unfunded obligations	($	35,213)	($	104,096)
Liability in the statement of financial position	($	35,213)	($	104,096)

Movements in the defined benefit obligation during the year were as follows:

	2017		2016	
At January 1	($	104,096)	($	65,496)
Cost of current service		(3,778)		(1,619)
Interest cost - Net		(709)		(4,470)
Re-measurement – Gains (losses) due to changes in hypotheses		1,966		(17,550)
Exchange rate differences		4,678		(14,961)
Benefits paid		66,726		-
At December 31	($	35,213)	($	104,096)

The amounts shown in the statement of income are as follows:

	2017		2016	
Current cost of service	$	8,212	$	35,249
Total included in personnel costs	$	8,212	$	35,249

Total expenses recognized were prorated as follows:

	2017		2016	
Cost of sales	$	23,088	$	2,340
Selling expenses		20,060		21,673
Administration expenses		(34,936)		11,236
Total	$	8,212	$	35,249

v. Severance upon dismissal

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

	At December 31,			
	2017		2016	
Present value of unfunded obligations	($	154,789)	($	164,508)
Liability in the statement of financial position	($	154,789)	($	164,508)

Movements in the defined benefit obligation during the year were as follows:

	2017		2016	
At January 1	($	164,508)	($	103,806)
Cost of current service		(20,769)		(9,480)
Interest cost - Net		(5,582)		(4,874)
Re-measurement – Losses from changes in hypotheses		(17,310)		(33,571)
Exchange rate differences		10,925		(27,434)
Benefits paid		42,455		13,997
Reductions and other		-		660
At December 31	($	154,789)	($	164,508)

The amounts shown in the statement of income are as follows:

	2017		2016	
Current cost of service	$	20,769	$	21,703
Reductions and other		(1,144)		(9,539)
Interest cost - Net		5,582		8,674
Total included in personnel costs	$	25,207	$	20,838

Total expenses recognized were prorated as follows:

	2017		2016	
Cost of sales	$	6,684	$	3,732
Selling expenses		12,322		13,452
Administration expenses		6,201		3,654
Financial gain (loss)		-		-
Total	$	25,207	$	20,838

vi. Associated risks

With respect to its defined benefit pension plan and its health-care plan, the Company is exposed to a number of risks, the most significant of which are as shown in the next page.

Asset volatility - Obligations arising from labor obligations are calculated using a discount rate determined in accordance with IAS 19; if the plan assets obtain a return below said rate, the difference is recognized as a deficit. The Company intends to reduce the risk level to a minimum, through investment in assets with a profile similar to the liabilities in question, and considers that due to the long-term nature of the labor obligations and to AC's strength, the level of investment in capital instruments is a relevant element that forms part of the Company's long-term strategy, with a view to managing the plans efficiently.

Changes in the discount rate - A decrease in the discount rate would give rise to an increase in plan obligations; however, this would be partially offset with the increase in value of the bonds held for said plans.

Inflation risk - Some of the labor obligations are tied to inflation, higher inflation would give rise to an increase in plan obligations.

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

The Company has not modified the processes and activities conducted to manage the aforementioned risks with respect to prior years. Investments are diversified, thus any circumstance related to any investment would have no relevant impact on the value of plan assets.

Note 18. Deferred taxes on income

Following is an analysis of the deferred tax asset and the deferred tax liability:

	At December 31,			
	2017		2016	
Deferred tax asset	$	**932,819**	$	1,246,245
Deferred tax liability		**(17,945,224)**		(10,719,546)
Deferred tax liability, net	**($**	**17,012,405)**	($	9,473,301)

Gross movement in the deferred taxes on income account is as follows:

	2017		2016	
At January 1,	**($**	**9,473,301)**	($	8,116,132)
Credit (debit) to the statement of income		**5,215,843**		(146,408)
Business acquisition		**(11,846,501)**		-
(Payable) favorable tax pertaining to components of other comprehensive income items		**259,366**		(248,957)
Effect of conversion of Initial balance		**(1,167,812)**		(961,804)
At December 31,	**($**	**17,012,405)**	($	9,473,301)

Deferred tax liability movements over the year are explained below:

	Asset (liability)			
	At December 31,			
	2017		2016	
Employee benefits	**$**	**384,268**	$	322,514
Unamortized tax losses		**177,524**		331,120
Employees' statutory profit sharing		**169,918**		152,411
Provisions and others		**791,225**		456,255
Deferred tax asset		**1,522,935**		1,262,300
Property, plant and equipment - net		**(5,679,149)**		(3,352,059)
Intangible assets		**(12,550,122)**		(7,283,141)
Prepayments		**(165,696)**		(54,368)
Other		**(140,373)**		(46,033)
Deferred tax liability		**(18,535,340)**		(10,735,601)
Deferred tax liability	**($**	**17,012,405)**	($	9,473,301)

Following are movements in temporary differences over the year:

	BALANCE AT DECEMBER 31, 2016	RECORDED IN INCOME	INCREASE FROM BUSINESS COMBINATION	RECORDED IN OTHER COMPRE-HENSIVE INCOME	CONVERSION OF FOREIGN SUBSIDIARIES	BALANCE AT DECEMBER 2017
Employee benefits	$ 322,514	($ 95,306)	$ -	$ 157,060	$ -	$ 384,268
Unamortized tax losses	331,120	(171,418)	17,822	-	-	177,524
Employees' statutory profit sharing	152,411	17,507	-	-	-	169,918
Provisions and others	456,255	181,683	50,981	102,306	-	791,225
	1,262,300	(67,534)	68,803	259,366	-	1,522,935
Property, plant and equipment-net	(3,352,059)	1,834,472	(3,766,312)	-	(395,250)	(5,679,149)
Intangible assets	(7,283,141)	3,654,573	(8,148,992)	-	(772,562)	(12,550,122)
Prepaid expenses	(54,368)	(111,328)	-	-	-	(165,696)
Others	(46,033)	(94,340)	-	-	-	(140,373)
	(10,735,601)	5,283,377	(11,915,304)	-	(1,167,812)	(18,535,340)
Deferred tax liability	($ 9,473,301)	$ 5,215,843	($ 11,846,501)	$ 259,366	($ 1,167,812)	($ 17,012,405)

	BALANCE AT DECEMBER 31, 2015	RECORDED IN INCOME	INCREASE FROM BUSINESS COMBINATION	RECORDED IN OTHER COMPRE-HENSIVE INCOME	CONVERSION OF FOREIGN SUBSIDIARIES	BALANCE AT DECEMBER 2016
Employee benefits	$ 310,114	$ 138,228	$ -	($ 125,828)	$ -	$ 322,514
Unamortized tax losses	650,972	(319,852)	-	-	-	331,120
Employees' statutory profit sharing	147,050	5,361	-	-	-	152,411
Provisions and others	908,487	(329,103)	-	(123,129)	-	456,255
	2,016,623	(505,366)	-	(248,957)	-	1,262,300
Property, plant and equipment-net	(4,492,499)	1,558,964	-	-	(418,524)	(3,352,059)
Intangible assets	(5,831,645)	(908,216)	-	-	(543,280)	(7,283,141)
Prepaid expenses	191,389	(245,757)	-	-	-	(54,368)
Others	-	(46,033)	-	-	-	(46,033)
	(10,132,755)	358,958	-	-	(961,804)	(10,735,601)
Deferred tax liability	($ 8,116,132)	($ 146,408)	$ -	($ 248,957)	($ 961,804)	($ 9,473,301)

The US Tax Cuts and Jobs Act was passed on December 22, 2017. Among other effects, it reduced the US federal corporate tax rate from 35% to 21% for tax years beginning as from January 1, 2018. That required the revaluation of deferred tax assets and liabilities based on the new rates at the date that act went into effect. The effect of that adjustment to the corporate tax rate at the US subsidiaries was a reduction in the deferred taxes liability of approximately $4,434,255, with the respective benefit in the provision for taxes on income for the year.

The deferred income tax asset arising from unamortized tax losses is recorded as the respective tax benefit to be realized via future tax profits becomes likely. The Company recorded a deferred tax asset of $177,524 for 2017 and $331,120 for 2016, with respect to remaining tax losses of $507,299 for 2017 and $1,055,955 for 2016, which can be amortized against future tax profits.

At December 31, 2017, accrued unamortized tax losses of the Mexican entities totaling $616 expire in 2027 and those of the foreign entities totaling $506,683 expire from 2027 to 2032.

At December 31, 2017, the Company has not recorded estimated deferred tax liabilities of approximately $3,764 million ($3,973 million in 2016) arising from the difference between the tax cost of the shares of subsidiaries and the value of net consolidated assets, principally due to undistributed profits and exchange effect, among others, because based on the exception applicable the Company, considers that it will not sell its investments in subsidiaries any time in the near future and has the policy of paying dividends from its subsidiaries only up to the amounts on which tax has been paid, or up to a maximum of the benefits generated annually by certain subsidiaries.

Note 19. Stockholders' equity

At the April 27, 2017 general ordinary stockholders' meeting (April 14, 2016 for 2016), it was agreed to pay cash dividends from the CUFIN equivalent to two pesos per share (1.85 pesos in 2016) on all shares issued at that date, totaling $3,528,566, which were paid beginning on May 11, 2017 ($3,101,215 in 2016).

The Company's capital stock at December 31, 2017 and 2016 was comprised as follows:

	Subscribed capital stock		
	Number of shares (a)		
	FIXED	VARIABLE	TOTAL
Total number of shares at January 1 and December 31, 2015	902,816,289	708,447,285	1,611,263,574
Increase in shares at February 22, 2016	-	65,068,758	65,068,758
Increase in shares at November 1, 2016	-	29,052,596	29,052,596
Total shares at December 31, 2016	902,816,289	802,568,639	1,705,384,928
Increase in shares at January 2, 2017	-	58,898,228	58,898,228
Total shares at December 31, 2017	902,816,289	861,466,867	1,764,283,156

(a) The Company's capital stock consists of a single series of ordinary, nominative shares with no par value, and no restrictions on holding. They confer the same rights to their holders.
(b) Net profit for the period is subject to the legal provision requiring that at least 5% of the profit for each period to be set aside to increase the legal reserve until it reach 20% of paid-in capital stock. At December 31, 2017, the legal reserve stands at $1,726,046 ($1,723,966 in 2016) and is included in retained earnings.
(c) At December 31, 2017, 1,244,141 own shares are retained in the repurchasing fund.

As part of the restructuring agreement signed on April 8, 2016 to acquire the non-controlling portion of the subsidiaries Arca Ecuador and Arca Argentina, Spanish companies, the merger of AC and Carismed XXI, S. de R.L. de C.V. went into effect on January 2, 2017, (a company previously holding 25% of the Arca Continental Argentina shares). As a result of the merger, 58,898,228 new shares were issued with a fair value of $6,352,763 corresponding to the value determined with reference to the price of the AC shares at January 2, 2017. The difference between the fair value and the book value of the non-controlling interest is shown under retained earnings in the consolidated statement of changes in stockholders' equity at December 31, 2017.

At February 22, 2016, certain AC shareholders exercised their right to preferential subscription and subscribed and paid in, at that date, 538,333 ordinary, nominative shares with no par value, representing the variable portion of the AC capital stock, at a price of $112.46 per share. Additionally, in compliance with the resolutions determined at that stockholders' meeting, of the 85,771,200 AC shares not subscribed or paid in by the stockholders entitled to do so, 64,530,425 AC shares were offered to different members of the Lindley family. At February 22, 2016, members of the Lindley family subscribed and paid in 64,530,425 ordinary, nominative shares with no par value, representing the variable portion of the AC capital stock at a price of US$6.19862 per share. As concerns the capital stock increase approved at that stockholders' meeting, a total of 65,068,758 AC shares were subscribed and paid in.

As mentioned in Note 30, effective as from October 3, 2016, the subsidiary Arca Ecuador S.A. changed its domicile to Mexico and became a Sociedad Anónima Promotora de Inversión de Capital Variable (joint stock corporation for the promotion of investment). Then the merger of Arca Ecuador (the merged company) and AC (the surviving company in the merger) became effective on November 1, 2016, for which purpose, 29,052,596 new AC shares were issued.

The Mexican Income Tax establishes a 10% tax on profits generated as from 2014 paid to parties resident abroad and to Mexican individuals in the form of dividends. That tax must be withheld by the Company and is considered a definitive tax. However, the Company's retained earnings up to December 31, 2013 are supported by the balance of the CUFIN (previously taxed retained earnings), and will therefore not be subject to said withholding.

Dividends are not subject to income tax if paid from the CUFIN. Dividends in excess of that account are subject to 42.86% tax if paid in 2018. Tax is payable by the Company and may be credited against income tax for the current period or for the following two periods. Dividends paid from previously taxed profits are subject to no tax withholding or additional tax payments.

According to the Income Tax Law, in the event of a capital reduction, any excess of stockholders' equity over capital contributions is accorded the same tax treatment as dividends, provided the Company lacks sufficient CUFIN balances to offset the deemed dividend.

At December 31, 2017, the tax value of the CUFIN and the value of the CUCA (tax value of capital contributions) total $38,213,464 and $29,671,215, respectively.

Note 20. Other accrued comprehensive income

	EFFECT OF CONVERSION OF FOREIGN ENTITIES	REMEASUREMENT OF DEFINED BENEFIT LIABILITIES	EFFECTS OF CASH FLOW COVERAGE	TOTAL
Balance at December 31, 2016	($ 289,438)	($ 728,795)	$ 7,462	($ 1,010,771)
Effect of remeasuring defined benefit liabilities	-	(124,338)	-	(124,338)
Effect of deferred taxes	-	(125,828)	-	(125,828)
Effect of remeasuring defined benefit liabilities of the non-controlling interest	-	39,787	-	39,787
Effect of cash flow coverage	-	-	435,788	435,788
Effect of deferred taxes	-	-	(123,129)	(123,129)
Effect of cash flow coverage of the non-controlling interest	-	-	(148,401)	(148,401)
Effect of deferred taxes	-	-	41,648	41,648
Effect of conversion at foreign entities	7,097,623	-	-	7,097,623
Effect of conversion of the non-controlling interest at foreign entities	(2,220,011)	-	-	(2,220,011)
Balances at December 31, 2016	4,588,174	(939,174)	213,368	3,862,368
Effect of remeasuring defined benefit liabilities	-	(542,811)	-	(542,811)
Effect of deferred taxes	-	157,060	-	157,060
Effect of cash flow coverage	-	-	(346,031)	(346,031)
Effect of deferred taxes	-	-	102,306	102,306
Effect of cash flow coverage of the non-controlling interest	-	-	171,194	171,194
Effect of deferred taxes	-	-	(50,502)	(50,502)
Effect of conversion at foreign entities	1,067,564	-	-	1,067,564
Effect of conversion of the non-controlling interest at foreign entities	(574,213)	-	-	(574,213)
Balance at December 31, 2017	$ 5,081,525	($ 1,324,925)	$ 90,335	$ 3,846,935

Note 21. Financial instruments

i. Financial instruments per category

The nominal value of financial instruments per category are made up as follows:

	At December 31, 2017		
	ACCOUNTS RECEIVABLE AND PAYABLE AT AMORTIZED COST	HEDGES	TOTAL CATEGORIES
FINANCIAL ASSETS:			
Cash and cash equivalents	$ 23,841,697	$ -	$ 23,841,697
Customers and other accounts receivable-Net	11,354,773	-	11,354,773
Related parties	110,975	-	110,975
Prepayments	709,556	-	709,556
Derivative financial instruments	-	247,874	247,874
Total financial assets	$ 36,017,001	$ 247,874	$ 36,264,875
FINANCIAL LIABILITIES:			
Current debt	$ 1,785,229	$ -	$ 1,785,229
Factoring	1,053,228	-	1,053,228
Suppliers, related parties and sundry creditors	10,013,031	-	10,013,031
Non-current debt	53,337,569	-	53,337,569
Derivative financial instruments	-	448,507	448,507
Total financial assets	$ 66,189,057	$ 448,507	$ 66,637,564

	At December 31, 2016		
	ACCOUNTS RECEIVABLE AND PAYABLE AT AMORTIZED COST	HEDGES	TOTAL CATEGORIES
FINANCIAL ASSETS:			
Cash and cash equivalents	$ 5,546,220	$ -	$ 5,546,220
Customers and other accounts receivable-Net	5,954,134	-	5,954,134
Related parties	105,310	-	105,310
Derivative financial instruments	-	178,601	178,601
Total financial assets	$ 11,605,664	$ 178,601	$ 11,784,265
FINANCIAL LIABILITIES:			
Current debt	$ 4,368,363	$ -	$ 4,368,363
Factoring	1,539,631		1,539,631
Suppliers, related parties and sundry creditors	7,198,991	-	7,198,991
Non-current debt	26,815,861	-	26,815,861
Derivative financial instruments	-	12,092	12,092
Total financial assets	$ 39,922,846	$ 12,092	$ 39,934,938

ii. Credit standing of financial assets

The credit standing of financial assets not expired or impaired can be either evaluated with reference to external credit ratings (when available) or based on historical information concerning the counterparty's non-compliance rates:

	At December 31,	
	2017	2016
Trade and other accounts receivable		
Counterparties without external credit ratings:		
Type of customer X	$ **5,664,510**	$ 2,784,470
Type of customer Y	**2,646,885**	1,421,417
	$ **8,311,395**	$ 4,205,887

Group X - institutional customers, key accounts and large customers/related parties.

Group Y - New customers/current medium and small customers with no past non-compliance.

Cash and cash equivalents and derivative financial instruments are held at prestigious banking entities with high quality credit ratings.

iii. Fair value of financial assets and liabilities

Cash and cash equivalents, accounts receivable, prepayments, suppliers and other accounts payable, current debt and other current liabilities approximate their fair value given the proximity of their maturity dates. The net book value of those accounts represents expected cash flows.

The estimated book value and fair value of other financial assets and liabilities are shown below:

	At December 31, 2017	
	BOOK VALUE	FAIR VALUE
Assets:		
Derivative financial instruments	$ 247,874	$ 247,874
Liabilities:		
Derivative financial instruments	$ 448,507	$ 448,507
Non-current debt	$ 53,337,569	$ 62,116,185

	At December 31, 2016			
	BOOK VALUE		FAIR VALUE	
Assets:				
Derivative financial instruments	$	178,601	$	178,601
Liabilities:				
Derivative financial instruments	$	12,092	$	12,092
Non-current debt	$	26,815,861	$	29,999,764

The fair value of current debt approximates fair value given the proximity of the expiration date, given that the effects of their discount are not significant. The fair value of noncurrent debt is determined on the basis of discounted cash flows using the 9.47% discount rate (an average of 10.55% in 2016) which is at Level 2 of the fair value hierarchy.

iv. Derivative financial instruments

The effectiveness of derivative financial instruments designated as hedge is periodically measured. At December 31, 2017 and 2016, the Company held only financial instruments hedging cash flows corresponding to exchange rate forwards and swaps, whose effectiveness was determined to be highly effective.

Notional amounts related to derivative financial instruments reflect the contracted reference volume; however, they do not reflect the amounts at risk with regard to future flows. Amounts at risk are generally limited to the unrealized profit or loss from valuation to market of those instruments, which can vary depending on changes in the market value of the underlying item, its volatility and the credit rating of the counterparties.

The fair value of derivative financial instruments used as hedging instruments is classified as a non-current asset or liability if maturity of the remaining hedge amount is over 12 months, and as a current asset or liability if maturity of the remaining hedge amount is under 12 months. For the years ended on December 31, 2016 and 2017, the Company had no ineffective portions arising from cash flow hedge.

Positions in derivative financial instruments for sugar futures are summarized below:

		At December 31, 2017						
		Value of underlying asset			Maturities per year			
COLLATERAL/AGREEMENT	TONS COVERED	UNITS	PRICE US$	FAIR VALUE	2018	2019	2020+	GUARANTEE
Bank of America	11,650	Dollar / Ton	394-7-400.6	(US $ 90)	(US $ 90)	US$ -	(US$)	(US$ -)
BNP Paribas	51,300	Dollar / Ton	393.2-396	(48)	(48)	-	-	-
Cargill	7,000	Dollar / Ton	394.7-396	(40)	(40)	-	-	-
Citibank	18,500	Dollar / Ton	393.2-396	152	152			
Macquarie Bank	9,000	Dollar / Ton	394.7-396	(61)	(61)	-	-	-
				(US$ 87)	(US$ 87)	US$ -	US$ -	US$ -

		At December 31, 2016						
		Value of underlying asset			Maturities per year			
AGREEMENT	TONS COVERED	UNITS	PRICE US$	FAIR VALUE	2017	2018	2019+	COLLATERAL /GUARANTEE
BNP Paribas	500	Dollar / Ton	482.9	US $ 1	US $ 1	US$ -	US$ -	US$ -
JP Morgan	1100	Dollar / Ton	482.8-492.8	4	4	-	-	-
				US $ 5	US $ 5	US$ -	US$ -	US$ -

Positions in derivative financial instruments for exchange rates for coverage purposes are summarized below:

At December 31, 2017								
		Value of underlying asset			Maturities per year			
AGREEMENT	AMOUNT COVERED	UNITS	$US PRICE RANGE	FAIR VALUE	2018	2019	2020+	GUARANTEE
Cross Currency Bonds	65,000	Soles / Dollar	3.502	(US $17,691)	-	-	(US$17,691)	US$ -
Cross Currency Bonds	30,000	Soles / Dollar	2.596	5,456	-	-	5,456	US$ -
Cross Currency Bonds	135,000	Soles / Dollar	2.55-3.507	(4,733)	-	-	(4,733)	US$ -
Call Spread	50,000	Soles / Dollar	3.273	1,939	-		1,939	US$ -
Cross Currency Leasing	4,659	Soles / Dollar	-	(43)	-	-	(43)	US$ -
Scotiabank Inverlat SA	20,530	Peso / Dollar	-	1,093	1,093	-	-	US$ -
Rabobank UA	40,620	Peso / Dollar	-	2,951	2,951	-	-	US$ -
				(US11,028)	US$4,044	US$	(US$ 15,072)	US$ -
Scotiabank Inverlat SA	1,000,000	Interest rate	-	MX$19,068	-	-	MX$19,068	MX$ -
				MX$19,068	MX$ -	MX$ -	MX$19,068	MX$ -

At December 31, 2016								
		Value of underlying asset			Maturities per year			
AGREEMENT	AMOUNT COVERED	UNITS	$US PRICE RANGE	FAIR VALUE	2017	2018	2019+	GUARANTEE
Cross Currency Bonds	230,000	Soles / Dollar	S. 2.55–S. 3.507	US $6,114	US$ -	US$ -	US$6,114	US$ -
Cross Currency Leasing	4,659	Soles / Dollar	S3.09	(585)	(30)	(33)	(522)	-
Banco Santander	7,105	Pesos / Dollar	$18.35-$18.61	741	741	-	-	-
Bank of America	8,764	Pesos / Dollar	$18.50-$18.75	920	920	-	-	-
HSBC Mexico	8,659	Pesos / Dollar	$18.43-$18.67	919	919	-	-	-
				US8,109	US$2,550	(US$33)	US$5,592	US$ -

The effects of valuation that might represent losses and profits recorded in other accrued comprehensive income under stockholders' equity (see Note 20) arising from exchange-rate derivative contracts in effect at December 31, 2017 were reclassified to the statement of income at the expiration date of the contracts.

v. Fair value hierarchy

The Company applies the three-level hierarchy in measuring and disclosing fair value. Classification of an instrument within the fair value hierarchy is based on the lowest value of significant data used in the valuation. Following is a description of the three levels of hierarchy:

- Level 1 - Prices quoted for identical instruments on active markets.

The fair value of financial instruments traded in active markets is based on prices quoted in the markets at the closing date of the balance sheet. A market is considered to be active if quoted prices are clearly and regularly available through a stock exchange, trader, broker, industry group, price setting service or regulating body, and those prices currently and regularly reflect independent market transactions.

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

The fair value of financial instruments not traded in an active market is determined via valuation methods. Those valuation techniques maximize the use of observable market information in cases where it is available and depends as little as possible on the entity's specific estimations. If all significant data required to measure an instrument at fair value are observable, the instrument is classified as Level 2.

- Level 3 - Valuations performed through techniques whereby one or more of the significant data are not observable.

This hierarchy requires the use of observable market data when available. Company valuations consider relevant and observable market data to the extent possible.

If one or more relevant variables is/are not based on observable market information, the instrument is included in Level 3.

A. DETERMINATION OF FAIR VALUE

The Company generally uses quotations of market prices (when available) to determine fair value and classifies said data as Level 1. If market quotations are not available, fair value is determined using standard valuation models. When applicable, those models project future cash flows and discount future amounts at figures observable at present value, including interest rates, exchange rates, volatilities, etc. Items valued using said data are classified according to the lowest level of data that is significant for the valuation. Therefore, an item can be classified as Level 3, even when some of the significant data are observable. Additionally, the Company considers assumptions for its own credit risk, as well as for the risk of its counterparty.

B. MEASUREMENT

Assets and liabilities measured at fair value are summarized below:

	Level 2			
	AT DECEMBER 31, 2017		AT DECEMBER 31, 2016	
ASSETS:				
Short-term derivative financial instruments	$	82,829	$	53,424
Long-term derivative financial instruments		165,045		125,177
	$	247,874	$	178,601
LIABILITIES:				
Short-term derivative financial instruments	$	4,718	$	614
Long-term derivative financial instruments		443,789		11,478
	$	448,507	$	12,092

There were no transfers between Levels 1 and 2 or between levels 2 and 3 in the periods shown.

Note 22. Costs and expenses on the basis of type

Cost of sales and selling and administrative expenses classified by type for the years ended on December 31, 2017 and 2016 are as follows:

	2017		2016	
Raw materials and other production materials	$	66,278,889	$	41,449,758
Personnel expenses		23,950,903		14,608,646
Employee benefit obligations		294,435		264,913
Variable selling expenses (1)		7,795,932		5,914,134
Depreciation		6,181,964		4,329,745
Transportation		3,265,824		2,719,619
Advertising, promotion and public relations		3,057,484		2,479,313
Maintenance and conservation		2,947,395		2,016,450
Professional fees		2,167,877		1,255,691
Supplies (electricity, gas, telephone, etc.)		471,850		336,116
Taxes (taxes other than income tax and value added tax)		814,121		515,835
Spillage, breakage and shortages		624,262		484,723
Leases		718,465		569,762
Travel expenses		445,104		241,275
Provision for impairment of customers		120,745		155,708
Amortization		469,356		316,517
Consumption of materials and production materials		119,116		90,409
Other expenses		1,428,013		1,143,075
	$	121,151,735	$	78,891,689

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

Note 23. Other income (expenses)-net

Other income/expenses for the years ended December 31, 2017 and 2016 are comprised as follows:

	2017		2016	
Business combination expenses (Note 2)	($	591,890)	($	178,840)
Sale of brand names and rights (Note 29)		3,733,281		1,488,176
Indemnities		(201,931)		(277,389)
Prior years' taxes		18,274		1,007
Income from secondary taxes, rights and due		786,575		401,974
Profit from fixed asset sales or disposals		175,855		183,974
Other		125,554		(152,585)
Total	$	4,045,718	$	1,466,317

Note 24. Employee benefit expenses

Employee benefit expenses incurred in the years ended on December 31, 2017 and 2016 are as follows:

	2017		2016	
Salaries, wages and benefits	$	21,791,667	$	12,994,267
Termination benefits		187,657		61,440
Social security dues		1,971,579		1,552,939
Employee benefits (Note 17)		294,435		264,913
Total	$	24,245,338	$	14,873,559

Note 25. Financial income and expenses

Financial income and expenses for the years ended on December 31, 2017 and 2016 are as follows:

	2017		2016	
FINANCIAL INCOME:				
Interest income from short-term bank deposits	$	766,818	$	301,258
Other financial income		19,749		29,708
Financial income, excluding exchange gains		786,567		330,966
Exchange gains		3,108,114		1,211,007
Total financial income		3,894,681		1,541,973
FINANCIAL EXPENSES				
Interest on commercial paper		(677,902)		(619,493)
Interest on bank loans		(2,470,847)		(1,552,170)
Financial cost (employee benefits)		(101,895)		(76,893)
Paid to suppliers		-		(6,921)
Taxes pertaining to financial operations		(148,585)		(125,230)
Other financial expenses		(423,998)		(87,155)
Financial expenses, excluding exchange losses		(3,823,227)		(2,467,862)
Exchange losses		(2,608,306)		(1,539,993)
Total financial expenses		(6,431,533)		(4,007,855)
	($	2,536,852)	($	2,465,882)

Note 26. Taxes on income

i. Income tax under the tax consolidation regime

The new Income Tax Law eliminates the tax consolidation regime. As a result of said elimination, the Company found it necessary to deconsolidate for tax purposes as from December 31, 2013.

The last portion of tax payable on that deconsolidation amounting to $35,446 is payable by the last day of April 2018.

In 2017, the Company determined an individual tax profit of $5,316,088 (a tax profit of $292,008 in 2016). The tax result differs from the book result mainly due to items accrued over time and deducted differently for book and tax purposes, to recognition of the effects of inflation for tax purposes and to items only affecting the book or tax result.

ii. Profit before taxes on income

Following are the domestic and foreign components of pretax profits:

	For the year ended December 31,			
	2017		2016	
Domestic	$	13,162,274	$	10,343,083
Foreign		6,885,591		3,656,008
	$	20,047,865	$	13,999,091

iii. Components of expenses arising from taxes on income

Components of expenses arising from taxes on income include:

	For the year ended December 31,			
	2017		2016	
Tax incurred:				
Tax incurred on profit for the year	($	8,475,091)	($	4,141,975)
Deferred tax:				
Origin and reversal of temporary differences		5,215,843		(146,408)
Total taxes on income expense	($	3,259,248)	($	4,288,383)

Domestic federal tax, foreign federal tax and foreign state tax expense shown in the consolidated statement of income are comprised as follows:

	For the year ended December 31,			
	2017		2016	
Incurred:				
Domestic	($	5,955,667)	($	3,002,195)
Foreign		(2,519,424)		(1,139,780)
		(8,475,091)		(4,141,975)
Deferred				
Domestic		675,997		(215,898)
Foreign		4,539,846		69,490
		5,215,843		(146,408)
Total	($	3,259,248)	($	4,288,383)

iv. Book/tax reconciliation

For the years ending on December 31, 2017 and 2016, the reconciliation between the legal tax rate and the effective income tax rate is as follows:

	For the year ended December 31,			
	2017		2016	
Tax at the legal rate (30% for 2017 and 2016)	($	6,014,359)	($	4,199,727)
Tax effects of inflation		(218,587)		(133,574)
Differences due to the tax rates of foreign subsidiaries		4,216,236		(37,458)
Non-deductible expenses		(893,690)		(114,647)
Equity in net profit of associates		53,534		67,333
Other non-taxable income and effects of applying the decree for repatriation of profits to Mexico in 2017		1,209,247		211,345
Income tax arising from adjustments of the price of the business combination with CCSWB		(1,302,989)		-
Other		(308,640)		(81,655)
Tax at the effective rate (16.26% and 30.63% for 2017 and 2016, respectively)	($	3,259,248)	($	4,288,383)

v. Tax pertaining to the components of other comprehensive income

The debit/(credit) of tax related to other comprehensive income components is as follows:

	2017						2016					
	BEFORE TAXES		TEX (PAYABLE) RECEIVABLE		AFTER TAXES		BEFORE TAXES		TEX (PAYABLE) RECEIVABLE		AFTER TAXES	
Effect of derivative financial instruments contracted as cash flow hedge	($	346,031)	$	102,306	($	243,725)	$	435,788	($	123,129)	$	312,659
Effect of conversion of Foreign entities		1,067,564		-		1,067,564		7,097,623				7,097,623
Remeasurement of labor liabilities		(542,811)		157,060		(385,751)		(124,338)		(125,828)		(250,166)
Other comprehensive income	$	178,722		259,366	$	438,088	$	7,409,073		(248,957)	$	7,160,116
Tax on the conversion of foreign subsidiaries				(1,167,812)						(961,804)		
Deferred tax			($	908,446)					($	1,210,761)		

Note 27. Commitments

a. The Company has leased several pieces of equipment under operating lease contracts which cannot be unilaterally terminated in advance. Those leases are for an approximate term of one to five years and most are renewable at the end of the lease period, at market conditions. The leasing expense charged to income is shown in Note 22.

Total future minimum lease payments under the non-cancellable operating leases are as follows:

	2017	
Under 1 year	$	160,889
From 1 to 5 years		875,404
Total	$	1,036,293

Note 28. Contingencies

Bottling agreement
The current bottling contracts and authorizations held by AC for the bottling and distribution of Coca-Cola products in the different regions are as follows:

REGION	DATE OF SIGNATURE / RENEWAL	EXPIRATION DATE
Mexico (North)	July 1, 2017	June 30, 2027
Mexico (West) (1)	July 1, 2017	June 30, 2027
Northwest of Argentina	June 30, 2017	January 1, 2022
Northeast of Argentina	June 30, 2017	January 1, 2022
Ecuador	December 31, 2017	December 31, 2022
Peru	January 31, 2016	April 30, 2020
CCSWB (2)	April 1, 2017	April 1, 2027

(1) Corresponds to the agreement held by AC to which AC Bebidas has access via a specific agreement contemplating the payment of royalties on total net sales made in western Mexico.
(2) There are two contracts in the US for bottling, selling and marketing products in the Southeast US. Those agreements are the "Comprehensive Beverage Agreement" and the "Regional Manufacturing Agreement", both in effect as from April 1, 2017 for a period of 10 years, renewable for a further 10 years.

During the more than 90 years of business relations with TCCC, the latter has never refused to renew bottling agreements with AC or to enter into a new agreements to replace previous ones. As a result, indefinite useful lives were assigned to those intangibles (see Note 5). Management considers that TCCC will continue renewing contracts and extending bottling permits when they expire or will enter into new agreements or issue new permits to replace those currently in effect, although there is not absolute certainty that this will be the case. If that is not the case, the AC business and operating results will be adversely affected.

TCCC provides the concentrates used in producing the products sold and is unilaterally entitled to set prices on said raw materials. If TCCC significantly increases concentrate prices, AC operating results could be negatively affected.

Additionally, bottling agreements signed with TCCC establish that AC may bottle no beverages other than those of the Coca-Cola brand, with the exception of those specifically authorized in the aforementioned agreements. Up to the point at which the sales of the brands mentioned in Note 29 began, AC bottled and distributed several product of its own brand name (Topo Chico), with the authorization of TCCC.

Contingencies in Peru
At December 31, 2017, a number of claims have been filed at the tax office and other judicial and labor processes have been brought by the Company for a total of approximately $596,093 (approximately $311,153 at December 31, 2016), which are pending a definitive sentence. Management and the company's legal advisors consider that those processes might give rise to an unfavorable effect for the Company in the amount of approximately $165,407 ($156,861 at December 31, 2016); they also estimate that lawsuits classified as remote or possible will be resolved in favor of the Company, which has therefore created no provision at December 31, 2017 (see Note 16).

Contingencies in Ecuador
At December 31, 2017, the Company has filed a number of claims at the tax office for a total of approximately $850,458, which are pending a definitive sentence. Management and the Company's legal advisors consider that those processes could have an unfavorable result for the Company in the amount of approximately $74,129; they also estimate that lawsuits classified as remote or possible will be resolved favorably for the Company, although a provision was created at December 31, 2017 for $161,841 (see Note 16).

Contingencies in Argentina
At December 31, 2017, a number of claims have been filed at the tax office and other judicial, labor and administrative processes have been brought by the Company for a total of approximately $343,680 (approximately $1,057,529 at December 31, 2016), which are pending definitive sentences. Management and the Company's legal advisors consider that those processes could have an unfavorable result for the Company in the amount of approximately $60,251 ($74,662 at December 31, 2016); they also estimate that lawsuits classified as remote will be resolved favorably for the Company, which is why no provision has been created at December 31, 2017.

Note 29. Related parties and associates

The Company is controlled by Fideicomiso de Control, which holds 46% (47% in 2016) of the Company's outstanding shares. The remaining 54% (53% in 2016) of the shares is widely distributed. The parties ultimately controlling the group are the Barragán, Grossman, Fernández and Arizpe families, which also hold shares outside the control trust.

Operations with related parties were carried out at market value.

a. Remuneration of key management personnel:
Key personnel include key management staff or directors that are relevant to the entity. Compensation paid to key personnel for their services are shown below:

		2017		2016
Salaries and other short-term benefits	$	**323,330**	$	188,204
Pension plans		**338,996**		222,619
Seniority premium		**304**		210
Post-retirement medical expenses		**12,087**		6,191
Total	$	**674,717**	$	417,224

b. Related party balances and transactions

Accounts receivable
Balances receivable from related parties at December 31, 2017 totaled $110,975, of which $97,221 correspond to Coca Cola Servicios de Peru, S.A. and the remaining $13,754 to a number of related parties.

Short-term balances payable:

	At December 31,			
		2017		2016
OTHER RELATED PARTIES:				
Coca-Cola Mexico (CCM)	$	**158,977**	$	275,293
Coca-Cola Refreshments (CCR)		**64,611**		-
Coca-Cola de Chile		**-**		200,296
Corporación Inca Kola Peru, S. A.		**95,415**		225,335
The Coca Cola Company		**119,195**		-
Coca-Cola Servicios de Peru, S. A.		**-**		79,760
Monster Energy		**89,356**		-
Criotec		**45,604**		-
GRE Portada del Sol, S.A.C.		**-**		8,522
ASSOCIATES:				
JDV		**83,929**		114,350
Promotora Mexicana de Embotelladoras, S. A. de C. V.		**35,074**		47,529
Industria Envasadora de Querétaro, S. A. de C. V. (IEQSA)		**41,049**		40,335
Promotora Industrial Azucarera (short-term)		**196,740**		-
Other associates		**-**		8,634
Total short-term accounts payable	$	**929,950**	$	1,000,054
Long-term balances payable:				
Promotora Industrial Azucarera (long-term)	$	**150,014**	$	-

The principal transactions with related parties were the following:

	At December 31,	
	2017	**2016**
OTHER RELATED PARTIES (SEE NOTES 1 AND 28):		
Purchase of concentrate	**$ 12,813,325**	$ 11,083,767
Advertising and fees	**(27,526)**	(239,931)
Purchase of refrigerators	**379,206**	440,040
Air taxi	**58,516**	63,107
Purchase of containers	**439,293**	413,953
Other	**457,734**	-
ASSOCIATES (SEE NOTE 10):		
Purchase of juice and syrups from JDV	**2,388,665**	2,043,648
Purchase of Santa Clara products from JDV	**307,219**	220,820
Purchase of sugar from PIASA	**2,882,512**	2,239,482
Purchase of canned goods IEQSA	**895,965**	977,895
Purchase of cans and containers	**314,884**	370,997
Purchase of resin from PETSTAR	**691,262**	565,561
Freight	**66,667**	63,619
Pallets	**54,500**	38,128
Income from the sale of real property	**-**	(168,071)
Purchase of spare parts and others	**449,239**	88,678
	$ 22,171,461	$ 18,201,693

Sale of Topo Chico brand names and distribution rights in Mexico and other countries -
On July 22, 2016, AC and its subsidiary Compañía Topo Chico S. de R. L. de C.V. (Topo Chico) signed an agreement with TCCC assigning ownership of all the intellectual property rights, including brand names and formulas for producing Topo Chico products in Mexico and in other countries except the US, where the brand name was registered., As a result of that sale, AC received $1,488,176 (US$80,000) in cash and retained authorization for the distribution of Topo Chico products, under the bottling contracts in the regions in which it had been handling distribution up to that date, and was authorized to market Topo Chico mineral water in territories in addition to Mexico where the sale of Topo Chico was not allowed, i.e., in regions where Grupo Continental, S.A.B. operated. A supply agreement was also signed for the supply of Topo Chico mineral water to TCCC and its bottlers in Mexico.

Sale of Topo Chico brand names and distribution rights in the US -
On September 30, 2017, AC, AC Bebidas, Topo Chico and Interex Corp. (Interex) signed an agreement with TCCC to transfer ownership of all intellectual property rights, including Topo Chico brand names and formulas in the US (Topo Chico US) as well as the assets comprising the Topo Chico distribution business, which was owned by Interex Corp., for a cash price of $3,951,346 (US$217,132).

As part of that agreement, a number of complementary agreements were signed, including a distribution agreement between a TCCC subsidiary and CCSWB for the latter to distribute Topo Chico mineral water exclusively in certain channels of that territory, as well as agreements for Topo Chico to continue bottling mineral water at its Monterey plant in order to cover demand for the product in Mexico and that of TCCC and its distributors in Mexico and the US, subject to capacity restrictions and an investment agreement, when necessary.

Because the Framework Agreement and other agreements signed during the closing of the business combination with CCSWB required the parties to agree to that sale, the Company analyzed those agreements based on its terms and conditions and on background information, and concluded that this transaction must be recorded separately as per IFRS.

National Product Supply Group (NPSG) in the US -
As part of the Framework Agreement and other agreements signed for the acquisition and operation of the Territory, as described in Note 2, on April 1, 2017, CCSWB signed the NPSG Governance Agreement, which was also signed by eight other Coca-Cola bottlers in the US, including Coca-Cola North America, which are considered to be Regional Producing Bottlers (RPBs) in the TCCC national supply system in the US. According to the NPSG Governance Agreement, TCCC and the RPBs have formed a national product supply group (the NPSG Board) composed of a CCSWB representative, a TCCC representative and one representative each of the remaining RPBs. That NPSG Board now has the maximum number of members (nine).

The NPSG Agreements require the Company to comply with a product supply schedule to other RPBs, based on the needs of the US system, where the company does not unilaterally decide on respective volumes. This can give rise to revenue volatility, which totaled $2,330,679 for the period ended on December 31, 2017. The Company evaluates the performance of its sales operations with third parties totally independently in the territory operated by CCSWB.

Note 30. Subsidiaries, joint operations and transactions with non-controlling parties:

i. Interest in subsidiaries

The Company's principal subsidiaries at December 31, 2017 and 2016 are as follows: Unless otherwise indicated, the subsidiaries hold capital stock consisting exclusively of ordinary shares or equity units, which are the direct property of the Company, and the ownership interest held in each is equal to the voting shares held by the Company.

The country of incorporation or registration is also the principal place of business.

			Percentage of controlling interest		Percentage of non-controlling interest		
	COUNTRY	OPERATIONS	2017	2016	2017	2016	FUNCTIONAL CURRENCY
Arca Continental, S. A. B. de C. V. (Holding)	Mexico	B / E					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
Promotora ArcaContal del Noreste, S. A. de C. V.	Mexico	F	99.99	99.99	0.01	0.01	Mexican peso
Servicios Ejecutivos Arca Continental, S. de R. L. de C. V.	Mexico	E	99.99	-	0.01	-	Mexican peso
AC Bebidas Ecuador, S. de R. L. de C.V.	Mexico	B	99.99	-	0.01	-	Mexican peso
AC Bebidas Comercializadora de Ecuador, S. A.	Ecuador	A	100.00	-	0.00	-	US Dollar
AC Bebidas, S. de R. L. de C. V.	Mexico	B	79.86	99.99	20.14	0.01	Mexican peso
Bebidas Mundiales, S. de R. L. de C. V.	Mexico	A	79.86	99.99	20.14	0.01	Mexican peso
Distribuidora Arca Continental, S. de R. L. de C. V.	Mexico	A	79.86	99.99	20.14	0.01	Mexican peso
Productora y Comercializadora de Bebidas Arca, S. A. de C. V.	Mexico	A / B	79.86	99.99	20.14	0.01	Mexican peso
Compañía Topo Chico, S. de R. L. de C. V.	Mexico	A	79.86	99.99	20.14	0.01	Mexican peso
Procesos Estandarizados Administrativos, S. A. de C. V.	Mexico	E	79.86	99.99	20.14	0.01	Mexican peso
Fomento de Aguascalientes, S. A. de C. V.	Mexico	F	79.86	99.99	20.14	0.01	Mexican peso
Fomento Durango, S. A. de C. V.	Mexico	F	79.86	99.99	20.14	0.01	Mexican peso
Fomento Mayrán, S. A. de C. V.	Mexico	F	79.86	99.99	20.14	0.01	Mexican peso
Fomento Potosino, S. A. de C. V.	Mexico	F	79.86	99.99	20.14	0.01	Mexican peso
Fomento Rio Nazas, S. A. de C. V.	Mexico	F	79.86	99.99	20.14	0.01	Mexican peso
Fomento San Luis, S. A. de C. V.	Mexico	F	79.86	99.99	20.14	0.01	Mexican peso
Fomento Zacatecano, S. A. de C. V.	Mexico	F	79.86	99.99	20.14	0.01	Mexican peso
Inmobiliaria Favorita, S. A. de C. V.	Mexico	F	79.86	99.99	20.14	0.01	Mexican peso
Arca Continental Corporativo, S. de R. L. de C. V.	Mexico	E / F	79.86	99.99	20.14	0.01	Mexican peso
Interex, Corp	USA	A / C	79.86	99.99	20.14	0.01	US Dollar
Coca Cola Southwest Beverages, L.L.C.	USA	A	79.86	-	20.14	-	US Dollar
Great Plains Coca-Cola Bottling Company	USA	A	79.86	-	20.14	-	US Dollar
Texas-Cola Leasing, Corp	USA	A	79.86	-	20.14	-	US Dollar
Arca Continental Argentina, S. L. (Arca Argentina) (b)	España	B	79.86	75.00	20.14	25.00	Argentinian peso
Salta Refrescos S.A. (c)	Argentina	A	79.86	100.00	20.14	0.00	Argentinian peso
Envases Plásticos S. A. I. C. (c)	Argentina	F	79.86	100.00	20.14	0.00	Argentinian peso
Corporación Lindley, S. A. (CL) (a)	Peru	A / B	56.93	54.73	43.07	45.27	Peruvian Sol
Embotelladora La Selva, S. A.	Peru	A	93.16	93.16	6.84	6.84	Peruvian Sol
Empresa Comercializadora de Bebidas, S. A. C.	Peru	A	99.99	99.99	0.01	0.01	Peruvian Sol
Industrial de Gaseosas, S. A.	Ecuador	E	79.86	99.99	20.14	0.01	US Dollar
Bebidas Arca Continental Ecuador ARCADOR, S. A.	Ecuador	A	79.86	100.00	20.14	0.00	US Dollar
AC Negocios Complementarios, S. A. de C. V.	Mexico	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
Industrial de Plásticos Arma, S. A. de C. V.	Mexico	D	99.99	99.99	0.01	0.01	Mexican peso
Bbox Vending, S. de R. L. de C. V.	Mexico	A / C	99.99	99.99	0.01	0.01	Mexican peso
Arca Continental USA, L.L.C.	USA	B	100.00	100.00	0.00	0.00	US Dollar
AC Foods LLC	USA	B	100.00	-	0.00	-	US Dollar

	COUNTRY	OPERATIONS	Percentage of controlling interest 2017	Percentage of controlling interest 2016	Percentage of non-controlling interest 2017	Percentage of non-controlling interest 2016	FUNCTIONAL CURRENCY
Old Lyme Gourmet Co. (Deep River Snacks)	USA	C	100.00	-	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
Industrias Alimenticias Ecuatorianas, S. A.	Ecuador	C	99.99	99.99	0.01	0.01	US Dollar
Norco	Peru	B	100.00	100.00	0.00	0.00	Peruvian Sol
Vendsac	Peru	A / C	100.00	100.00	0.00	0.00	Peruvian Sol
Vendtech	Peru	A / C	100.00	100.00	0.00	0.00	Peruvian Sol

(a) At December 31, 2017, there are 355,903,118 common shares issued by Corporation Lindley (355,857,753 in 2016) and 15,801,752 investment shares (15,801 752 investment shares in 2016). Investment shares carry no corporate rights such as voting rights or the right to attend stockholders' meetings; neither do they confer the right to appoint members of the Board of Directors. The percentage of voting shares held at December 31, 2017 and 2016 is 61.26% and 61.25%, respectively.
(b) On April 8, 2016, AC signed a restructuring agreement in order to acquire a non-controlling interest in its subsidiaries Arca Ecuador and Arca Argentina, both Spanish companies, via the merger of those two entities. Effective as from September 29, 2016, Arca Ecuador changed its domicile to Mexico and became a Sociedad Anónima Promotora de Inversión de Capital Variable or "S. A. P. I. de C. V." (a joint stock corporation for the promotion of investment) and on November 1, 2016, the merger of Arca Ecuador became effective, with that company disappearing and AC surviving in the merger; 29,052,596 new AC shares were then issued. The merger with Arca Ecuador resulted in an increase in the controlling interest at December 31, 2016, i.e., $1,975 in the capital stock, $3,156,623 in the premium on the issuance of shares and $205,791 in retained earnings, plus a $3,364,389 reduction in the non-controlling interest, as shown in the consolidated statement of changes in stockholders' equity for the year ended on December 31, 2016.
(c) Under the aforementioned April 8, 2016 restructuring agreement, on December 14, 2016, the Company acquired 0.77% and 0.50% of the remaining non-controlling interest in Salta Refrescos, S.A. and Envases Plásticos, S.A.I.C., respectively, for US$2,537, paid in cash through its subsidiary AC Bebidas, S. de R.L. de C.V. The effects of that acquisition are included in the consolidated statement of changes in stockholders' equity for the year ended on December 31, 2016.

Group operations:

A - The production and/or distribution of carbonated and noncarbonated beverages.
B - Holding shares
C - The production and/or distribution of sugar, snacks and/or confectionery
D - The production of materials for the AC group, principally
E - The rendering of administrative, corporate and shared services
F - The rendering of real property leasing services to AC companies

ii. Summary of financial information of subsidiaries with a significant non-controlling interest before consolidation eliminations

	CL 2017		CL 2016	
CONDENSATED CONSOLIDATED BALANCE SHEET				
Current assets	$	3,355,353	$	3,224,980
Non-current assets		43,082,689		43,507,166
Current liabilities		4,381,491		4,570,433
Non-current liabilities		14,920,547		14,997,527
Net assets	$	27,136,004	$	27,164,186
CONDENSATED CONSOLIDATED COMPREHENSIVE INCOME				
Income	$	16,164,139	$	14,634,105
Total comprehensive income	$	759,294	($	571,210)
SUMMARY OF CONSOLIDATED CASH FLOWS				
Net flow of operating operations	$	3,263,130	$	2,463,183
Net flow of investment operations		(1,867,566)		243,170
Net flow of financing operations		(1,252,574)		(4,134,975)
Net cash increase (decrease)		142,990		(1,428,622)
Cash exchange fluctuation – Net		121,915		(307,183)
Cash at beginning of year		286,117		1,441,401
Cash at end of year	$	551,022	$	319,962

iii. Transactions with non-controlling interests
Except for the acquisition of non-controlling interests described in point i. above, in the years ended on December 31, 2017 and 2016, there were no transactions with non-controlling interests and no conflicts of interest to be disclosed.

iv. Interest in joint operation
At December 31, 2017 and 2016, the Company holds a 50% investment in JV Toni, S.L., a Spanish company, for the purpose of joint operation of its investment in Holding Tonicorp, S. A. and its subsidiaries, as shown below:

			Holding percentage		
ENTITY	COUNTRY	OPERATION	2017	2016	FUNCTIONAL CURRENCY
Holding Tonicorp, S. A.	Ecuador	A	89.47	89.36	US Dollar
Industrias Lácteas Toni, S. A	Ecuador	B / C	100.00	100.00	US Dollar
Plásticos Ecuatorianos, S. A.	Ecuador	D	100.00	100.00	US Dollar
Distribuidora Importadora Dipor, S. A.	Ecuador	E	100.00	100.00	US Dollar

A- Holding shares
B- The production and/or distribution of high value added dairy products
C- The production and/or distribution of ice cream and related products
D- The production and/or distribution of different types of plastic containers
E- The distribution and marketing of high value added dairy products and others

According to an evaluation conducted by AC, that joint agreement states that its design and purpose requires the AC beverage business in Ecuador to acquire, distribute and market the Tonicorp production. The rights to the benefits and the obligations for the liabilities of Tonicorp and its subsidiaries were therefore transferred to the two stockholders jointly and substantially controlling the agreement. Consequently, the agreement has been classified as a joint operation (see Notes 3c and 5b). The AC consolidated financial statements therefore include its interest in the assets and liabilities of that joint operation as from the date of contribution.

The clauses of the joint partner agreement contemplate options for the purchase/sale of the portion pertaining to the other partner in the event of a change of control or change of business strategy of either of the two partners.

Note 31. Subsequent events

When preparing these financial statements, the Company has evaluated events and transactions for subsequent recognition or disclosure at December 31, 2017 and up to March 13, 2018 (date of issuance of these financial statements), and has identified no significant subsequent events affecting same.

Francisco Garza Egloff
Chief Executive Officer

Emilio Marcos Charur
Administration and Finance Director

GLOSSARY

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

ACT
Arca Continental Total Execution, Arca Continental's commercial model.

BIO-PET
100% recyclable plastic made partially from plants.

CCSWB
Coca-Cola Southwest Beverages.

ECOCE
Civil association leader in recovery of packaging to recycle in Mexico.

HOT-FILL LINE
Beverage production lines that fill hot content.

IN-LINE BLOW MOLDING
Equipment for the conversion of preforms into PET bottles.

KETTLE COOKED POTATO CHIPS
Chips that are cooked in small batches.

MUC
Millions of Unit Cases. A unit case is a measurement used in the beverage industry; equivalent to 24 eight-ounce bottles

PET
Polyethylene terephthalate.

PET RESIN
Material used in the production of plastic containers.

PETSTAR
The world's largest food grade recycling plant.

PREFORM
Intermediate product made from PET resin; preforms are blow molded into plastic bottles.

RTM
Route To Market, a market service model.

INVESTOR RELATIONS

In Monterrey
Ulises Fernandez de Lara
Felipe Barquin
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

Document printed with environmentally friendly techniques: the paper contains 50% recycled fibers, 30% post-consumption recycled fibers, and is FSC-certified; vegetable and biodegradable inks were used; and the operation employs clean energies.

DESIGN: FHDS PHTOGRAPHY: MIGUEL MALO / JULIO RAMIREZ PRINTING: CHAS. P. YOUNG CO

ARCACONTINENTAL