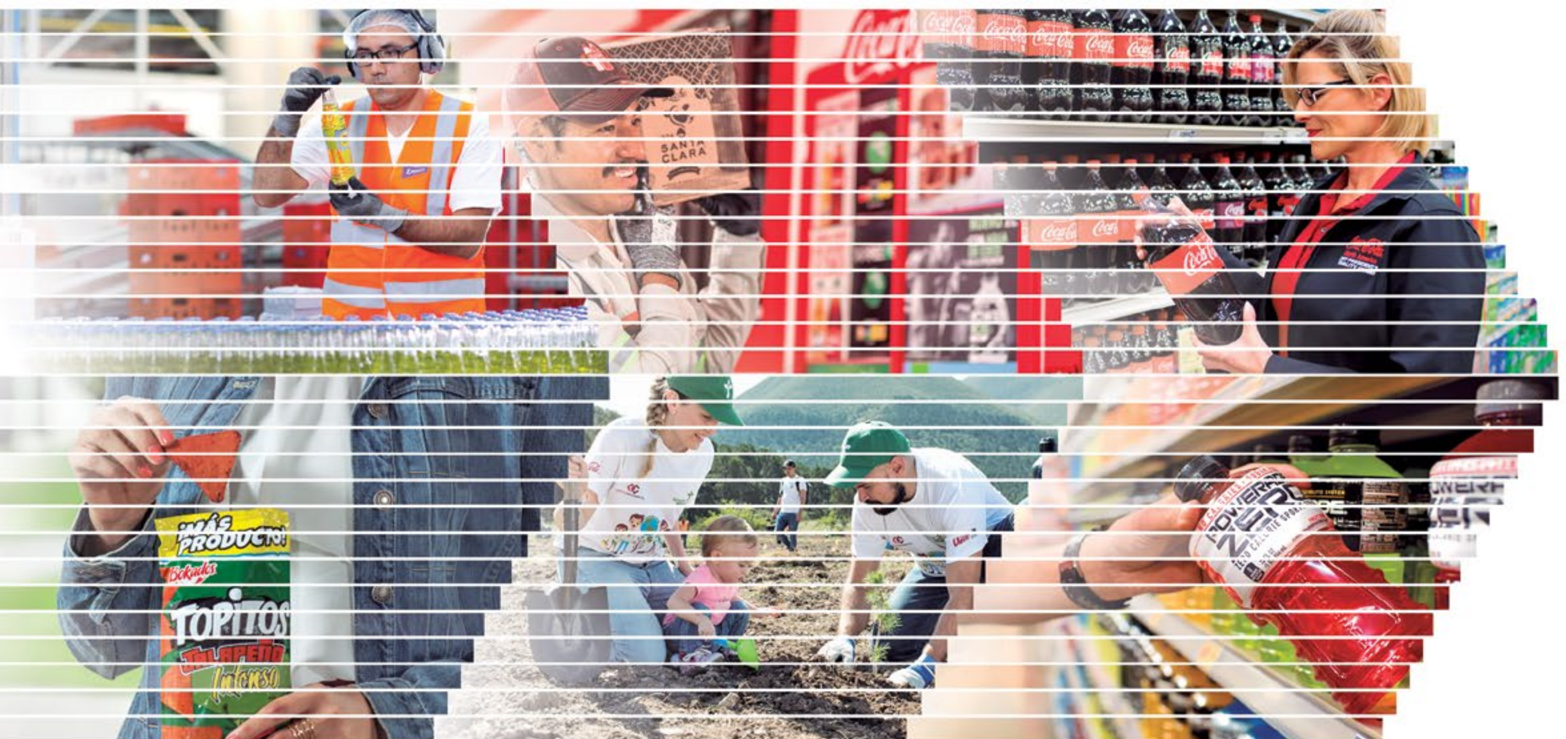
ONE STEP AHEAD



ARCACONTINENTAL

2018 ANNUAL REPORT

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 93 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 123 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:
1,669 MUC

TOTAL REVENUES:
PS. 121,692 MILLION

UNITED STATES	
BEVERAGES PLANTS	**10**
SNACKS PLANTS	**2**
BEVERAGES DISTRIBUTION CENTERS	**38**
SNACKS DISTRIBUTION CENTERS	**14**
POINTS OF SALE	**164,000**

MEXICO	
BEVERAGES PLANTS	**20**
SNACKS PLANTS	**3**
BEVERAGES DISTRIBUTION CENTERS	**116**
SNACKS DISTRIBUTION CENTERS	**44**
POINTS OF SALE	**344,000**

ARCA CONTINENTAL SOUTH AMERICA

VOLUME:
551 MUC

TOTAL REVENUES:
PS. 37,260 MILLIONS

ECUADOR	
BEVERAGES PLANTS	**3**
DAIRY PLANTS	**1**
SNACKS PLANTS	**2**
BEVERAGES DISTRIBUTION CENTERS	**33**
SNACKS DISTRIBUTION CENTERS	**17**
DAIRY DISTRIBUTION CENTERS	**20**
POINTS OF SALE	**156,000**

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

PERU	
BEVERAGES PLANTS	**6**
BEVERAGES DISTRIBUTION CENTERS	**72**
POINTS OF SALE	**339,000**

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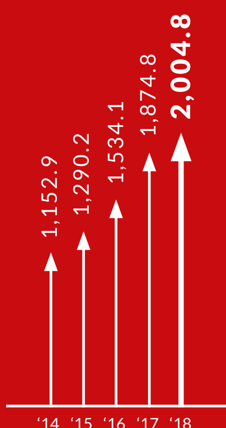
Financial Highlights

	2018	2017	CHANGE %
TOTAL SALES VOLUME (MUC)	**2,220.1**	2,086.6	6.4
TOTAL REVENUES	**158,952**	139,487	14.0
GROSS MARGIN	**44.5%**	45.5%	
OPERATING INCOME	**18,570**	22,407	-17.1
OPERATING MARGIN	**11.7%**	16.1%	
EBITDA[1]	**27,466**	25,993	5.7
EBITDA MARGIN [2]	**17.6%**	19.0%	
NET INCOME	**10,820**	16,789	-35.6
TOTAL ASSETS	**237,879**	240,285	-1.0
CASH	**15,941**	23,842	-33.1
TOTAL DEBT	**55,827**	55,123	1.3
CONTROLLING INTEREST	**111,802**	110,474	1.2
CAPITAL EXPENDITURES	**11,061**	10,880	1.7
PER SHARE DATA			
NET INCOME PER SHARE	**4.93**	7.42	
BOOK VALUE	**63.37**	62.62	
DIVIDENDS PAID	**2.20**	2.00	
AVERAGE SHARES OUTSTANDING (THOUSANDS)	**1,764,283**	1,764,283	

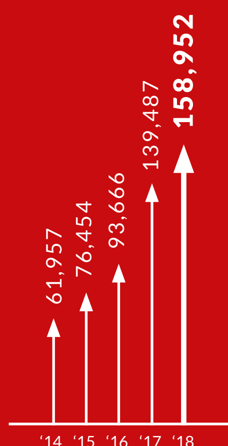
[1] Operating Income plus depreciation, amortization and non-recurrent expenses.
[2] Margin over Net Sales

Figures in million of Mexican Pesos, except volume and per share data.

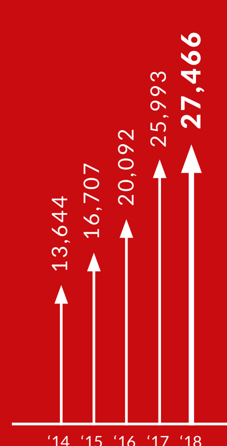
Sales Volume
Not including Jug Water (MUC: millions of Unit Cases)



Total Revenues
(millions of Mexican Pesos)



EBITDA
(millions of Mexican Pesos)



Net Income
(millions of Mexican Pesos)

To our shareholders

In 2018, Arca Continental made progress toward full implementation of our mission, geared at generating the maximum value possible in every market and business we serve. We are determined to go one step ahead at all times in terms of our operational, financial, environmental, and social performance.

In a year of political and macroeconomic challenges, thanks to the professionalism of this great company's more than 61,000 employees, we were able to show excellent performance results and specific achievements in different areas of the organization in each of the countries we serve.

We focused our efforts in the USA on fully integrating Coca-Cola Southwest Beverages into Arca Continental and best practices standardization. The McAllen, TX, plant earned the President's Award for Quality Excellence as the best among more than 65 production centers in the United States, while ACT Model implementation, aimed at honing commercial execution, was the key to CCSWB winning the 2018 edition of Market Streen Challenge Cup.

+14%
TOTAL REVENUES

+5.7%
EBITDA

Our operations in Argentina were chosen to represent the Latin American bottling system in the Candler Cup, which recognizes bottlers who have previously won the Execution Cup in their own region and who have shown outstanding performance and marked improvements in global commercial metrics. Additionally, Mexico Beverage's participation in the Legacy Cup of its business unit was outstanding.

Noteworthy results in terms of sustainability and social responsibility include Arca Continental's inclusion for the third consecutive year on the FTSE4Good Sustainability Index of the London Stock Exchange. Arca Continental also continues to be among the top companies in the Sustainability Index of the Mexican Stock Exchange.

Founded on these sustained efforts aimed at always staying one step ahead of every challenge, we closed 2018 with a 14% increase in Total Consolidated Revenues, for Ps. 158,952 million, an EBITDA of Ps. 27,466 million, a 5.7% growth year-over-year, with a 17.6% margin over Net Sales.

Driven by our focus on customer service and excellence in commercial execution at every point-of-sale, our volume for the year stood at 2,220 Million Unit Cases (MUC), 6.4% higher than 2017.

ARTURO GUTIÉRREZ HERNÁNDEZ
Chief Executive Officer

MANUEL L. BARRAGÁN MORALES
Chairman of the Board of Directors

We constantly reinvest our profits, allocating them to key aspects in every operation, to achieve continuous progress in our most relevant business indicators and streamline our customer relationships and consumer experiences.

With the goal of strengthening long-term competitiveness across our company, in 2018 we allocated Ps. 11,424 million to acquiring coolers and returnable bottles, information technologies to the market and logistics, as well as modernizing our production plants, distribution centers, and transportation fleet.

We also consolidated our investment in South America by finalizing the acquisition of the Corporación Lindley common shares owned by The Coca-Cola Company, representing 38.5% of the capital stock. With this transaction we now own a 99.8% share in the company.

Our Operating Income for 2018 reached Ps. 18,570 million, with an Operating Margin of 11.7%, while Net Income stood at Ps. 8,702 million, or 33.5% below 2017, due to non-recurring income from the sale of the Topo Chico brand and tax adjustments in the U.S. resulting in an extraordinary benefit in 2017.

MEXICO

In our company's main market, our Volume was up for the fourth consecutive year, showing a 2.3% increase year-over-year, proving the strength of our commercial execution and customer service capabilities. Net Sales were Ps. 62,383 million, 6.7% higher than the prior year.

In line with the innovation the company is known for, in 2018 we continued to develop advanced analytics capabilities featuring the deployment of information technologies that helped us assure product availability and coverage.

Aware of the dynamics in consumer needs, we offered new flavors and presentations and expanded the traditional Monterrey-born Joya brand to other cities in Northern Mexico.

In the Still Drinks category, we registered a 7% growth in volume, driven by increases of close to 12% in Powerade and 32% in Santa Clara.

Since it was first launched, the AdeS brand has achieved a 19% coverage in the traditional channel thanks to our solid distribution capabilities.

Capitalizing on the great demand for Topo Chico mineral water in Mexico and the U.S., we installed a new production line to significantly boost its expansion in several different markets.

THE NEW PRODUCTION LINE IN THE TOPO CHICO FACILITY IS AMONG THE FASTEST IN MEXICO; IT CAN PRODUCE 1,000 BOTTLES PER MINUTE.

UNITED STATES

Coca-Cola Southwest Beverages, with operations in Texas, parts of Oklahoma, Arkansas, and New Mexico, reported a volume of 443 million unit cases, corresponding to a 37.1% growth year-over-year, and together with Wise Snacks, Total Revenues of Ps. 59,309 million, representing a 43.1% increase.

Starting new commercial capabilities allowed us to make progress towards reaching our goal of USD $90 million in synergies by 2020, with USD $30 million reached in 2018 and an Operating EBITDA of Ps. 6,556 million, or a 26.6% increase year-over-year.

As part of our continuous search for efficiencies, we started to build a new plant and distribution center in Houston, Texas, slated to begin operations in 2020, with an investment of USD $250 million.

The plant is the first to be built in the U.S. Coca-Cola System in 10 years and it will contribute close to USD $30 million in annual savings in costs and operating efficiencies. In addition, it will position Arca Continental at the technological forefront in terms of quality, safety and sustainability.

In response to consumer dynamics, over the year we launched more than 160 new options, including the sports drink BodyArmor, which complements our portfolio in the rapidly-growing isotonic category.

SOUTH AMERICA

Despite the adverse macroeconomic and tax environment facing South America, our teams were able to improve our business profitability as well as competitiveness in our service offering and market products.

Net Sales and Operating EBITDA reached Ps. 37,260 million and Ps. 7,394 million respectively. Both figures are below 2017 levels, resulting mainly from the devaluation of the Argentinian peso.

In Peru, we faced an additional tax on sweetened beverage that resulted in an 8% average price increase. However, the company was able to protect the profitability of the operation and make progress for a quick recovery.

As proof of our confidence in the Peru business, we installed a new Hot-fill production line in the Zárate Plant—in order to expand the portfolio of still drinks—and started operating the Lima Sur and Centro Mega Distribution Centers, incorporating significant technological innovations that will allow us to optimize our distribution capacity in the country's capital.

In Argentina, our investment in sugar mills helped us reduce costs for this product. At the same time, we continued to expand our portfolio by promoting consumption of single serve products and launching new packages at an attractive price point for the general public.

In Ecuador, as part of the strategy to improve point-of-sale execution in the traditional channel, we introduced 14,500 coolers, bringing our cooler coverage to more than 50%.

FOOD AND SNACKS

In the food and snacks division, we continued to strengthen our product portfolio and expand the company's geographic footprint by acquiring Carolina Country Snacks, a pork rinds brand with regional distribution in North Carolina.

This acquisition will allow Wise to enter into a category that has shown great potential for growth in the territories where it operates.

Our Deep River brand registered double digit growth in sales in 2018.

Furthermore, the two Wise plants in the U.S. were certified under the BRC Global Standard for Food Safety, with an A score.

In Mexico, Bokados continued to incorporate innovations into its portfolio by launching different flavors of its main brands, Prispas and Topitos.

This snack company registered considerable progress in its commercial execution by capturing more than 24,000 new customers in Mexico and creating 46 new distribution routes.

Inalecsa, in Ecuador, strengthened its distribution capabilities by incorporating direct routes in the traditional channel in the Southern Quito region, as well as opening a new distribution center in Babahoyo.

SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Last year was key to the consolidation of Arca Continental's strategic Sustainability and Social Responsibility platform, with progress made in the standardization of metrics and initiatives in the 5 countries we serve, including the territories in the U.S.

The company's efforts were recognized by organizations such as the Mexican Center for Philanthropy, which has certified Arca Continental not only as a Socially Responsible Company for 15 consecutive years, but also ranked it among the top companies.

BEING ATTENTIVE TO CONSUMER DYNAMICS, IN 2018 WE LAUNCHED 160 NEW PRESENTATIONS IN OUR UNITED STATES OPERATIONS, AND DROVE A CALORIC REDUCTION IN ALL OUR TERRITORIES.

In addition, the company was recognized as an Environmental Champion, which is the maximum ESG evaluation offered by Scotiabank, and Expansión magazine ranked us as the 5th Most Sustainable Company in Mexico.

In terms of environmental welfare, different initiatives we employ for optimizing water consumption and returning to nature the water we use in our processes, allowed us to improve our water efficiency index to 1.65 liters of water per liter of beverage produced, which is 20% below our 2010 baseline.

Regarding energy consumption, 38% of the electricity we use in Mexico comes from renewable sources.

For our sustainable waste management, we recycled 7 out of every 10 bottles distributed in Mexico. Additionally, our operation in Ecuador has become the country's benchmark in waste management driven by its initiative aimed at inclusive recycling and business leadership in managing the UN Sustainable Development Goals.

Through our Annual Volunteer Day and other collaboration initiatives between our employees, their families and our neighbors, this year we rehabilitated 136 public spaces in the 5 countries we serve, with the participation of 8,700 employees.

ONE STEP AHEAD

In 2018—a year that was complex, challenging, and full of changes in the markets where we operate—we made significant progress in terms of our commercial execution, operational excellence, innovation, information technologies, sustainability, and social responsibility. All of this favorably positioned us to continue to grow profitably and capture new opportunities for continuous improvement.

We wish to thank our Board of Directors for their guidance, trust, and support in honoring our commitment with our shareholders, all within the framework of our organizational values.

We recognize our team members for their talent and determination to obtain these results, as well as The Coca-Cola Company for their trust and collaboration.

These advances fill us with pride and undoubtedly constitute an incentive for strengthening that commitment which over the years has enabled us to surpass expectations and set us on a path for continuous improvement and excellence, always with the conviction of leaving a positive footprint on society and the environment.

In 2019, we will strive to capitalize on the competitive advantages and scale we have developed, consolidating our operational and financial strength in favor of our customers and consumers, generating new ways for creating value in both beverages and the food and snacks businesses.

MANUEL L. BARRAGÁN MORALES
Chairman of the Board of Directors

ARTURO GUTIÉRREZ HERNÁNDEZ
Chief Executive Officer

ONE STEP AHEAD

Innovation and development

Our high-performing culture is rooted in continuous improvement and the search for excellence in every aspect of the business. This has driven Arca Continental to become the leader for change in our industry and market through innovation.

Investments that strengthen us

Arca Continental has remained at the forefront by continuously investing in each market, even in challenging times and environments. This enables us to build a competitive advantage in production aspects, such as logistics and information technologies, and service at the point-of-sale.

Arca Continental´s long-term vision was built on a culture geared toward innovation and focused on process digitization. This enables us to maintain a leadership position and stay one step ahead with excellence in both operations and execution. We work with a transversal vision of sustainability to close the circle that enables us to be ready to face the future.

Profitability and competitiveness

The efforts and initiatives of our team members are meant to impact the key performance metrics of our business, striving to improve profitability, expanding the presence of our products in the market, and honing our customer service and consumer experience, while always offering the best options.

Sustainable leadership

We align the development of our business on a comprehensive sustainability and social responsibility strategy centered on programs and initiatives that have a greater impact on the long-term viability of our company and are most relevant to our stakeholders. This includes our water footprint, climate change, waste management, and the comprehensive development of the communities we serve, all in the framework of ethical compliance.

Innovation and development

As a company in constant evolution, Arca Continental is strengthening its leadership in commercial, logistics, and production, while expanding its portfolio of beverages, food and snacks to satisfy the dynamic needs of its customers and consumers. On this path, the company achieved savings and synergies that allow us to be a point of reference in the market. We also continued to promote change in our industry by deploying digital technologies at the point-of-sale, thus improving its attention and service levels.

Digitalization projects

- We made progress on the path to digitalization with the Brío platform, installing point-of-sale technology which enables 5,000 customers in Mexico to collect payments for products and services by electronic means. The goal is to increase that number to 15,000 customers by 2019 and to start pilot tests in Peru and Ecuador.
- In Peru we are promoting the B2B (business-to-business) platform which enables customers to place an order trough their smartphone, with a positive impact on 1,000 commercial outlets. The program will begin its pilot testing in Ecuador in 2019.

15%

Increase in traffic in stores with Brío point-of-sale terminals installed in Mexico.

Promoting the traditional channel

- In Mexico, 12 new Complementary Businesses Centers were created. These are groups of small businesses that work together to improve their image, establish joint competitiveness strategies, and increase store traffic. Thirty-four groups have been created since 2015 when the program was first introduced.
- In Mexico, through our Siglo XXI program -which modernizes our customers' operations and offers them training to better serve the consumer- we added 500 new customers.
- In Peru, 7,000 customers benefited from the Bodegas Elegidas program.
- In Ecuador, 156 new customers are now part of the Siglo XXI program, resulting in improved working conditions and increased sales.

IMPROVED MARKET SERVICE

One of our priorities is to be our customers' main commercial partner. We constantly implement innovations that help increase their competitiveness, improve customer service, and promote better results for the businesses.

We work hand in hand with our customers in order to reinforce their infrastructure, improve the purchasing experience, and attain better results all around.

Information and technology for better performance

We focus our efforts on building a more agile company that integrates state-of-the-art technologies to benefit customers and consumers. We leverage cutting-edge tools in order to be more efficient, strengthening the business with key information that allows us to make better decisions.

Advanced Analytics

- We implemented the AC Intelligence Center in our four Regions in Mexico, and we began Phase 1 in Peru. This project includes the most powerful and modern visualization tools in the market. These, in addition to the Arca Continental apps, allow us to analyze data based on more than 200 metrics, allowing the user to compare information in a very simple way and discover value creation opportunities.
- The Advanced Analytics initiative, which identifies key processes in all areas of the company and develops models to contribute to its efficiency, was the basis for designing the Suggested Order models aimed to improve product availability for customers in Mexico.

100%

of our Market Developers in the Mexican market use the AC Mobile app, which includes real-time negotiation and purchase order functionalities.

CCSWB GREW CUSTOMER REGISTRATIONS ON MYCOKE.COM 21%, MAKING THEM THE MOST ACTIVE ON THAT SALES PLATFORM IN THE UNITED STATES.

Direct-to-Home

- In Mexico we relaunched the online sales service "Coca-Cola en tu Hogar" by promoting direct-to-consumer relationship models. Our goal for 2019 is to reach 240,000 homes in seven cities in Mexico, with new functionalities and a wider portfolio.

We strengthened the Vending business

- In Mexico we increased telemetry coverage to 47%, allowing us to continue capitalizing on opportunities, increase the availability of products, and optimize distribution expenses, with processes based on new technologies.
- We upgraded our vending business in Lima through cashless payment systems.

We lead change with our products offering

We listen to our consumers and focus on innovations in products and packaging that are aligned with their tastes and needs. As a result, we continued to expand and diversify our product offering both in beverages and snacks, in collaboration with The Coca-Cola Company and through the brands we operate in Mexico, USA, and Ecuador.

- In Mexico, "Del Valle & Nada" continues to expand with new flavors, including Cucumber and Pineapple, and the brand was introduced in Ecuador.
- New Coconut, Raspberry, and Cucumber-Pineapple flavors were launched for Ciel Exprim.
- In the U.S., we launched 24 BodyArmor SKUs, achieving a 65% availability in the supermarket channel.
- In Argentina, AdeS continues to expand with new flavors, in addition to the traditional Vanilla, Natural, and Coconut:
  - Chocolatada, for mothers who are focused on their childrens' nutrition.
  - Almendras, aimed at younger consumers.
- In Ecuador, we launched Monster to promote growth in the energy drinks category.

Innovative packaging

The universal returnable bottle makes it easy for consumers to use for different brands and flavors, was very successful in Peru. This contributes to the company's environmentally friendly efforts to produce returnable packaging.

- New still drinks presentations:
  - Water 1.5L
  - Frugos 300Ml
  - Powerade 1L
- CCSWB continues to launch new still drinks. 160 new presentations were introduced to the market.

WE REDUCE THE CALORIC FOOTPRINT

In response to consumers who wish to enjoy low-calorie beverages, we continually work to change formulas and offer reduced-sugar and low-calorie options that adapt to their lifestyle.

- Coca-Cola Zero Sugar continues to gain market share in all our territories. In Mexico, sales of this product grew 33.8% in 2018.
- In Argentina, our mix includes 19% low- and no-calories products.
- Ecuador continues to be the benchmark, with 45% low- and no-calories beverages in its portfolio.
- In Peru, we launched Inca Kola Sin Azúcar, increasing the sales ratio of low- and no-calories products to 30 percent.

More snacks, more flavors, more packaging

We continue to reach more consumers in every territory by offering new snacks.

MEXICO

- We launched the new Prispas Adobadas, Mix Golos, Michelada and Street Mix Bokanuts, and the Extreme version of Enredos.

UNITED STATES

- Wise promoted its Extra Cheesy Cheez Doodles line, thus expanding our cheese-flavored snacks offering.

ECUADOR

- By launching Locachos, Inalecsa entered in the extruded snacks category; it also launched Prispas and introduced a personal 45-gram serving of Ronditos.

Operational excellence

Continuous improvement and the constant search for excellence in every aspect of the operation is a characteristic ingrained in Arca Continental's organizational culture. It is reflected in our efforts to maintain the highest standards in quality and efficiency, and our path to sustained growth.

Quality is a priority

Maintaining the highest quality standards in order to offer the best products to our consumers is a priority.

- Wise obtained the BRC Global Standard for Food Safety certification, with an A grade for its two facilities in Berwick, Pennsylvania, and Fort Worth, Texas.
- Bokados obtained approval by the FDA audit.
- In Ecuador, Inalecsa consolidated the result of the Product Quality Index with 100% during the fourth quarter of 2018.

Savings and efficiencies

We constantly look for efficiencies, implementing best practices to continue operating with cutting-edge technologies.

- By applying the Operational Excellence methodology, Bokados obtained savings for Ps 14 million.
- As part of the synergies plan established for the CCSWB integration, in 2018 we captured savings of USD 30 million.
- In Ecuador, Inalecsa achieved considerable savings of USD 365,000 by enabling 16 improvement projects through a collaborative management platform.

USD 30 million

Synergies captured in CCSWB in 2018.

RECOGNIZING EXCELLENCE
AT ARCA CONTINENTAL, WE STRIVE TO ALWAYS GO ONE STEP AHEAD BY WORKING ON EXCELLENCE IN COMMERCIAL EXECUTION, GAINING RECOGNITION AS A LEADING COMPANY IN SEVERAL INDUSTRY RANKINGS.

THE MCALLEN PLANT WAS GRANTED COCA-COLA NORTH AMERICA'S PRESIDENT'S QUALITY AWARD FOR EXCELLENCE.

Leading operations

UNITED STATES

- Coca-Cola Sothwest Beverages won the 2018 Market Street Challenge, recognized for its leadership in commercial execution.
- The McAllen Plant, in Texas, was granted the President's Quality Award for excellence, among all other Coca-Cola plants in the U.S.

MEXICO

- In Mexico, the beverages business had one of its most outstanding performances in the Legacy Cup, which recognizes the best performing bottlers based on different business indicators.

ARGENTINA

- For the second consecutive year, Arca Continental Argentina maintained its position for Best Quality in Product and Packaging in 2018. It surpassed bottlers in the six countries included in the South Latin Business Unit system of The Coca-Cola Company.
- It was among the finalists in the Candler Cup, placing 2nd for excellence in execution.

PERU

- Arca Continental Lindley placed 1st in the Quality in Execution Index for Coca-Cola and the South Latin Business Unit, in the modern channel, and 3rd in the traditional channel.

Investments that strengthen us

Remaining at the forefront and continuing to achieve the best results possible requires continuous investments, with a long-term vision, focused on strengthening competitiveness in operations and offering an excellent service to customers and consumers. In 2018, we continued to strengthen our production and distribution operations.

New Facility in Houston

- In September, we held the groundbreaking ceremony for our Northpoint facility in Houston, the first Coca-Cola plant to be built in the U.S. in more than 10 years.
- The Northpoint operations will generate close to USD $30 million in annual savings from better costs and operating efficiency.
- The plant will have state-of-the-art technology in terms of efficiency, quality, and sustainability.

- **It will be operational during the first quarter of 2020.**
- **Investment: USD $250 million.**
- **5 production lines.**
- **In-line blow molding.**
- **Almost 100,000 square meters of construction.**

Optimizing the distribution network in Peru

Two new mega-distribution centers were opened, equipped with the most advanced commercial and logistics systems, thus enhancing commercial execution and customer service in the city of Lima.

The Lima Sur Distribution Center started operating in 2018.

- **Investment: USD $50 million**
- **More than 700 jobs.**
- **Serving 12 districts in Lima, with a population of 2.4 million people and 22,000 points of sale.**

600,000

Supply capacity in liters of beverages for the Lima Sur Distribution Center.

NEW INALECSA DISTRIBUTION CENTER STARTED OPERATING IN BABAHOYO, ECUADOR, IMPROVING OUR ABILITY TO SERVE MORE THAN 1,600 CUSTOMERS

Expanding production capacity

Timely attention to the market requires a robust, agile, and efficient production system that is always one step ahead in terms of technology and sustainability.

- New production line in the Zárate Plant, with hot-fill technology, enables us to continue expanding the portfolio of still drinks, particularly the Frugos brand.
- In-line blowing mold project at La Favorita Plant in Guadalajara, Mexico.
- New Mix Bokados line in Ciudad Obregón, Mexico.

Cold platform

- In 2018, we acquired 116,000 additional coolers in our territories to promote immediate consumption of our products.

MEXICO **62,000**
UNITED STATES **12,000**
ARGENTINA **6,500**
ECUADOR **9,300**
PERU **27,000**

116,000 COOLERS ACQUIRED IN 2018

TOPO CHICO MODERNIZED

By incorporating advanced mechatronics and robotics technologies, the new production line at the Topo Chico Plant can now produce 60,000 bottles per hour, making it the fastest production line in Mexico for filling non-returnable glass bottles, all thanks to its electronic content controls and high-quality standards.

Profitability and competitiveness

Founded on solid performance, excellence in commercial execution, maximum operating efficiency, and disciplined financial management, Arca Continental made considerable progress in achieving its goal of doubling sales every 5 years for the fourth consecutive time. We focus our efforts on measurable results that can translate into better service for our customers and a closer relationship with consumers.

COCA-COLA ZERO SUGAR GREW ITS CONSUMER BASE BY 5%.

Mexico Beverages grows

Continually improving our commercial capabilities, dynamic segmentation, specialized service models (RTM 4.0), and capitalizing on market information through data analysis models, in addition to an innovative portfolio, all contributed to promoting the growth of different beverages categories in Mexico.

- Del Valle & Nada's volume grew 2%.
- 7% growth in still drinks, consolidating the diversification strategy and the vision of a total beverages company.
- 14.5% volume growth for Ciel Exprim.
- 32% sales growth for Santa Clara.
- We continue to take firm steps in our returnability strategy; in 2018, 37.6% of the mix were returnable presentations.

We reinforced the scope of the snacks business

- Wise entered the pork rinds category with the acquisition of Carolina Country Snacks, a regionally distributed brand in North Carolina, known for its quality and category leadership, with great growth potential.
- Bokados placed more than 25,000 displays, capturing 24,000 customers and creating 46 new routes.
- Deep River registered double-digit sales growth in 2018.

CCSWB was the only bottler in the U.S. to achieve an 85% distribution volume for Topo Chico, in addition to 95% service availability.

FINANCIAL STRENGTH

- **Standard & Poor´s:**
  - Confirmed the mxAAA ratings for AC and AC Bebidas nationally and maintaining a stable outlook.
  - Confirmed its global rating for Corporación Lindley global raiting at BBB, with a stable outlook.
- **Fitch Ratings:**
  - Confirmed long-term debt in foreign currency rating at A for Arca Continental and AC Bebidas.
  - Confirmed A- rating and raised the outlook from stable to positive for Arca Continental Lindley.
- **Moody´s** changed its outlook for Arca Continental from negative to stable and confirmed its A2 global rating and Ass.mx national rating.

We strengthen our relationship with consumers

Offering experiences that consolidate consumer preferences and their love for our brands is a strategic activity for Arca Continental. In 2018, we capitalized the most relevant events for our consumers and executed more innovative campaigns.

Diet Coke goes viral

Diet Coke relaunched in the U.S., with a new slim can and five surprising flavors, CCSWB executed a sampling campaign with influencers and young people, achieving strong exposure for the brand in media and social networks.

Inca Kola shows its best angles

Our company in Peru positioned Inca Kola and Inca Kola Sin Azúcar as the ideal beverages to accompany Peruvian food, through its "Vivamos como Comemos" campaign, mixing an encouraging message with the pride for the country's gastronomy.

The Monster experience

Our Monster brand took the streets of Ecuador with extreme events and an aggressive coverage with a modern channel-visibility plan.

11.9%

Powerade posted a volume growth in Mexico with promotions linked to the FIFA World Cup.

ARCA CONTINENTAL HOSTED THE FIFA WORLD CUP TROPHY TOUR IN TUCUMÁN, ARGENTINA, AND GUADALAJARA AND MONTERREY, MEXICO.

FIFA World Cup Trophy Tour

Leveraging the momentum of the FIFA World Cup, we launched relevant market positioning initiatives.

MEXICO

- Launched collectible cans with images of the national team players, capturing a growth of 137% for this package.
- Sales volume for family-sized packaging grew 5.8%, driven by the inclusion of commemorative stamps on the label, in collaboration with Panini.

PERU

- Peruvians were excited for the World Cup and their national team returned to the tournament after a 36-year absence.
- We celebrated with three Peru-exclusive collectible designs on 14 strategic SKUs and with a unique campaign, offering more than one million collectible articles.
- Coca-Cola was the most highly recognized brand in Peru in relation to the World Cup.

Sustainable leadership

We incorporated a holistic view of sustainability and social responsibility in every aspect of the company. We take actions to improve our environmental indicators, always ready to go one step ahead in order to benefit our team members, the environment and the comprehensive development of the communities where we operate.

40

Urban gyms installed in Nuevo León, Aguascalientes, Sonora, San Luis Potosí, Chihuahua, and Coahuila.

Individual well-being

Employee safety

We reinforced the standardization of measures in the Arca Continental Comprehensive Management System.

- We updated the model based on identifying and managing risks in order to prevent them.
- CCSWB's Management System for its plants was aligned to the general AC model.
- We standardized and replicated the internal audit processes for Quality, Innocuousness, Environment, and Industrial Safety at all our beverages operations.
- Ecuador continued to be at the forefront in employee benefits.
  - Inalecsa was ranked 6th among the best places to work in Ecuador on the Ekos de Oro ranking.
  - In May, our Guayaquil plant completed two years with no accidents and reached a record 764 days of excellence in safety.

1.5 million

hours of training for 56,000 employees.

Healthy and active lifestyles

As part of the Coca-Cola Mexican Industry, we continue to collaborate with Escuela Sustentable civil association and Coca-Cola Foundation to refurbish public spaces.

- We installed 30 drinking fountains in schools in Aguascalientes, Nuevo León, and Sonora.
- Vive Tu Parque program:
  - We equipped 40 urban gyms in Nuevo León, Aguascalientes, Sonora, San Luis Potosí, Chihuahua, and Coahuila.
  - More than 80 neighborhoods benefited.

125,000

Children benefited with the Schools in Movement program since 2008.

IN MEXICO WE EXPANDED OUR **ESCUELAS EN MOVIMIENTO** PROGRAM STRIVING TO ENCOURAGE PHYSICAL ACTIVITY AND HEALTHY HABITS.

- 6 NEW SCHOOLS IN 2018 BENEFITING MORE THAN 5,000 CHILDREN.
- SINCE THE PROGRAM BEGAN IN 2008, 146 SCHOOLS AND 125,000 CHILDREN HAVE BEEN BENEFITED.

Working in collaboration with the community

Constant collaboration is key to achieving the well-being of all communities where we live and work. Accordingly, the company bases a significant part of its work on community engagement that allows us to establish a relationship with our neighbors and authorities, striving at all times to offer a greater benefit to society.

We strengthen our volunteering programs. In 2018 we had:

+8,700 volunteers

+36,000 worked hours

+4,000 trees planted

+136 public spaced rehabilitated

+35 tons of garbage recollected

+175 lineal kilometers of water cleaning

Social well-being

- Recognition as a socially responsible company.
  - Arca Continental 15 years
  - Arca Continental Lindley 5 years
  - PetStar 4 years
  - Bokados 3 years
- Through several empowerment programs, we offer training for women to encourage their professional and personal growth.
  - ANSPAC, in Mexico and Ecuador, 1,483 women
  - 5by20 Potencia México, 306 women
  - Potenciá tu Negocio in Argentina, 141 women
  - Destapando mi emprendimiento in Peru, 85 women
- We also support female store owners with different programs in the countries where we operate.
  - Siglo XXI in Mexico: 4,766 women
  - Escuela de Desarrollo de Negocios (Business Development School) in Peru: 3,017 women
  - Emprendamos Juntos (Let's Work Together) in Ecuador: 6,578 women
  - Alianza para el Emprendimiento y la Innovación (Partnership for Entrepreurship and Innovation) in Ecuador: 369 women
- Aligned with our commitment to develop the countryside, Tonicorp benefited 3,000 families with its Socially Inclusive Cattle Growing.
- In Argentina, for the second consecutive year, we worked with the Agua Segura (Safe Water) project to provide vulnerable communities with easier access to drinking water, benefiting 175 schools in 2018.

PERCENTAGE OF RECYCLED PET OR BIOPET IN OUR PACKAGING

MEXICO	**30%**
UNITED STATES	**15%**
ARGENTINA	**11%**
ECUADOR	**23%**
PERU	**24%**

ARCA CONTINENTAL'S COMMITMENT TO THE ENVIRONMENT IS BASED ON A PHILOSOPHY THAT REQUIRES MAXIMUM CARE BE GIVEN TO NATURAL RESOURCES WHILE REDUCING OUR ENVIRONMENTAL FOOTPRINT, HOLISTICALLY INCORPORATING THESE EFFICIENCY PRACTICES INTO THE COMPANY'S EFFORTS.

Environmental well-being

- At the consolidated level, we registered a 20% improvement in the market indicator with respect to the 2010 baseline, at 1.65 liters of water per liter of beverage produced.

- We finalized the acquisition of renewable energy from a wind farm to supply all the Mexico Beverages, Bokados, and IPASA facilities. We expect the wind farm to start supplying energy by mid-2020, and our goal is to consume 70% renewable energy in Mexico by the year 2021.

- In Ecuador, we began implementing a tertiary system in the Guayaquil plant for reusing water in Auxiliary Services, and we developed a model for the Rain Maker project in the Tonicorp Plant that will start operating in 2019. Both projects will allow us to reuse a considerable amount of the water we consume, and to reduce the levels of water discharge.

- We continue to return to nature more than 100% of the water we use through reforesting and water harvesting initiatives.

38%

Renewable sources for the energy consumed in Mexico.

Actions for a better future

We maintain our efforts favoring a circular economy with recycling efforts.

Arca Continental continues to be an international benchmark in waste management, led by PetStar, the largest food grade recycling plant in the world, and adding initiatives and programs in which it collaborates with different actors to reach more demanding goals.

IN MEXICO

- 13 production centers in Mexico certified in Zero Waste
- National Quality Award: PetStar

IN ECUADOR

- Tonicorp received the Mucho Mejor (Much Better) certificate for plastic products that come in contact with food, with a AAA score.

In Peru, in collaboration with The Coca-Cola Company, we signed the first voluntary agreement for clean production with the Ministry of the Environment and the Ministry of Production which includes:

- Incorporating recycled materials in the production of new packaging
- Reusing glass bottles
- Promoting recycling for plastic packaging

ARCA CONTINENTAL AND PETSTAR SIGNED THE NEW PLASTICS ECONOMY GLOBAL COMMITMENT WITH THE ELLEN MACARTHUR FOUNDATION AND THE UNITED NATIONS, STRIVING TO:

- Eliminate unnecessary and problematic plastic packaging and transitioning from single-use packaging to reusable packaging models.
- Innovating to ensure that 100% of plastic bottles and packaging can be reused, recycled, or composted in an easy and safe way by the year 2025.
- Circulate all plastic that is produced. Considerably increase the circulation of plastics that have been reused or recycled and turn them into new packaging or products.

In the U.S., in collaboration with the non-governmental organization Keep Texas Beautiful, we put together the Weekend Without Waste during which we had an impact on 100,000 Texans and collected more than 70,000 bottles and cans for recycling.

In Ecuador, we signed agreements with authorities and the National Recyclers Network to generate, through the DAR program, better economic and social conditions for garbage collectors while at the same time strengthening the PET recycling strategy.
- Sustainable shared value strategy.
- Dignified access to recyclable material.
- We plan to extend the program to the rest of the country, benefiting more than 1,500 Ecuadorian families.

95%

Recycled waste in our beverages plants.

5,000

Tons of PET recycled in Argentina. We include up to 20% of recycled content in our packaging.

Board of Directors

MANUEL L. BARRAGÁN MORALES (68) 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 held an executive position at a financial institution for 15 years.

LUIS ARIZPE JIMÉNEZ (56) 1, P
Vice-Chairman of the Board of Directors since 2008. Chairman of the Board of Directors of Grupo Industrial Saltillo and Chairman of the Audit Committee, Chairman of the Board of Directors of Saltillo Kapital, Hotel Camino Real Saltillo, Inversiones del Norte, and Inmobiliaria BIRARMA. Former Chairman of the Mexican Red Cross, Saltillo Delegation, Vice-Chairman of the Board of Trustees of ITESM, Saltillo Campus, member of the Board of the Consejo Cívico de Instituciones de Coahuila. He is also President of the Tithe Committee of the Diocese and former President of the Southeastern Chapter of COPARMEX, Chairman of the Northern Federation of COPARMEX, as well as a member of the Advisory Board at Grupo Financiero Banorte, Northern Region.

JUAN MANUEL BARRAGÁN TREVIÑO (57) 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 (48) 2, 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 in Ecuador, occupying a number of different positions, including as CEO and Corporate Vice-President over the past three years. 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 CORTÉS FONT (77) 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 leading the strategic and financial restructuring of the company as the head of 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 Promas, Arendal, Stiva and Ternium México. He was Director of the American Iron and Steel Institute and President of Canacero, Centro de Productividad de Nuevo León, and Instituto Latinoamericano del Hierro y el Acero. He holds a Bachelor's in Science Degree from the Massachusetts Institute of Technology.

ALEJANDRO M. ELIZONDO BARRAGÁN (65) 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 Indelpro, Polioles, and Axtel.

TOMÁS ALBERTO FERNÁNDEZ GARCÍA (47) 1, C, P
Vice-Chairman of the Board of Directors since 2007 and a member since 2005. CEO of Grupo Mercantil de Chihuahua, S.A. de C.V., SOFOM ENR.

ULRICH GUILLERMO FIEHN RICE (47) 2, A
Member of the Board of Directors since 2011. Chairman of the Board of Alto Espacio Residencial and Grupo Industrial Mazatlán. He held several positions in the Corporate Finances division at CEMEX. He was a financial risk analyst at Vector Casa de Bolsa.

ROBERTO GARZA VELÁZQUEZ (62) 1, P
Member of the Board of Directors since 2010. Shareholder at Industria Carrocera San Roberto, S.A. de C.V., as well as serving on the Board 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.

LUIS LAURO GONZÁLEZ BARRAGÁN (65) 1, P
Member of the Board of Directors since 2001. Chairman of the Board for UNIDOS and Grupo Logístico Intermodal Portuario. He also serves on the Boards of Terra Regia, Berel, CABAL, and of the Universidad de Monterrey. He served as Alternate Director at Procor.

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

ERNESTO LÓPEZ DE NIGRIS (58) 2, C
Member of the Board of Directors since 2001. Member of the Board of Directors of Grupo Industrial Saltillo, where he also served as Vice-Chairman of the Board of Directors and Operations. Additionally, he serves on the Board of Directors of Lorean Energy Group and is a member of the Consulting Board at Teléfonos de México, and regional consultant for Nafinsa and Grupo Financiero Banorte.

MIGUEL ÁNGEL RÁBAGO VITE (63) 1, C, P
Vice-Chairman of the Board of Directors since 2011. Formerly, he was CEO and member of the Board of Directors of Grupo Continental, where he also held other several positions for more than 35 years. He is a Certified Public Accountant and Auditor from the Universidad Autónoma de Tamaulipas.

ALBERTO SÁNCHEZ PALAZUELOS (79) 1
Member of the Board of Directors 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 (44) 1, C, P
Vice-Chairman of the Board of Directors since 2007 and a member since 2001. He is CEO of Grupo SanBarr and a member of the Banregio Grupo Financiero Board. Formerly he served as Chairman of the Board at Arca Continental South America. He has also served as President and Treasurer of the Asociación Mexicana de Engordadores de Ganado Bovino. He also serves as Chairman of the Board of Directors for Integradora de Insumos Pecuarios del Noreste and Grupo Regio Engordas, as well as the Consejo Estatal Agropecuario de Nuevo León. He is also 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.

ARMANDO SOLBES SIMÓN (63) 2, A
Member of the Board of Directors since 2011. Formerly he was 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 del Centro Español de Tampico and Universidad IEST Anáhuac. He is also a member of the Regional Consulting Board of ITESM, Tampico Campus (ESTAC). He was Chairman of the Board and CEO at Central de Divisas Casa de Cambio for 23 years. He held several positions in the finance division of Grupo Cydsa, S.A.B. for eight years, and in external auditing services for Gossler, Navarro, Ceniceros y Cia. for three years.

JESÚS VIEJO GONZÁLEZ (45) 1, P
Member of the Board of Directors since 2007. He is Executive President of Trefilia Capital and Grupo CONVEX. Currently, he serves as Technical Secretary for the Consejo Nuevo León para la Planeación Estratégica and serves on the Boards of the Universidad de Monterrey (UDEM), the John F. Kennedy School of Government, the Center for International Development at Harvard, and Grupo Topaz. 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.

JOAQUÍN MARIO ARIZPE SADA (64) 1, P
Member of the Board of Directors since 2009. Member of the Executive Committee of Fábricas del Carmen, Textile Division. He also serves on the Boards of Desarrollo Rural, A.C. de Saltillo since 1998, Banorte en Saltillo since 2017, and Compañía Hotelera del Norte since 2018. He currently serves as Executive President of Grupo Agropecuario Arda.

JOHNNY ROBINSON LINDLEY SUÁREZ (44) 1
Member of the Board of Directors since 2018. He served as CEO for Corporación Lindley from 2007 to 2014 and has served as Chairman of the Board for the company since 2013. He serves as Chairman of the Board of Directors for Lindcorp since 2015. He holds a Degree in Business Administration, specializing in Marketing, from Bentley College. He also graduated from the OPM program at Harvard Business School in 2016.

DANIEL H. SAYRE (62) 2
Member of the Board of Directors since 2018. He formerly served as President for the Western Europe and Japan divisions at The Coca-Cola Company, and held several leadership positions at the Latin Center, Andean, and Mexico divisions. He served on the Board of Directors of Grupo Continental from 2003 to 2006, and of Coca-Cola East Japan from 2012 to 2017. He holds a Degree in Economics from Rice University and an MBA from the Kellogg School of Management.

LEGENDS
1. Patrimonial
2. Independent

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

Senior Management

ARTURO GUTIÉRREZ HERNÁNDEZ (53)
Chief Executive Officer since January 1st 2019. Formerly he served as Deputy Chief Executive Officer. He has held several company positions for 18 years, including Chief Operating Officer, 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 the Escuela Libre de Derecho and a Master's Degree in Law from Harvard University.

GUILLERMO APONTE GONZÁLEZ (53)
Executive Director Food and Snacks. Formerly he served as CEO for Arca Continental South America. He worked for The Coca-Cola Company for more than 25 years in the Asia and Latin America divisions, where he held the position of Chairman and CEO of Coca-Cola in the Philippines, and General Manager for the Mexico Southern and Northern Regions, and General Manager for 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.

JOSÉ BORDA NORIEGA (50)
Chief Commercial and Digital Officer. He held the position of General Manager for Corporación Lindley since 2015. Before that, we was General Manager for Coca-Cola Central America and Chief Operating Officer for Sparkling Beverages at Coca-Cola de México. He holds a degree in Industrial Engineering from the Pontificia Universidad Católica del Perú and an MBA from J.L. Kellogg School of Management.

JESÚS EDUARDO GARCÍA CHAPA (46)
Executive Director Venture Capital. He formerly held the positions of Deputy Financial Officer for Farmacias del Ahorro. He has ample experience in Mexico and abroad in areas such as logistics, finances, management, strategic planning, and IT. He holds a degree in Mechanical Engineering from ITESM, and a Master's degree in Industrial Engineering and Management from Stanford University.

GUILLERMO GARZA MARTÍNEZ (51)
Chief Public Affairs and Communications Officer. Communications and Sustainability. Formerly held the position of 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 executive education from Boston College and IPADE.

ALEJANDRO GONZÁLEZ QUIROGA (57)
Executive Director Latin America Beverages. He serves as CEO for AC Mexico Beverages and 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 in Mexico. He holds a Degree in Business Administration from the Universidad Regiomontana and post-graduate certificates in Top Management from ITESM and IPADE.

EMILIO MARCOS CHARUR (55)
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.

GABRIEL MENESES JONES (45)
Chief Human Resources Officer. He worked for The Coca-Cola Company for 17 years, holding several leadership positions in Human Resources for Asia Pacific, Europe, North America, Mexico, Central America, and the Caribbean. He holds a Degree in Business Administration from ITESM, and post-graduate studies in Human Resources from the London Business School.

ALEJANDRO MOLINA SÁNCHEZ (51)
Chief Technical and Supply Chain Officer. He is a member of the Activation Committee at the Global Supply Chain Board for the Coca-Cola System, for which he formerly served as President. He worked for Coca-Cola de México 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 RODRÍGUEZ SÁENZ (56)
Chief Strategic Planning Officer. He formerly held the positions of Executive Director for Complementary Businesses, Director for Bokados, and General Manager for Topo Chico. He currently serves on the Boards of Andamios Atlas S.A. and Tonicorp. He has held several management positions at Alfa. 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 SÁNCHEZ FERNÁNDEZ (48)
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 also worked independently. He holds a degree in Law from the Universidad de Monterrey and a Master's Degree in Law from the University of Michigan.

MARK SCHORTMAN (62)
President & CEO CCSWB. He formerly held several key positions within the Coca-Cola System in North America and Europe. He is Chairman of the Board of 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 holds a Degree in Business Administration by the Universidad de Cal Poly and an MBA by St. Mary's College.

Consolidated Financial Statements

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

AT DECEMBER 31, 2018 AND 2017

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Management's Discussion and Analysis of Financial Results

NET SALES

In 2018, net sales increased 14% compared to last year, reaching Ps. 158,953 million. Excluding exchange rate effects and the beverage U.S. operations, the growth would be 6.2%.

Total Volume reached 2,005 MUC (excluding jug water). The positive performance of the categories was mainly driven by three months' worth of additional results for the Texas territories, and eight months additional in the Oklahoma territories; these were acquired in April and August 2017, respectively. It is worth highlighting that the categories that experienced the highest growth were single-serve water 10.7% and stills 15.6%. Mexico reached 1,022 MUC, excluding jug water, a 2.2% increase compared to 2017. We continue to innovate and invest in point-of-sales execution in order to maintain a positive trend in our main market. For the U.S. operations, these reached 443 MUC during the full year 2018 as part of Arca Continental.

In South America, volume was down 2.2% to 540 MUC, excluding jug water. This result was mainly due to a 6% decline in Peruvian volume, as a result of a tax increase in sugared beverages that took place in May 2018.

COST OF SALES

In 2018, cost of sales increased 16.5%, mainly due to an increase in raw materials prices for packaging products, such as PET resin and (particularly in the U.S.) in aluminum. As a result, gross profit reached Ps. 69,241 million, up 10.9%, to reach a gross margin of 43.6%.

OPERATING EXPENSES

Selling and administrative expenses increased 15.2% to Ps. 50,812 million; mainly due to increases in personnel expenses, depreciation and professional fees (see Note 22).

OPERATING INCOME AND EBITDA

Consolidated operating income decreased 17.1% versus 2017 to Ps. 18,571 million, representing an operating margin of 11.7%, as a result of the extraordinary income in 2017 from the Topo Chico brand rights transfer in the U.S.

Consolidated EBITDA increased 5.7%, from Ps. 25,993 million to Ps. 27,466 million in 2018, representing a margin of 17.6%. In Mexico, EBITDA grew 16.3% with a 23.8% margin. In the U.S. EBITDA grew 28.9% mainly driven by three months' worth of additional results for the Texas territories, and eight months additional in the Oklahoma territories, respectively, compared to 2017. In South America, the EBITDA decreased 4.7%, mainly due to the depreciation of the Argentinian peso.

COMPREHENSIVE FINANCING RESULTS

The comprehensive financing result in 2018 rose 62.1% to Ps. 4,113 million, mainly due to an exchange rate loss during the year compared to a gain in 2017 and the increase of bank debt related to the U.S. bonds issuance partially offset by the positive effect in cash positions of hyperinflation recognition in Argentina (see Note 25).

INCOME TAXES

Income taxes reached Ps. 3,860 million from Ps. 3,259 million in 2017. The effective tax rate for 2018 was 26.3%.

MAJORITY NET INCOME

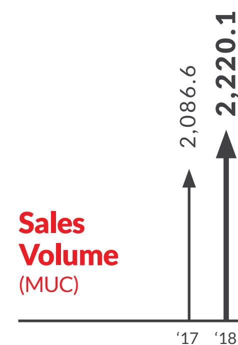
In 2018, majority net income decreased 33.5% to Ps. 8,702 million or Ps. 4.93 per share, with a net margin of 5.6%. This was explained by the additional income from the Topo Chico brand rights transfer in 2017 and by the positive effect of the tax rate change in the U.S. with an extraordinary positive impact in 2017.

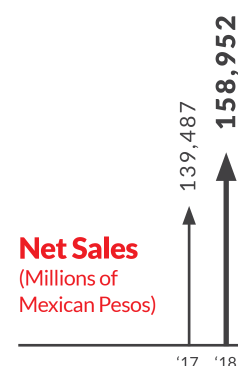
CASH POSITION AND NET DEBT

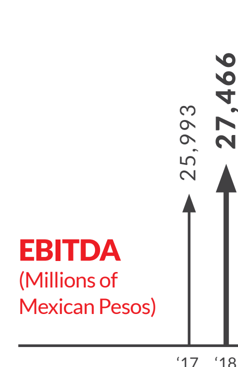
In 2018, the company registered a cash balance of Ps. 15,941 million and debt of Ps. 55,827 million, resulting in a net debt position of Ps. 39,886 million. The Net Debt/ EBITDA ratio was 1.45x.

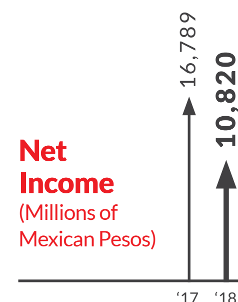
CAPEX

CAPEX reached Ps. 11,061 million in 2018, mainly allocated towards investments in distribution and production capabilities and the point-of-sale execution innovation, focused in meeting the needs of our customers and consumers. The company also continues to invest in the U.S. synergy plan in order to reach its U.S.$ 90 million objective for the end of year 2020.









Consolidated Balance Sheets

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

31 DE DICIEMBRE DE	2018	2017 (1)	2016	2015 (1)	2014
ASSETS					
Current assets:					
Cash and cash equivalents	**15,941**	23,842	5,546	8,295	9,039
Clients and other accounts receivable, net, include related parties	**13,438**	11,428	6,586	6,772	4,312
Inventories and advance payments	**8,185**	8,428	5,464	4,705	3,102
Derivative instruments	**4**	83	53	23	0
Total current assets	**37,568**	43,781	17,650	19,795	16,453
Investment in shares of associates	**6,970**	6,770	5,211	4,491	3,926
Property, plant and equipment, net	**74,079**	71,664	49,233	42,913	25,321
Goodwill and intangible assets, net	**117,090**	116,406	65,110	56,321	33,605
Deferred Income Taxes	**1,124**	933	1,246	865	1,022
Derivative instruments	**98**	165	125	550	0
Other accounts receivable	**950**	566	349	0	0
Total assets	**237,879**	**240,285**	**138,924**	**124,934**	**80,327**
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Suppliers, include related parties	**10,024**	8,311	6,514	5,394	2,952
Derivative instruments	**111**	5	1	118	0
Current portion of long-term debt	**2,672**	1,785	4,368	6,998	1,699
Other accounts payable and taxes	**11,020**	13,216	7,477	6,575	5,937
Total current liabilities	**23,827**	23,318	18,359	19,084	10,588
Current debt	**53,155**	53,338	26,816	32,916	14,078
Derivative instruments	**6**	444	11	0	0
Employee benefits	**3,122**	2,724	2,198	1,767	1,225
Other deferred liabilities, include related parties	**757**	939	464	491	108
Deferred income tax	**17,483**	17,945	10,755	9,043	4,944
Total liabilities	**98,350**	**98,708**	**58,603**	**63,302**	**30,943**
STOCKHOLDERS' EQUITY:					
Capital stock	**982**	982	978	972	972
Share premium	**45,115**	45,121	38,674	28,141	28,121
Retained earnings	**63,053**	60,524	27,911	22,942	18,508
Other reserves	**2,652**	3,847	3,862	-1,011	-1,536
Total stockholders' equity (controlling interest)	**111,802**	**110,474**	**71,425**	**51,044**	**46,064**
Non-controlling interest	**27,727**	31,103	8,896	10,588	3,320
Total liabilities and stockholders' equity	**237,879**	**240,285**	**138,924**	**124,934**	**80,327**

(1) Revised to include fair value adjusments due to bussiness combination in 2017.

Arturo Gutiérrez Hernández
CHIEF EXECUTIVE OFFICER

Emilio Marcos Charur
CHIEF FINANCIAL OFFICER

Consolidated Statements of Income

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

DECEMBER 31,	2018 (1)	2017 (1)	2016 (1)	2015 (1)	2014 (1)
Sales volume excluding jug (MUC)	**2,004.8**	1,874.8	1,534.1	1,290.2	1,152.9
Net sales	**155,653**	137,156	93,666	76,454	61,957
NPSG income	**3,299**	2,331			
Cost of sales	**-89,712**	-77,025	-49,654	-39,363	-31,569
Gross income	**69,240**	62,462	44,012	37,090	30,388
Selling expenses	**-42,531**	-36,825	-24,143	-20,218	-16,193
Administrative expenses	**-8,281**	-7,302	-5,095	-4,281	-3,631
Other (expense) income, net (2)	**1,096**	1,006	671	579	425
Non-recurring expenses (3)	**-954**	3,065	855	-417	-216
Operating income	**18,570**	22,407	16,300	12,754	10,774
Comprehensive financing income (cost):					
Interest (expense) income, net	**-3,672**	-3,036	-2,137	-1,041	-943
Exchange (loss) gain, net	**-683**	500	-329	-777	-31
Monetary position (loss) gain, net	**242**				
	-4,113	-2,536	-2,466	-1,818	-974
Equity in income (loss) of associated companies	**223**	178	165	157	54
Income before taxes	**14,680**	20,048	13,999	11,093	9,854
Income tax	**-3,860**	-3,259	-4,288	-3,434	-3,089
Consolidated net income	**10,820**	16,789	9,711	7,659	6,765
Non-controlling Interest	**-2,118**	-3,699	-677	-413	-260
Controlling Interest	**8,702**	13,090	9,034	7,246	6,505
Weighted average of outstanding shares (thousands of shares)	**1,764,283**	1,764,283	1,678,753	1,611,264	1,611,264
Depreciation and Amortization	**7,942**	6,651	4,646	3,536	2,655
EBITDA (excludes non-recurring expenses)	**27,466**	**25,993**	**20,092**	**16,707**	**13,644**
	17.6%	19.0%	21.5%	21.9%	22.0%
CAPEX	**11,061**	10,880	7,379	5,728	4,032

(1) Figures presented prepared in accordance with International Financial Reporting Standards ("IFRS")
(2) Include the equity income from strategic associated companies
(3) Non-recurring expenses that the administration considers at the operational level

Arturo Gutiérrez Hernández
CHIEF EXECUTIVE OFFICER

Emilio Marcos Charur
CHIEF FINANCIAL OFFICER

Management's Responsability for the Financial Statements

Management is responsible for preparing the nancial statements and all the nancial information contained in this Report. This responsibility includes maintaining the integrity and objectivity of nancial records, as well as preparing the nancial 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 quali ed personnel, documented policies and procedures, and a team of internal auditors who apply rigorous auditing programs to all the company's operations.

The nancial statements were audited by PricewaterhouseCoopers, S.C. a rm 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 nancial control of operations and the preparation of nancial statements.

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

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

Arturo Gutiérrez Hernández
CHIEF EXECUTIVE OFFICER

Emilio Marcos Charur
CHIEF FINANCIAL OFFICER

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, 2018, 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, 2018, 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 thousands of Mexican pesos (Ps), unless otherwise specified.

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 consolidated 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, bottler's agreements and brands with book values at December 31, 2018 of Ps56,305,640, Ps52,124,584 and $4,183,037, 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: market multiples in case of sale, the revenue growth rates (price and volume), 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 2019 - 2023. For each CGU, we compared the actual results for the four 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 of all CGUs except for Beverages Ecuador and Toni, is commonly used and accepted in the market for similar assets. 2 Assessed that given the economic situation in Ecuador it is commonly accepted to change and use the market approach of implied multiples of comparative Companies to determine the recoveryt value (fair value less disposal costs) of the CGUs Beverages Ecuador and Toni in this year. 3 Compared the following assumptions with industry comparable obtained from databases taken from recognized sources of information: market multiples in case of sale, revenue growth rates, operating margin, CAPEX, long-term growth rate and discount rate. 4 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. 5 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, considering the aforementioned. 6 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 presented 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 NBSC, 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. Humberto Pacheco Soria
Audit Partner

Monterrey, N. L., March 13, 2019

Consolidated Statements of Financial Position

At December 31, 2018 and 2017
(thousands of Mexican pesos)

	NOTE	December 31, 2018	2017(1)
ASSETS			
CURRENT:			
Cash and cash equivalents	7	**$ 15,940,867**	$ 23,841,697
Clients and other accounts receivable, net	8 (a)	**13,031,960**	11,318,390
Contract assets	8 (b)	**106,359**	-
Related parties	29	**299,622**	110,975
Inventories	9	**7,798,035**	7,717,934
Derivative financial instruments	21	**4,171**	82,829
Prepayments	8	**386,551**	709,556
Total current assets		**37,567,565**	**43,781,381**
NON-CURRENT:			
Investment in shares of associates	10	**6,969,589**	6,769,478
Property, plant and equipment, net	11	**74,078,610**	71,940,138
Goodwill and intangible assets, net	12	**117,090,108**	115,942,786
Deferred income taxes	18	**1,124,462**	1,119,641
Derivative financial instruments	21	**98,414**	165,045
Contract assets	8 (b)	**62,951**	-
Other accounts receivable	8 (d)	**887,771**	566,043
Total non-current assets		**200,311,905**	**196,503,131**
TOTAL ASSETS		**$ 237,879,470**	**$ 240,284,512**
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
CURRENT:			
Current debt	13	**$ 2,671,954**	$ 1,785,229
Factoring	14	**811,501**	1,053,228
Suppliers	15	**7,834,066**	7,381,278
Contract liabilities	8 (b)	**83,224**	-
Related parties	29	**2,190,486**	929,950
Derivative financial instruments	21	**110,759**	4,718
Income taxes payable	26	**269,479**	3,154,204
Deferred income tax for deconsolidation	26	**-**	35,446
Other current liabilities	16	**9,855,772**	8,973,558
Total current liabilities		**23,827,241**	**23,317,611**
NON-CURRENT:			
Non-current debt	13	**53,154,854**	53,337,569
Related parties	29	**-**	150,014
Employee benefits	17	**3,121,657**	2,724,595
Derivative financial instruments	21	**6,034**	443,789
Deferred income taxes	18	**17,483,400**	17,945,224
Other non-current liabilities	16	**756,768**	789,423
Total non-current liabilities		**74,522,713**	**75,390,614**
TOTAL LIABILITIES		**98,349,954**	**98,708,225**
STOCKHOLDERS' EQUITY:			
Controlling interest:			
Capital stock	19	**981,959**	981,959
Share premium		**45,114,583**	45,120,404
Retained earnings		**63,053,562**	60,523,740
Other comprehensive income	20	**2,652,069**	3,846,935
Total controlling interest		**111,802,173**	110,473,038
Non-controlling interest		**27,727,343**	31,103,249
TOTAL STOCKHOLDERS' EQUITY		**139,529,516**	**141,576,287**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**$ 237,879,470**	**$ 240,284,512**

(1) Revised to incorporate reclassifications arising from the 2017 business combination, see Note 2.

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Arturo Gutiérrez Hernández
CHIEF EXECUTIVE OFFICER

Emilio Marcos Charur
CHIEF FINANCIAL OFFICER

Consolidated Statements of Income

For the years ended December 31, 2018 and 2017
(thousands of Mexican pesos)

		Year ended December 31,			
	NOTE		2018		2017
Net sales	6	$	**155,653,079**	$	137,155,823
Income related to NPSG	6 and 29		**3,299,438**		2,330,679
Cost of sales	22		**(89,711,924)**		(77,025,031)
Gross profit			**69,240,593**		62,461,471
Operating expenses					
Selling expenses	22		**(42,531,282)**		(36,825,043)
Administrative expenses	22		**(8,281,347)**		(7,301,661)
Share of net income of strategic associates	10		**71,995**		25,784
Other income, net	23		**70,826**		4,045,718
Operating profit			**18,570,785**		22,406,269
Financial income	25		**3,616,932**		3,894,681
Financial expenses	25		**(7,730,118)**		(6,431,533)
Financial costs, net			**(4,113,186)**		(2,536,852)
Share of net income of associates	10		**223,198**		178,448
Profit before income tax			**14,680,797**		20,047,865
Income taxes	26		**(3,859,823)**		(3,259,248)
Net consolidated profit		**$**	**10,820,974**	**$**	**16,788,617**
Net consolidated profit attributable to:					
Controlling interest		$	**8,702,902**	$	13,090,185
Non-controlling interest			**2,118,072**		3,698,432
		$	**10,820,974**	**$**	**16,788,617**
Basic earnings per share, in pesos		**$**	**4.93**	**$**	**7.42**
Diluted earnings per share, in pesos	30 i.	**$**	**4.93**	**$**	**7.42**
Weighted average of outstanding shares (thousands)			**1,764,283**		**1,764,283**

The above consolidated statement of income should be read in conjunction with the accompanying notes.

Arturo Gutiérrez Hernández
CHIEF EXECUTIVE OFFICER

Emilio Marcos Charur
CHIEF FINANCIAL OFFICER

Consolidated Statements Of Comprehensive Income

For the years ended December 31, 2018 and 2017
(thousands of Mexican pesos)

	NOTE	Year ended December 31, 2018		2017	
Net consolidated profit		**$**	**10,820,974**	$	16,788,617
Other consolidated comprehensive income items, net of tax:					
Items that will not be reclassified to profit or loss:					
Re-measurement of defined benefit liability, net	20		**(90,601)**		(380,980)
Equity in other comprehensive income of associated companies accounted for using equity method, net	20		**(280,527)**		(4,771)
			(371,128)		(385,751)
Items that may be reclassified to profit or loss:					
Effect of derivative financial instruments designated as cash flow hedges, net	20		**(40,582)**		(243,725)
Effect of translation of foreign entities	20		**(1,385,725)**		1,067,564
			(1,426,307)		823,839
Total other comprehensive income for the year			**(1,797,435)**		438,088
Total consolidated comprehensive income		**$**	**9,023,539**	**$**	**17,226,705**
Attributable to:					
Controlling interest		**$**	**7,508,036**	$	13,074,752
Non-controlling interest			**1,515,503**		4,151,953
Total consolidated comprehensive income		**$**	**9,023,539**	**$**	**17,226,705**

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Arturo Gutiérrez Hernández
CHIEF EXECUTIVE OFFICER

Emilio Marcos Charur
CHIEF FINANCIAL OFFICER

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2018 and 2017
(thousands of Mexican pesos)

		Controlling interest	
	NOTE	CAPITAL STOCK	PREMIUM ON ISSUANCE OF SHARES
Balances at January 1, 2017		$ 977,956	$ 38,673,544
Transactions with stockholders:			
Dividends declared in cash on April 27, 2017	19	-	-
Repurchase of own shares	3x.	-	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	-	-
Total consolidated comprehensive income		-	-
Balances at December 31, 2017		981,959	45,120,404
Changes in accounting policies from adoption of IFRS-9	31	-	-
Effect of hyperinflation in Argentina	3d.	-	-
		-	-
Transactions with stockholders:			
Dividends declared in cash on April 26, 2018	19	-	-
Dividends to non-controlling interest		-	-
Repurchase of own shares	3x.	-	(5,821)
Transfer of Ecuador branch to AC Bebidas	2a.	-	-
Non-controlling interest acquired in subsidiaries	2b.	-	-
		-	(5,821)
Net profit		-	-
Total other comprehensive income for the year	20	-	-
Total consolidated comprehensive income		-	-
Balances at December 31, 2018		**$ 981,959**	**$ 45,114,583**

The above consolidated statement of changes in stockholders' equity should be read in conjunction with the accompanying notes.

RETAINED EARNINGS	OTHER ACCUMULATED COMPREHENSIVE INCOME	TOTAL CONTROLLING INTEREST	NON- CONTROLLING INTEREST	TOTALSTOCKHOLDERS' EQUITY
$ 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
(88,168)	-	(88,168)	-	(88,168)
2,399,030	-	2,399,030	599,416	2,998,446
2,310,862	-	2,310,862	599,416	2,910,278
(3,881,423)	-	(3,881,423)	-	(3,881,423)
-	-	-	(67,000)	(67,000)
(403,468)	-	(409,289)	-	(409,289)
(1,272,588)	-	(1,272,588)	1,272,588	-
(2,926,463)	-	(2,926,463)	(6,696,413)	(9,622,876)
(8,483,942)	-	(8,489,763)	(5,490,825)	(13,980,588)
8,702,902	-	8,702,902	2,118,072	10,820,974
-	(1,194,866)	(1,194,866)	(602,569)	(1,797,435)
8,702,902	(1,194,866)	7,508,036	1,515,503	9,023,539
$ 63,053,562	**$ 2,652,069**	**$ 111,802,173**	**$ 27,727,343**	**$ 139,529,516**

Arturo Gutiérrez Hernández
CHIEF EXECUTIVE OFFICER

Emilio Marcos Charur
CHIEF FINANCIAL OFFICER

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017
(thousands of Mexican pesos)

	NOTE		December 31, 2018		2017
Profit before income tax		$	**14,680,797**	$	20,047,865
Adjustments arising from:					
Depreciation and amortization	22		**7,942,443**		6,651,320
Disposals of property, plant and equipment	11		**570,740**		559,306
Profit on sale of brand	23		**-**		(3,733,281)
Impairment of clients	22		**(74,130)**		120,745
Profit on disposal on property, plant and equipment	23		**(43,017)**		(175,855)
Costs related to employee benefits	17		**453,511**		396,330
Participation in the profits of strategic associates	10		**(295,193)**		(204,232)
Financial results, net	25		**3,965,211**		2,434,957
			27,200,362		26,097,155
Changes in working capital:					
Clients and other accounts receivable, net			**(2,144,971)**		(1,678,292)
Inventories			**(562,618)**		(442,207)
Suppliers, related parties			**2,267,931**		(1,890,606)
Derivative financial instruments			**(186,425)**		242,117
Employee benefits			**254,369**		246,378
Other liabilities			**392,485**		(769,490)
			20,771		(4,292,100)
Income taxes paid			**(6,607,234)**		(3,573,794)
Net cash flows generated from operating activities			**20,613,899**		18,231,261
Investing activities					
Acquisitions of property, plant and equipment	11		**(11,061,379)**		(10,879,820)
Disposal of property, plant and equipment	11		**187,615**		505,052
Purchase of intangible assets	12		**(362,509)**		(1,353,802)
Purchase of shares of associates	10		**(54,947)**		(1,058,927)
Dividends from associates	10		**25,091**		26,799
Interest collected and other financial income	25		**834,658**		786,567
Proceeds from sale of brand	23		**-**		3,733,281
Business acquisition, net of cash received from that operation	2		**(51,046)**		(2,915,249)
Net cash outflows used in investment activities			**(10,482,517)**		(11,156,099)
Financing activities					
Current and non-current debt obtained	13		**5,525,158**		54,193,008
Payment of current and non-current debt	13		**(4,263,532)**		(41,794,402)
Factoring	14		**(241,727)**		(486,403)
Interest paid and other financial expense	25		**(4,256,729)**		(3,572,747)
Sale (purchase) of own shares	3.x		**(409,289)**		137,090
Dividends paid to non-controlling interest			**(67,000)**		-
Cash received in transfer of non-controlling interest in business acquisition	2		**-**		6,547,765
Acquisition of non-controlling interest	30		**(9,622,876)**		(937)
Dividends paid to controlling interest	19		**(3,881,423)**		(3,528,566)
Net cash (outflow) provided by financing activities			**(17,217,418)**		11,494,808
Net (decrease) increase in cash and cash equivalents			**(7,086,036)**		18,569,970
Effects of exchange rate changes on cash and cash equivalents			**(814,794)**		(274,493)
Cash and cash equivalents at beginning of year			**23,841,697**		5,546,220
Cash and cash equivalents at end of year		$	**15,940,867**	$	23,841,697
Investment operations not requiring cash flows:					
Business combination with CCSWB not requiring cash flows	**2**	**$**	**-**	**$**	**35,124,000**
Acquisition of non-controlling interest in Arca Argentina	**19**	**$**	**-**	**$**	**905,664**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Arturo Gutiérrez Hernández
CHIEF EXECUTIVE OFFICER

Emilio Marcos Charur
CHIEF FINANCIAL OFFICER

Notes to the Consolidated Financial Statements

At December 31, 2018 and 2017
(Figures expressed in thousands of Mexican pesos, unless otherwise specified)

NOTE 1 - THE ENTITY AND ITS 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 from The Coca-Cola Company (TCCC). AC shares are registered at the National Securities Registry of the National Banking and Securities Commission (NBSC) and are quoted on the Mexican Stock Exchange.

According to the bottler's agreement signed between AC and the bottler authorization granted by TCCC 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 of the United States (US) (see Note 2 below). The Company's portfolio of beverages includes cola and flavored soft drinks, purified and flavored water, and other carbonated and non-carbonated beverages in sundry presentations (see Note 28).

Also, 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 snacks through its brands Bokados, Wise, Deep River brands and other brands used by its 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), Vending del Ecuador, S. A., Wise Foods, Inc. (Wise Foods) and Old Lyme Gourmet, Co. (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, in 2017, 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 soft drinks business, additionally, effective as from October 2018, AC transferred the net assets of its branch in Ecuador to AC Bebidas. These transfers were conducted at the book value of these entities, as shown in AC's consolidated financial statements and because it is a transaction within the group, it had no impact at the consolidated level.

In 2017, upon AC's transferring its 20.14% interest in AC Bebidas, the effects described in Note 2 were recognized. Moreover, with the transfer of its Ecuador branch's net assets and liabilities in 2018, AC's interest in AC Bebidas reached 80%.

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., currently AC Bebidas Argentina, S. R. L. de C. V. (See Note 19).

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.

The symbol "$" in the following notes to the consolidated financial statements refers to thousands of Mexican pesos. The acronym "US" refers to thousands of US dollars, unless otherwise indicated.

NOTE 2 - BUSINESS COMBINATIONS:

2018

A. ECUADOR BRANCH CONTRIBUTION

On October 15, 2018, AC contributed to AC Bebidas, the Ecuador branch's assets and liabilities in exchange for increasing the interest in the subsidiary by 0.14%. This transaction was conducted within the framework of the Transaction Agreement mentioned below.

For accounting purposes, the transfer of the net AC Bebidas assets was considered a business combination of entities under common control, and therefore the net assets transferred were accounted for by AC Bebidas at values at the Arca Continental consolidated level (predecessor accounting) as from the date on which the transfers were made, not including comparative

figures, based on Company accounting policies. Under this treatment, there was no difference between the historical book value of the net assets acquired of $349,216 and the contribution value, determined on the basis of the tax cost thereof. As a consequence of the predecessor's accounting, the Ecuador branch's $6,362,940 goodwill recognized by AC was transferred to AC Bebidas and no additional goodwill was recognized in connection with this transaction.

With this contribution, AC's interest in AC Bebidas is 80%, with Coca-Cola Refreshments USA, Inc. (CCR) holding the remaining 20%. At December 31, 2017, AC held 79.86% of the AC Bebidas capital stock, with the remaining 20.14% held by CCR.

B. ACQUISITION OF CORPORACIÓN LINDLEY'S MINORITY INTEREST

On September 26, 2018, AC Bebidas entered into an agreement for the purchase of shares with Peru Beverage Limitada S. R. L. (Peru Beverage Limitada), a subsidiary of The Coca Cola Company, through which it acquired 223,774,704 common shares of Corporación Lindley S.A. (CL) with full voting rights and representing 38.52% of the common shares not listed at the Public Registry of the Securities Market of the Securities Market Superintendence of Peru. As a result of said purchase of shares, AC Bebidas currently holds 99.78% of CL voting shares.

As the sole and total price for the purchase of said shares, AC Bebidas paid Peru Beverages Limited the amount of $9,622,876 (US$506.8 million) in cash, equivalent to US$2.26 dollars per share. The difference between the book value of the minority interest acquired and the amount paid is shown under stockholders' equity in the retained earnings.

At December 31, 2017, there were 355,903,118 common shares issued by CL and 15,801,752 investment shares. 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 December 31, 2018 and 2017 is 72.96% and 56.93%, respectively.

C. ACQUISITION OF THE 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 revised price of $3,636,197 (US$206,300) in cash.

Great Plains operates as a Coca-Cola bottler and distributor in the state of Oklahoma, Oklahoma City and Tulsa being the most important cities.

The valuation method used in that acquisition was the purchase method and at December 31, 2017, the Company was in the process of determining distribution of the purchase price at the fair value of the assets and liabilities acquired from Great Plains, as it is reviewing valuations made by independent experts and was consequently in the process of determining goodwill. Said analysis was concluded within the twelve-month period from the date of acquisition, in accordance with the corresponding accounting standard.

The following chart provides a summary of the consideration paid by AC at the acquisition date and the comparison between the preliminary fair values and the ending fair values of the assets and liabilities acquired.

	PRELIMINARY VALUES DETERMINED	FAIR VALUE ADJUSTMENTS	FINAL VALUES
Cash	$ 68,336	$ -	$ 68,336
Accounts receivable, net (1)	491,371	-	491,371
Inventories	203,274	-	203,274
Other current assets	45,875	-	45,875
Property, plant and equipment	1,022,873	275,757	1,298,630
Bottling agreement	-	1,374,398	1,374,398
Deferred taxes	-	334,789	334,789
Other assets	4,092	-	4,092
Suppliers and accounts payable	(159,862)	-	(159,862)
Other accounts payable (2)	(59,947)	-	(59,947)
Net assets acquired	1,616,012	1,984,944	3,600,956
Goodwill	2,182,489	(2,147,248)	35,241
Total consideration paid	**$ 3,798,501**	**($ 162,304)**	**$ 3,636,197**

(1) The contractual amount for accounts receivable is $491,371, which is not expected to be fully recovered.
(2) To date, no contingent liability has arisen from this acquisition that should be recorded.

The adjustment between the preliminary and ending fair values gave rise to an adjustment in the value of the consideration paid of $162,304, which represented a reimbursement in 2018.

Expenses related to this transaction were recorded in the "Other expenses, net" line item at December 31, 2017, 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 to December 31, 2017 was $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.

This acquisition was completed at a final price of $1,252,398 (US$60,686) and in 2018 and within the period allowed under the accounting standard, 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 Deep River, which was under analysis and had a preliminary status at December 31, 2017. Following is a summary of the consideration paid by AC and the final determination of the fair value at the acquisition date:

Net assets acquired	$	67,607
Intangible assets		386,490
Goodwill		946,268
Defered taxes		(147,967)
Total consideration paid	**$**	**1,252,398**

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

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 CCR, signed a Transaction Agreement (the Agreement), which is governed by US law and establishes the following:

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, Ecuador 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: (i) exclusive right to bottle, distribute and sell TCCC beverages in the Southwestern US composed of Texas and a portion of Oklahoma, New Mexico and Arkansas (the Territory), (ii) ownership of different assets related to operations in the Southwestern US, and (iii) certain liabilities related to operations in the Southwestern US, in exchange for an interest in the AC Bebidas capital stock.
3. On November 30, 2017, AC transferred its interest in the capital stock of other subsidiaries and associates in exchange for an additional interest in the capital stock of AC Bebidas.

B. ACQUISITION OF CCSWB AND SUBSIDIARIES

In order to continue with the AC's growth strategy in US territories and achieve synergies arising from AC operating performance, on April 1, 2017, CCR contributed to AC Bebidas 100% of the capital stock of CCSWB, and as from that date, AC Bebidas holds the equity units and net assets for operation of the CCSWB business in the Territory, as well as all voting rights. The assets acquired include all those pertaining to the TCCC beverage business within the Territory, among others: (i) nine plants and other property involved in the production, bottling, distribution, promotion and marketing of beverages; (ii) refrigerators, vending machines, quality control lab equipment, production lines, office furniture, computers, vehicles, tools, machinery in general and all the working capital related to production, bottling, distribution, promotion and marketing of said beverages; (iii) the rights arising from contracts, licenses and administrative permits pertaining to the production, bottling, distribution, promotion and marketing of beverages; (iv) licenses and authorizations for the use of the brand names of said beverages; (v) insurance policies covering fixed assets and other insurance policies and bonds pertaining to the operation of same; and (vi) cash on hand.

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

The business acquisition was recognized in these financial statements by the purchase method established in International Financial Reporting Standard 3 (IFRS 3). That acquisition is included in the US segment, see Note 6.

The acquisition was recorded by distributing total assets acquired, including intangible assets and assumed liabilities, based on fair values determined at the date of acquisition. The surplus of acquisition cost over net fair value of the assets acquired and liabilities assumed has been recorded under goodwill.

The total consideration transferred by AC Bebidas, consisting of 100% of CCSWB capital, was determined to be 20.14% of AC Bebidas capital stock in the amount of $47,421 million. AC Bebidas issued Series B equity participation unit certificates, with a par value fo $10,289 million and an issuance premium of $37,132 million. The fair value of the certificate issued by AC Bebidas to CCR was determined based on the average market value AC shares on the Mexican Stock Exchange in effect in the 30 days preceding announcement of the signature of the Framework Agreement which determined the capitalization value adjusted to the AC Bebidas business.

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.

The following table summarizes the consideration paid 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
Customers 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)		(3,410)
Deferred income taxes		(11,909)
Other non-current liabilities		(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 paid	**$**	**38,895**

(1) The contractual amount of the accounts receivable is $3,422 million, of which $40 million are expected to be unrecoverable.
(2) Intangible assets consist mainly of software.
(3) No contingent liability has arisen from this acquisition that should be recorded.
(4) Goodwill is attributed to the labor force acquired as well as to market share and includes the effect of deferred taxes on income pertaining to the assignment of fair value to 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 income for the period from the date of acquisition to December 31, 2017 totaled $33,248 million.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements and notes there to were authorized for issuance on March 13, 2019 by the undersigned officers.

Following is a summary of the most significant accounting policies followed by the Company and its subsidiary, 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 include all International Accounting Standards (IAS) in effect, as well as all the related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), including those issued previously by the Standing Interpretations Committee (SIC).

The consolidated financial statements have been prepared on the basis of historical cost, except for: (i) derivative financial instruments designated as hedging measured at fair value, and (ii) net assets and the results of the operations conducted by the company in Argentina, a hyper-inflationary economy, which are stated in the terms of the the current unit of measure at the closing date of the period reported on. See Note 3d.

Preparation of the consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimations. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a greater degree of judgment or complexity and those involving assumptions and estimations that are significant for the consolidated financial statements are described in Note 5.

B. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

i. New standards and changes adopted by the Company

The company has applied the following standards and modifications for the first time for the annual reporting period beginning on January 1, 2018:

- IFRS-9 - Financial instruments
- IFRS-15 - Revenue from contracts with customers
- IAS 29 - Financial information in hyperinflationary economies

Adoption of IFRS 9 and IFRS 15 resulted in changes in accounting policies and adjustments to the amounts recorded in the financial statements (see Note 31). The new accounting policies are explained in Notes 3g. and z. In accordance with the transitory provisions of IFRS-9 and IFRS-15, comparative figures were not restated.

ii. New standards and interpretations not yet adopted

IFRS-16 - "Leases"

IFRS 16 was published in January 2016. The result will be that most of the lease agreements will be recognized in the statement of financial position by the lessees, since the difference between financial leasing and operating leasing has been eliminated. In accordance with the new standard, a financial asset is recognized (the right to use the leased asset) and a financial liability (for the obligation to pay leases). The only exception are short-term leases and leases involved insignificant lease payments.

The Company leases machinery, office and commercial space under operating leases not subject to cancellation expiring at terms ranging from one to 15 years. The lease agreements have different terms, extension clauses and renewal rights. In the renewal, the terms of the leases are renegotiated.

The Company applied the following procedure: a) performed an inventory of the agreements in effect as of December 31, 2018, b) evaluated the agreements under the decision tree established by IFRS-16 to identify a lease, c) applied exemptions to the agreements considered short-term and of insignificant value, d) adopted by not applying IFRS-16 to the agreements previously identified as different from leasing, according to IFRIC 4 and e) applied a single incremental loan rate per portfolio of identified agreements.

The main judgments that were considered by the Company in the process of adopting this new standard were the following: i) for agreements with definite forced term, without clauses of renewal, or of early termination, the term established in the agreement, ii) for those agreements in which the contractual clauses did not clearly define the time of use of the asset or included indefinite renewal agreement clauses, the Company chose to define a lease period based on the most probable period of use of the agreement active.

In accordance to the procedure described, at January 1, 2019, the Company expects to recognize assets for right of use of approximately $1,464,437 and leasing liabilities of $1,464,009 (after adjustments arising from prepayments and lease payments recognized at December 31, 2018).

As of the reporting date, the Company has non-cancellable operating lease commitments of $1,057,893, see note 27. Of these commitments, approximately $341,519 relate to short-term leases, which will be recognized in straight line as expenses in results.

The Company expects the after tax net profit to decrease by approximately $65,414 for 2019, as a result of adoption of this new standard.

Operating cash flows will increase and financing cash flows will decrease by approximately $82,713, as payment of the principal portion of leasing liabilities will be classified as cash flows provided by financing activities.

The Company's activities as lessee are immaterial; therefore, the Company does not expect them to have a significant impact on the financial statements. However, some additional disclosures will be required as from its entry into effect.

The standard will be applied as from the date of compulsory adoption, i.e., January 1, 2019. The Company intends to apply the simplified transition approach and will not restate the comparative amounts for the year prior to application of the standard.

The Company has identified no other standards that have not yet gone into effect and which could have a significant impact on the entity in current and future reporting periods 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 consolidate as from the date on which control is transferred to the Company. They cease consolidating as from the date on which said control ceases (see Notes 2 and 30).

When combinations are made in the form of the acquisition of businesses under common control, the Company initially records the assets transferred and the liabilities incurred at the predecessor value in the books of the selling entity at the date of the transaction, which includes adjustments to fair value and goodwill of previous combinations. Any difference between the equity issued by the Company or the consideration paid and the predecessor values are recorded directly in stockholders' equity. Acquisition-related costs are recorded as expenses as they are incurred.

The Company uses the purchase method of accounting to record business combinations. The consideration transferred in the acquisition of an independent entity 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 all assets and liabilities resulting from a contingent consideration agreement.

When payment of any portion of the consideration in cash is deferred, amounts to be paid in the future are discounted at present value on the date of the transaction. 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 capital or as a financial liability. The amounts classified as financial liabilities are subsequently disclosed at fair value with the changes recognized in the consolidated results.

Acquisition-related costs related to the acquisition are recorded as expenses as they are incurred. The identifiable assets acquired and contingent liabilities assumed in a business combination are initially valued at their fair value at the acquisition date. The Company recognizes any non-controlling interest in the acquired entity on the basis of fair values or in proportion to the non-controlling interest in the net assets of the acquired entity, as opted for in each particular case. The surplus of the transferred consideration, the amount of any non-controlling interest in the acquired entity and the fair value at the acquisition date of any previous interest held in the equity of the acquired entity over the fair value of the identifiable net assets acquired is recognized as goodwill. If the total amount of the transferred consideration, the minority interest recognized and the previous interest held in the acquired entity are lower than the fair value of the net assets of the acquired subsidiary, in the event of a purchase at below market price, the difference is directly recognized in the statement of income.

Unrealized balances and profits on transactions between entities belonging to the Company are eliminated in consolidation. Unrealized losses are also eliminated. The subsidiaries' accounting policies have been amended when necessary to ensure that they are in line with the Company's policies.

ii. Changes in the interest in subsidiaries without 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 the fair value of the consideration paid and the interest acquired in the book value of the subsidiary's net assets is recorded in stockholders' equity. Gains or losses on the sale of non-controlling interest are also recorded in stockholders' equity.

iii. Sale or disposal of subsidiaries

When the Company no longer controls, any interest retained in the entity is revalued at fair value, and the change in book value is recorded in income for the year. The fair value is the initial book value for accounting purposes, subsequent to the retained interest in the associate, joint business or financial asset. Any amounts recognized previously recorded in comprehensive income with respect to said entity is accounted for as though the Company had directly disposed of the related assets and liabilities. This implies that amounts previously applied to other comprehensive income are reclassified to income for the year.

iv. Associated companies

Associates are all entities over which the Company exercises significant influence, although not control or joint control, which generally occurs when the Company holds from 20% to 50% of the voting rights in the associate. The company's investment in associates includes the goodwill related to the acquisition, net of accumulated impairment losses. The existence and effects of the potential voting rights currently exercisable or convertible are considered in evaluating whether or not the Company controls another entity. Furthermore, the Company evaluates the existence of control in cases where it holds no more than 50% of voting rights but is in a position to control financial and operating policy. Acquisition-related costs are charged to income when incurred.

The investment in shares of associated companies is valued by the equity method. That method is used to initially recorded investments at acquisition cost. Said investments are subsequently valued by the equity method, which consists of adjusting the value of the investment by the proportionate part of profits or losses and the distribution of profits by capital reimbursements subject to the acquisition date.

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 acquisition, is recognized in other comprehensive income. The Company presents the equity in net profits of associated companies considered integral vehicles through which the Company conducts operations and strategies as part of operating income. Post-acquisition accrued movements are adjusted against the book value of the investment. When the Company's interest in the losses of an associate equals or exceeds its investment therein, including any other accounts receivable, the Company recognizes no additional losses, unless it has incurred in obligations or has made payments on behalf of the associated company.

On each reporting date, the Company determines whether or not there is any objective evidence of impairment of the investment in the associate. If so, the Company calculates impairment as the difference between the recoverable value of the associate and its book value and records that figure in "Equity in losses/gains of associates" by the equity method in the statement of income.

Unrealized gains on transactions between the Company and its associates are eliminated according to the interest the Company has in each. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. In order to ensure consistency with Company policies, the accounting policies of associates have been modified as appropriate. When the Company no longer exercises significant influence over an associate, any difference between the fair value of the investment retained, including any consideration received from disposal of a portion of the interest, and the book value of the investment is recognized in income for the year.

When an investment in associates is transferred due to restructuring under common control, it is valued at fair value by the entity receiving the transfer.

v. Joint agreements

The Company has applied IFRS 11 to all its joint agreements. 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 determined that its joint agreement qualifies as a joint operation. In joint operations, each joint operator records its assets, liabilities, income and expenses in the percentages specified in the contractual agreement. A contractual agreement can be a joint agreement even if not all of its parts have joint control over of 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 CONVERSION

i. The functional and reporting currencies

The amounts included in each of the financial statements of the Company's entities 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 functional currency of the holding company, as an independent legal entity. Note 30 provides descriptions 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 items are remeasured. Exchange gains and losses from settlement of those transactions and from conversion of monetary assets and liabilities denominated in foreign currency at the closing exchange rates are recognized as exchange fluctuations in the statement of income, except when deferred to other comprehensive income because they qualify as cash flow coverage.

iii. Conversion of foreign subsidiaries

Income and the financial position of all Company entities whose functional currency differs from the Company's reporting currency are translated to the reporting currency as follows, depending on whether or not the subsidiary's functional currency is in a hyperinflationary economy.

Non-hyperinflationary economy

- Assets and liabilities on each statement of financial position presented are converted at the closing exchange rate in effect at the date of the statement of financial position.
- The Stockholders' equity of each statement of financial position presented is converted to the historical exchange rate.
- Income, costs and expenses shown in each statement of income are converted at the average exchange rate (unless this average is not a reasonable approximation of the accumulated effect of transaction rates, in which case, the exchange rate in effect on the transaction date is used).
- All resulting exchange differences are recorded under comprehensive income.

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 at the closing exchange rate. Exchange differences are recorded in comprehensive income.

Hyperinflationary economy

- Assets, liabilities (including goodwill and fair value adjustments arising at the acquisition date) and stockholders' equity of the financial position, as well as the income and expenses shown in the income statements, are translated to the exchange rate prevailing at the close of the statement of financial position, after being restated to their functional currency; and
- Assets, liabilities, capital, income and expenses for the comparative period are maintained according to the amounts obtained from the translation of the year in question, that is to say, of the financial statements of the preceding period. Said amounts are not adjusted to subsequent exchange rates, as the Company presents its financial information in Mexican pesos, which correspond to a currency of a non-hyperinflationary economy.

When a foreign operation is disposed of, any exchange difference pertaining to net worth is reclassified to the statement of income as part of the gain or loss on disposal.

The exchange rates used in preparing these financial statements are as follows:

	December 31,	
	2018	2017
Pesos to the US dollar	19.66	19.74
Pesos to the Peruvian sol	5.83	6.09
Pesos to the Argentine peso	0.52	1.06
Pesos to the Euro	22.47	23.69

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 rates used in preparing these financial statements are as follows:

	December 31,	
	2018	2017
Pesos to the US dollar	19.21	18.85
Pesos to the Peruvian sol	5.83	5.80
Pesos to the Argentine peso	0.70	1.13
Pesos to the Euro	22.63	21.46

Restatement of financial statements

Prior to its translation to pesos, the reporting currency of the consolidated financial statements, the financial statements of foreign subsidiaries whose functional currency is that of a hyperinflationary economy are adjusted for inflation so as to reflect changes in the purchasing power of the functional currency. In order to determine whether or not an economy is hyperinflationary, the Company evaluates the qualitative features of the economic environment, as well as the quantitative features established by IFRS, when an inflation rate accrued over the most recent three-year period is equal to 100%.

Inflation in Argentina

As from July 1, 2018, cumulative inflation over the past three years in Argentina exceeded 100%; therefore, the Argentine peso was qualified as the currency of a hyperinflationary economy. As a result of this situation, the financial statements of the subsidiaries located in said country, whose functional currency is the Argentine peso, has been restated as per the requirements of International accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" (IAS 29) and have been consolidated as per the requirements of IAS 21 "The effects of changes in foreign exchange rates". The purpose of meeting said requirements is to consider the changes in the general purchasing power of the Argentine peso and thus present the financial statements in the current unit of measure at the reporting date. The financial statements of said operations prior to restatement were prepared using the historical cost method.

The inflationary adjustment was calculated considering the indexes established by the Argentine Federation of Professional Councils in Economic Sciences (FACPCE) based on the price indexes published by the National Institute of Statistics and Censuses (INDEC).

The price indexes used for restatement of the financial statements are:

YEAR	INDEX
2018	184.2552
2017	124.7956
2016	100.0000

The financial information pertaining to the subsidiaries in Argentina are restated as follows:

a. The amounts corresponding to non-monetary items of each statement of financial position, that are not measured at the date of the statement of financial position at fair value or net realization value, as applicable, are restated applying the change in the general price index to the historical cost, from the date of acquisition or the date of the last measurement at fair value, to the date of the statement of financial position;

b. The amounts corresponding to monetary items shown in the statement of financial position are not restated;

c. The components of capital of each statement of financial position are restated:
  1) At the start of the first period in which IAS 29 is applied, using the change of a general price index, from the date on which the items originated to the date of restatement, except for retained earnings, which arise from the rest of the balances in the statement of financial position.
  2) At the end of the first application period, in subsequent periods, all of the elements of capital are restated, applying a general price index, from the start of the period, or from the date of the contribution, if subsequent.

d. Income and expenses are restated applying the change in the general price index, from the date on which the expenses and income were recognized, to the date of the report.

e. Gains and losses in purchasing power arising from the net monetary position are recognized in the consolidated statement of income as part of the financial result (Note 25).

Initial recognition of hyperinflation in the consolidated financial statements where the reporting currency does not pertain to a hyperinflationary economy does not require changing the comparative balances; therefore, the accumulated effect arises from the existing difference between the equity at the 2017 close corresponding to the subsidiaries in Argentina and the initial equity for 2018, due to the effects of restatement of said entities' financial information. The accumulated effect of initial application of IAS 29 on the consolidated financial statements amounted $2,998,446 and was recognized in the retained earnings. The Company opted for recognizing the adjustment of the items, including the capital, on the effect of translation of foreign entities, which as of December 31, 2018 was $957,439.

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, bank deposits available for operations and other highly-liquid short-term investments with original maturities of three months or less, all subject to immaterial risk of change in value or country risk.

F. CLIENTS AND OTHER ACCOUNTS RECEIVABLE

Clients and other accounts receivable are amounts owed by clients on goods sold or services provided in the ordinary course of business. Accounts receivable are generally settled within a 90 day term, and are therefore classified as current. Clients and accounts receivable are initially recognized on the basis of the consideration, unless they contain significant financing components, in which case they are recognized at fair value. The Company holds clients and accounts receivable for the objective of collect the contractual cash flows and therefore, measures them subsequently amortized cost using the effective interest rate method.

As from January 1, 2018, the provision for losses is based on assumptions on the risk of default and expected loss rates. The Company applies the simplified approach allowed under IFRS 9, which requires that losses expected over the lifetime of the instruments to be recorded as from initial recognition of accounts receivable and uses judgments upon making these assumptions and upon selecting the data for calculation of impairment, based on the Company's historical information, in the existing market conditions, as well as in future estimations at the end of each reporting period. Note 31 includes further information related to the effect of adoption of IFRS 9 in connection with the provision for losses.

Due to the short-term nature of the other account receivable, the book value thereof is considered the same as its fair value. For most non-current accounts receivable, fair values are also not significantly different from their book values.

G. FINANCIAL INSTRUMENTS

Financial assets

i. Classification

As from January 1, 2018, the Company classifies its financial assets in the following measurement categories (see Note 31):
• Those subsequently measured at fair value (either through other comprehensive income, or through profit or loss), and
• Those measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of cash flows and where these cash flows are consistent with the definition of solely payments of principal and interest.

For assets measured at fair value, gains and losses are applied to other comprehensive income.

The Company reclassifies debt instruments when, and only when, its business model for managing those assets changes.

ii. Recognition and disposal

Regular purchase and sale of financial assets is recognized on the trade date, the date on which the Company agrees to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from financial assets expire or are transferred and the Company has transferred substantially all the risks and rewards ownership.

iii. Measurement

At the initial recognition, financial assets are measured at fair value plus, in the case of a financial asset not at fair value profit and loss (FVPL), transaction costs directly attributable to the acquisition of the financial asset. The transaction costs of financial assets carried at FVPL are expensed in profit and loss.

Financial assets with embedded derivatives are entirely considered when determining whether cash flows are solely payments of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model to manage the asset and the cash-flow characteristics of the asset. There are three measurement categories which the Company classifies their debt instruments:

• Amortized cost: Assets held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at their amortized cost. Interest income from these financial assets are included in the financial income, using the effective interest rate method. Any gain or loss, arising on derecognition is recognized directly in profit or loss and presented in other gains (losses) together with for age exchange gain and losses. Impairment losses are presented as a separate line Income Statement.

• FV-OCI: Assets held for collection of contractual cash flows and for the sale of financial assets, when the cash flows of assets represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FV-OCI). Movements in book value are recognized through other comprehensive income (OCI), except as concerns recognition of impairment gains or losses, interest income and exchange rate gains and losses applied to income. When financial assets are disposed of, the accumulated gain or loss previously recognized in the OCI is reclassified from capital to income and recognized in other income (expenses). Interest income from said financial assets are included in the financial income, using the effective interest rate method. Exchange gains and losses are shown in income and financial costs, and impairment expenses are shown as a separate item in the statement of income.

• FVPL: Assets failing to meet the amortized cost or FV-OCI criteria are measured at fair FVPL. A gain or loss in a debt instruments subsequently measured at FVPL is applied to income and shown in net terms in other income (expenses) in the period in which it arises.

The Company reclassifies debt instruments when, and only when, it changes its business model for managing those assets.

iv. Impairment

From January 1, 2018, the Company assesses on forward looking basis the expected credit losses associated with its debt instruments at amortized cost and FV-OCI. The impairment methodology applied depends on whether a significant increase in credit risk has arisen.

For trade receivables, the Company applies the simplified method permitted by IFRS 9, which requires expected lifetime losses to be recorded recognized as from initial recognition of accounts receivables, see note 8a. for further details.

v. Offsetting of financial instruments

Financial assets and liabilities were offset and the net amount is shown in the statement of financial position when the right to offset amounts recognized is legally binding and there is the intention to settle them on net bases or to simultaneously realize the asset and pay the liability. The legal right should not be contingent upon future events and must be executable in the regular course of business operations as well as in the event of non-compliance, insolvency or bankruptcy of the Company or the counterparty. At December 31, 2018, no financial assets and liabilities have been offset.

vi. Accounting policy applied up to December 31, 2017:

As explained in Note 31, the Company has applied IFRS 9 retrospectively, but decided not to reformulate the comparative information. As a result, the comparative information provided continues to be accounted for as per the accounting policy previously in effect, as described below:

Up until December 31, 2017, the Company classified its financial assets in the following categories: at fair value through income, loans and accounts receivable, and investments available for sale. Classification depended on the intended purpose of the financial assets. Management determined the classification of its financial assets upon initial recognition thereof. Purchases and sales of financial assets were recognized on the settlement date.

Financial assets were 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.

a. Financial assets at fair value through income statement

Financial assets at their fair value through income were 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 were 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 were 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 were recognized in the statement of income as other income when it was established that the Company was entitled to receive them.

b. Loans and accounts receivable

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

Loans and accounts receivable were initially valued at fair value, plus transaction costs incurred, and were 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 were impaired.

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

c. Financial assets available for sale

Financial assets available for sale are non-derivative financial assets that were either classified in this category or not classified in any of the other categories. They were 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 were 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 were applied directly to capital in the period in which they occur in other comprehensive income.

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

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

d. Offsetting of financial instruments
Financial assets and liabilities were offset and the net figure was shown in the statement of financial position when the right to offset amounts recorded was legally applicable and they were 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 no financial assets and liabilities have been offset.

Impairment of financial instruments

a. 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 were 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 were:
- 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 non-compliance 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.

H. DERIVATIVES AND HEDGING ACTIVITIES
As from January 1, 2018 (See Note 31), derivatives are initially recognized at fair value on the date on which the contract is entered into and are subsequently re-measured at fair value at the end of each reporting period. Recognition of changes in fair value depends on whether or not the derivative is designated as a hedging instrument and, if so, on the nature of the item hedged. The Company designates certain derivatives as:
- Fair value coverage of recognized assets and liabilities or of a firm commitment (fair value hedges).
- Hedging of a particular risk related to the cash flows of assets and liabilities recognized.

At the start of the hedge relationship, the Company documents the economic relationship between hedge instruments and the items hedged, the risk-management objective and the strategy for conducting hedging transactions.

The fair values of derivative financial instruments designated in hedge relationships are described in Note 21. Movements in the hedge reserve in net capital stock is shown in Note 20. The complete fair value of derivative hedging instruments is classified as a non-current asset or liability, when maturity of the remaining hedge item exceeds 12 months, and as a current asset or liability when maturity of the remaining hedge amount is under 12 months.

i. Cash-flow hedging qualifying for hedge accounting
The effective portion of changes in the fair value of derivatives designated and qualified as cash flow hedging is recognized in the cash-flow hedge reserve in capital stock. The gain or loss related to the non-effective portion is immediately applied to income under financial income and expense.

When options contracts are used to hedge forecasted transactions, the Company designates only the intrinsic value of options as a hedge instrument. Up until December 31, 2017, the Company classified the options in a foreign currency as cash flow hedge derivative instruments and recorded the effective portion of changes in fair value that qualify as cash flow hedging in other comprehensive income and the gain or loss related to the ineffective portion in the statement of income held for trade and recorded them in FVPL.

Gains or losses related to the effective portion of the change in the intrinsic value of options are recognized in the cash flow hedge reserve under capital stock. The changes in value over time of options related to the hedged item (aligned time value) are applied to other comprehensive income (OCI) in the costs of the hedge reserve in capital stock.

When forward contracts are used to hedge forecasted transactions, the Company generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses related to the effective portion of the change in the spot component of forward contracts are recognized in the cash flow hedge reserve under capital stock. The change in the forward element of the contract that refers to the hedged item ("aligned forward element") is recognized in other comprehensive income in the costs of the hedge reserve in capital stock. In some cases, the Company can designate the total change in the fair value of the forward contract (including forward points) as a hedging instrument. In those cases, gains or losses related to the effective portion of the change in the fair value of the overall forward contract are recognized in the cash flow hedge reserve under capital stock.

The amounts accumulated in capital stock are reclassified in the periods in which the hedged item is applied to income, as follows:

- When, subsequently, the hedged item gives rise to recognition of a non-financial asset, both deferred hedging gains and losses, and the value of the time deferred of options contracts or forwards points (if any) are included in the initial cost of the asset. Deferred amounts are ultimately applied to income for the period, as the hedged item affects the gain or loss.
- The gain or loss related to the effective portion of interest rate swaps that cover variable interest rates of loans is applied to income under "financial expenses", at the same time as the interest expense of the hedged loans.

When a hedge instrument matures, it is sold or terminated, or when a hedge no longer meets hedge accounting criteria, any deferred accumulated gain or loss and hedging costs deferred in capital remain at that time in capital until the forecasted transaction occurs, giving rise to recognition of a non-financial asset. When the forecasted transaction is no longer expected to occur, the accumulated gain or loss and the deferred hedging costs reported in capital are immediately reclassified to income.

ii. Derivatives no qualifying for hedge accounting

Certain derivative financial instruments do not qualify for hedge accounting. Changes in fair value of any derivative instrument that does not qualify for hedge accounting are immediately applied to income and included in other income (expenses).

iii. Accounting policy applied up to December 31, 2017:

As explained in Note 31, the Company has applied IFRS 9 prospectively, but decided not to reformulate the comparative information. As a result, the comparative information provided continues to be accounted for as per the accounting policy previously in effect, as described below:

Derivative financial instruments contracted and classified as fair value hedging or cash flow hedging were recognized in the statement of financial position as assets and/or liabilities at fair value and were subsequently measured at fair value. Fair value was 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.

Derivative financial instruments documented as hedges were contracted to cover risks and there was compliance with all coverage requirements. Designation was 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, were 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 were 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 was 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 were 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, was 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.

I. INVENTORIES

Inventory is shown at the lesser of cost and net realization value. Cost is determined using the average cost method. The cost of finished products and of products in progress includes design, raw materials and direct labor costs and other direct costs and general manufacturing expenses (based on regular operating capacity). Borrowing costs are excluded. Net realization value is the sales price estimated in the normal course of Company operations, less the respective variable selling expense.

J. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (or groups of assets) to be disposed of are classified as held for sale when their book value is mainly recoverable via a sales transaction considered to be highly likely.

Those assets are recorded at the lower of the value arrived at by comparing the balance in books and fair value less cost of sales; they are not depreciated or amortized as long as they are classified as held for sale, and are shown separately from other assets in the statement of financial position. At December 31, 2018 and 2017, the Company holds no assets available for sale.

K. PREPAYMENTS

Prepayments represent disbursements made by the Company for insurance, advertising or leases where the benefits and risks inherent in the goods to be acquired or the services to be received (such as prepaid insurance premiums) have not yet been transferred.

L. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost, less accumulated depreciation and any accumulated 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 recorded as a separate asset, as appropriate, only when the Company is likely to receive future economic benefits arising from same and the cost of property, plant and equipment can be reliably determined. The carrying amount of replaced parts is derecognized. Repair and maintenance expenses are recognized in the statement of income in the year in which they are incurred. Significant improvements are depreciated over the remaining useful life of the asset in question.

Depreciation is calculated by the straight-line method, considering each components separately. Following are the average useful lives of the families of assets:

Buildings	30 - 70 years
Machinery and equipment	10 - 25 years
Transportation equipment	10 - 15 years
Furniture and other equipment	3 - 10 years
Bottles and delivery containers	2 - 7 years
Refrigerators and sales equipment	10 years
Computer equipment	4 years

Land and investments in process are valued at cost and are not depreciated.

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

The costs pertaining to general and specific loans directly related to the acquisition, construction or production of qualifying assets, which require a substantial period (12 months or more), are capitalized to form part of the acquisition cost of said qualifying assets until the moment they are ready to be used for the intended purpose. At December 31, 2018 and 2017, the determination of said costs is based on specific and general financing.

The residual and useful lives of assets are reviewed at least at the end of each reporting period and if expectations differ from prior estimates, the changes are 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 by comparing the sales value and the carrying value and are recognized in "Other income (expenses), net" in the statement of income.

Returnable and non-returnable containers (bottles) -

Company operations involve both returnable and non-returnable containers. Returnable containers are recorded as fixed assets under property, plant and equipment and are depreciated by the straight-line method, based on their estimated useful lives.

Under certain historic operating practices in certain territories, returnable containers provided to customers are subject to agreements whereby the Company retains ownership of the container and requires the customer to pay a deposit. The container is controlled by the Company via its commercial distribution network and the Company is entitled to charge customers for identifiable breakage.

Non-returnable containers are recorded in consolidated income as part of cost of sales, at the time of sale.

M. LEASES

The classification of leases as financial or operating leases 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 ownership are retained by the lessor is classified as operating leasing. Payments made under operating leasing (net of any incentive received by the lessor) are charged to the statement of income by the straight line method over the term of the lease.

Leases where 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 the lower of the fair value of the leased property and the present value of minimum lease payments. If determination is practical for discounting minimum payments at present value, the interest rate implicit in the lease is used; otherwise, the incremental rate on the lessee's loan is used. All of the lessee's initial direct costs are added to the original figure recorded as an asset.

All lease payments are applied to liabilities and the financial charges until a constant rate for the balance is achieved. The respective lease obligations are included in non-current debt, net of financial charges. Interest on financial costs is charged to income for the year during the lease period so as to produce a periodic constant interest rate in the remaining balance of the liability for each period. Property, plant and equipment acquired under financial leases are depreciated over the shorter of the useful life of the asset and the lease term.

N. 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 at the acquisition date. Goodwill is shown separately in the statement of financial position under "Goodwill and intangible assets, net" and is recorded at cost less accumulated impairment losses, which are not reversed. Gains or losses on the disposal of an entity include the book value of goodwill related 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 arises, identified in accordance with the respective operating segment.

Intangible assets are recorded when they are identifiable, they provide future economic benefits and there is control over such 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. Those in definite-life intangible assets are assigned to cash-generating units (CGU) for impairment-testing purposes.

ii. Defined-useful-life assets 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 testing when there is evidence of impairment. 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 definite-life and indefinite-life intangible assets are reviewed annually.

O. IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets with an undefined useful life, such as goodwill, are not depreciated or amortized and are subject to impairment testing once a year or before that when there are indications of 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 is recognized by the amount by which the carrying value of the asset exceeds its recovery value. The recovery value of an asset is defined as the higher between the value-in-use and the fair value of an asset less the related sales costs. In order to evaluate impairment, assets are grouped based on the minimum levels of cash flows that can be identified separately (cash generating unit). Impaired non-financial assets other than goodwill are reviewed in search of possible impairment reversal on each reporting date.

P. SUPPLIERS AND OTHER ACCOUNTS PAYABLE

These balances represent liabilities arising from goods and services provided to the Company prior to the period end, that have not been paid. Suppliers and other accounts payable are presented as current liabilities, unless the payment is not due within 12 months following the reporting period. They are initially recognized at fair value and subsequently valued at amortized cost, using the effective interest rate method.

Q. DEBT

The debt is initially recognized at fair value, net of transaction costs incurred. The debt is subsequently recognized at amortized cost. Any differences between the amounts received (net of transaction costs) and the settlement value are recognized in the statement of income during the term of the loan, using the effective interest rate method.

Loans are eliminated from the statement of financial position when the obligation specified in the contract is met, canceled or expires. The difference between the book amount of a financial liability that has been canceled or transferred to another party and the consideration paid, including non-monetary assets transferred or assumed liabilities, is applied to income as other financial income or costs.

R. FACTORING

A liability owed to suppliers is eliminated from the statement of financial position when it is settled, that is to say, when the obligation is eliminated, canceled, or expires. The Company contracts financial factoring for financing of accounts payable to suppliers in Peru and when changes in terms and conditions indicate that the liability owed to suppliers is no longer extant, a new financial liability is considered to be owed to the factoring entity, resulting in cancellation of the original liability owed to the supplier.

S. INCOME TAXES

Income taxes reflected in the statement of income represent tax incurred in the year, as well as the effects of deferred taxes on income determined by the method of assets and liabilities, applying the rate established in current legislation or substantially enacted and in effect on the balance sheet date in the location in which the Company operates, and generate taxable income from all temporary differences determined by 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, considering any unamortized tax losses prior to analysis of recovery. Tax is applied to income, except to the extent it relates to other comprehensive income, in which case, tax is recorded in other comprehensive income. The effect of changes in tax rates is recognized in income for the period in which the rate change is determined.

Management periodically evaluates positions declared in tax returns with respect to situations in which applicable legislation is subject to interpretation. The Company recognizes provisions when necessary based on the amounts expected to be paid to the tax authorities.

A deferred tax asset is recorded only when there is likely to be future taxable income against which to apply deductions arising from temporary differences.

Deferred taxes on income applicable to temporary differences arising from investments in subsidiaries, associates and joint agreements is recorded, except when the temporary difference reversal period is controlled by the Company and temporary differences may not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset if there is the legal right to do so and when taxes are collected by same the tax authority.

T. EMPLOYEE BENEFITS

The Company provides the following employee plans:

i. Pension plans

Defined contribution plans:

A defined contribution plan is a pension plan under which the Company pays fixed contributions to a separate entity. 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 service in the 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 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 by discounting estimated future cash flows using discount rates (per IAS 19) denominated in the currency in which the benefits are to be paid and with maturity dates are similar to those of the pension liability. In countries with no in-depth market for said instruments, market rates for government bonds are used.

Re-measurements of the liability caused by gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to stockholders' equity in other comprehensive income in the period in which they occur.

The cost of past services is recognized immediately in income.

ii. Termination benefits

Termination benefits are paid when the Company terminates employment prior to the regular retirement date or when an employee accepts termination of employment in exchange for those 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. In the event there is an offer that encourages employee resignation, the related termination benefits are valued based on the number of employees expected to accept the offer. The benefits payable over 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 provision when is it contractually obligated or when the former practice has created an obligation.

iv. Employees' statutory profit sharing and bonuses

The Company records a liability and an expense for bonuses and employee profit-sharing when it has a legal or assumed obligation to pay those benefits and determines the amount to be recorded based on profits for the year, after certain adjustments.

U. PROVISIONS

Liability provisions represent a present legal obligation or an obligation assumed as a result of past events where resources are likely to be required to comply with the obligation, when the amount in question has been reliably estimated. No provisions are recorded for future operating losses.

Provisions are measured at the present value of the amount necessary to cover the obligation at the date of the financial statements and are recorded on the basis of management's best estimation.

V. CAPITAL STOCK

The Company's common stock is classified as capital. Incremental costs attributable directly to the issuance of new shares are included in equity as a deduction of the consideration received, net of taxes, nevertheless although the Company has incurred in no such costs.

W. COMPREHENSIVE INCOME

Comprehensive income Consists of net income, plus re-measurement of the defined-benefit liability and other capital reserves, net of taxes, which are composed of the effects of conversion of foreign entities, the effects of derivative financial instruments for cash flow hedging and interest in other items of the comprehensive income of associates, as well as other items required by a specific provision to be reflected in stockholders' equity, which do not constitute capital contributions, reductions or distributions.

X. 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.

Y. SEGMENT INFORMATION

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.

Z. REVENUE RECOGNITION

The Company adopted IFRS-15 "Revenue from contracts with customers" as from January 1, 2018, when application of this standard became mandatory, using the modified retrospective method.

The Company manufactures and sells carbonated and non-carbonated beverages under TCCC's trademarks, dairy products, foodstuff and snacks wholesale, in the markets in which it operates, based on formal and informal agreements entered into with different customers in the Modern and Traditional Channel, in which prices are negotiated continually, given the turnover of products and the competitiveness it must maintain in the market. Income from these sales is recognized at the fair value of the consideration collected or to be collected and represents the amounts receivable on the sale of products, net of discounts, returns and taxes. The Company recognizes revenue when control of the products is transferred, which is when the products are delivered to the customer, and there is unsatisfied obligation that could affect acceptance of the products by the customer. Delivery is effective when the products are delivered to the specific location, the risk of loss has been transferred to the customer and the customer has accepted the products. Further to the above, it is concluded that the Company's revenue is generated at a specific point in time.

In the Modern Channel, retail products are sold at a discount for volume, based on total sales during the period, which is usually under 12 months, given the dynamics of displacement of the products in the market. Revenue on these sales is recognized based on the price established in the agreements, net of discounts for estimated volume. Accumulated experience is used to estimate and foresee discounts, using the expected value method. No element of financing is considered present, due to the fact that sales are, for the most part, made in cash for the Traditional Channel, or with a credit term for the Modern Channel.

An account receivable is recognized when the products are delivered and the payment is not in cash, and only the passage of time is required before the payment is made.

Sales discounts are considered variable consideration and are reflected in the client's invoices, therefore, discounts are recorded at the time of sale, that is, revenue is recorded net of discounts. The list price is already discounted; therefore, make an estimate is not needed.

Accounting policy applied up to December 31, 2017:

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.

aa. 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.

bb. Bottler incentive agreement
At its discretion, and as per the bottler's incentive agreement, TCCC provides the Company a number of incentives, including contributions for the maintenance of equipment of cold drinks, advertising and marketing expenses, and others. The terms and conditions of those agreements require reimbursement when certain stipulated conditions are not met, including minimum volume performance requirements. Incentives provided by TCCC for maintenance of beverage refrigeration equipment and/or advertising and marketing expenses are deducted from the respective expense.

NOTE 4 - RISK AND CAPITAL MANAGEMENT:

I. RISK MANAGEMENT
The Company's operations are exposed to different financial risks: market risk (including exchange rate risk, interest rate risk and risk for price of production materials and other production materials), credit risk and liquidity risk. It is Company policy to contract derivative financial instruments held only for hedging, in order to reduce the risks related to its financial liabilities, and to cover certain purchases, projected operations and firm commitments set 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 security liabilities at variable interest rates and to present or future currency commitments, all related to its line of business or certain forecasted operations, such as prices of raw material and other production materials, accounts receivable from customers and liquidity.

The Company has current Master Agreements for Derivative Financial Instrument Operations or ISDA Master Agreements in order to ensure that a number of quotations are available when deciding whether to carry out transactions with instruments of that type, which are used only for raw material exchange rate price coverage, and are documented in simple instruments such as swaps and forwards. The company's operations with swaps allow only the conversion of different currencies or interest rates (variable or fixed or vice versa).

All the Company's derivative financial instrument operations are previously analyzed, approved and periodically monitored by the Financial Risk Committee. That committee submits proposals to the General Director, who in turn periodically informs the Board of Directors. Both the Financial Risk Committee and the General Director review the performance of those instruments on a quarterly basis, and make any required advance cancellations, changes in term, etc.

The Company's derivative financial instrument operations are contracted and managed by the corporate office, which contracts any necessary transactions for its subsidiary companies which do not contract this type of operations individually. CL and CCSWB are exceptions to that rule, i.e., they handle their own operations. The Company operates that type of agreement with recognized banking and financial entities with 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 instruments fluctuating due to changes in the exchange rate. The Company is exposed to exchange rate risks stemming from: a) its net exposure of foreign

currency assets and liabilities, b) income from export sales; c) purchases of raw materials, production materials and capital investments made in foreign currencies, and d) the net investment in subsidiaries and joint operations held abroad. The Company's greatest exchange risk exposure is the exchange rate of the Mexican peso to the US dollar, the Peruvian sol and the Argentine peso for conversion of investments to the reporting currency.

It is Company policy to operate mainly in the markets in which its subsidiaries reside. Accordingly, debt is contracted in said markets' local currency, except Peru (Note 21 v.).

Net sales are expressed in Mexican pesos, Argentine pesos, US dollars and Peruvian soles. During 2018 and 2017, 40.08% and 41.77% of sales were generated in Mexican pesos, 5.11% and 7.72% in Argentine pesos, 44.07% and 38.25% in US dollars, and 10.74% and 12.26% in Peruvian soles. Those are the functional currencies of each of the consolidating entities (see Note 30).

Following is the Company's exposure to exchange risk at December 31, 2018 and 2017 respectively. The enclosed tables show the book value of the Company's monetary assets and liabilities denominated in foreign currency.

Figures in thousands of Mexican pesos
At December 31,

	2018			2017		
	US DOLLAR	ARGENTINE PESO	PERUVIAN SOL	US DOLLAR	ARGENTINE PESO	PERUVIAN SOL
Monetary assets	$ 19,011,822	$ 1,667,814	$ 3,266,166	$ 15,246,776	$ 2,471,270	$ 3,437,796
Monetary liabilities	(12,999,022)	(1,263,591)	(4,013,324)	(13,477,451)	(2,056,695)	(4,584,444)
Non-current monetary liabilities	(25,604,347)	(167,970)	(1,843,885)	(25,585,127)	(2,013,006)	(2,178,777)
Net position	**($ 19,591,547)**	**$ 236,253**	**($ 2,591,043)**	**($ 23,815,802)**	**($ 1,598,431)**	**($ 3,325,425)**

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, 2018 and 2017 respectively:

	Hypothetical variation (maintaining all other variables constant)	
	2018	2017
One-peso increase to the dollar	($ 996,691)	($ 1,206,755)
A 50-cent increase/decrease with respect to the Argentine peso	(225,906)	754,120
A 50-cent increase / decrease with respect to the Peruvian sol	222,007	273,019

This exposure is to the movements in exchange rates related to conversion from US dollars, Argentine pesos and Peruvian soles to Mexican pesos of the results, assets and liabilities of subsidiaries in the US, Argentina, Ecuador and Peru. As detailed later in this Note, the Company also contracts coverage derivative financial instruments to cover certain commitments in foreign-currency involving the purchase of raw materials and other production materials. The Company does not cover the risks related to conversion of its subsidiaries and joint operations, the effects of which are recorded in stockholders' equity.

The intrinsic value of foreign currency options is determined with respect to the spot exchange rate of the relevant market. The difference between the exercise rate contracted and the market's discounted spot exchange rate is determined as the time value. It is discounted when it is material.

Changes in the time value of options related to hedged elements are deferred in the costs of the hedging reserve in capital and the time value is amortized linearly to income.

See Note 21 for further information on foreign currency risk hedging instruments.

b. Interest rate risk

The interest rate risk arises mainly from the Company's sources of financing. The main exposure comes from variable interest rate obligations based on the TIIE (Interbank interest rate) and bank debt subject to LIBOR interest. Fixed rates expose the company to the fair value risk.

The Company occasionally enters into derivative financial instrument agreements with a view to minimizing the market risk and the potential effects arising from a significant rise in interest rates.

The derivative financial instruments occasionally contracted by the Company are interest rate swaps on security liabilities subject to variable interest rates. At December 31, 2018 and 2017, the Company maintains an interest rate swaps to hedge $1,000,000 from variable rate to fixed rate at 7.369% (see Note 13).

At December 31, 2018 and 2017, a large part of the debt, considering its value in pesos, was referred to a fixed interest rate. At December 31, 2018 and 2017 $40,816 and $37,685 million representing 73% and 68% of the overall debt, was referenced to a fixed interest rate.

In order to manage interest rate risks, Company policy is designed to reduce volatility of its financial expenses and keep an ideal percentage of debt in fixed rate instruments. The financial position is mainly fixed as a result of the use of long and short term debt and the occasional use of derivative instruments such as interest rate swaps.

The terms and conditions of the Company's obligations at December 31, 2018 and 2017, including exchange rates, interest rates, maturities and effective interest rates, are described in detail in Note 13.

At December 31, 2018 and 2017, if the TIIE or the LIBOR increased 100 base points (1.00%), maintaining all other constant risk factors, the detrimental impact on comprehensive income would have been $133,045 and $14,693 ($99,149 and $15,240 in 2017), respectively.

See Note 21 for further information on foreign currency risk hedging instruments.

c. Risk of price of raw materials

The main exposure to changes in the prices of raw materials and other production materials has to do with the supply of sweeteners, diesel, aluminum for cans and plastic containers used in the production of soft drinks.

The main raw materials and other production materials are concentrates acquired from TCCC, sweeteners, diesel, aluminum for cans and plastic containers. The Company is exposed to the risk of exchange fluctuations related to the prices of sweeteners, diesel, aluminum for cans and plastic containers, which, in the aggregate, represent approximately 23% of the cost of sales of beverages at December 31, 2018 and 2017. The Company contracts hedges for the purchase of these raw materials and other production materials with a view to offsetting the effect of variations in exchange rates (see Note 21).

At December 31, 2018, appreciation of one Mexican pesos or one Peruvian to the US dollar, with all other variables remaining constant, would have had a negative impact on valuation of derivative financial instruments in stockholders' equity of $5,123 and $1,116, respectively. The impact on net income for the period would not be material because the instruments exposing the Company to those risks are under highly effective cash flow hedging.

See Note 21 for further information on instruments for hedging against the risk of raw and other production materials.

Credit risk

Regular operations expose the Company to potential default when its customers and counterparties are unable to comply with their financial or other commitments. The Company mitigates this risk by entering into transactions with a wide range of counterparties and considers that third parties that could affect its operations are unlikely to give rise to unexpected financial difficulties.

The Company has established conservative policies for the management of cash and temporary investments which make it possible to minimize the risk arising from that type of financial asset, aside from which, operations are conducted only with highly accredited financial entities.

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. Risk control includes determining the credit standing of the customer, taking into account its financial situation, past experience and other factors.

Given the fact that a significant portion of the Company's customers have no independent rating of their credit standing, management determines the maximum rated risk for each, considering their financial position and past experiences, among other factors. Credit limits are set in accordance with policies established by management, which applies controls to ensure compliance.

During 2018 and 2017, approximately 50% and 53%, respectively, of the Company's sales were in cash. As much as 40.5% and 35.9% of net sales in 2018 and 2017, respectively, were made to institutional customers.

See Note 8 for further information on credit risk.

Liquidity risk

The Company finances its liquidity requirements and capital resources mainly through the cash generated from operations and debt and private bonds issued at short medium and long term. The Company has access to local and international bank credit to cover its treasury requirements, aside from which, it has been assigned the highest rating for Mexican issuers (AAA) and a rating of A and A2, both issued by independent rating agencies, which makes it possible to evaluate local and international capital markets in the event that resources are needed.

The Company's cash surpluses are invested according to the guidelines established by the Board of Directors, based on the recommendation of the Planning and Finance Committee. The Financial Risk Committee, comprising basically executives from the Financial and Planning Management areas, decides on a series of custodian entities of proven prestige and liquidity. Foreign-currency investments in specific projects are authorized only in US dollars or euros.

The Company does not invest in capital markets or investment companies and repos operations are entered into only with federal Mexican and US government paper. Those operations are conducted with the largest and most prestigious banks in Mexico. The foreign banks in which investments can be made are those with the greatest 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 reduce the sources of liquidity include a significant reduction in demand or the price of its products, which could limit the amount of cash generated from its operations, and a reduction in the corporate credit rating, which could impair the Company's liquidity and increase its new debt costs. The Company's liquidity is also be affected by factors such as depreciation or appreciation of the peso and changes in interest rates. Company settles obligations with cash flows arising from operations.

The Company's remaining contractual maturities of financial liabilities, which include basically capital and interest payable in the future up to the date of maturity at December 31, 2018 and 2017 are:

	UNDER 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
At December 31, 2018					
Current and non-current debt	$ 6,170,583	$ 27,800,510	$ 11,278,727	$ 31,192,028	$ 76,441,848
Suppliers, related parties, derivative financial instruments and sundry creditors	12,825,615	-	6,034	-	12,831,649
	$ 18,996,198	**$ 27,800,510**	**$ 11,284,761**	**$ 31,192,028**	**$ 89,273,497**
At December 31, 2017					
Current and non-current debt	$ 5,393,492	$ 24,445,482	$ 14,236,870	$ 35,425,577	$ 79,501,421
Suppliers, related parties, derivative financial instruments and sundry creditors	11,070,977	-	443,789	-	11,514,766
	$ 16,464,469	**$ 24,445,482**	**$ 14,680,659**	**$ 35,425,577**	**$ 91,016,187**

At December 31, 2018 and 2017, the Company has 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 adjusts it when changes arise in economic conditions and in the risk features of the underlying assets. The Company monitors capital based on the net debt to capital ratio.

That ratio is calculated through the net debt divided by 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, 2018 and 2017 was as follows:

	At December 31,			
	2018		2017	
Total debt (Note 13)	$	55,826,808	$	55,122,798
Less: Cash and cash equivalents		(15,940,867)		(23,841,697)
Net debt	**$**	**39,885,941**	**$**	**31,281,101**
Total stockholders' equity	**$**	**139,529,516**	**$**	**141,576,287**
Net Debt Ratio		**28.59%**		**22.09**

NOTE 5 - ACCOUNTING ESTIMATIONS AND JUDGMENTS:

The Company has identified certain key accounting estimations on which its financial condition and results of operations depend. Those accounting estimations normally involve an analysis or are based on subjective judgments or decisions that require management to make estimations and assumptions affecting the 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 can differ from those estimated under different assumptions or conditions. Furthermore, estimations normally require adjustments based on changing circumstances and on securing more recent or more accurate information.

When preparing these consolidated financial statements, the most critical accounting estimations under IFRS are those requiring management to prepare estimations and assumptions affecting the reported figures involved in determining 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 such as the result of business acquisitions and pension benefits.

A. ESTIMATIONS AND ASSUMPTIONS INVOLVING THE RISK OF SIGNIFICANT ADJUSTMENTS TO THE FIGURES IN THE FINANCIAL STATEMENTS ARE AS FOLLOWS:

i. Estimated impairment of indefinite-life intangible assets.

The identification and measurement of impairment in indefinite-life intangible assets, including goodwill, involves the estimation of fair value (value in use or fair value). Those estimations and assumptions could have a significant impact on the decision as to whether or not to recognize a charge for impairment and on the magnitude of that charge. The Company analyzes valuation considering relevant internal information as well as public market information. Fair value estimations are mainly determined on the basis of discounted cash flows and market comparisons. Those approaches use significant estimations and assumptions, including projected future cash flows (including terms), discount rates reflecting the risk inherent in future cash flows, multiples of exit cash flows, perpetual growth rates, determination of appropriate market comparable and determination of whether a premium or discount should be applied to comparable.

Certain level of risk inherent in these estimates and assumptions that the Company considers has been made in its valuations is possible, since in case the actual results were lower than the estimates an impairment charge would have to be recorded.

ii. Business combinations - assigning purchase price

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

As a result of the nature of the fair value evaluation at the acquisition date, determination of fair value of the consideration paid in own shares or equity units, assignment of the purchase price and determination of the fair value requires significant estimations based on a wide range of certain variables in effect at particular point in time. Management uses all available information when determining fair value. At December 31, 2018 and 2017, management has used that basis to determine fair value of the CCSWB consideration as well as the values of the assets acquired and liabilities assumed in other business combinations, as shown in Note 2.

iii. Pension benefits

The present value of pension-related obligations depends on the number of factors determined on an actuarial basis, using a number of different assumptions. The assumptions used in determining the net cost (income) of/for pensions include the discount rate. Any changes in these assumptions impact the carrying amount of pension obligations.

The Company determines the proper discount rate at each year end. That rate is the interest rate used to determine the present value of estimated future cash outflows expected to be required to settle pension plan obligations. To determine the proper discount rate, the Company considers the discount interest rate as per IAS 19 “Employee benefits”, expressed in the currency in which the benefits are to be paid, at maturity dates approximating the dates pertaining to the pension obligation (see Note 17).

B. CRITICAL ACCOUNTING JUDGMENTS IN APPLYING THE COMPANY'S ACCOUNTING POLICIES ARE AS FOLLOWS:

i. Investment in associated companies

Management has evaluated the level of influence exercised by the Company on its investment in Jugos del Valle, S. A. P. I. and has determined that it exercises significant influence, although it shareholding is below 20%, given its representation on the Board of Directors and certain contractual terms. Consequently, that investment has been classified as an associate.

ii. Interest in joint operation

Management has evaluated the terms and conditions contained in the stockholders' agreement for joint agreement of JV Toni, S.L. in Holding Tonicorp, S.A. (Tonicorp) and has concluded that it should be classified as a Joint Operation because it considers that the design and purpose require AC's beverage business in Ecuador to acquire, distribute and market the Tonicorp production, thus transferring to the two stockholders jointly controlling the agreement substantially the rights to the benefits and liability obligations of Tonicorp and its subsidiaries, which according to IFRS 11 ," Joint Agreements, requires the agreement to 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. Topo Chico brand name sales transactions

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. Management considers performance in Mexico, the US, Ecuador, Argentina and Peru. From the perspective of the product, management considers beverages and other products in those geographic areas separately, as well as the NPSG operations described in Note 29.

Segments, by product to be reported by the Company, are:

- Beverages (including carbonated, non-carbonated and dairy beverages and purified water in individual): This segment produces, distributes and sells TCCC brand beverages in different territories in Mexico, the US, Argentina, Ecuador and Peru as well as Santa Clara dairy beverages in Mexico and Toni in Ecuador. The Company's portfolio of beverages and dairy products includes cola and flavored soft drinks, individual purified and flavored water, dairy beverages and other carbonated and non-carbonated beverages in sundry presentations.

- NPSG: This segment presents income from the manufacture and supply of products to other bottlers in the territory of 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, Peru 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. However, the EBITDA is not a financial performance measure under IFRS and should not be considered an alternative to net income when measure operating performance, or to cash flows when measuring liquidity.

The Company has defined the EBITDA or operating flow as a consolidated operating profit (loss) after adding or subtracting the following, as the case may be: (1) depreciation, amortization, and (2) non-recurring expenses incurred (such as severance, business combination expenses among others, classified in the Other expenses line item, net in the statement of income). Operations between operating segments are carried out at market value and accounting policies used in preparing information per segment 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, 2018									
	BEVERAGES					OTHERS			
	MEXICO	ARGENTINA	ECUADOR	PERU	US	NPSG	MEXICO AND OTHERS	ELIMINA-TIONS	TOTAL
STATEMENT OF INCOME:									
Sales per segment	$ 59,755,585	$ 7,962,406	$ 11,819,169	$ 16,021,339	$ 51,566,905	$ -	$ 12,829,319	($ 4,301,644)	$ 155,653,079
Inter-segment sales	($ 1,073,019)	$ -	$ -	($ 143,842)	$ -	$ -	($ 3,084,783)	$ 4,301,644	$ -
Sales to external customers	$ 58,682,566	$ 7,962,406	$ 11,819,169	$ 15,877,497	$ 51,566,905	$ -	$ 9,744,536	$ -	$ 155,653,079
Income related to NPSG	$ -	$ -	$ -	$ -	$ -	$ 3,299,438	$ -	$ -	$ 3,299,438
Operating profit	$ 11,419,371	$ 1,120,212	$ 896,988	$ 2,085,971	$ 3,987,869	$ -	($ 939,626)	$ -	$ 18,570,785
Operating flow (1)	$ 13,938,618	$ 1,636,654	$ 1,811,160	$ 3,597,246	$ 6,531,115	$ -	($ 47,906)	$ -	$ 27,466,887
Nonrecurring (income) expenses	$ 133,283	$ -	$ 157,338	$ 171,807	$ 359,962	$ -	$ 131,269	$ -	$ 953,659
Depreciation and amortization	$ 2,385,964	$ 516,442	$ 756,834	$ 1,339,468	$ 2,183,285	$ -	$ 760,450	$ -	$ 7,942,443
Financial income	$ 1,320,817	$ 379,789	$ 12,571	$ 312,507	$ 18,520	$ -	$ 1,572,728	$ -	$ 3,616,932
Financial expenses	$ 1,914,730	$ 830,525	$ 176,338	$ 1,151,773	$ 611,375	$ -	$ 3,045,377	$ -	$ 7,730,118
Share in net earnings of associates	$ -	$ -	$ -	$ -	$ 25,319	$ -	$ 197,879	$ -	$ 223,198
Profit (loss) before taxes	$ 10,825,458	$ 669,476	$ 733,221	$ 1,246,705	$ 3,420,333	$ -	($ 2,214,396)	$ -	$ 14,680,797
STATEMENT OF FINANCIAL POSITION:									
Total assets	$ 46,975,640	$ 8,590,820	$ 15,111,499	$ 45,013,111	$ 92,906,367	$ -	$ 35,253,062	($ 5,971,029)	$ 237,879,470
Investment in associates (2)	$ -	$ 318,487	$ -	$ -	$ 476,764	$ -	$ 6,174,338	$ -	$ 6,969,589
Total liabilities	$ 26,488,451	$ 2,228,285	$ 6,078,380	$ 18,191,592	$ 31,383,768	$ -	$ 24,849,646	($ 10,870,168)	$ 98,349,954
Investment in fixed assets (Capex)	$ 3,859,511	$ 532,921	$ 1,310,658	$ 1,616,877	$ 2,955,085	$ -	$ 786,327	$ -	$ 11,061,379

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

Year ended December 31, 2017									
	BEVERAGES						OTHERS		
	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 to external customers	$ 54,747,664	$ 10,588,415	$ 11,428,038	$ 16,060,230	$ 34,969,265	$ -	$ 9,362,211	$ -	$ 137,155,823
Income related to NPSG	$ -	$ -	$ -	$ -	$ -	$ 2,330,679	$ -	$ -	$ 2,330,679
Operating profit	$ 13,288,796	$ 1,734,763	$ 962,205	$ 2,137,730	$ 3,415,533	$ -	$ 867,242	$ -	$ 22,406,269
Operating flow (1)	$ 11,988,662	$ 2,187,493	$ 1,792,525	$ 3,409,250	$ 5,068,035	$ -	$ 1,546,609	$ -	$ 25,992,574
Nonrecurring (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
Share in net earnings 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
Investments in associates (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 associates in other geographic segments (Note 10).

Following are sales to external customers, as well as property, plant and equipment, goodwill and intangible assets per geographic area:

	Year ended December 31, 2018			
	SALES WITH CUSTOMERS	PROPERTY PLANT AND EQUIPMENT	GOODWILL	INTANGIBLE ASSETS
Mexico	$ 62,383,415	$ 23,109,079	$ 8,305,130	$ 10,194,263
Peru	16,710,574	18,008,504	9,914,040	14,543,548
US	56,009,327	22,768,854	24,651,773	30,944,621
Argentina	7,962,406	3,152,653	2,660,159	824,518
Ecuador	12,587,357	7,039,520	10,774,538	4,277,518
Total	**$ 155,653,079**	**$ 74,078,610**	**$ 56,305,640**	**$ 60,784,468**

	Year ended December 31, 2017			
	SALES WITH 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	22,327,019	24,187,238	31,675,526
Argentina	10,588,415	2,399,204	900,148	343,948
Ecuador	12,913,578	6,635,436	10,817,731	4,319,499
Total	**$ 137,155,823**	**$ 71,940,138**	**$ 54,343,561**	**$ 61,599,225**

Company customers are commercial establishments classified as institutional customers and general customers, including supermarkets, convenience stores, institutions, businesses and particularly small to large grocery stores as well as other bottlers in the US under NPSG (see Note 29). In the years ended December 31, 2018 and 2017, no Company customer accounted for 10% of total sales.

NOTE 7 - CASH AND CASH EQUIVALENTS:

Cash and cash equivalents are composed as follows:

	At December 31,	
	2018	2017
Cash on hand and in banks	$ 56,777	$ 76,605
Short-term bank deposits	11,042,773	13,943,223
Short-term investments (under three months)	4,841,317	9,821,869
Total cash and cash equivalents	**$ 15,940,867**	**$ 23,841,697**

NOTE 8 - CLIENTS AND OTHER ACCOUNTS RECEIVABLE SHORT AND LONG TERM:

A. CLIENTS AND OTHER ACCOUNTS RECEIVABLE ARE COMPRISED AS FOLLOWS:

	At December 31,			
	2018		2017	
Clients	$	9,469,295	$	9,431,131
Provision for impairment of clients		(402,922)		(524,859)
Clients, net		9,066,373		8,906,272
Income tax and other taxes recoverable		1,858,620		529,660
Notes and other account receivable (1)		690,466		782,900
Sundry debtors		1,416,501		1,099,558
	$	**13,031,960**	**$**	**11,318,390**

(1) Net of expected losses

At December 31, 2018 and 2017, none of AC's clients accounts for, either individually or in the aggregate, more than 10% of its income.

Accounts receivable are denominated in the following currencies:

	At December 31,			
	2018		2017	
Mexican pesos	$	5,201,558	$	3,043,162
Peruvian soles		1,164,118		1,021,925
Argentine pesos		540,964		486,920
US dollars		6,125,320		6,766,383
	$	**13,031,960**	**$**	**11,318,390**

Impairment of clients

Clients are subject to the expected credit losses model.

The Company applies the simplified approach contained in IFRS 9 for measuring expected credit losses, using an expected loss provision over the lifetime of the instrument for all accounts receivable from customers.

In order to measure expected credit losses, accounts receivable from customers have been grouped on the basis of their shared credit risk features and days past due.

The expected loss rates are based on the profiles for payment of sales in a 24-month period prior to December 31, 2018 or January 1, 2018, respectively, and on historical credit losses experienced within that period. Historical loss rates are adjusted to reflect current and prospective information on macroeconomic factors affecting client capacity to settle the accounts receivable.

On that basis, the provision for losses at December 31, 2018 and at January 1, 2018 (for adoption of IFRS 9) was determined as follows for accounts receivable from customers:

DECEMBER 31, 2018	OTHER CURRENT	CURRENT	1 TO 30 DAYS PAST DUE	31 TO 60 DAYS PAST DUE	61 TO 90 DAYS PAST DUE	91 TO 180 DAYS PAST DUE	MORE THAN 180 DAYS PAST DUE	TOTAL
Average rate of expected loss		1.40%	1.40%	1.40%	1.40%	1.40%	78.40%	
Gross book amount of ac-counts receivable	$ 215,206	$ 7,364,373	$ 923,465	$ 190,259	$ 128,331	$ 155,561	$ 492,100	$ 9,469,295
Loss provision	$	($ 70,127)	($ 12,980)	($ 3,826)	($ 3,187)	($ 4,312)	($ 308,490)	($ 402,922)

JANUARY 1, 2018	OTHER CURRENT	CURRENT	1 TO 30 DAYS PAST DUE	31 TO 60 DAYS PAST DUE	61 TO 90 DAYS PAST DUE	91 TO 180 DAYS PAST DUE	MORE THAN 180 DAYS PAST DUE	TOTAL
Average rate of expected loss		2.57%	7.18%	7.18%	7.18%	2.59%	75.35%	
Gross book amount of accounts receivable	$ 52,536	$ 3,957,085	$ 3,861,019	$ 683,169	$ 31,947	$ 318,481	$ 526,894	$ 9,431,131
Loss provision	$	($ 95,053)	($ 30,305)	($ 5,465)	($ 1,650)	($ 2,129)	($ 366,051)	($ 500,653)

The final balances of the provisions for expected losses for accounts receivable from customers at December 31, 2018 are adjusted to the provision for initial losses as follows:

		2018
At December 31 calculated in accordance with IAS 39	$	524,859
Effect of adoption of IFRS 9		88,168
Initial loss provision at January 1, 2018 calculated as per IFRS 9		613,027
Reclassification of provision for notes and other accounts receivable included in the beginning balance		(112,374)
		500,653
Increase in the provision for credit losses applied to income for the year		41,521
Accounts receivable canceled during the year as uncollectible		(51,624)
Unused reversed amount		(87,628)
At December 31, 2018	**$**	**402,922**

Accounts receivable from customers are canceled when there is no reasonable expectation of recovery. Indicators showing that there is no reasonable expectation of recovery include, among others, the fact that the debtor suggests no payment plan to the Company and the impossibility of making contractual payments over a period of more than 180 days past due.

Impairment losses from accounts receivable and contract assets are shown as net impairment losses under operating income. Subsequent recovery of amounts previously canceled are credited to the same line.

The previous accounting policy for the impairment of accounts receivable

In the preceding year, impairment of accounts receivable was evaluated on the basis of the incurred loss model. Individual accounts receivable known to be uncollectible were canceled, reducing the book value directly. Other accounts receivable was evaluated collectively to determine whether or not there was objective evidence of impairment; however, none had yet been identified. For these accounts receivable, estimated impairment losses were recognized in a separate provision for impairment. The Companies considered there was evidence of impairment if any of the following indicators was present:

- Significant financial difficulties of the debtor;
- Probability that the debtor filing for bankruptcy or conducting a financial reorganization, and
- Default or delays in payments.

Movements in the provisions for customer impairment at December 31, 2017 were as follows:

		2017
Beginning balance	$	417,767
Provision for customer impairment		120,745
Accounts receivable written-off during the year		(52,150)
Increase due to business combination		38,497
Ending balance	**$**	**524,859**

The accounts receivable for which an impairment provision was recognized were canceled against the provision when there was no expectation of recovering an additional amount in cash.

B. CONTRACT ASSETS AND LIABILITIES

Upon adopting IFRS 15, the Company changed the presentation of some amounts in the statement of financial position and reclassified, to the contract assets line item, unamortized amounts related to payments made to customers to obtain contracts (shown as prepayments at December 31, 2017). These assets are amortized by the straight-line method over the terms of the specific contracts they refer to. Balances at December 31, 2018 in the statement of financial position total $169,310, shown as contract assets. At December 31, 2017, contract assets of $147,839 are shown in other financial assets at their amortized cost. (See Note 31, point a.) These assets are tested for impairment together with the accounts receivable from customers to which they are related.

Accordingly, the Company modified the presentation of amounts in the statement of financial position and reclassified, to the contract liabilities caption, liability amounts arising from discounts on volume and reimbursements shown previously as other current liabilities. Balances at December 31, 2018 and 2017 in the statement of financial position total $83,224, shown as contract liabilities and $81,174 (other current liabilities), respectively.

C. FINANCIAL ASSETS AT AMORTIZED COST

Other assets at amortized cost, which includes accounts receivable from related parties, are also subject to impairment requirements under IFRS 9. The impairment loss identified is immaterial.

D. OTHER NON-CURRENT ACCOUNTS RECEIVABLE

The other non-current accounts receivable balance shown at December 31, 2018 is mainly comprised as follows:

	At December 31,			
		2018		2017
Guarantees received for the Famaillá sugar mill	$	109,638	$	222,185
Other		778,133		343,858
	$	**887,771**	**$**	**566,043**

NOTE 9 - INVENTORIES:

Inventories are analyzed as follows:

	At December 31,			
		2018		2017
Raw materials	$	2,594,456	$	2,657,116
Finished products		3,367,582		3,261,787
Materials and spare parts		1,772,730		1,724,448
Products in process		63,267		74,583
	$	**7,798,035**	**$**	**7,717,934**

For the years ended December 31, 2018 and 2017, $77,626,891 and $66,278,889 was applied to income, respectively, corresponding to inventories consumed.

For the years ended December 31, 2018 and 2017, $2,266 and $4,509 was applied to income, respectively, corresponding to damaged, slow-moving and obsolete inventories.

NOTE 10 - INVESTMENT IN SHARES OF ASSOCIATES:

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

	At December 31,	
	2018	2017
Opening balance	$ 6,769,478	$ 5,210,747
Additions	54,947	1,058,927
Effect of adoption of IAS 29 (hyperinflationary economies)	114,146	-
Disposals	(26,807)	-
Dividends collected	(19,827)	(26,799)
Additions from business combinations	62,986	327,142
Share in the results of associated companies	295,193	204,232
Share in other comprehensive income of associated companies	(280,527)	(4,771)
Ending balance	**$ 6,969,589**	**$ 6,769,478**

Following are the Company's associated companies at December 31, 2018 and 2017, which, in Management's opinion, are material to the Company. The capital stock of the following entities consists exclusively of ordinary voting shares held directly by the Company, and in the case of Jugos del Valle, S. A. P. I. also includes non-voting shares. The country in which an associate is incorporated and registered is also its main place of business and the percentage of shareholding is the same as the percentage of votes held.

December 31, 2018						
NAME OF ASSOCIATE	COUNTRY OF INCORPORATION	NATURE	VALUATION METHOD	BALANCE	GAIN (LOSS)	SHAREHOLDING INTEREST
Promotora Industrial Azucarera, S. A. de C. V. (PIASA) (1)	Mexico	Associate	The equity method	$ 3,108,844	$ 126,418	49.18%
Jugos del Valle, S. A. P. I. (JDV) (2)	Mexico	Associate	The equity method	984,184	(33,190)	16.45%
Petstar, S. A. P. I. de C. V. (PETSTAR) (3)	Mexico	Associate	The equity method	575,001	40,909	49.90%

December 31, 2017						
NAME OF ASSOCIATE	COUNTRY OF INCORPORATION	NATURE	VALUATION METHOD	BALANCE	GAIN (LOSS)	SHAREHOLDING INTEREST
Promotora Industrial Azucarera, S. A. de C. V. (PIASA) (1)	Mexico	Associate	The equity method	$ 2,987,872	$ 132,511	49.18%
Jugos del Valle, S. A. P. I. (JDV) (2)	Mexico	Associate	The equity method	977,660	(10,518)	16.45%
Petstar, S. A. P. I. de C. V. (PETSTAR) (3)	Mexico	Associate	The equity method	534,172	38,519	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. That investment allows the Company to supply itself with sugar for production while at the same time reducing its exposure to the risk of sugar prices.
(2) JDV is a strategic investment mainly engaged in the production, bottling, purchase, sale, distribution and marketing of juices, nectars, fruit drinks, other drinks and dairy products sold under the Santa Clara brand name. JDV also markets products of third parties.
(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.

At the May 31, 2017 meeting, the stockholders approved a $592,678 increase in the Company's investment in PIASA, payable in installments ending in 2019. These increases did not and will not change the shareholding percentage, as the capital stock increases were made in by proportion their all of the PIASA shareholders. At December 31, 2018, there is still an outstanding payable balance of $150,014.

Following is a summary of the financial information pertaining to associated companies considered to be material to AC. That information reflects the figures contained in the financial statements of relevant associates, but not of the Company's share of those 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 relating to Company interest in its associates.

	PIASA		JDV		PETSTAR	
	2018	2017	2018	2017	2018	2017
SUMMARY STATEMENT OF FINANCIAL POSITION						
Current assets	$ 2,617,339	$ 2,561,166	$ 5,048,923	$ 4,519,611	$ 373,897	$ 321,413
Non-current assets	6,569,643	6,071,052	7,876,471	7,423,215	963,229	930,034
Current liabilities	1,365,096	1,382,158	4,143,583	3,628,109	123,071	118,532
Non-current liabilities	1,501,157	1,175,286	2,797,947	2,370,520	61,748	62,430
Net assets	**$ 6,320,729**	**$ 6,074,774**	**$ 5,983,864**	**$ 5,944,197**	**$ 1,152,307**	**$ 1,070,485**
RECONCILIATION OF BOOK BALANCES						
Beginning balance	$ 6,074,774	$ 4,587,980	$ 5,944,197	$ 5,985,901	$ 1,070,485	$ 988,767
Capital increase	-	1,204,641	272,019	-	-	-
Income for the year	257,026	269,413	(201,798)	(63,952)	81,982	77,192
Other comprehensive income	(11,071)	12,740	(30,554)	22,248	(160)	4,526
Dividends paid	-	-	-	-	-	-
Ending balance	6,320,729	6,074,774	5,983,864	5,944,197	1,152,307	1,070,485
Shareholding %	49.18%	49.18%	16.45%	16.45%	49.90%	49.90%
Book balance	**$ 3,108,844**	**$ 2,987,872**	**$ 984,184**	**$ 977,660**	**$ 575,001**	**$ 534,172**
SUMMARY STATEMENT OF COMPREHENSIVE INCOME						
Income	**$ 7,943,824**	**$ 7,524,166**	**$ 16,703,798**	**$ 14,266,135**	**$ 1,519,900**	**$ 1,375,685**
Income for the year	$ 257,026	$ 269,413	($ 201,798)	$ (63,952)	$ 81,982	$ 77,192
Other comprehensive income	(11,072)	12,740	(30,554)	22,248	(160)	4,526
Total comprehensive income	**$ 245,954**	**$ 282,153**	**($ 232,352)**	**($ 41,704)**	**$ 81,822**	**$ 81,718**

The Company exercises significant influence over its associates, since it is empowered to participate in the making of financial and operating policies without actually exercising control over them (see Note 5b. point i.).

In addition to the aforementioned interest in associated companies, AC also has interests in some other associated companies that are not considered material 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,	
	2018	2017
Aggregate balance of individually immaterial entities	$ 2,301,560	$ 2,269,774
Aggregated amounts of AC's share in:		
Profit from continuing operations	$ 161,056	$ 43,720
Total comprehensive income	**$ 161,056**	**$ 43,720**

None of the associated companies' shares is 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, 2018 and 2017 are analyzed as follows:

	Assets subject to depreciation				
	BUILDINGS	MACHINERY AND EQUIPMENT	TRANSPORTATION EQUIPMENT	REFRIGERATORS AND SALES EQUIPMENT	BOTTLES AND DISTRIBUTION CRATES
FOR THE PERIOD ENDED DECEMBER 31, 2017					
Net book value	$ 9,548,612	$ 10,038,273	$ 1,535,087	$ 5,083,922	$ 3,418,497
Acquisitions resulting from business combinations (Note 2)	4,314,622	993,169	2,787,352	4,397,106	-
Effects of conversion	68,894	(300,617)	125,214	109,155	(73,898)
Additions / Transfers	1,408,843	5,676,802	1,931,179	2,844,997	1,424,247
Disposals	(103,608)	(7,544)	(89,966)	(85,785)	(559,306)
Depreciation charges recognized in the year	(581,369)	(1,522,534)	(783,507)	(1,597,250)	(1,303,759)
Ending balance previously reported	14,655,994	14,877,549	5,505,359	10,752,145	2,905,781
Adjustments and reclassifications to the fair value of business acquisitions (1)	(712,158)	1,368,658	(89,140)	113,100	-
Ending balance	**$ 13,943,836**	**$ 16,246,207**	**$ 5,416,219**	**$ 10,865,245**	**$ 2,905,781**
AT DECEMBER 31, 2017					
Cost after adjustment and Reclassifications at fair value of business acquisitions (1)	$ 18,236,144	$ 27,222,271	$ 10,147,164	$ 17,334,403	$ 7,762,625
Accumulated depreciation	(4,292,308)	(10,976,064)	(4,730,945)	(6,469,158)	(4,856,844)
Ending balance	**$ 13,943,836**	**$ 16,246,207**	**$ 5,416,219**	**$ 10,865,245**	**$ 2,905,781**
(1) Revised by fair value adjustment for 2017 business combination of CCSWB and Great Plains. The adjustments are presented retrospectively in accordance to IFRS-3 related to adjustments to fair values within the period of 12 months after the acquisition date, except for the adjustments to buildings for ($870,006), machinery and equipment for $1,427,034 and land for ($557,028) corresponding					
FOR THE PERIOD ENDED DECEMBER 31, 2018					
Net book value	$ 13,943,836	$ 16,246,207	$ 5,416,219	$ 10,865,245	$ 2,905,781
Effect of adoption of IAS 29 hyperinflationary economy)	443,414	899,494	12,310	134,315	74,223
Effects of conversion	(321,766)	(577,008)	(51,918)	(169,404)	(161,041)
Additions / Transfers	1,147,610	2,269,097	1,321,366	2,762,087	2,135,480
Disposals	(84,225)	(129,107)	(19,474)	(233,728)	(570,740)
Depreciation charges recognized in the year	(641,115)	(2,019,255)	(939,846)	(1,975,088)	(1,357,588)
Ending balance	**$ 14,487,754**	**$ 16,689,428**	**$ 5,738,657**	**$ 11,383,427**	**$ 3,026,115**
DECEMBER 31, 2018					
Cost	$ 19,421,177	$ 29,684,747	$ 11,409,448	$ 19,827,673	$ 9,240,547
Accumulated depreciation	(4,933,423)	(12,995,319)	(5,670,791)	(8,444,246)	(6,214,432)
Ending balance	**$ 14,487,754**	**$ 16,689,428**	**$ 5,738,657**	**$ 11,383,427**	**$ 3,026,115**

				Assets not subject to depreciation		
	COMPUTER EQUIPMENT	**FURNITURE AND OTHER**	**SUBTOTAL**	**LAND**	**INVESTMENTS IN PROCESS**	**TOTAL**
	$ 164,378	$ 1,098,274	$ 30,887,043	$ 11,613,417	$ 6,733,037	$ 49,233,497
	320,596	29,491	12,842,336	6,066,952	75,705	18,984,993
	(69)	(72,071)	(143,392)	196,844	(14,012)	39,440
	490,986	(117,953)	13,659,101	505,632	(3,284,913)	10,879,820
	(12,315)	(29,446)	(887,970)	(69,909)	(333,526)	(1,291,405)
	(255,703)	(137,842)	(6,181,964)	-	-	(6,181,964)
	707,873	770,453	50,175,154	18,312,936	$ 3,176,291	71,664,381
	-	27	680,487	(404,730)	-	275,757
	$ 707,873	**$ 770,480**	**$ 50,855,641**	**$ 17,908,206**	**$ 3,176,291**	**$ 71,940,138**
	$ 1,838,516	$ 1,759,166	$ 84,300,289	$ 17,908,206	$ 3,176,291	$ 105,384,786
	(1,130,643)	(988,686)	(33,444,648)	-	-	(33,444,648)
	$ 707,873	**$ 770,480**	**$ 50,855,641**	**$ 17,908,206**	**$ 3,176,291**	**$ 71,940,138**
	to adjustments for the determination of the final fair values of the CCSWB combination. These adjustments were determined subsequent to the conclusion of the 12-month period established by IFRS-3 and are related to circumstances existing at the date of the business combination.					
	$ 707,873	$ 770,480	$ 50,855,641	$ 17,908,206	$ 3,176,291	$ 71,940,138
	8,837	23,339	1,595,932	186,819	23,086	1,805,837
	(18,763)	(100,103)	(1,400,003)	(310,659)	(123,475)	(1,834,137)
	528,592	131,842	10,296,074	190,542	574,763	11,061,379
	(1,996)	(7,505)	(1,046,775)	(154,631)	(264,158)	(1,465,564)
	(355,986)	(140,165)	(7,429,043)	-	-	(7,429,043)
	$ 868,557	**$ 677,888**	**$ 52,871,826**	**$ 17,820,277**	**$ 3,386,507**	**$ 74,078,610**
	$ 2,355,186	$ 1,806,739	$ 93,745,517	$ 17,820,277	$ 3,386,507	$ 114,952,301
	(1,486,629)	(1,128,851)	(40,873,691)	-	-	(40,873,691)
	$ 868,557	**$ 677,888**	**$ 52,871,826**	**$ 17,820,277**	**$ 3,386,507**	**$ 74,078,610**

Of the depreciation expense for 2018 of $7,429,043 ($6,181,964 in 2017), $2,428,489 ($1,899,316 in 2017) was recorded in the cost of sales, $4,446,029 ($3,607,763 in 2017) in selling expenses and $554,525 ($674,885 in 2017) in administration expenses.

Investments in process at December 31, 2018 and 2017 correspond mainly to the construction of buildings and investments in production equipment, distribution and improvements.

During 2018, the Company began construction of the new production plant in Houston, Texas. This investment will total approximately $4,914,150 (US$250 million). At December 31, 2018, the Company incurred a total of $754,813 (US$38.4 million).

As a result of this investment, the Company has reconsidered its production, storage and distribution capacity in the Territory and, to date, there are plans to consolidate in 2020, the activities of 2 plants and 4 warehouses and distribution centers. As of December 31, 2018, the Company reviewed the recoverable value of the assets involved without having any impact. The useful lives of these assets were adjusted to recognize in future depreciation the difference between their book value and their residual value.

At December 31, 2018 and 2017, the Company had entered into financial lease agreements in its operations in Peru, for the following amounts:

	2018		
	COST	DEPRECIATION	NET BOOK VALUE
Buildings	$ 71,380	($ 4,120)	$ 67,260
Refrigerators and sales equipment	35,147	(32,428)	2,719
Transportation equipment	5,789	(4,096)	1,693
	$ 112,316	**($ 40,644)**	**$ 71,672**

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

NOTE 12 - GOODWILL AND INTANGIBLE ASSETS, NET:

Movements in intangible assets for the year ended, December 31, 2018 and 2017 are as follows:

	Intangible assets acquired					
	GOODWILL	BOTTLING CONTRACTS	TRADE-MARKS	SOFTWARE LICENSES	OTHERS	TOTAL
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 conversion	232,938	872,710	(137,586)	25,551	(36,883)	956,730
Additions	-	-	-	96,323	1,257,479	1,353,802
Acquisitions resulting from business combinations (Note 2) (1)	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 recorded in the year	-	-	(151,053)	(116,096)	(202,207)	(469,356)
Ending balance previously	56,180,538	50,956,262	5,004,713	1,385,594	2,878,258	116,405,365
Adjustment at fair value of business acquisition (1)	(1,836,977)	1,374,398	-	-	-	(462,579)
Ending balance at December 31, 2017	**$ 54,343,561**	**$ 52,330,660**	**$ 5,004,713**	**$ 1,385,594**	**$ 2,878,258**	**$ 115,942,786**
DECEMBER 31, 2017						
Attributed cost	$ 54,343,561	$ 52,330,660	$ 5,246,456	$ 1,773,576	$ 3,580,475	$ 117,274,728
Accumulated amortization	-	-	(241,743)	(387,982)	(702,217)	(1,331,942)
Net book value	**$ 54,343,561**	**$ 52,330,660**	**5,004,713**	**$ 1,385,594**	**$ 2,878,258**	**$ 115,942,786**

(1) Revised by fair value adjustment for 2017 business combination of CCSWB and Great Plains. The adjustments are presented retrospectively in accordance to IFRS-3 related to adjustments to fair values within the period of 12 months after the acquisition date. These adjustments are related to circumstances existing at the date of the business combination.

	Intangible assets acquired					
	GOODWILL	BOTTLING CONTRACTS	TRADEMARKS	SOFTWARE LICENSES	OTHERS	TOTAL
Beginning balance at January 1, 2018	$ 54,343,561	$ 52,330,660	5,004,713	$ 1,385,594	$ 2,878,258	$ 115,942,786
Effect of translation	(664,839)	(728,087)	(596,946)	(39,096)	(8,324)	(2,037,292)
Additions	-	-	-	178,585	448,082	626,667
Effect of adoption of IAS 29 (hyperinflationary economy)	2,216,027	529,185	-	71	-	2,745,283
Acquisitions resulting from business combinations (Note 2)	410,891	-	-	-	-	410,891
Disposals	-	-	(32,531)	(51,699)	(597)	(84,827)
Amortization charges recorded in the year	-	(7,174)	(192,199)	(138,805)	(175,222)	(513,400)
Ending balance at December 31, 2018	**$ 56,305,640**	**$ 52,124,584**	**$ 4,183,037**	**$ 1,334,650**	**$ 3,142,197**	**$ 117,090,108**
DECEMBER 31, 2018						
Attributed cost	$ 56,305,640	$ 52,131,758	$ 4,616,979	$ 1,861,437	$ 4,019,636	$ 118,935,450
Accumulated amortization	-	(7,174)	(433,942)	(526,787)	(877,439)	(1,845,342)
Net book value	**$ 56,305,640**	**$ 52,124,584**	**$ 4,183,037**	**$ 1,334,650**	**$ 3,142,197**	**$ 117,090,108**

Of the amortization expense for 2018 of $513,400 ($469,356 in 2017), $12,562 ($11,382 in 2017) was recorded in the cost of sales, $15,509 ($13,115 in 2017) in selling expenses and $485,329 ($321,253 in 2017) in administration expenses and in 2017 in other expenses $123,606.

Goodwill acquired from business combinations is assigned at the acquisition date to the Cash Generating Units (CGUs) expected to benefit from the synergies arising from said combinations.

The book value of goodwill assigned to the different CGUs or groups of CGUs are as follows:

CASH GENERATING UNIT		2018		2017 (1)
Beverages Mexico	$	7,835,007	$	7,835,007
Beverages US		21,463,614		21,081,193
Beverages Peru		9,550,429		9,967,187
Beverages Ecuador		8,333,175		8,366,581
Beverages Argentina		2,660,159		900,148
Wise Foods		2,263,940		2,074,683
Inalecsa		967,634		971,513
Toni		1,473,729		1,479,637
Norco		363,610		379,477
Deep River		924,220		1,031,362
Nayhsa		256,773		256,773
Other		213,350		-
	$	**56,305,640**	**$**	**54,343,561**

(1) Revised to incorporate reclassifications arising from 2017 business combination.

At December 31, 2018, except for Beverages Ecuador and Toni CGUs, 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 was determined by discounting future cash flows generated by the continuous use of the CGUs, using the following key assumptions, among others:

	Range among CGUs			
	2018		2017	
Rate of growth in volume	2.0%	4.8%	2.1%	5.5%
Rate of growth in income	6.7%	11.7%	6.6%	15.6%
Operating margin (as a % of income)	5.3%	23.0%	7.5%	22.2%
Other operating costs	4.8%	24.8%	5.3%	18.1%
Annual CAPEX (as a % of income)	9.9%	2.1%	3.2%	9.3%
Rate for long term growth	4.7%	11.9%		

At December 31, 2018 and 2017:

- 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 flow to perpetuity and are dependent 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 over the five year projection period. It is based on past performance and Management expectations for market development.

- The sales price is the average growth rate over 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 income over the five-year projection period. It is based on actual sales margin levels and product mixture. Given the nature of the operation, no increases are expected in the cost of raw materials that cannot be passed on to customers, which may have required an adjustment in the determination of future margins.

- Other operating costs are fixed costs of CGUs, as a percentage of income, which do not differ significantly from sales volumes and prices. Management projected those costs on the basis of the current business structure, and adjusted increases for inflation. They 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 projected period with respect to income.

- Annual CAPEX represents the percentage of income for investing in machinery and equipment in order to maintain operations at current levels. It is based on historical management experience and on plans for machinery and equipment replacement as required in accordance with the Coca-Cola System. No incremental income or cost reductions are assumed in the value-in-use model as a result of these investments.

Values in use resulting from impairment calculations for all Company CGUs, prepared on the aforementioned basis, exceed the book value of each of the CGUs, as shown below:

	% of value in use over book value	
CASH GENERATING UNIT	**2018**	**2017**
Beverages Mexico	333%	278%
Beverages Ecuador (1)	-	10%
Beverages Peru	45%	30%
Beverages Argentina	217%	1,127%
Wise Foods	4%	21%
Inalecsa	37%	18%
Toni (1)	-	55%
Nayhsa	189%	228%

(1) Determined at fair value.

Management considers that a possible change in key assumptions used, within a reasonable range surrounding same, would not result in the book value of the CGUs materially exceeding value in use.

As a result of the macroeconomic, political and social factors occurred in Ecuador in 2018, the cash flow projections of the businesses in this country were affected, therefore the Company complemented the impairment analysis with the fair value method, different from the value of use, prepared using more conservative bases for the Ecuador Beverages CGU. The additional calculation was made by evaluating the fair value less cost of disposal (FVLCOD) of the underlying assets. The valuation is considered Level 3 in the fair value hierarchy due to non-observable data used in the valuation. In the case of Toni CGU, management decided to carry out the same approach in order to detect any possible impairment. No impairment was identified in any CGU.

Management approach and the main assumption used to determine FVLCOD of the CGUs was EBITDA multiples, which the Administration considers to be and acceptable factor in the beverage industry.

AC management considers that a possible change in the base multiple due to a 0.25 fold decrease would have generated that the FVLCOD would have been higher than the book value of the assets by 17%, instead of the current 20%.

	% excess of FVLCOD over book value
	2018
Cash generating unit:	
Ecuador Beverages	20%
Toni	57%

As a result of annual testing for impairment, the Company did not recognize impairment losses in the years ended December 31, 2018 and 2017 (see Note 5).

NOTE 13 - DEBT:

a. Debt is analyzed as follows:

	At December 31,	
	2018	2017
Debt instruments and bonds	$ 37,469,599	$ 34,819,431
HSBC	-	1,981,174
Bancomer	697,672	697,400
Bancomext	4,281,248	4,279,575
Santander	1,681,060	1,798,338
Scotiabank	5,917,086	5,938,062
Banco Rabobank	1,600,693	1,646,468
Banamex	1,594,765	1,594,057
Banco JP Morgan	1,467,194	-
International Finance Corp.	776,607	789,334
BBVA Francés	-	27,509
Banco Bolivariano	49,142	59,192
Banco Internacional	136,668	130,687
Banco de Guayaquil	-	113,605
Banco Macro	-	1,026,418
Citibank Ecuador	53,681	92,006
Financial leases and other	101,393	129,542
Total debt	55,826,808	55,122,798
Current portion of debt	(2,671,954)	(1,785,229)
Non-current debt	**$ 53,154,854**	**$ 53,337,569**

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

			Interest rate				At December 31,	
	COUNTRY	CURREN-CY	CONTRACTUAL	EFFECTIVE	MATURITY DATE	FREQUEN-CY INTEREST PAYMENT	2018	2017
CEBUR ARCA 10	Mexico	MXN	7.74%	7.87%	11/13/2020	Biyearly	$ 2,500,000	$ 2,500,000
CEBUR ARCA 11-2	Mexico	MXN	7.63%	7.75%	10/1/2021	Biyearly	2,000,000	2,000,000
CEBUR ARCA 13-2	Mexico	MXN	5.88%	5.99%	03/10/2023	Biyearly	1,700,000	1,700,000
CEBUR ACBE 17	Mexico	MXN	7.84%	7.95%	09/3/2027	Biyearly	6,000,000	6,000,000
CEBUR ACBE 17-2 (1)	Mexico	MXN	TIIE 28 + 0.20%	8.33%	09/9/2022	Monthly	1,000,000	1,000,000
144A Corporate bonds	Peru	USD	6.75%	6.86%	11/23/2021	Biyearly	5,058,391	5,119,807
144A Corporate bonds	Peru	USD	4.63%	4.68%	04/12/2023	Biyearly	2,682,143	2,734,733
Private bond	Peru	SOL	7.50%	7.64%	12/9/2026	Biyearly	875,325	913,515
C type debentures (DIPOR)	Ecuador	USD	7.50%	7.50%	06/1/2019	Monthly	-	2,524
Private bond at 12 years	USA	USD	3.49%	3.53%	12/28/2029	Biyearly	7,835,305	5,920,620
Private bond at 15 years	USA	USD	3.64%	3.67%	12/28/2032	Biyearly	7,835,305	5,920,620
Debt instruments and bonds							37,486,469	33,811,819
HSBC Spain	Mexico	USD	4.96%	4.61%	03/19/2021	Biyearly	-	1,966,034
Santander	Mexico	USD	2.99%	2.72%	03/16/2020	Biyearly	117,940	236,825
Santander	Mexico	MXN	TIIE 91 + 0.90%	9.76%	06/20/2024	Quarterly	1,445,180	1,443,101
Scotiabank	Mexico	MXN	TIIE 28 + 0.50%	8.29%	01/19/2022	Monthly	2,470,282	3,288,628
Scotiabank	Mexico	MXN	TIIE 91 + 0.90%	9.73%	06/20/2024	Quarterly	997,458	996,177
Banamex	Mexico	MXN	TIIE 91 + 0.90%	9.76%	06/15/2024	Quarterly	1,594,765	1,594,057
Scotiabank	Mexico	MXN	TIIE 91 + 0.90%	9.76%	06/15/2024	Quarterly	996,729	996,286
Bancomer	Mexico	MXN	TIIE 91 + 0.90%	9.76%	06/21/2024	Quarterly	697,672	697,400
Bancomext	Mexico	MXN	TIIE 91 + 0.80%	9.66%	06/22/2027	Quarterly	4,231,032	4,279,575
Banco JP Morgan	Mexico	USD	3.64%	3.95%	04/25/2025	Biyearly	1,467,194	-
Banco Rabobank	Ecuador	USD	2.93%	2.81%	07/18/2019	Biyearly	-	572,327
Banco Rabobank	Ecuador	USD	2.93%	2.81%	07/18/2019	Biyearly	-	611,797
Banco Rabobank	Ecuador	USD	2.93%	2.81%	12/17/2019	Biyearly	-	118,412
Banco Rabobank	Ecuador	USD	3.05%	3.31%	10/27/2021	Biyearly	58,633	58,755
Banco Rabobank	Ecuador	USD	3.19%	3.28%	05/29/2020	Biyearly	142,019	142,588
Banco Rabobank	Ecuador	USD	4.39%	3.35%	05/29/2020	Biyearly	142,019	142,588
International Finance Corp.	Ecuador	USD	6.66%	6.66%	12/15/2023	Biyearly	623,187	716,956
Banco Bolivariano	Ecuador	USD	8.00%	8.36%	09/23/2019	Quarterly	-	25,368
Banco Guayaquil	Ecuador	USD	7.25%	7.45%	11/20/2020	Quarterly	-	78,459
Banco Internacional	Ecuador	USD	7.54%	7.60%	11/15/2020	Monthly	27,028	56,739
Banco Internacional	Ecuador	USD	6.23%	6.29%	10/27/2020	Quarterly	40,078	-
Citibank	Ecuador	USD	5.70%	6.45%	06/13/2019	Quarterly	-	8,223
Citibank	Ecuador	USD	6.00%	7.71%	05/20/2020	Quarterly	11,232	-
Scotiabank Inverlat	Peru	SOL	5.98%	5.98%	12/29/2023	Quarterly	550,792	656,972
Banco Macro	Argentina	ARG	29.80%	35.23%	06/28/2020	Monthly	-	192,452
Banco Macro	Argentina	ARG	22.50%	25.83%	03/10/2021	Monthly	-	255,381
Banco Macro	Argentina	ARG	22.50%	25.83%	03/21/2021	Monthly	-	340,508
Financial bank loans							15,613,240	19,475,608
Financial leases and other							55,145	50,142
Total							**$53,154,854**	**$53,337,569**

(1) The Company has contracted a swap for this loan that fixes the interest rate at 7.57%.

c. At December 31, 2018, annual maturities of the non-current debt are comprised as follows:

	2020	2021	2022	2023 ONWARD	TOTAL
Debt instruments and bonds	$ 5,029,195	$ 5,209,630	$ 2,321,274	$ 24,926,370	$ 37,486,469
Bank loans	1,840,056	1,603,559	3,345,534	8,824,091	15,613,240
Financial lease and other	13,620	8,750	2,047	30,728	55,145
	$ 6,882,871	**$ 6,821,939**	**$ 5,668,855**	**$ 33,781,189**	**$ 53,154,854**

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

	2019	2020	2021	2022 ONWARD	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**

d. Following is an analysis of net debt and movements in net debt during the year ended on December 31, 2018 and 2017:

	2018
Cash and cash equivalents	$ 15,940,867
Current debt	(2,671,954)
Non-current debt	(53,154,854)
Net debt	**($ 39,885,941)**
Cash and cash equivalents	$ 15,940,867
Debt at fixed rate	(40,815,724)
Debt at variable rate	(15,011,084)
Net debt	**($ 39,885,941)**

		Financial liabilities			
	CASH AND CASH EQUIVALENTS	SHORT TERM		LONG TERM	
		DEBENTURES	FINANCIAL DEBT	DEBENTURES	FINANCIAL DEBT
Net debt at January 1, 2018	$ 23,841,697	($ 1,031,350)	($ 753,879)	($ 33,811,819)	($ 19,525,750)
Cash inflow	226,868,344	-	(69,149)	(3,841,600)	(1,614,409)
Cash outflow	(233,873,929)	1,007,359	938,213	-	2,317,960
Exchange rate effects	(814,794)	(308,280)	377,615	325,329	340,043
Other movements not requiring cash flows	(80,451)	329,727	(3,162,210)	(158,379)	2,813,771
Net debt at December 31, 2018	**$ 15,940,867**	**($ 2,544)**	**($ 2,669,410)**	**($ 37,486,469)**	**($ 15,668,385)**

		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			
	CASH AND CASH EQUIVALENTS	SHORT TERM		LONG TERM	
		DEBENTURES	FINANCIAL DEBT	DEBENTURES	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 inflow	218,703,955	(13,661)	(22,175,585)	(18,538,835)	(13,464,927)
Cash outflow	(203,766,501)	5,890	37,447,891	261,006	4,079,615
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 features of the debt:
On December 28, 2017, CCSWB in the US issued a first block of new debt to syndicated creditors via a private placement in the form of two bond issues at 12 and 15 years for a total of $5,896,980 (US $300 million) each. The second block of issues of $ 1,965,660 (US $100 million) at 12 and 15 years each was issued on March 1, 2018.

The debt of the Tonicorp subsidiaries owed to Banco de Guayaquil, Citibank Ecuador and International Finance Corp. is secured with certain fixed assets belonging to those subsidiaries, whose net book value at December 31, 2018, in the percentage corresponding to AC, is $1,034,369 ($869,912 in 2017). These guarantees were granted as a result of the investment in Tonicorp joint operation. Those guarantees fall within the parameters permitted by the debt restrictions specified later herein.

On November 23, 2011, Corporacion Lindley (CL) issued international corporate bonds under rule 144A/Regulation S of the US Securities Market Law amounting to $6,290,112 (US $320,000) at the rate of 6.75%, maturing on November 23, 2021 (Bond 21). Additionally, on April 12, 2013, another set of international bonds was issued under the same Regulation in the amount of $5,110,716 (US $260,000) at the rate of 4.63%, maturing on April 12, 2023 (Bond 23). Corporate bonds 144A are unsecured.

On April 29, 2016, CL repurchased $1,375,962 (US$70,000) of Bond 21 and $2,555,358 (US$130,000) of Bond 23. Cash paid at that date for the repurchase, equivalent to fair value, was $1,596,116 (US$81,200) and $2,695,903 (US$137,150), respectively, for Bonds 21 and 23. The Company evaluated that operation and concluded that it represented no substantial modification to Bonds 21 and 23. The cash involved in this operation was paid from cash surpluses and local bank financing in local currency. On December 9, 2016, CL issued local corporate bonds in the amount of 150 million Peruvian soles at a rate of 7.5% per annum, maturing on December 9, 2026. The resources received have been used to pay off local short-term bank loans.

Financial leasing is secured with items related to the contracts.

AC Bebidas, Distribuidora Arca Continental and Bebidas Mundiales act as guarantors of the debt in Mexico, and AC Bebidas is guarantor of the private bonds in the US.

Debt restrictions:
Most long-term debt agreements specify normal conditions, mainly as concerns the delivery of internal and audited financial information. Failure to provide that information within the specified term to the satisfaction of the creditors could be considered a case of advance expiration.

Furthermore, long-term debt certificates are subject to certain restrictive obligations, which, among other things, unless authorized in writing by the holders of the debt certificates, limit the capacity to:

- Change or modify the main line of business or operations of the Company and of its subsidiaries.

- Incur or assume any guaranteed debt on a lien, including the subsidiaries, unless: i) simultaneously at the time of creating any lien, the issuer (the Company in this case) guarantees in the same manner its obligations pertaining to the debt certificates, or ii) the liens are permitted as described in dual revolving debt certificate programs.

- In the case of mergers in which the company is merged, the surviving company must expressly assume the Company obligations as issuer of the debt.

Furthermore, certain bank loan agreements contain obligations similar to the foregoing and require compliance with of financial ratios interest coverage and maximum debt over cash flow ratios, noncompliance with which requires dispensation by the respective bank.

The fair value of the non-current debt is disclosed in Note 21. The fair value of current debt is equivalent to book value, as the discount impact is not significant. Fair values at December 31, 2018 and 2017 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, 2018 and 2017, 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, 2018 and 2017, the Company has entered into agreements in Peru with financial institutions to finance its current accounts payable to suppliers. The periods pertaining to obligations to suppliers have been extended an average of 100 days, are not subject to guarantees and are comprised as shown below:

	At December 31,			
		2018		**2017**
Banco Continental (BBVA)	$	647,283	$	384,702
Banco de Credito del Peru (BCP)		10,335		668,526
Scotiabank		152,762		-
Other		1,121		-
	$	**811,501**	**$**	**1,053,228**

NOTE 15 - SUPPLIERS:

The suppliers balance is comprised as follows:

	At December 31,			
		2018		**2017**
Suppliers	$	7,834,066	$	7,381,278

NOTE 16 - OTHER LIABILITIES:

Other current and non-current liabilities is comprised as follows:

	At December 31,			
	2018		2017	
Current				
Sundry creditors	$	1,878,803	$	1,551,789
Federal and state taxes payable (1)		3,738,655		2,443,427
Accrued expenses payable		2,991,650		3,621,416
Employees' Statutory Profit Sharing payable		856,355		914,679
Bonuses		156,833		65,314
Provision for trials		157,763		154,749
Dividends payable		65,649		101,429
Other		10,064		120,755
Total current liabilities	**$**	**9,855,772**	**$**	**8,973,558**
Non-current				
Guarantee deposits per bottle	$	222,673	$	281,756
Provision for trials		33,331		60,252
Other provisions		109,625		222,185
Other		391,139		225,230
Total other non-current liabilities	**$**	**756,768**	**$**	**789,423**

(1) Sales in Mexico, Peru 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 where the Company act as a collection agent by charging the amount in question to the end consumer. That tax is paid over to the authorities on a monthly basis. The balances of these taxes pending payment at the 2018 and 2017 period close are shown in the federal and state taxes payable line item.

Movements in the provisions for trials are as follows (see Note 28).

	2018		2017	
Beginning balance	$	215,001	$	248,572
Debit (credit) to income:				
Additional provisions		22,847		16,555
Provisions used		(8,517)		(33,883)
Exchange rate differences		(38,237)		(16,243)
Ending balance	**$**	**191,094**	**$**	**215,001**

NOTE 17 - EMPLOYEE BENEFITS:

The valuation of employee benefits under formal and informal retirement plans (covering a significant number of employees in 2018 and 2017) 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 arrangements.

The Company's main subsidiaries in Mexico have set up funds for the payment of pensions, seniority premiums and medical expenses, which are handled through irrevocable trusts. In 2018 and 2017, there was no net contributions.

In Argentina and Peru, there is no obligation to provide long-term employee benefits, which 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, whether voluntary or involuntary, the employer pays the employee 25% of the equivalent of the most recent monthly remuneration for each year worked.

Following is a summary of relevant financial information pertaining to those employee benefits:

	At December 31,			
	2018		2017	
Obligations in the statement of financial position:				
Pension benefits	($	2,205,011)	($	1,854,277)
Seniority premium		(366,705)		(335,100)
Major medical expenses		(340,665)		(345,216)
Indemnities upon termination of employment		(34,566)		(35,213)
Severance upon termination of employment (dismissal)		(174,710)		(154,789)
Liability in statement of financial position	**($**	**3,121,657)**	**($**	**2,724,595)**

	At December 31,			
	2018		2017	
Charged to the statement of income (Notes 22, 24 and 25) for:				
Pension benefits	$	284,173	$	292,308
Seniority premium		53,159		45,320
Major medical expenses		29,981		25,283
Indemnities upon termination of employment		55,376		8,212
Severance upon termination of employment (dismissal)		30,822		25,207
	$	453,511	$	396,330
Re-measurements recognized in other comprehensive income for the period	**$**	**118,766**	**($**	**538,040)**

Total expense is recorded for the years ended on December 31 were prorated as follows:

	2018		2017	
Cost of sales	$	50,621	$	73,445
Selling expenses		84,944		109,569
Administration expenses		169,971		111,421
Financial expenses		147,975		101,895
Total	**$**	**453,511**	**$**	**396,330**

i. Pension benefits

The Company operates defined benefit pension plans based on compensation at retirement and length of service. Most plans are funded by the Company. Plan assets are held in trust and governed by local regulations and practices, such as the nature of the relationship between the Company and the trust beneficiaries (or equivalents) and the composition thereof.

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

	At December 31,			
	2018		2017	
Present value of obligations for defined benefits	($	4,725,524)	($	4,503,823)
Fair value of plan assets		2,520,513		2,649,546
Liability in statement of financial position	**($**	**2,205,011)**	**($**	**1,854,277)**

Movements in the obligation for defined benefit obligations in the year are as follows:

	2018		2017	
At January 1	($	4,503,823)	($	4,086,387)
Labor cost		(182,727)		(171,697)
Interest cost		(290,511)		(268,438)
Re-measurement - Gains (losses) due to changes in hypotheses		(190,082)		(407,540)
Exchange rate differences		2,613		58,996
Benefits paid		434,444		359,147
Labor cost due to past services		(1,037)		10,167
Reductions		5,599		1,929
At December 31	**($**	**4,725,524)**	**($**	**4,503,823)**

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

	2018		2017	
Opening balance	$	2,649,546	$	2,654,161
Fund transfers between plans		(9,748)		-
At January 1		2,639,798		2,654,161
Return on plan assets		156,013		172,377
Gains on changes in hypotheses		(42,351)		47,635
Exchange rate differences		(3,892)		(23,516)
Use		-		28,281
Benefits paid		(195,110)		(224,259)
Reductions		(33,945)		(5,133)
At December 31	**$**	**2,520,513**	**$**	**2,649,546**

Plan assets include the following:

	2018			2017		
Capital instruments	$	361,382	14%	$	444,881	17%
Debt instruments		2,071,582	82%		2,132,635	80%
Property		71,425	3%		72,030	3%
Other		16,124	1%		-	
Total	**$**	**2,520,513**		**$**	**2,649,546**	

The figures recorded in the statement of income are as follows:

	2018		2017	
Labor cost	$	181,991	$	171,697
Interest cost - Net		117,434		84,086
Cost of past services		88		-
Reductions and other		(15,340)		36,525
Total included in personnel costs	**$**	**284,173**	**$**	**292,308**

Total expenses recorded were prorated as follows:

	2018		2017	
Cost of sales	$	38,564	$	35,029
Selling expenses		27,408		59,212
Administration expenses		120,879		134,782
Financial expenses		97,322		63,285
Total	**$**	**284,173**	**$**	**292,308**

The main actuarial assumptions were as follows:

	2018	2017
Discount rate	5.65%	5.12%
Inflation rate	3.50%	3.50%
Salary growth rate	4.50%	3.00%
Future increase in pensions	2.25%	2.25%
Life expectancy	23.58 years	23.58 years

Pension benefit plan sensitivity to changes in the main assumptions at December 31, 2018 are as follows:

	Percentage impact on the plan		
	CHANGE IN THE ASSUMPTION	INCREASE IN THE ASSUMPTION	DECREASE IN THE ASSUMPTION
Discount rate	1.00%	(4.40%)	5.06%
Salary increase rate	1.00%	3.46%	(4.39%)
Future pension increase	1 year	(0.55%)	0.58%

The above sensitivity analyses are based on a change in one assumption with all other assumptions remaining constant. In practice, these are very unlikely to occur, and there could be changes in other related assumptions. When calculating the sensitivity of pension benefit plans on the basis of the main actuarial assumptions, the same method has been used as for calculating pension benefit plan liabilities 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 records the seniority premium retirement benefit obligation to its employees. The recording method, assumptions and frequency of valuation are similar to those used for pension benefit plans.

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

	At December 31,			
	2018		2017	
Present value of obligations for defined benefits	($	389,889)	($	395,181)
Fair value of plan assets		23,184		60,081
Liability in the statement of financial position	**($**	**366,705)**	**($**	**335,100)**

Movements in the obligation for seniority premium defined benefit obligations in the year are as follows:

	2018		2017	
At January 1	($	395,181)	($	347,209)
Labor cost		(27,293)		(24,002)
Interest cost - Net		(28,924)		(26,959)
Re-measurement - Gains (losses) due to changes in hypotheses		31,011		(31,262)
Benefits paid		30,498		34,251
At December 31	**($**	**389,889)**	**($**	**395,181)**

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

	2018		2017	
At January 1	$	60,081	$	87,113
Return on plan assets		(7,840)		4,885
Contributions		-		26
Benefits paid		(29,057)		(31,943)
At December 31	**$**	**23,184**	**$**	**60,081**

Plan assets include the following:

	2018			2017		
Capital instruments	$	1,891	8%	$	4,900	8%
Debt instruments		21,293	92%		55,181	92%
Total	**$**	**23,184**		**$**	**60,081**	

The figures recorded in the statement of income are as follows:

	2018		2017	
Labor cost	$	27,293	$	24,002
Interest cost - Net		25,866		21,318
Total included in personnel costs	**$**	**53,159**	**$**	**45,320**

Total expenses recorded were prorated as follows:

	2018		2017	
Cost of sales	$	4,811	$	4,326
Selling expenses		17,952		15,720
Administration expenses		4,530		3,957
Financial expenses		25,866		21,317
Total	**$**	**53,159**	**$**	**45,320**

iii. Major medical expenses

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

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

	At December 31,			
	2018		2017	
Present value of funded obligations	($	569,320)	($	574,410)
Fair value of plan assets		228,655		229,194
Liability in the statement of financial position	**($**	**340,665)**	**($**	**345,216)**

Movements in the obligation for major medical expense obligations in the year are as follows:

	2018		2017	
At January 1	($	574,410)	($	468,550)
Cost of current service		(4,307)		(3,276)
Interest cost - Net		(41,911)		(35,959)
Re-measurement - Gains (losses) from changes in hypotheses		25,650		(89,832)
Exchange rate differences		192		(2,131)
Benefits paid		25,466		25,338
At December 31	**($**	**569,320)**	**($**	**574,410)**

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

	2018		2017	
Beginning balance	$	229,194	$	231,618
Fund transfers between plans		9,747		-
At January 1		238,941		231,618
Return on plan assets		8,818		16,376
Contributions		6,362		6,537
Benefits paid		(25,466)		(25,337)
At December 31	**$**	**228,655**	**$**	**229,194**

Plan assets include the following:

	2018			2017		
Capital instruments	$	23,042	10%	$	23,178	11%
Debt instruments		205,613	90%		206,016	89%
Total	**$**	**228,655**		**$**	**229,194**	

The figures recorded in the statement of income are as follows:

	2018		2017	
Current cost of service	$	5,842	$	7,360
Interest cost - Net		24,139		17,923
Total included in personnel costs	**$**	**29,981**	**$**	**25,283**

Total expenses recorded were prorated as follows:

	2018		2017	
Cost of sales	$	1,537	$	4,318
Selling expenses		3,203		2,255
Administration expenses		1,742		1,417
Financial expenses		23,499		17,293
Total	**$**	**29,981**	**$**	**25,283**

iv. Indemnities upon termination of employment

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

	At December 31,			
	2018		2017	
Present value of unfunded obligations	($	34,566)	($	35,213)
Liability in the statement of financial position	($	34,566)	($	35,213)

Movements in the obligation for defined benefit obligations in the year are as follows:

	2018		2017	
At January 1	($	35,213)	($	104,096)
Cost of current service		(1,922)		(3,778)
Interest cost - Net		(1,295)		(709)
Re-measurement - Gains due to changes in hypotheses		953		1,966
Exchange rate differences		889		4,678
Benefits paid		2,759		66,726
Reductions		(737)		-
At December 31	**($**	**34,566)**	**($**	**35,213)**

The figures recorded in the statement of income are as follows:

	2018		2017	
Current cost of service	$	55,376	$	8,212

Total expenses recorded were prorated as follows:

	2018		2017	
Cost of sales	$	3,057	$	23,088
Selling expenses		30,941		20,060
Administration expenses		21,378		(34,936)
Total	**$**	**55,376**	**$**	**8,212**

v. Severance upon termination of employment (dismissal)

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

	At December 31,			
	2018		2017	
Present value of unfunded obligations	($	174,710)	($	154,789)
Liability in the statement of financial position	($	174,710)	($	154,789)

Movements in the obligation for defined benefit obligations in the year are as follows:

	2018		2017	
At January 1	($	154,787)	($	164,508)
Cost of current service		(24,865)		(20,769)
Interest cost - Net		(5,929)		(5,582)
Re-measurement - Losses from changes in hypotheses		(9,955)		(17,310)
Exchange rate differences		1,300		10,925
Benefits paid		10,386		42,455
Reductions and other		9,140		-
At December 31	**($**	**174,710)**	**($**	**154,789)**

The figures recorded in the statement of income are as follows:

		2018		2017
Current cost of service	$	24,865	$	20,769
Reductions and other		28		(1,144)
Interest cost - Net		5,929		5,582
Total included in personnel costs	**$**	**30,822**	**$**	**25,207**

Total expenses recorded were prorated as follows:

		2018		2017
Cost of sales	$	2,652	$	6,684
Selling expenses		5,440		12,322
Administration expenses		21,442		6,201
Financial expenses		1,288		-
Total	**$**	**30,822**	**$**	**25,207**

vi. Associated risks

As concerns the defined benefit pension plan and major medical expense plans, the Company is exposed to a number of risks, the most significant of which are listed below:

Asset volatility - Labor liability obligations are calculated at a discount rate determined as per IAS 19. If plan assets show returns below that rate, the difference is recorded 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 result in an increase in plan obligations. However, that would be partially offset by the increase in value of bonds held by those plans.

Inflation risk - Certain labor obligations are linked to inflation and higher inflation would result in an increase in plan obligations.

Life expectancy - Most plan obligations give rise to benefits for their members, which means that an increase in life expectancy would lead to an increase in plan obligations.

The Company has modified none of the processes and activities involved in managing the aforementioned risks in relation to prior years. Investments are diversified, and therefore, circumstances relating to any investment would have no significant 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,		
		2018		2017
Deferred tax asset	$	1,124,462	$	932,819
Deferred tax liability		(17,483,400)		(17,945,224)
Deferred tax liability, net		(16,358,938)		(17,012,405)
Adjustment by final values of business combination (Note 2) [1]		-		186,822
Deferred tax liability, net	**($**	**16,358,938)**	**($**	**16,825,583)**

(1) Revised by fair value adjustment for 2017 business combination of CCSWB and Great Plains. The adjustments are presented retrospectively in accordance to IFRS-3 related to adjustments to fair values within the period of 12 months after the acquisition date. These adjustments are related to circumstances existing at the date of the business combination.

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

	2018		2017	
At January 1	($	16,825,583)	($	9,473,301)
Credit (debit) to the statement of income		49,483		5,215,843
Business acquisition		-		(11,659,679)
(Payable) favorable tax pertaining to components of other comprehensive income items		34,932		259,366
Effect of translation		382,230		(1,167,812)
At December 31	**($**	**16,358,938)**	**($**	**16,825,583)**

Deferred tax liability movements over the year are explained below:

	Asset (liability)			
	At December 31,			
	2018		2017	
Employee benefits	$	340,137	$	384,268
Unamortized tax losses		225,080		177,524
Employees' statutory profit sharing		169,368		169,918
Provisions and others		942,999		791,225
Deferred tax asset		1,677,584		1,522,935
Property, plant and equipment - net		(6,063,053)		(5,786,352)
Intangible assets		(11,936,531)		(12,256,097)
Prepayments		(101,511)		(165,696)
Other		64,573		(140,373)
Deferred tax liability		(18,036,522)		(18,348,518)
Deferred tax liability - Net	**($**	**16,358,938)**	**($**	**16,825,583)**

Following are movements in temporary differences over the year:

	BALANCE AT DECEMBER 31, 2017	APPLIED TO INCOME	INCREASE FROM BUSINESS COMBINATION	APPLIED TO OTHER COMPREHEN-SIVE INCOME	CONVERSION OF FOREIGN SUBSIDIARIES	BALANCE AT DECEMBER 31, 2018
Employee benefits	$ 384,268	($ 72,296)	$ -	$ 28,165	$ -	$ 340,137
Unamortized tax losses	177,524	47,556	-	-	-	225,080
Employees' statutory profit sharing	169,918	(550)	-	-	-	169,368
Provisions and other	791,225	151,774	-	-	-	942,999
	1,522,935	126,484	-	28,165	-	1,677,584
Property, plant and equipment-net	(5,786,352)	134,087	-	-	(410,788)	(6,063,053)
Intangible assets	(12,256,097)	(272,398)	-	-	591,964	(11,936,531)
Prepaid expenses	(165,696)	64,185	-	-	-	(101,511)
Other	(140,373)	(2,875)	-	6,767	201,054	64,573
	(18,348,518)	(77,001)	-	6,767	382,230	(18,036,522)
Deferred tax liability	**($ 16,825,583)**	**$ 49,483**	**$ -**	**$ 34,932**	**$ 382,230**	**($ 16,358,938)**

	BALANCE AT DECEMBER 31, 2016	APPLIED TO INCOME	INCREASE FROM BUSINESS COMBINATION	APPLIED TO OTHER COMPREHENSIVE INCOME	CONVERSION OF FOREIGN SUBSIDIARIES	BALANCE AT DECEMBER 31, 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 other	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	(3,873,515)	-	(395,250)	(5,786,352)
Intangible assets	(7,283,141)	3,654,573	(7,854,967)	-	(772,562)	(12,256,097)
Prepaid expenses	(54,368)	(111,328)	-	-	-	(165,696)
Other	(46,033)	(94,340)	-	-	-	(140,373)
	(10,735,601)	5,283,377	(11,728,482)	-	(1,167,812)	(18,348,518)
Deferred tax liability	**($ 9,473,301)**	**$ 5,215,843**	**($ 11,659,679)**	**$ 259,366**	**($ 1,167,812)**	**($ 16,825,583)**

The US Tax Cuts and Jobs Act (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 our US subsidiaries was a reduction in the deferred tax liability of approximately $4,434,255, with the respective benefit in the provision for taxes on income for the year 2017.

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 $225,080 for 2018 and $177,524 for 2017, with respect to remaining tax losses of $1,032,338 for 2018 and $507,299 for 2017, which can be amortized against future tax profits.

At December 31, 2018, accrued unamortized tax losses of the Mexican entities totaling $366 expire in 2028 and those of the foreign entities totaling $1,031,972 expire from 2019 to 2027.

At December 31, 2018, the Company has not recorded estimated deferred tax liabilities of approximately $2,422 million ($3,764 million in 2017) arising from the difference between the tax cost of the shares of subsidiaries and the value of net consolidated assets, mainly due to undistributed profits and exchange effect, among others, because based on the exception applicable to the Company, it considers that it will not sell its investments in subsidiaries any time in the near future and has the policy of paying dividends to its subsidiaries only up to the amounts on which tax has been paid.

NOTE 19 - STOCKHOLDERS' EQUITY:

At the April 26, 2018 General Ordinary Stockholders' Meeting (April 27, 2017), it was agreed to pay cash dividends from the CUFIN equivalent to $2.2 pesos per share ($2 pesos in 2017) on all shares issued at that date, totaling $3,881,423, which were paid beginning on May 9, 2018 ($3,528,566 in 2017).

The Company's capital stock at December 31, 2018 and 2017 was comprised as follows:

	Subscribed capital stock		
	Number of shares (a)		
	FIXED	VARIABLE	TOTAL
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
Total shares at December 31, 2018	**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.

In accordance with the Mexican Corporations Law, the net profit for the year is subject to the legal provision that requires that at least 5% of the net profit of each year be allocated to increase the legal reserve until it is equal to one fifth of the social capital paid. As of December 31, 2018 and 2017, the legal reserve amounts to $1,726,046 and is included in retained earnings.

At December 31, 2018, 4,733,389 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.

The Mexican Income Tax Law 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 aforementioned CUFIN. Dividends in excess of that account are subject to 42.86% tax if paid in 2019. Tax is payable by the Company and may be credited against income tax for the current period or for the following two periods.

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

At December 31, 2018, the tax value of the CUFIN and the value of the CUCA total $32,788,774(*) and $31,104,335, respectively.

(*) Stemming from earnings at 2013 $9,506,162 and rest from subsequent years $23,282,612.

NOTE 20 - OTHER ACCRUED COMPREHENSIVE INCOME

	EFFECT OF CONVERSION OF FOREIGN ENTITIES	REMEASUREMENT OF DEFINED BENEFIT LIABILITY	EFFECT OF CASH FLOW HEDGING	TOTAL
Balances at January 1, 2017	$ 4,588,174	($ 939,174)	$ 213,368	$ 3,862,368
Effect of re-measuring defined benefit liability	-	(542,811)	-	(542,811)
Effect of deferred taxes	-	157,060	-	157,060
Effect of cash flow hedging	-	-	(346,031)	(346,031)
Effect of deferred taxes	-	-	102,306	102,306
Effect of cash flow hedging of non-controlling interest	-	-	171,194	171,194
Effect of deferred taxes	-	-	(50,502)	(50,502)
Effect of conversion of foreign entities	1,067,564	-	-	1,067,564
Effect of conversion of foreign entities of non-controlling interest	(574,213)	-	-	(574,213)
Balances at December 31, 2017	5,081,525	(1,324,925)	90,335	3,846,935
Effect of re-measuring of defined benefit liability	-	(118,766)	-	(118,766)
Effect of deferred taxes	-	28,165	-	28,165
Share in other comprehensive income of associates via the equity method	(265,410)	(15,117)	-	(280,527)
Effect of cash flow hedging	-	-	(47,349)	(47,349)
Effect of deferred taxes	-	-	6,767	6,767
Effect of conversion of foreign entities	(1,385,725)	-	-	(1,385,725)
Effect of conversion of foreign entities of non-controlling interest	602,569	-	-	602,569
Balance at December 31, 2018	**$ 4,032,959**	**($ 1,430,643)**	**$ 49,753**	**$ 2,652,069**

NOTE 21 - FINANCIAL INSTRUMENTS:

This note provides information on the Company's financial instruments, including a summary of all financial instruments held, specific information on each type of financial instrument and information on the determination of the fair value of said instruments.

The Company holds the following financial instruments:

	December 31, 2018		
FINANCIAL ASSETS	**CURRENT**	**NON-CURRENT**	**TOTAL**
Financial assets at amortized cost:			
Cash and cash equivalents	$ 15,940,867	$ -	$ 15,940,867
Clients and other accounts receivable	11,173,340	-	11,173,340
Contract assets	106,359	62,951	169,310
Related parties	299,622	-	299,622
Prepayments	386,551	-	386,551
Financial assets at fair value with changes in OCI:			
Derivative hedging instruments (1)	4,171	98,414	102,585
	$ 27,910,910	**$ 161,365**	**$ 28,072,275**
FINANCIAL LIABILITIES	**CURRENT**	**NON-CURRENT**	**TOTAL**
Financial liabilities at amortized cost:			
Debt	$ 2,671,954	$ 53,154,854	$ 55,826,808
Factoring	811,501	-	811,501
Suppliers, related parties, sundry creditors	11,903,355	-	11,903,355
Contract liabilities	83,224	-	83,224
Financial liabilities at fair value with changes in OCI:			
Derivative hedging instruments (1)	110,759	6,034	116,793
	$ 15,580,793	**$ 53,160,888**	**$ 68,741,681**

	At December 31, 2017		
FINANCIAL ASSETS	**CURRENT**	**NON-CURRENT**	**TOTAL**
Financial assets at amortized cost:			
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
Financial assets at fair value with changes in OCI:			
Derivative hedging instruments (1)	82,829	165,045	247,874
	$ 36,099,830	**$ 165,045**	**$ 36,264,875**

	At December 31, 2017					
FINANCIAL LIABILITIES		CURRENT		NON-CURRENT		TOTAL
Financial liabilities at amortized cost:						
Debt	$	1,785,229	$	53,337,569	$	55,122,798
Factoring		1,053,228		-		1,053,228
Suppliers, related parties, sundry creditors		10,013,031		-		10,013,031
Financial liabilities at fair value with changes in OCI:						
Derivative hedging instruments [(1)]		4,718		443,789		448,507
	$	**12,856,206**	**$**	**53,781,358**	**$**	**66,637,564**

(1) Classified in level 2 of the fair value hierarchy.

See Note 31 regarding the impact of the change in accounting policies following adoption of IFRS-9 "Financial instruments" in the classification of financial assets.

The additional information related to the loan with related parties is detailed in Note 29.

i. Fair value of financial assets and liabilities

Due to the short-term nature of cash and cash equivalents, accounts receivable, other accounts receivable, suppliers, other accounts payable, current debt and other current liabilities, their book value is considered equal to their fair value. For most non-current accounts receivable and payable, fair values are also not significantly different from their book values.

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

	December 31, 2018			
		BOOK VALUE		FAIR VALUE
Assets				
Derivative financial instruments	$	102,585	$	102,585
Liabilities				
Derivative financial instruments	$	116,793	$	116,793
Non-current debt	$	53,154,854	$	53,384,378

	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

iii. Impairment and exposure to risks

Note 8 contains information on impairment of financial assets on the Company's exposure to the credit risk.

iii. 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 date of the statement of financial position. 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 market transactions in conditions of independence.

- 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 in this Level.

- 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.

iv. Determination of fair value and measurement

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 figures at observable data set at present value, including interest rates, exchange rates, volatility, 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.

Assets and liabilities measured at amortized cost and at fair value are summarized at the top of this Note.

There were no transfers between levels 1 and 2 nor between levels 2 and 3 in the periods shown.

v. Derivative financial instruments

The Company's derivative financial operations have been privately concentrated at a number of financial entities whose financial soundness is supported by high ratings assigned by rating securities and credit risks entities. The documentation used to formalize operations is common documentation, as specified in the following contracts: Framework Contract For Derivative Financial Operations or ISDA Master Agreement, drawn up by the "International Swaps & Derivatives Association" (ISDA), accompanied by accessory documents used in this type of operations, generally known as "Schedule", "Credit Support Annex" and "Confirmation".

At December 31, 2018 and 2017, the following derivative financial instruments exist in Mexico: foreign currency forwards and interest rate swaps; and in Peru, currency call spread, sugar hedge futures and coverage cross currency swap. At December 31, 2017, foreign currency forwards were held. In the US, currency forwards, aluminum and diesel hedge were held at December 31, 2018.

Classification of derivatives

Derivatives are only used for economic hedging and not as speculative investments. However, when derivatives fail to meet hedge accounting requirements, they are classified as "held for trade" for accounting purposes and are recognized at fair value with changes in income. They are shown as current assets and liabilities to the extent they are expected to be settled within the 12 months following the end of the reporting period.

The Company holds the following derivative financial instruments:

a. Positions in derivative financial instruments of raw materials and other production materials:

December 31, 2018											
CONTRACT	TONS HEDGED	VALUE OF UNDERLYING ASSET		FAIR VALUE		MATURITIES PER YEAR				COLLATERAL/ GUARANTEE
		UNITS	PRICE US$			2019		2020	2021+	
Rabobank UA [2]	31,800	Dollar/Ton	1,823-1,908	(US$	3,983)	(US$	3,983)	US$	US$	US$
Rabobank UA [3]	6,405	Dollar/Gallon	1.5944-1.6775		(1,140)		(1,140)	-	-	-
Bank of America [1]	5,000	Dollar/Ton	332.5		(64)		(64)	-	-	-
BNP Paribas [1]	2,500	Dollar/Ton	336.3		(36)		(36)	-	-	-
Cargill [1]	8,650	Dollar/Ton	341.70-346.10		(45)		(45)	-	-	-
Citibank	12,100	Dollar/Ton	336.30-346.10		(110)		(110)	-	-	-
JP Morgan [1]	12,400	Dollar/Ton	332.50-351.70		(29)		(29)	-	-	-
Macquarie Bank [1]	16,000	Dollar/Ton	332.50-341.70		(227)		(227)	-	-	-
				(US$	**5,634)**	**(US**	**5,634)**	**US$-**	**US$-**	**US$-**

(1) Sugar
(2) Aluminum
(3) Diesel

At December 31, 2017										
CONTRACT	TONS HEDGED	VALUE OF UNDERLYING ASSET		FAIR VALUE		MATURITIES PER YEAR				COLLATERAL/ GUARANTEE
		UNITS	PRICE US$			2018		2019	2020+	
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$-**	**US$-**

b. Positions in derivative financial instruments for hedging purposes of exchange rates:

December 31, 2018

CONTRACT	NOTIONAL AMOUNT	VALUE OF UNDERLYING ASSET		FAIR VALUE		MATURITIES PER YEAR						COLLATERAL/ GUARANTEE	
		UNITS	RANGE OF REFERENCE			2019		2020		2021+			
Rabobank UA	14,906	Euro / Dollar	1.1434	US$	212	US$	212	US$	-	US$	-	US$	-
Rabobank UA	49,681	Pesos / Dollar	19.6566		(281)		(281)		-		-		-
Cross Currency Swaps	135,000	Soles / Dollar	3.38		4,837		-		-		4,837		-
Cross Currency Swaps	30,000	Soles / Dollar	3.38		6,614		-		3,838		2,776		-
Cross Currency Swaps	65,000	Soles / Dollar	3.38		(10,990)		-		-		(10,990)		-
Call Spread	50,000	Soles / Dollar	3.38		2,892		-		-		2,892		-
Cross Currency Leasing	4,659	Soles / Dollar	3.38		(306)		-		-		(306)		-
				US$	**2,978**	**(US$**	**69)**	**MX$ 3,838**		**(US$ 791)**		**US$**	**-**
Scotiabank Inverlat SA	1,000,000	Interest rate		**MX$**	**39,304**	**MX$**	**-**	**MX$**	**-**	**MX$ 39,304**		**MX$**	**-**

At December 31, 2017

CONTRACT	NOTIONAL AMOUNT	VALUE OF UNDERLYING ASSET		FAIR VALUE		MATURITIES PER YEAR					COLLATERAL/ GUARANTEE	
		UNITS	RANGE OF REFERENCE			2018		2019		2020+		
Cross Currency Swaps	65,000	Soles / Dollar	3.502	(US$	17,691)	US$	-	US$	-	(US$17,691)	US$	-
Cross Currency Swaps	30,000	Soles / Dollar	2.596		5,456		-		-	5,456		-
Cross Currency Swaps	135,000	Soles / Dollar	2.55-3.507		(4,733)		-		-	(4,733)		-
Call Spread	50,000	Soles / Dollar	3.273		1,939		-		-	1,939		-
Cross Currency Leasing	4,659	Soles / Dollar	-		(43)		-		-	(43)		-
Scotiabank Inverlat SA	20,530	Peso / Dollar	-		1,093		1,093		-	-		-
Rabobank UA	40,620	Peso / Dollar	-		2,951		2,951		-	-		-
				(US$	**11,028)**	**US$**	**4,044**	**US$-**		**(US$ 15,072)**	**US$**	**-**
Scotiabank Inverlat SA	1,000,000	Interest rate	-	**MX$**	**19,068**	**US$**	**-**	**US$-**		**MX$19,068**	**MX$**	**-**

Ineffective hedging portion

Hedging effectiveness is determined at the beginning of the hedge relationship, through periodic prospective assessments of effectiveness to ensure that is an economic relationship between the hedged item and the hedging instrument. At December 31, 2018 and 2017, the Company held cash flow hedging financial instruments corresponding to forwards and swaps, as well as sugar futures for hedging, aluminum and diesel swaps, which were determined to be highly effective.

For foreign currency hedges, the Company generates hedge relationships where the critical terms of the hedging instrument match the terms of the hedged item exactly. Therefore, the Company conducts a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item to the extent that the critical terms no longer match the critical terms of the hedging instrument exactly, the Company uses the hypothetical derivative method to evaluate effectiveness.

In foreign currency hedges, ineffectiveness can arise if the moment of the forecast transaction changes from that originally estimated, or if there are changes in Mexico's credit risk or of the counterpart.

The Company contracts interest rate swaps with critical terms similar to those of the hedged item, such as the reference rate, the starting date, payment dates, maturities and the nominal amount. The Company does not hedge 100% of its loans, which means that the hedged item is identified as a portion of current loans in effect up to the nominal amount of the swaps. As all critical terms matched during the year, the economic relationship was 100% effective.

Hedging ineffectiveness for interest rate swaps is evaluated using the same principles as those for hedging of purchases of foreign currencies. Can occur due to:

- The adjustment to the creditor/debtor value in interest rate swaps that does not correspond to the loan, and
- The differences in critical terms between interest rate swaps and the loans.

There was no ineffectiveness during 2018 or 2017 with regard to the derivative financial instruments contracted by the group.

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, 2018 and 2017 are as follows:

		2018		2017
Raw materials and other production materials [1]	$	77,626,891	$	66,278,889
Personnel expenses		28,188,590		23,950,903
Employee benefit obligations		305,536		294,435
Variable selling expenses		8,545,618		7,795,932
Depreciation		7,429,043		6,181,964
Transportation		3,516,146		3,265,824
Advertising, promotion and public relations		3,026,129		3,057,484
Maintenance and conservation		3,117,086		2,947,395
Professional fees		2,868,780		2,167,877
Supplies (electricity, gas, telephone, etc.)		636,430		471,850
Taxes (taxes other than income tax, value added tax and excise tax)		844,522		814,121
Spillage, breakage and shortages		943,785		624,262
Leases		783,898		718,465
Travel expenses		534,982		445,104
Provision for impairment of clients		(74,130)		120,745
Amortization		513,400		469,356
Consumption of materials and production materials		112,429		119,116
Restatement of operating expenses		45,772		-
Other expenses		1,559,646		1,428,013
	$	**140,524,553**	**$**	**121,151,735**

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

NOTE 23 - OTHER INCOME (EXPENSES) - NET:

Other income/expenses for the years ended December 31, 2018 and 2017 are comprised as follows:

		2018		2017
Expenses related to new projects and to business combination (Note 2)	($	543,915)	($	591,890)
Sale of trademarks and rights (Note 29)		-		3,733,281
Indemnities		(368,169)		(201,931)
Prior years' taxes		(19,013)		18,274
Income from secondary taxes, rights and dues		1,066,245		786,575
Results of fixed asset sales or disposals		(43,017)		175,855
Other		(21,305)		125,554
Total	**$**	**70,826**	**$**	**4,045,718**

NOTE 24 - EMPLOYEE BENEFIT EXPENSES:

Employee benefit expenses incurred in the years ended on December 31, 2018 and 2017 are as follows:

		2018		2017
Salaries, wages and benefits	$	25,266,544	$	21,791,667
Termination benefits		125,758		187,657
Social security dues		2,796,288		1,971,579
Employee benefits (Note 17)		305,536		294,435
Total	**$**	**28,494,126**	**$**	**24,245,338**

NOTE 25 - FINANCIAL INCOME AND COSTS:

Financial income and expenses for the years ended on December 31, 2018 and 2017 are as follows:

		2018		2017
Financial income:				
Interest income from short-term bank deposits	$	819,713	$	766,818
Other financial income		14,945		19,749
Financial income, excluding exchange gains		834,658		786,567
Gain from exchange fluctuations		2,540,266		3,108,114
Gain on monetary position		242,008		-
Total financial revenue		**3,616,932**		**3,894,681**
Financial expenses:				
Interest on debt instruments		(1,024,206)		(677,902)
Interest on bank loans		(2,899,525)		(2,470,847)
Financial cost (employee benefits)		(147,975)		(101,895)
Taxes pertaining to financial operations		(102,296)		(148,585)
Other financial expenses		(332,998)		(423,998)
Financial expenses, excluding exchange losses		(4,507,000)		(3,823,227)
Losses on exchange fluctuations		(3,223,118)		(2,608,306)
Total financial expenses		(7,730,118)		(6,431,533)
	($	**4,113,186)**	**($**	**2,536,852)**

NOTE 26 - INCOME TAXES:

i. Income tax under the tax consolidation regime
The Mexican 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 was paid to the Mexican tax authorities in April 2018.

In 2018, the Company determined an individual tax profit of $85,930 (a tax profit of $5,316,088 in 2017). 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,			
	2018		2017	
Domestic	$	8,743,309	$	13,162,274
Foreign		5,937,488		6,885,591
	$	**14,680,797**	**$**	**20,047,865**

iii. Components of expenses arising from taxes on income
Components of expenses arising from taxes on income include:

	For the year ended December 31,			
	2018		2017	
Tax incurred:				
Tax incurred on profit for the year	($	3,909,306)	($	8,475,091)
Deferred tax:				
Origin and reversal of temporary differences		49,483		5,215,843
Total taxes on income expense	**($**	**3,859,823)**	**($**	**3,259,248)**

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,			
	2018		2017	
Incurred:				
Domestic	($	2,740,336)	($	5,955,667)
Foreign		(1,168,970)		(2,519,424)
		(3,909,306)		(8,475,091)
Deferred:				
Domestic		167,409		(675,997)
Foreign		(117,926)		4,539,846
		49,483		5,215,843
Total	**($**	**3,859,823)**	**($**	**3,259,248)**

iv. Book/tax reconciliation

For the years ending on December 31, 2018 and 2017, the reconciliation between the legal tax rate and the effective income tax rate is as follows:

	For the year ended December 31,			
	2018		2017	
Tax at the legal rate (30% for 2018 and 2017)	($	4,404,239)	($	6,014,359)
Tax effects of inflation		(185,031)		(218,587)
Differences due to the tax rates of foreign subsidiaries		338,533		4,216,236
Non-deductible expenses		(301,921)		(893,690)
Tax deductions		303,923		53,534
Other non-taxable income and effect of applying decree for repatriation of profits to Mexico in 2017		853,501		1,209,247
Income tax arising from adjustments to the price of the business combination with CCSWB		-		(1,302,989)
Other		(464,589)		(308,640)
Tax at the effective rate (26.3% and 16.26% for 2018 and 2017, respectively)	**($**	**3,859,823)**	**($**	**3,259,248)**

v. Tax pertaining to the components of other comprehensive income

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

	2018						2017					
	BEFORE TAXES		TAX (PAYABLE) RECEIVABLE		AFTER TAXES		BEFORE TAXES		TAX (PAYABLE) RECEIVABLE		AFTER TAXES	
Effect of derivative financial instruments contracted as cash flow hedging	$	47,349	($	6,767)	$	40,582	($	346,031)	$	102,306	($	243,725)
Effect of conversion of foreign entities								1,067,564		-		1,067,564
Re-measurement of labor liabilities		118,766		(28,165)		90,601		(542,811)		157,060		(385,751)
Other comprehensive income	**$**	**166,115**		**(34,932)**	**$**	**131,183**	**$**	**178,722**		**259,366**	**$**	**438,088**
Effect of translation of initial balances with respect to the ending balances from conver-sion of foreign subsidiaries				(382,230)						(1,167,812)		
Deferred tax			**($**	**347,298)**					**($**	**908,446)**		

NOTE 27 - COMMITMENTS:

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 for the non-cancelable operating leases are as follows:

	2018	
Under 1 year	$	341,519
More than 1 year but less than 5 years		709,374
More than 5 years		7,214
Total	$	1,057,893

NOTE 28 - CONTINGENCIES:

BOTTLING AGREEMENTS

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 SIGNING / RENEWAL	MATURITY DATE
Mexico (North)	July 1, 2017	June 30, 2027
Mexico (West) (1)	July 1, 2017	June 30, 2027
Northeast Argentina	June 30, 2017	January 1, 2022
Northwest of Argentina	June 30, 2017	January 1, 2022
Ecuador (3)	December 31, 2017	December 31, 2022
Peru	January 31, 2016	April 30, 2020
Southwest US (2)	April 1, 2017	April 1, 2027
Great Plains (2)	August 25, 2017	April 1, 2027

(1) Correspond to the agreements held by AC to which AC Bebidas has access through a specific agreement contemplating the payment of royalties with respect to the total net sales generated in the western territory of Mexico.
(2) In the United States there are two agreements for bottling, selling and marketing products in the Southwest of the United States, including Oklahoma City and Tulsa. These contracts are called "Comprehensive Beverage Agreement" and "Regional Manufacturing Agreement", and have a term of 10 years with the possibility of renewing for another 10 years.
(3) Corresponds to the agreement owned by AC, which grants AC Bebidas the benefit to carry out the sales generated by the Branch in Ecuador and the operation performed by the subsidiary Arcador in this country. Said benefit would be treated as a transaction between related parties.

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, 2018, 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 $547,953 (approximately $596,093 at December 31, 2017), 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 $157,763 ($165,407 at December 31, 2017); they also estimate that lawsuits classified as remote or possible will be resolved favorably for the Company, which is why no provision has been created at December 31, 2018 (see Note 16).

CONTINGENCIES IN ECUADOR

At December 31, 2018, the Company has filed a number of claims at the tax office for a total of approximately $567,514 (approximately $850,458 in 2017), 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 $100,593; 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, 2018 for $45,497. (See Note 16).

CONTINGENCIES IN ARGENTINA

At December 31, 2018, 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 $190,452 (approximately $343,680 at December 31, 2017), 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 $33,330 ($60,251 at December 31, 2017); 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, 2018.

NOTE 29 - RELATED PARTIES AND ASSOCIATES:

The Company is controlled by Fideicomiso de Control, which holds 47% (46% in 2017) of the Company's outstanding shares. The remaining 53% (54% in 2017) 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:

		2018		2017
Salaries and other short-term benefits	$	316,121	$	323,330
Pension plans	$	524,728	$	338,996
Seniority premium	$	250	$	304
Post-retirement medical expenses	$	7,925	$	12,087

b. Related party balances and transactions
Short-term receivable balances:

		At December 31,		
		2018		2017
Other related parties:				
Criotec, S. A. de C. V.	$	110,299	$	-
Coca-Cola Refreshments (CCR)		37,521		-
Coca-Cola Servicios del Perú, S. A.		16,637		97,221
Corporación Inca Kola Perú, S. R. L.		9,129		-
Associates:				
Other companies in Mexico and abroad		82,849		13,754
Tiendas Tambo, S. A. C.		22,608		-
Santa Clara Mercantil de Pachuca, S. A. de C. V.		20,579		-
Total short-term accounts receivable	**$**	**299,622**	**$**	**110,975**

Short-term payable balances:

	At December 31,			
	2018		2017	
Other related parties:				
Coca-Cola de Chile, S. A.	$	431,651	$	-
Coca-Cola North America (CCNA)		413,983		-
The Coca-Cola Export Corporation		376,638		-
The Coca-Cola Company (TCCC)		238,280		119,195
Coca Cola del Ecuador, S. A.		74,761		-
Monster Energy México, S. de R. L. de C. V.		65,516		89,356
Coca-Cola México (CCM)		-		158,977
Coca-Cola Refreshments (CCR)		-		64,611
Corporación Inca Kola Perú, S. R. L.		-		95,415
Criotec, S. A. de C. V.		-		45,604
Associates:				
Promotora Industrial Azucarera, S. A. de C. V.		152,025		196,740
Jugos del Valle, S. A. P. I. de C. V.		151,803		-
Petstar, S. A. P. I. de C. V.		70,101		-
Western Container, Co.		60,252		-
JDV Markco, S. A. P. I. de C. V.		56,843		83,929
Industria Envasadora de Querétaro, S. A. de C. V. (IEQSA)		42,039		41,049
Fevisa Industrial, S. A. de C. V.		41,739		-
Promotora Mexicana de Embotelladoras, S. A. de C. V.		-		35,074
Other companies		14,855		-
Total short-term payables	**$**	**2,190,486**	**$**	**929,950**
Long-term payable balances:				
Promotora Industrial Azucarera, S. A. de C. V.		-		150,014
Total long-term payables	**$**	**-**	**$**	**150,014**

The main transactions with related parties and associates were the following:

	At December 31,			
		2018		2017
Other related parties (see Notes 1 and 28):				
Purchase of concentrate	$	35,678,463	$	22,694,762
Advertising and fees		75,271		(27,526)
Purchase of refrigerators		479,086		379,206
Air taxi		50,437		58,516
Purchase of containers		575,283		439,293
NPSG purchases		822,797		245,805
Royalties		403,406		-
Purchase of Monster products		158,130		180,387
Other		21,736		444,906
Associates (see Note 10):				
Purchase of juice and nectar from JDV		2,754,964		2,388,665
Purchase of Santa Clara products from JDV		406,393		307,219
Purchase of sugar from PIASA		2,665,894		2,882,512
Purchase of canned goods from IEQSA		823,759		895,965
Purchase of cans and containers		3,541		314,884
Purchase of resin from PETSTAR		726,587		691,262
Freight		-		66,667
Purchase of spare parts and others		74,800		503,739
	$	**45,720,547**	**$**	**32,466,262**

At December 31, 2018, sales of exportation products to CCNA and to other related parties totaled $1,027,528 and $131,107, respectively.

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 is not allowed, i.e., in countries where AC 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 Master 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 in NPSG income. For the periods ended December 31, 2018 and 2017, they totaled $3,299,438 and $2,330,679, respectively. 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 main subsidiaries at December 31, 2018 and 2017 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 main place of business.

			Shareholding of controlling company(*)		Shareholding non-controlling interest		
	COUNTRY	ACTIVITIES	2018	2017	2018	2017	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. (g)	Mexico	B / F	100.00	100.00	0.00	0.00	Mexican peso
Servicios Ejecutivos Arca Continental, S. A. de C.V.	Mexico	E	100.00	100.00	0.00	0.00	Mexican peso
AC Bebidas Ecuador, S. de R. L. de C.V.	Mexico	B	100.00	100.00	0.00	0.00	Mexican peso
Vending del Ecuador, S. A. (f)	Ecuador	A / C	100.00	100.00	0.00	0.00	US dollar
AC Bebidas, S. de R. L. de C. V.	Mexico	B	80.00	79.86	20.00	20.14	Mexican peso
Bebidas Mundiales, S. de R. L. de C. V.	Mexico	A	80.00	79.86	20.00	20.14	Mexican peso
Distribuidora Arca Continental, S. de R. L. de C. V.	Mexico	A	80.00	79.86	20.00	20.14	Mexican peso
Productora y Comercializadora de Bebidas Arca, S. A. de C. V.	Mexico	A / B	80.00	79.86	20.00	20.14	Mexican peso
Compañía Topo Chico, S. de R. L. de C. V.	Mexico	A	80.00	79.86	20.00	20.14	Mexican peso
Procesos Estandarizados Administrativos, S. A. de C. V.	Mexico	E	80.00	79.86	20.00	20.14	Mexican peso
Fomento de Aguascalientes, S. A. de C. V.	Mexico	F	80.00	79.86	20.00	20.14	Mexican peso
Fomento Durango, S. A. de C. V.	Mexico	F	80.00	79.86	20.00	20.14	Mexican peso
Fomento Mayrán, S. A. de C. V.	Mexico	F	80.00	79.86	20.00	20.14	Mexican peso
Fomento Potosino, S. A. de C. V.	Mexico	F	80.00	79.86	20.00	20.14	Mexican peso
Fomento Rio Nazas, S. A. de C. V.	Mexico	F	80.00	79.86	20.00	20.14	Mexican peso

			Shareholding of controlling company(*)		Shareholding non-controlling interest		
	COUNTRY	ACTIVITIES	2018	2017	2018	2017	FUNCTIONAL CURRENCY
Fomento San Luis, S. A. de C. V.	Mexico	F	80.00	79.86	20.00	20.14	Mexican peso
Fomento Zacatecano, S. A. de C. V.	Mexico	F	80.00	79.86	20.00	20.14	Mexican peso
Inmobiliaria Favorita, S. A. de C. V.	Mexico	F	80.00	79.86	20.00	20.14	Mexican peso
Servicios AC Bebidas México, S. de R. L. de C. V. (b)	Mexico	E / F	80.00	79.86	20.00	20.14	Mexican peso
Coca Cola Southwest Beverages, L.L.C.	USA	A	80.00	79.86	20.00	20.14	US dollar
Great Plains Coca-Cola Bottling Company	USA	A	80.00	79.86	20.00	20.14	US dollar
Texas-Cola Leasing, Corp	USA	F	80.00	79.86	20.00	20.14	US dollar
AC Bebidas Argentina S. de R. L. de V. C. (e)	Mexico	B	80.00	79.86	20.00	20.14	Argentine peso
Salta Refrescos S. A.	Argentina	A	80.00	79.86	20.00	20.14	Argentine peso
Envases Plásticos S. A. I. C.	Argentina	F	80.00	79.86	20.00	20.14	Argentine peso
Corporación Lindley, S. A. (CL) (h)	Peru	A / B	72.96	56.93	27.04	43.07	Peruvian sol
Embotelladora La Selva, S. A.	Peru	A	72.96	56.93	27.04	43.07	Peruvian sol
Empresa Comercializadora de Bebidas, S. A. C.	Peru	A	72.96	56.93	27.04	43.07	Peruvian sol
Industrial de Gaseosas, S. A.	Ecuador	E	80.00	79.86	20.00	20.14	US dollar
Bebidas Arca Continental Ecuador ARCADOR, S. A.	Ecuador	A	80.00	79.86	20.00	20.14	US dollar
AC Alimentos y Botanas, S. A. de C. V. (c)	Mexico	B	100.00	100.00	0.00	0.00	Mexican peso
Nacional de Alimentos y Helados, S. A. de C. V.	Mexico	C	100.00	100.00	0.00	0.00	Mexican peso
Industrial de Plásticos Arma, S. A. de C. V.	Mexico	D	100.00	100.00	0.00	0.00	Mexican peso
Bbox Vending, S. de R. L. de C. V.	Mexico	A / C	100.00	100.00	0.00	0.00	Mexican peso
Interex, Corp	USA	A / C	80.00	80.00	20.00	20.00	US dollar
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	100.00	0.00	0.00	US dollar
Old Lyme Gourmet Co. (Deep River Snacks)	USA	C	100.00	100.00	0.00	0.00	US dollar
AC Snacks Foods, Inc.	USA	B	100.00	100.00	0.00	0.00	US dollar
Wise Foods, Inc.	USA	C	100.00	100.00	0.00	0.00	US dollar
Industrias Alimenticias Ecuatorianas, S. A.	Ecuador	C	100.00	100.00	0.00	0.00	US dollar
Vend S. A. C. (a)	Peru	A / C	100.00	100.00	0.00	0.00	Peruvian sol
Vendtech, S. A. C.	Peru	A / C	100.00	100.00	0.00	0.00	Peruvian sol
Soluciones Brio, S. A. P. I. de C. V.	Mexico	E	100.00		0.00		Mexican peso
Abastecedora de Bebidas y Snacks, S. de R. L. de C. V. (d)	Mexico	C	100.00		0.00		Mexican peso

(*) The controlling interest is determined according to the shares that confer corporate rights to AC, such as voting rights, the right to attend stockholders' meetings, and the right to appoint members to the Board of Directors.
a) On January 1, 2018, the Norco Company Incorporated was merged into Vend, S. A. C.
b) Arca Continental Corporativo, S. de R. L. de C. V. on March 12, 2018, it changed its name to Corporativo AC Bebidas México, S. de R. L. de C. V. and subsequently, on April 16, 2018, the name was changed to the current name of Servicios AC Bebidas México, S. de R. L. de C.V.
c) On February 9, 2018, a name change was authorized for the company formerly known as AC Negocios Complementarios, S. A. de C. V.
d) This subsidiary was incorporated on February 28, 2018.
e) In March 2018, the Board of Directors approved the international transfer of the Company's place of business. On May 3, the formal procedures were started for said transfer and consequently, the Company changed its tax domicile to Mexico under the name AC Bebidas Argentina, S. de R. L. de C. V.
f) On July 30, 2018, the stockholders approved the name change of the Company formerly known as AC Bebidas Comercializadora del Ecuador, S. A.
g) On August 21, 2018, the merger was approved of Promotora ArcaContal de Noreste, S. A. de C. V. into Desarrolladora Arca Continental, S. de R. L. de C. V.
h) The percentage of voting shares at December 31, 2018 and 2017 is 72.96% and 56.93%, respectively. See Note 2b.

Operations per group:

A- The production and/or distribution of carbonated and non-carbonated 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, mainly
E- The rendering of administrative, corporate and shared services
F- The rendering of real property leasing services to AC companies

Summary of financial information of subsidiaries with significant non-controlling interest before eliminations due to consolidation:

	AC Beverages and subsidiaries			
		2018		**2017**
CONSOLIDATED STATEMENT OF FINANCIAL POSITONS - SUMMARY				
Current asset	$	34,043,111	$	30,553,342
Non-current assets		173,771,403		161,830,167
Current liabilities		(23,549,555)		(22,939,676)
Non-current liabilities		(71,793,264)		(65,288,602)
Net assets	**$**	**112,471,695**	**$**	**104,155,231**
CONSOLIDATED STATEMENT OF COMPREHENSIVE RESULTS - SUMMARY				
Net sales	$	147,756,993	$	102,749,226
Net income		9,634,061		14,873,350
Comprehensive result		7,159,535		18,188,075
CONSOLIDATED STATEMENT OF CASH FLOWS - SUMMARY				
Operating activities	$	19,784,868	$	12,735,200
Investment activities		(19,351,110)		(9,786,705)
Financing activities		2,152,110		8,628,563

ii. 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, 2018 and 2017, there were no transactions with non-controlling interests and no conflicts of interest to be disclosed. See Note 2.

iii. Interest in joint operation

At December 31, 2018 and 2017, 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**	**2018**	**2017**	**FUNCTIONAL CURRENCY**
Holding Tonicorp, S. A.	Ecuador	A	89.47	89.47	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 - CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF IFRS-9 AND IFRS-15:

This note explains the impact of adopting IFRS-9 “Financial Instruments” and IFRS-15 “Revenue from contracts with customers on the company’s consolidated financial statements.

a. Impact on the financial statements

As a result of the changes to the entity’s accounting policies, IFRS 15 and IFRS 9 were adopted, without reformulating comparative information. Therefore, the reclassifications and adjustments arising from these adoptions are not reflected in the statement of financial position at December 31, 2017, but are recognized in the opening statement of financial position at January 1, 2018.

The following table shows the reclassifications and adjustments recognized by each item in said opening statement of financial position at January 1, 2018. Not included are the items that were not affected by the changes; therefore, the subtotals and totals disclosed cannot be recalculated from the figures provided. The adjustments are explained below for every standard.

	December 31,			
	2017	IFRS 15	IFRS 9	2016
NON-CURRENT ASSETS				
Clients and other accounts receivable, net	$ 11,318,390	$ -	($ 88,168)	$ 11,230,222
Contract assets	-	91,060	-	91,060
Other financial assets at amortized cost	32,380,162	(91,060)	-	32,289,102
Derivative financial instruments	82,829	-	-	82,829
NON-CURRENT ASSETS				
Other non-current assets	196,338,086	(56,779)	-	196,281,307
Contract assets	-	56,779	-	56,779
Derivative financial instruments	165,045	-	-	165,045
Total assets	**$ 240,284,512**	**$ -**	**($ 88,168)**	**$ 240,196,344**
CURRENT LIABILITIES				
Contract liabilities	$ -	$ 81,174	$ -	$ 81,174
Other current liabilities at amortized cost	11,149,685	-	-	11,149,685
Derivative financial instruments	4,718	-	-	4,718
Other current liabilities	12,163,208	(81,174)	-	12,082,034
NON-CURRENT LIABILITIES				
Other non-current liabilities	75,390,614	-	-	$ 75,390,614
Total liabilities	**$ 98,708,225**	**$ -**	**$ -**	**$ 98,708,225**
STOCKHOLDERS’ EQUITY				
Other equity	$ 46,102,363	$ -	$ -	$ 46,102,363
Retained earnings	60,523,740	-	(88,168)	60,435,572
Other reserves	3,846,935	-	-	3,846,935
Non-controlling interest	31,103,249	-	-	31,103,249
Total stockholders’ equity	**$ 141,576,287**	**$ -**	**($ 88,168)**	**$ 141,488,119**
Total liabilities and stockholders’ equity	**$ 240,284,512**	**$ -**	**($ 88,168)**	**$ 240,196,344**

b. IFRS-9 - Financial instruments

IFRS-9 replaces the pronouncements of International Accounting Standards (IAS) 39, which deals with recognition, classification and measurement of financial assets and financial liabilities, the disposal of financial instruments, the impairment of financial assets and hedge accounting.

Adoption of IFRS-9 Financial Instruments as from January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recorded in the financial statements. The new accounting policies are explained in Note 3. In accordance with the transitory pronouncement of IFRS-9, comparative figures were not reformulated.

The total impact on the Company's retained earnings at January 1, 2018 totaled $88,168, which corresponds entirely to the increase in the allowance for impairment of accounts receivable from clients.

Classification and measurement

On January 1, 2018 (date of initial application of IFRS-9), Company management determined the business models to be applied to its financial assets and has classified its financial instruments in appropriate categories in the terms of IFRS-9.

On the date of initial application at January 1, 2018, Management evaluated the business models it applies to financial instruments held and has determined that classification thereof remains in the same measurement categories, as shown below:

	Category of measurement	
	ORIGINAL IAS 39	**NEW IFRS 9**
CURRENT FINANCIAL ASSETS		
Cash and cash equivalents	Amortized cost	Amortized cost
Clients and other accounts receivable	Amortized cost	Amortized cost
Contract assets	Amortized cost	Amortized cost
Related parties	Amortized cost	Amortized cost
Prepayments	Amortized cost	Amortized cost
Derivative financial instruments of hedging	Fair value with changes in OCI	Fair value with changes in OCI
NON-CURRENT FINANCIAL ASSETS		
Contract assets	Amortized cost	Amortized cost
Derivative financial instruments of hedging	Fair value with changes in OCI	Fair value with changes in OCI
CURRENT FINANCIAL LIABILITIES:		
Debt	Amortized cost	Amortized cost
Factoring	Amortized cost	Amortized cost
Suppliers, related parties and sundry creditors	Amortized cost	Amortized cost
Contract liabilities	Amortized cost	Amortized cost
Derivative financial instruments of hedging	Fair value with changes in OCI	Fair value with changes in OCI
NON-CURRENT FINANCIAL LIABILITIES		
Debt	Amortized cost	Amortized cost

Derivative financial instruments and hedging activities

Foreign currency forwards and interest rate swaps in effect at December 31, 2017 qualified as cash flow hedges under IFRS-9. The Company's risk management strategies and hedging documentation are in line with the requirements of IFRS-9, and therefore, these relationships are treated as continuous hedging.

As a result of adopting IFRS-9 and of the fact that the Company excludes the time value of call spread hedging, the Company recognizes the changes in fair value of foreign currency options in the costs of the hedging reserve under stockholders equity and amortizes the time value linearly to income, as the option is considered to be related to a period of time.

ii. Impairment of financial assets

The Company has three types of financial assets subject to the new expected credit loss model of IFRS 9:

- Accounts receivable from clients arising from sale of inventory
- Contract assets
- Debt instruments at amortized cost

The Company was required to conduct a review of its impairment methodology in accordance with IFRS-9 for each of these types of assets. The impact of the change in impairment methodology on the Company's retained earnings is disclosed in this note.

Although cash and cash equivalents is also subject to the impairment requirements set forth in IFRS-9, no signs of impairment were identified.

Accounts receivable and contract assets
The Company applies the simplified approach contained in IFRS-9 for measuring expected credit losses, which makes use of an expected loss provision over the lifetime of the instrument for all accounts receivable and contract assets. That gave rise to an $88,168 decrease in the provision for losses for accounts receivable and contract assets at January 1, 2018. Note 8 provides details concerning the calculation of that assignment.

The provision for losses increased from $524,859 to $613,027 in accounts receivable and contract assets.

Debt investments
Debt investments at amortized cost are considered low risk, and therefore, the provision for impairment is determined as credit losses expected over 12 months. Application of the expected credit risk model did not give rise to recognition of a loss provision.

c. IFRS-15 - Revenue from contracts with customers
The Company adopted IFRS-15 "Revenue from contracts with customers" as from January 1, 2018, when application of this standard became mandatory, using the modified retrospective method. The first step for applying IFRS-15 was to determine whether or not there is a contract in place and whether or not that contract was entered into with the customer. The assessment was made based on a portfolio of similar contract (or performance obligations).

As from adoption of this standard, no significant impact has been identified beyond the reductions in revenue for 2017 of $352,721 and further disclosures. It was not necessary to make adjustments to the opening balance sheets, that affected the retained earnings caption, as the effects identified represented no changes in the 2017 net profits reported previously.

The Company produces, distributes and sells beverages and dairy products in the Traditional channel (grocery stores, etc.) and Modern channel (self-service, convenience stores, consumer centers, etc). In both channels, sales are recognized when control of the products is transferred, which is when the products are delivered to the customer. No unsatisfied obligation has been identified, that could affect the customer's acceptance of the products. The Company determined a single performance obligation corresponding to product delivery.

Delivery is effective when the products are shipped to specific locations and the customer has accepted the products as per the formal or informal sales agreements or when there is objective evidence that all of the criteria for acceptance have been satisfied. Further to the above, it is concluded that the Company's revenue is generated at a specific point in time.

Retail customers and depending on the distribution channel, can be entitled to cash discounts, funds for promotional and marketing activities, rebates on products, volume-based incentive programs and other similar programs. Product prices are set through a model of incidences and in some instances with TCCC's participation.

The amounts related to the considerations described above are considered variable under the IFRS-15 approach, and are therefore components of the price and are included as part of the Company's net income at the end of each performance obligation.

Total income recognized, including the effect of any variable consideration identified, cannot exceed the amount for which no significant reversal of income is likely to take place, when the uncertainties related to feasible considerations are resolved.

As a result, the Company recognizes its income based on the amounts expected to be received, once the performance obligation has been satisfied.

Sales discount are considered variable consideration and are reflected in the client's invoices, therefore discounts are recorded at the time of sale, that is, revenue is recorded net of discounts. The list price is already discounted, therefore, make an estimate is not needed.

Further to the above, IFRS-15 clarifies the classification of certain costs arising from agreements with customers.

NOTE 32 -SUBSEQUENT EVENTS:

When preparing these financial statements, the Company has evaluated events and transactions for subsequent recognition or disclosure at December 31, 2018 and up to March 13, 2019 (date of issuance of these financial statements), and has identified no significant subsequent events affecting same.

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