ARCA CONTINENTAL

A Better Company

2011 ANNUAL REPORT

Mexico Beverages

VOLUME (MUC): **854.2**
SALES (MILLIONS OF MEXICAN PESOS): **$32,164**
POINTS OF SALE: **406,000**
PLANTS: **22**

Bokados

SALES (MILLIONS OF MEXICAN PESOS): **$1,170**
POINTS OF SALE: **135,000**
PLANTS: **2**

Arca Continental

Produces and distributes non-alcoholic beverages under The Coca-Cola Company brand. Arca Continental was formed in 2011 through the merger of Embotelladoras Arca and Grupo Continental, making it the second-largest Coca-Cola bottler in Latin America and one of the largest in the world. Headquartered in Monterrey, the Company serves more than 53 million consumers in Northern and Western Mexico, Ecuador and Northern Argentina. Arca Continental also produces and distributes Bokados brand snack foods.

South America

ECUADOR
VOLUME (MUC): **138.5**
SALES (MILLIONS OF MEXICAN PESOS): **$4,990**
POINTS OF SALE: **178,000**
PLANTS: **3**

ARGENTINA
VOLUME (MUC): **132.5**
SALES (MILLIONS OF MEXICAN PESOS): **$6,474**
POINTS OF SALE: **95,000**
PLANTS: **4**

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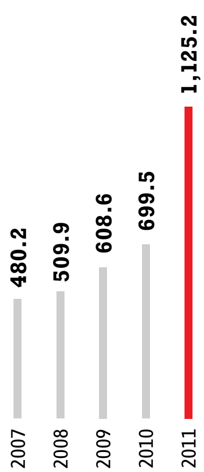
FINANCIAL HIGHLIGHTS

(in millions of Mexican Pesos except volume and per share data)

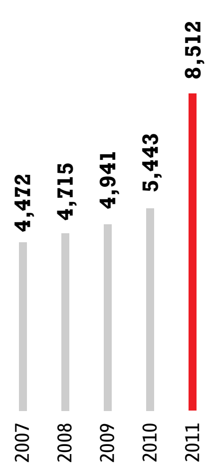
	2011	2010	Change %
SALES VOLUME (MUC)	1,125.2	699.5	60.9
NET SALES	44,798	27,060	65.5
GROSS MARGIN	45.2%	45.8%	
OPERATING PROFIT	6,647	4,220	57.5
OPERATING MARGIN	14.8%	15.6%	
EBITDA (1)	8,512	5,443	56.4
EBITDA (1) MARGIN	19.0%	20.1%	
NET INCOME	4,510	2,632	71.4
TOTAL ASSETS	60,415	34,592	74.7
CASH	3,298	3,628	-9.1
TOTAL DEBT	11,575	8,318	39.2
CONTROLLING STOCKHOLDERS' EQUITY	36,389	17,324	110.0
CAPITAL EXPENDITURES (CAPEX)	2,895	1,350	114.4
DATA PER SHARE:			
NET INCOME (2)	3.67	3.26	
BOOK VALUE	22.48	21.49	
DIVIDENDS PAID	15.00	1.05	

1) OPERATING INCOME PLUS DEPRECIATION AND AMORTIZATION, EXCLUDING NON-RECURRING EXPENSES.

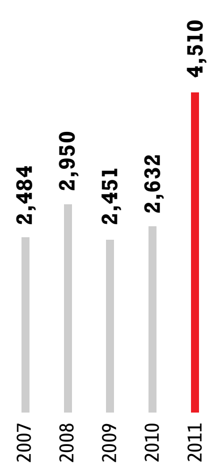
2) BASED ON THOUSANDS OF AVERAGE SHARES OUTSTANDING: 1,230,149 IN 2011; AND 806,020 IN 2010.



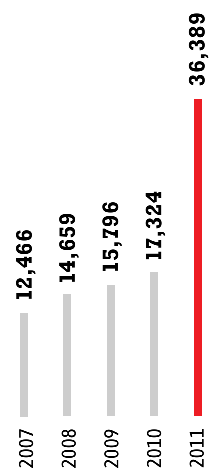
SALES VOLUME
(MUC)



EBITDA(1)
(in millions of Mexican pesos)



NET INCOME
(in millions of Mexican pesos)



CONTROLLING STOCKHOLDERS' EQUITY
(in millions of Mexican pesos)

MESSAGE to our shareholders

2011 was a very important year in the history of Arca Continental, as the Company continued posting the solid, positive growth that has characterized it since its founding.

Francisco Garza Egloff
Chief Executive Officer

Manuel L. Barragan Morales
Chairman of the Board of Directors

To our shareholders

We are pleased to inform you that, during the year, we successfully completed the merge and the integration of Embotelladoras Arca and Grupo Continental into a new, more competitive company with a position of strengthened market leadership. As a result, sales volumes and revenue grew across all the territories where we operate: Mexico, Argentina and Ecuador.

Today, we are one of the world's largest Coca-Cola bottlers but, more importantly, a better company in every way, acting as a high-performance organization in all we do, especially in the service we offer our customers and consumers. We know that being bigger is only a step on the road to being better and we are focused on doing just that quickly and efficiently.

With the trust and support of our shareholders, board members and The Coca-Cola Company and, above all, with the drive of our associates, we made significant progress in key strategic areas of our business, including consolidating the process of integration of our new company, innovating our product portfolio, assuring excellence in market execution and operating efficiently and sustainably, all of which will serve to underpin Arca Continental's future development.

Our top priority during the integration process has been to remain focused on serving our customers and consumers with excellence, while at the same time executing a detailed plan to standardize best practices, adapt organizational structures, identify and capitalize on synergies, and establish a common identity and culture directed to achieving our goals, among many other objectives.

We have identified five main areas where we can leverage important synergies which are: raw materials, innovation in packaging processes and technologies, optimization of the supply chain and transportation, administrative efficiency, and areas of opportunity for growing revenue, with the objective of obtaining benefits totaling Ps.1,400 million in only two years. This plan is already being implemented with strict control and follow-up and we expect to capture 60% of the total before the end of 2012.

In this context and reflecting the outstanding operating performance of our business units, in 2011 we posted a solid growth in pro-forma sales volume of 8% and a 15.6% increase in revenue, which totaled Ps. 50,927 million.

During the year, we were able to overcome the challenge of a generalized increase in the cost of the key inputs of our industry to post a pro-forma EBITDA growth of 12.8% to Ps. 9,591 million, one billion pesos more than the previous year, while Net Income grew 10.9%, to Ps. 4,916 million.

The strength of our business profile and operation is reflected in something we greatly appreciate, which is the confidence of our investors. In 2011, Arca Continental's shares were among the most profitable and liquid in Mexico, with a total stock return of 20% in dollars terms and one of the highest dividend yields paid during the same period.

The initiatives we have implemented and results we have obtained reaffirm our commitment to expand the business opportunities in all the markets we serve, thereby fulfilling our Mission to generate maximum value for our customers, associates, communities and shareholders, while always satisfying the expectations of our consumers with excellence.

Mexico Beverages

2011 was an exceptional year for growth and operating performance in our main market, which posted the best year of the last decade. Pro-forma sales volume grew 7.3% year-over-year and revenue increased 10.6% to reach Ps. 39,464 million.

The positive results in Mexico reflect fundamental improvements in our main business strategies, which focus on consolidating our market leadership through constant investment, excellent point-of-sale execution, an innovative product portfolio and the continuous improvement of productivity, efficiency and quality indicators.

A major contributor to this solid performance was the Route to Market (RTM) initiative which has allowed us to introduce improved service models, thereby strengthening our leading position across various distribution channels and market segments. Our 2012 plan envisions implementing this program for 57% of Arca Continental Mexico's beverage sales volume, almost doubling its scope in Mexico.

With the trust and support of our shareholders, board members and The Coca-Cola Company and, above all, with the drive of our associates, we made significant progress in key strategic business areas during 2011. Our achievements include consolidating the process of integration of our new company, innovating our product portfolio, assuring excellence in market execution and operating efficiently and sustainably.

Net Sales
+15.6%
Pro-forma

In order to expand our product accessibility and establish new competitive advantages, we significantly grew our refrigeration coverage in the domestic market during the year; we installed 47,000 new units equipped with more efficient and environmentally-friendly technology, consolidating our market leadership and enhancing our customer's profitability.

Anticipating the current situation in the beverage market and consumers' preferences, in 2011 we increased the competitiveness of our portfolio with the introduction of new products and presentations. We particularly focused on driving single-serve water and new categories, segments with a growing demand from consumers and which reached 4.3% of the total sales volume.

In particular, Powerade ION4 has quickly gained market share in the isotonic drinks segment, now leading the traditional channel in our northern territory. Another business that posted important growth during the year was jug water, where we now serve close than 800,000 homes every week. This segment grew 8% year-over-year, with sales exceeding 50 million jugs, while the customer base expanded 4.1%.

With regard to operating efficiency, important progress was made with our execution, productivity and, in particular, product quality indices whose growth outpaced industry averages. Moreover, our San Luis Potosi plant was the first in the Mexican Coca-Cola system to achieve four international certifications, recognizing product quality, environmental management, industrial safety, and product safety and innocuousness.

South America

Our South American operations posted outstanding results for 2011, reflecting, among multiple other factors, a sustained strategy of product portfolio innovation, growth in new categories and single-serve presentations, selective price adjustments, the application of best execution practices and the perfecting of operating performance.

These initiatives and our associates' excellent performance resulted in an outstanding year-over-year pro-forma increase of 11% in volume, driven, among other factors, by a 6.5% growth in the soft drinks segment and the very well-accepted introduction of new categories in the region.

Both in Argentina and Ecuador, we were able to mitigate the effects of increased inflation and growing key input costs to post a 35% rise in revenue and a 34% upswing in EBITDA on a pro-forma basis.

Since we began operations in these territories, we have grown our market share and reinforced our leadership in the beverages market, expanding our packaging and product offering, and enhancing operating efficiency, product quality and the service we provide.

Argentina continues to post growth in volume and value share ahead of the national average. Since taking over this business approximately three years ago, we have doubled the mix of single serve and grown returnables by nearly 50%.

We also continued to improve point-of-sale execution. As an example, during the course of 2011, we expanded cooler coverage to 35%, reaching a total of more than 45,000 installed units.

Anticipating the current situation in the beverage market and consumers' preferences, in 2011 we increased the competitiveness of our portfolio with the introduction of new products and presentations. We particularly focused on driving single-serve water and new categories.

Our Ecuador operation remained the market leader in 2011, growing significantly in both volume and value share. Additionally, we are expanding our pricing/packaging architecture to include more attractive presentation options and serve new beverage consumption occasions for our customers and consumers.

During the year, we continuously invested in the market there, extending our refrigerator coverage to drive immediate consumption to almost 30% of the territory and reaching the objective of 46,000 refrigerators operating by 2011.

We are also expanding production capacity in Ecuador with a capital expenditure of 24 million dollars. This investment will increase installed capacity by 31% by third quarter 2012, especially in Guayaquil where we are installing a new, state-of-the-art line.

Complementary Businesses

Consolidating the strategy of developing new alternatives for creating value in highly compatible areas, our complementary businesses posted very positive results in growth and market share.

Bokados regained and increased its growth rate after a period of intense competition. This business now boasts more than 1,200 routes and every week delivers to almost 180,000 points of sale, covering almost half of Mexico.

The initiatives implemented and results obtained consolidate our commitment to expand the business opportunities in all the markets we serve, thereby fulfilling our Mission to generate maximum value for our customers, associates, communities and shareholders, while always satisfying the expectations of our consumers with excellence.

Sales of Topo Chico, Barrilitos, snacks and sauces to the U.S. market rose nearly 30% compared to 2010, to 46 million dollars.

Sales through the Vending channel grew more than 11% year-over-year. The vending business is a highly-profitable alternative and also an efficient way of differentiating Arca Continental from its competitors. This is especially so as we were able to reduce costs during the year and increase productivity per route by 15% as a result of the experience and commitment of our associates and the market-leading technology we have developed.

The Nostalgia Program in the United States for the sale of soft drinks in glass bottles sweetened with sugar cane grew 37% in volume – to nine million unit cases – and almost 40% in revenue. The 2011 figures represent a new record for this important initiative which we developed in conjunction with The Coca-Cola Company and with whom we have worked very closely to assure quality, product selection, great cost competitiveness and state-of-the-art information systems.

Sustainability and Social Responsibility

Arca Continental's sustainability and social responsibility management model is designed to be part of the daily actions involved in all the Company's activities. This focus ensures the long-term viability of our model and that is integrated as a fundamental part of our organizational culture.

Our commitment to improving the environment for society can be clearly seen in our partnering with The Coca-Cola Company and other leading Mexican bottlers to acquire Petstar, Mexico's largest PET recycler. Petstar uses state-of-the-art technology to process close to 30,000 tons of waste PET into approximately 22,000 tons of high-quality, price-competitive, recycled food-grade PET resin annually.

This investment was combined with other actions to help the community, such as our Annual Volunteer Day, which in 2011 boasted the help of 4,500 people, including associates, their families and the community in general, to clean up bodies of water and plant trees in our territories.

Among the initiatives Arca Continental implemented to promote active and healthy lifestyle habits, mainly in children, we made progress with our Schools in Movement Program, which to date has rehabilitated 73 sports areas in public schools in Nuevo Leon, Coahuila and Chihuahua, benefitting more than 60,000 school-aged boys and girls.

For the ninth consecutive year, the Mexican Center for Philanthropy (CEMEFI, in spanish) awarded Arca Continental its Socially Responsible Company Award in recognition of these actions, as well as many other environmental, social responsibility and corporate governance initiatives. The Mexican Stock Exchange also acknowledged the Company's efforts when it included Arca Continental in its new Sustainability Index, which is based on the extent to which companies adopt international sustainability practices.

We are deeply honored by these awards, but more importantly they serve to reinforce our commitment to seek new opportunities to make our society increasingly sustainable.

During our Annual Volunteer Day, which in 2011 boasted the help of 4,500 people, including associates, their families and the community in general, to clean up bodies of water and plant trees in our territories.

A Better Company

The progress that we have made with key business strategies and the scale that Arca Continental now commands position us to continue consolidating our market leadership and forge new paths of profitable and sustainable growth.

One of our most important priorities is to leverage the integration of our companies through new execution capabilities to serve our customers and consumers better, by standardizing processes and best practices, capitalizing on synergies and continuously enhancing our operating efficiency.

We are committed to improving every aspect of the Company's operations, focusing our efforts on innovating in everything we do and positioning our products to anticipate the changing needs of our customers and consumers in every country and business. Additionally, we will continue to pay special attention to all our efficiency and cost optimization initiatives. All of this will drive our competitiveness as we move forward.

Arca Continental's solid financial position, combined with a business model that has proved its effectiveness as a vehicle for value creation and our highly trained and committed human capital, makes us more agile and positions us to capitalize on profitable growth opportunities both in the beverage sector and in complementary businesses close to our core business strengths. We will continue to actively seek such opportunities.

On behalf of the entire Arca Continental team, I would like to thank The Coca-Cola Company for its trust and support during the past year that has been so important for us all. We would like to reiterate our commitment to continue working together to strengthen our market leadership and move forward with the shared projects for operating excellence and sustainability that will lead us towards our 2020 Vision.

We would also like to recognize our customers for their preference and for making us their ally in the development of their businesses; our suppliers for being an integral part of the Company's success; and especially our associates for their efforts, loyalty and dedication. It is their support that has made us what we are today and I know that their ongoing dedication will be the basis of our continued successful progress, contributing to the development of the organization and of Mexico.

Our sincere thanks go also to the members of the Board of Directors for their guidance and contribution to achieving the goals that we have set as an organization and to our shareholders to whom we reiterate our commitment to building a company that is increasingly efficient, productive and value creating.

We are sure that the continuous growth we have achieved to date, combined with the improvements we made in 2011, will be the foundation of a new phase of consolidation that will bring us ever closer to our vision of being leaders on all food and beverages consumption occasions in the markets in which we participate, while always operating profitably and sustainably.

We are sure that the continuous growth we have achieved to date, combined with the improvements we made in 2011, will be the foundation of a new phase of consolidation that will bring us ever closer to our vision of being leaders on all food and beverages consumption occasions in the markets in which we participate, while always operating profitably and sustainably.

Manuel L. Barragan Morales
Chairman of the Board of Directors

Francisco Garza Egloff
Chief Executive Officer

We constantly seek new ways to enhance our leadership and preference in the market through an effective integration strategy, continued product portfolio innovation, excellence in market execution, and increasingly efficient, productive and sustainable operations, always acting with ethics, transparency and social responsibility.

A better performance

INTEGRATION · EXECUTION · INNOVATION

EFFICIENCY · SOCIAL RESPONSIBILITY

INTEGRATION

Focused on assuring the continuity of customer service and a market execution with the quality for which we are known, in 2011 we implemented a strategy for a rapid and efficient integration of our operations and a detailed plan to capture synergies and replicate best practices.

Estimated benefits from synergies over two years

$1,400 millions

Mexican pesos

Synergies

> Raw materials

> Innovation in processes and packaging technologies

> Supply chain and transportation

> Administrative efficiencies

> Alternatives for income expansion

The goal of our integration strategy is to capitalize on the value of two histories, two cultures and two working styles in one solid platform for growth.

The first step in the integration process was to realign the organizational structure from top to bottom, in order to ensure that Arca Continental, with a new and enhanced scale, will operate with greater agility and effectiveness. To do this, we strengthened specific areas, such as Marketing, Technology, Logistics, Information Systems and Human Capital, to serve the changed requirements of the Company.

With regard to operations, we organized our Mexican territories into two main regions: the northern region, that corresponds to the areas served by Embotelladoras Arca; and the western region, that corresponds to Grupo Continental's home territory, in order to continue serving the market effectively and capitalizing on the proximity of our territories to allow an optimized regional structure to serve our customers and consumers better.

As we shift to a functional organization across al the territories, we made significant progress to deploy a new set of standard operational metrics across all our franchise which has allowed us to maintain operating discipline and standardize commercial processes in order to satisfy better the changing market demands.

The integration strategy also included a specific plan of identifying synergies and acting to leverage them. Thanks to the efforts and professionalism of our associates, we were able to increase the goal of $960 million pesos in benefits over three years estimated at the time of the merger to $1,400 million pesos in only two years. We expect to capture 60% of the total before the end of 2012.

The consolidation of our corporate headquarters in Monterrey, Nuevo Leon, is one of our key initiatives in the area of synergies, via the rationalization of administrative process and back-office functions. We are also achieving subtantial savings by optimizing the use of raw materials,

The goal of our integration strategy is to capitalize on the value of two histories of success, two cultures and two working styles on one solid platform for growth.

reflecting, among other initiatives, thanks to our participation in PIASA sugar mills, which allows us to fully meet our supply needs at very competitive prices and at the same time achieve a more balanced sweetener mix, enterprise-wide. PIASA's world-class mills are among the most modern and efficient in Mexico, and sugar supply is becoming every day a critical and key strategic factor to assure future growth and profitable in our industry.

The increase in sales resulting from the sharing of best market execution practices and the expansion of the Bokados and Vending businesses in the Western Region has positioned us to capitalize on additional revenues synergies.

Innovation in the packaging process, such as the use of in line bottle blowing capabilities, PET lightening initiatives and the establishment of better conditions for negotiating with PET suppliers will also produce significant savings.

Additionally, more savings and synergies will result from the optimization of the Company's transportation and logistics services, as we combine our own fleets for local shipping with third-party fleets for long hauls distances, as well as from adjustments in other functional areas and the application of best practices in every process.

As a result of this effective integration strategy, Arca Continental is a better company today, on track to achieve a true organizational, operational and cultural merger that will serve as a platform for future growth and development.

29.7%

Still beverages growth

INNOVATION

Portfolio

In order to satisfy the changing needs of our consumers with excellence, keep our product offering competitive and attractive, and underscore our market leadership position, in 2011 we enriched our product portfolio with innovative launches and new packaging, price and format options.

Despite operating in a shifting market environment, with consumers who are increasingly demanding and informed, in 2011 we were able to anticipate demand and respond rapidly to changing consumption habits. To accomplish this, we received full support from The Coca-Cola Company to launch extensions of our leading brands and innovative products tailored to different consumption occasions.

The sparkling beverages segment made a significant contribution to total volume growth, partly through new presentations of Coca-Cola and Coca-Cola Zero, as well as new flavors. Total volume grew 6.3% in pro-forma terms, with the Cola segment in particular expanding 7.0% and that of flavored drinks 3.7%.

It is important to note the outstanding performance of our still beverages, which grew 29.7% in pro-forma terms, driven, among other factors, by a 36.2% increase in sales of Powerade ION4, which has become the leading isotonic drink in the traditional channel in northern Mexico.

Once again in 2011, we demonstrated that our ability to continously innovate our product portfolio is a strategic pillar to underpin the future success of our businesses. Being close to customers and consumers and rapidly responding to their needs is the correct response to the complex challenges in the markets we serve.

17.2%

Jugos Del Valle growth

Mexico Beverages

As a key element of our strategy of making our portfolio highly profitable in our Mexican territories, in 2011 we gave a significant push to single-serve presentations and rolled out important promotions to drive the consumption of these formats.

During the year we launched 355ml non-returnable (NR) presentations of Coca-Cola and Coca-Cola Zero, mainly in Saltillo and the Western Region, driving the growth of the Cola segment, and rolled out 250ml NR Fresca and 400ml NR strawberry and grape flavored Fanta, as well as a 2.5-liter PET returnable presentation in different flavors.

Additionally, aligned with the strategy of offering products for every consumption need and occasion, in 2011 we made a great effort to expand our portfolio in the still beverages segment, with the launch of 13 new presentations, formats and flavors, including 600ml apple and grape Valle Frut, 300ml returnable Valle Frut, 600ml PET Valle Frut Citrus Punch, 300ml Del Valle Reserva, one-liter PET Ciel + mandarina, 600 ml PET Delaware Punch and mini-can Gladiator, as well as the relaunch of Burn, Smartwater and Powerade ION4.

In particular, Jugos del Valle grew 17.2% year-over-year, reaching a maximum in volume since 2008.

It is also important to note the performance of Topo Chico table water which, thanks to the positive acceptance by different consumer segments, posted increases of up to 47%, contributing significantly to a record year in revenue for this brand, with the sale of 22.3 million unit cases (MUC), including exports.

Our business of exporting Coca-Cola sweetened with sugar cane to the United States posted a 37.0% year-over-year growth in sales to 9.1 MUCs, while export sales of Topo Chico, Barrilitos, snacks and sauces grew 27.2% in 2011.

27.2%

Increase in exports of Topo Chico, Barrilitos, Bokados and Trechas

South America

With the support of a strategy that drives our core sparkling segment and new presentations of single-serve and returnables, our South America Region posted a significant 6.5% sales growth, driven by a 6.2% rise in the cola segment and 7.3% in flavored drinks.

In Argentina, we launched 600ml returnable Coca-Cola and 2.5-liter Ref-Pet.

In the non-carbonated beverages segment, which posted a 69.4% rise in sales volume, we rolled out 200ml Jugos Cepita Tetra Pack and 500ml and 1.5-liter Aquarius Flavored Water.

In Ecuador, we launched 200ml and 400ml Apple Fioravanti in the sparkling beverages segment, and 200ml and 1-liter Del Valle Néctar, 200ml Frutsi Tetrapack, 300ml PET Valle Frut and Powerade ION4 in the still beverages segment.

Complementary Businesses

In accordance with our vision of being leaders in the markets we serve on all food and drink consumption occasions, we have positioned the Company as a comprehensive beverage provider, complementing its offer with sweet and savory snacks under the Bokados brand.

During the year, we made significant product launches of Bokados products to serve the school market in a responsible manner and thereby leverage growth opportunities. In fact, Bokados posted double-digit growth figures during fourth quarter 2011. In parallel, we continued to expand coverage in Mexico City, Jalisco and northeastern Mexico, launched a new Golos line and rolled out multi-pack presentations focused on the needs of the school-age segment.

Market EXECUTION

The introduction of innovative service models, investment in point-of-sale infrastructure and training programs, and support for the retailer have improved our market leadership position, consolidated long-term relationships with our customers and consumers, and allowed us to maximize the profitability of our business.

Improvement of service models with cutting-edge programs

Route to Market

47,000

new refrigerators installed in Mexico in 2011

The successful implementation of our Route to Market (RTM) strategy, which Arca Continental pioneered within the entire Coca-Cola System, provides us with a strong platform to continue enhancing our execution at the point-of-sale, as we move forward with a consistent roll-out throughout Mexico, Argentina and Ecuador.

This segmentation strategy allows us to offer service models tailored to the specific needs and potential of each particular customer. To date, we have observed an additional increase in sales volume of between 1.6 and 3.0% in territories where it has been introduced compared to those which do not yet use it. As a result of the positive results from RTM implementation, we plan to continue its rollout, such that it will be in effect across 57% of our territories before year-end 2012.

Combined with this innovation in our models of service for customers and consumers, our strategic investment in cooler equipment has driven the immediate consumption of our products, improved our retailers' cost structure, enhanced our Execution Quality Index at the point of sale, and reduced energy consumption and thereby the emission of CO_2 into the atmosphere, in accordance with our commitment to sustainability.

+11.5%
Vending income

Focused on our objective to be the best partner for our customers, we also offered training initiatives for the retailers of our traditional channel during 2011. These included the Mobile Classroom Project, where we share best commercial practices, market intelligence and financial advice to improve our retailers' performance and also reinforce long-term, win-win relationships and loyalty.

Mexico Beverages

In our main market, we implemented RTM with different service models in Ciudad Juarez and Saltillo, and at the principal distribution centers in Guadalajara. Additionally, we now have the Telesales initiative operational in Hermosillo, Culiacan, Mazatlan and Mexicali. To support the RTM rollout, we standardized commercial applications and handhelds across all territories, resulting in a significant cost reduction.

During 2011, we reached the objective of installing 47,000 coolers in our northern and western markets, improving our coverage in Mexico.

Another important strategy to bring our products closer to consumers has been our focus on growing home delivery routes, both of jug water and of the other products in Arca Continental's portfolio, across our Mexican territories. During the year, we added 50 thousand new homes to a platform that already covered close to 800 thousand homes visited on a regular basis. This channel also represents an excellent way of promoting our beverages.

Complementary Businesses

In order to support the growth rate of Bokados, we invested in information technology to improve our customer service and assure that our products are delivered on time. The information from our new handheld software helps us identify market opportunities and capitalize on them immediately.

In parallel, in 2011 we achieved our domestic expansion goal for taking our products to new markets, implementing 1,090 new distribution routes and increasing coverage in the Mexico City Valley, Jalisco and the Northern Pacific.

Additionally, new information systems improved product availability through our Vending channel, increasing revenues by 11.5% and transactions by 7.3% without increasing the size of the distribution system.

South America

During 2011, we began the implementation of RTM in Argentina and Ecuador, as part of the strategy to standardize best practices in order to replicate our successful Mexican business model in our South American territories.

In Argentina, we reached the target of 45,000 coolers installed by year-end, doubling market coverage compared to the beginning of our operations in the country. We also began the implementation of new service models, replicating the knowledge and experience gained in Mexico's RTM deployment.

In Ecuador, we achieved the objective of 46,000 refrigerators in the market, implemented the Telesales model and posted significant improvements in volume and productivity per route, thanks to the application of RTM and the "Picture of Success" strategies.

With regard to our business of exporting products to the United States through Interex, sales of Topo Chico, Barrilitos, Bokados snacks and Trechas sauces grew 27.2%, as a result of an increased presence in convenience stores in Texas and California.

In particular, Bokados grew in the U.S. market because of an extension of the Bokados portfolio and enhanced coverage to North Carolina, while Sr. Snacks grew its distribution routes and presence in California, Arizona, Washington and Oregon.

The focus of our service models on profitability, strategic investments in information technology and point-of-sale infrastructure, and the generation of market intelligence from our closeness to customers and consumers have proven to be the most productive way to assure excellent performance for Arca Continental in the commercial area.

Product Quality Index

98.5%

Capital Expenditures

$2,895 million

Mexican pesos

Operating EFFICIENCY

Through strategic investments in technology and the application of best practices, we enhanced the productivity and efficiency of our operations considerably in 2011, increasing business profitability and growing our main indicators at a rate above the national average.

In order to enhance productivity, during the year we continued to implement our successful "Operational Excellence" initiative at our Topo Chico and Guadalupe plants, in Nuevo Leon, Hermosillo, Sonora; and Las Trojes, Aguascalientes. Consequently, 30% of our facilities are using this system, defined by The Coca-Cola Company. In 2012, we plan to implement the scheme across 50% of our operations, adding five more plants in Mexico and one in Argentina.

As well as reinforcing our consumers' preference, our efforts to maximize quality and efficiency earned our plants concrete recognition. Of particular note was the San Luis Potosi plant, which became the first Latin American bottler to obtain four certifications: FSSC 22000:2010, for food and drink safety; ISO 14001:2004, for environmental protection; ISO 9001:2008, for quality management; and OHSAS 18001, for occupational health and safety. Another six of our plants have already achieved FSSC 22000:2010 certification and all our Mexican operations have, or are about to receive, Clean Industry Certification from the Mexican Federal Environmental Protection Agency.

We invested close to Ps. 200 million in key production processes in 2011 to equip 20 production lines with innovative PET bottle-blowing technology, generating significant savings and competitive advantages.

In the area of sustainability, a pillar of our organizational culture and business model, we also made significant progress, such as the optimization of our water consumption, which fell from 1.96 to 1.86 liters of liquid for each liter of beverage produced. This reduction exceeded our own objective and results in a saving of 765 thousand cubic meters of water across our production facilities.

As a result of our associates' commitment to continuous improvement and excellence, we raised our Product Quality Index to 98.5%, placing us for the second consecutive year among industry leaders.

Deployment of practices to increase productivity

Operational Excellence

Mexico Beverages

Our Mexico operations faced the challenge of increased raw material prices, mainly PET and fructose, and a strong volatility in the peso-dolar change rate with creativity and innovation.

In the area of supply chain and transportation, we implemented a strategy to optimize our primary distribution, combining third-party fleets for longer-range deliveries from our plants with our own vehicles for local distribution in urban centers.

As part of our on-going program to expand production capacity with state-of-the-art technology, new equipment was installed in our northern and western territories.

South America

The productivity and efficiency of our South American operations continued to improve during 2011, reflecting the implementation of leading-edge information technologies and the modernization of production lines.

The standardization of the SAP platform in Argentina and Ecuador will result in an important optimization of costs and increase the efficiency of our administrative processes in South America.

In Argentina, we grew installed capacity 6.5%, from 184 to 196 million unit cases, by making production lines more efficient and up-to-date. Innovations we implemented include automatic electronic inspectors, blowing lines at two plants and additional SAP ERP software modules.

By 2012, we anticipate a 10% saving in sweeteners costs with the installation of the clarified process in

765,000 m^3

water saved in 2011 by efficiencies in our operations

7

facilities were awarded international food safety certifications

Tucuman and Salta plants, which process 71% of the consumption in the country.

In Ecuador, we optimized costs by making lighter PET bottles, reducing their weight from 28.0 to 20.5 grams, and introducing 2.5-liter PET returnable containers produced locally.

To satisfy the increased demand, in Guayaquil we started up a new production line equipped with cutting-edge blowing-labeling-filling technology which is very water- and energy-efficient. Combined with other capital expenditures of more than US$24 million, this investment will grow installed capacity 31%.

Complementary Businesses

For Bokados, our snack, sweet and savoury business, we diversified production to serve our consumers' needs better, acquiring a modern candy line made in Holland, which we are currently using to produce all varieties of Golos and which will be used to make new products as we move forward.

We implemented WMS inventory management software at the Santa Catarina plant, which enables the use of bar-code technology and handhelds for warehouse operations.

Because we are totally committed to the safety of our products, in 2011 the consulting company Lloyd's Register Quality Assurance audited our operations and confirmed our ISO-22000 certification.

Arca Continental is today a better company, operating with increased efficiency and productivity, cutting-edge technology and a culture based on innovation, self-evaluation and the rapid adoption of best practices, all of which are focused on enhancing our profitable sustainability.

Trees planted in our territories in 2011

3,3 million

Annual Volunteer Day

4,500 associates

in reforestation and cleaning activities

Social Responsibility

We have made considerable progress with the deployment of our Social Responsibility and Environmental Sustainability Model, consolidating its application as a fundamental part of Arca Continental's organizational culture. In our efforts in this area, we have implemented specific programs to promote all aspects of the development of our associates, the protection of the environment and our natural resources, and physical activity and healthy eating.

Committed to satisfying current needs without compromising future generations, in 2011 we continued with our programs to have a positive impact on our surroundings through actions that generate value that is shared with the communities where we operate.

The participation of our associates as the main protagonists in the implementation of our social responsibility and environmental sustainability initiatives was clearly visible on our 2011 Annual Volunteer Day. A total of 4,500 associates and their families joined this effort which resulted in the planting of more than 2,500 trees, the collection of almost 12 tons of garbage from 15 kilometers of Mexico's riverbanks and beaches, and the rehabilitation of 15 schools and 10 public parks.

The generosity of our associates was also visible in our annual Christmas with a Meaning Program, which boasted a record response and collected in excess of 8,400 toys for more than 7,500 children from needy communities around our operating centers.

Caring for the environment, the continuous development of sustainable technologies and the optimization of our processes will continue to be a permanent commitment in the way we do business. This conviction is shared by our associates and Arca Continental's different stakeholders, as we all seek to assure the Company's long-term viability.

Our efforts in this area included partnering with The Coca-Cola Company and Pronatura, A.C. in a National Reforestation and Water Stewardship Program. As part of this initiative, in 2011 alone 3.3 million trees were planted on almost 3,400 hectares of the Mexican territory and other soil conservation work contributed to improving the nation's aquifers.

We also optimized and rationalized water use in our production processes, achieving in 2011 the figure of 1.86 liters of water used for every liter of beverage produced, resulting in a saving of 680 thousand cubic meters of water.

One year in advance, we met our 2012 energy efficiency goal by reducing the average energy consumption at our plants to 0.24 megajoules per liter of beverage. We also continued to invest in modern, efficient refrigeration equipment for our retailers, saving energy and eliminating the use of greenhouse gases.

In 2011, Arca Continental, in partnership with Coca-Cola de México and other peer bottlers, acquired Petstar, a PET recycling plant with the capacity to produce 22,000 tons of food-grade resin every year. This acquisition will help us to achieve our sustainability goals and underscores our commitment to environmental protection.

As part of our actions to promote an active lifestyle and healthy eating habits through our Schools in Movement Program, in 2011 we equipped sports areas for 10 public schools in Saltillo, Coahuila, benefitting more than 5,000 boys and girls. Since this program began, we

60,000 children benefited from our "Schools in Movement" physical activity program

9 consecutive "Socially Responsible Company" awards

The Mexican Stock Exchange also acknowledged the Company's application of the best international practices in the areas of social responsibility, sustainability and corporate governance when it included Arca Continental in its Sustainability Index.

have rehabilitated 73 educational institutions in the states of Nuevo Leon, Chihuahua and Coahuila, directly benefiting more than 60,000 students.

Arca Continental also reaffirmed its alliance with the Ministries of Health and Education of the State of Nuevo Leon to play an active role in its Health to Learn Program, which seeks to promote healthy eating and the overall health of children. Actions resulting from this initiative include the production of a State Catalog of Food, Drink, Breakfasts and Snacks for School, which presents nutritive and balanced eating options to school administrators and parents.

In our efforts to promote the comprehensive development of our communities, we are cofounders of the SumaRSE network of companies. This initiative unites a number of different companies to carry out concrete actions to help in the recovery of the state of Nuevo Leon's social network and support the progress of local communities as the group works to reach the common good.

Different institutions have recognized the Company's contribution to making a positive impact on its neighboring communities. For example, in 2011 the Mexican Center for Philanthropy (CEMEFI) awarded Arca Continental its Socially Responsible Company recognition for the ninth consecutive year.

The Mexican Stock Exchange also acknowledged the Company's application of the best international practices in the areas of social responsibility, sustainability and corporate governance when it included Arca Continental in its Sustainability Index. Additionally, the Center for Institutional Governance Studies of the Instituto Panamericano de Alta Dirección de Empresas (IPADE) selected Arca Continental to be in its Sustainability Transparency Index.

At Arca Continental, we reiterate our commitment to continue carrying out our daily activities in a responsible and sustainable manner, seeking to promote the comprehensive development of the communities we serve and to be a factor of positive change for our associates and society in general.

BOARD OF DIRECTORS

Manuel L. Barragan Morales (61) 1
Chairman of the Board of Directors of Arca Continental. Mr. Barragan Morales had been Chairman of the Board of Directors of Embotelladoras Arca since 2005 and a Director since 2001. He is Chairman of the Board of Directors of Grupo Index. He has also been a member of the Boards of Directors of Procor, Banco Regional del Norte and Papas y Fritos Monterrey and an executive at a financial institution for 15 years.

Javier L. Barragan Villarreal (87) 3
Honorary Chairman of the Board of Directors of Arca Continental and a member of Movimiento de Promocion Rural.

Estuardo Alvelais Destarac (29) 3, P
Member of the Board of Directors of Arca Continental since 2011.

Luis Arizpe Jimenez (50) 1, P
Vice President of the Board of Directors of Arca Continental. Mr. Arizpe Jimenez had been Vice President of the Board of Directors of Embotelladoras Arca since 2008. He is also Chairman of the Board of Directors of Saltillo Kapital and Hotel Camino Real Saltillo. He is member of the Board of Directors of Grupo Financiero Banorte, President of the Mexican Red Cross in Saltillo, President of the Offering Committee for the Diocese of Saltillo, Vice President of COPARMEX, Southeast Coahuila, and member of the Board of Directors and Treasurer of Desarrollo Rural de Saltillo. He was Chairman of CANACINTRA, Coahuila Southeast.

Rodolfo Jose Arizpe Sada (60) 1, P
Member of the Board of Directors of Arca Continental and of Embotelladoras Arca since 2008 and President of Centro Educativo Avemed.

Eduardo R. Arrocha Gio (69) 2
Member of the Board of Directors of Arca Continental since 2011. Mr. Arrocha Gio is also a Professor in the Law Schools of Universidad Nacional Autonoma de Mexico and Universidad Anahuac. He was General Counsel for Laboratorio Syntex for seven years and Legal Vice President for Latin America in The Coca-Cola Company, retiring from the latter company after 25 years of service. He was President of the Mexican National Association of Corporate Lawyers and is a member of the Mexican Bar Association.

Juan M. Barragan Treviño (50) 1, C
Member of the Board of Directors of Arca Continental and of Embotelladoras Arca since 2009.

Fernando Barragan Villarreal (81) 1, P
Member of the Board of Directors of Arca Continental and of Embotelladoras Arca since 2001. Mr. Barragan Villarreal is also member of the Board of Directors of Index and member of the Civic Council of the Chipinque Ecological Park. He was member of the Board of Directors of Estructuras de Acero, Financiera General de Monterrey, Procor and Banco Regional de Monterrey and was CEO of Procor. He has also occupied several positions in Bebidas Mundiales, including CEO and Production, Maintenance and Quality Control Manager.

Alejandro M. Elizondo Barragan (58) 1, P
Member of the Board of Directors of Arca Continental and of Embotelladoras Arca since 2004. Mr. Elizondo Barragan is Senior Vice President of Business Development of Alfa. He has occupied diverse positions in Alfa's corporate area and steel and petrochemical divisions for more than 35 years. He is member of the Board of Directors of Banco Regional de Monterrey, Nemak, Indelpro, Polioles and Alestra.

Carlos Enriquez Terrazas (63) 3, C
Member of the Board of Directors of Arca Continental since 2011. Mr. Enriquez Terrazas is a founding partner of Enriquez, Gonzalez, Aguirre y Ochoa, a law firm affiliated with Baker Hostetler, and has been practicing law for more than 35 years, responsible for the area of acquisitions and mergers.

Tomas A. Fernandez Garcia (40) 3, P
Vice Chairman of the Board of Directors of Arca Continental and Embotelladoras Arca since 2007 and a Director since 2005. Mr. Fernandez Garcia is CEO of Grupo Mercantil de Chihuahua.

Ulrich Guillermo Fiehn Rice (40) 2, A
Member of the Board of Directors of Arca Continental since 2011. Mr. Fiehn Rice is Chairman of the Board of Directors of Alto Espacio Residencial. He previously occupied diverse positions in Corporate Finance at Cemex and was a risk analyst at Vector Brokerage House.

Roberto Garza Velazquez (55) 3, P
Member of the Board of Directors of Arca Continental and Embotelladoras Arca since 2001. Mr. Garza Velázquez is CEO of Industria Carrocera San Roberto, a Partner and Director of Promotora Octagonal del Norte and a Director of Index and Banca Afirme.

Luis Lauro Gonzalez Barragan (58) 1, P
Member of the Board of Directors of Arca Continental and Embotelladoras Arca since 2001. Mr. Gonzalez Barragan is Chairman of the Board of Directors of Grupo Logístico Intermodal Portuaria, member of the Board of Directors of Grupo Index, Berel, CABAL and Universidad de Monterrey. He was CEO of Procor.

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

Bruce E. Grossman (66) 1
Member of the Board of Directors of Arca Continental since 2011. Mr. Grossman had been member of the Board of Directors of Grupo Continental since 1977. He is a consultant expert in trusts and planning for the transfer of family businesses and assets.

Ernesto Lopez de Nigris (51) 2, C
Member of the Board of Directors of Arca Continental and Embotelladoras Arca since 2001. Mr. Lopez de Nigris is member of the Consulting Council of Telmex and of the Board of Directors of Grupo Industrial Saltillo. He was Co-Chairman of the Board of Directors and Vice President of Operations of Grupo Industrial Saltillo.

Fernando Olvera Escalona (79) 2, A
Member of the Board of Directors of Arca Continental and Embotelladoras Arca since 2001. Mr. Olvera Escalona is Chairman of the Audit and Corporate Practices Committee and President of Promocapital. He was CEO of Grupo Protexa, Chairman of the Board of Directors of Farmacias Benavides, Director and Associate President of Banca Serfin, and member of the Board of Directors of diverse business and professional organizations, as well as of banking, industrial, commercial, educational, sports and social service institutions.

Miguel Angel Rabago Vite (56) 3, P
Associate Chief Executive Officer and Vice Chairman of the Board of Directors of Arca Continental. Mr. Rabago Vite was previously CEO and member of the Board of Directors of Grupo Continental and occupied diverse positions in that company for more than 35 years. He has a Bachelor's Degree in Public Accounting and Auditing from Universidad Autonoma de Tamaulipas.

Jorge Humberto Santos Reyna (37) 3, C
Vice Chairman of the Board of Directors of Arca Continental and Embotelladoras Arca since 2007 and a Director since 2001. Mr. Santos Reyna is Chief Executive Officer of Grupo San Barr and Treasurer of Asociacion de Engordadores de Ganado Bovino del Noreste. He was member of the Board of Directors of Procor, CAINTRA Nuevo Leon and Papas y Fritos Monterrey. He was Vice President of Confederación USEM, Board member of the Red Cross and Chairman of the Board of USEM Monterrey.

Armando Solbes Simon (56) 2, A
Member of the Board of Directors of Arca Continental since 2011. Mr. Solbes Simon was a member of the Board of Directors of Grupo Continental, Director of the Tampico Office of Banco Base and an Associate and Member of the Boards of Trustees of the Bene Hospital of the Centro Español in Tampico and of Universidad I.E.S.T. Anáhuac. He is a member of the Regional Advisory Boards of BBVA Bancomer and of the Tampico Campus of I.T.E.S.M. He was Chairman of the Board of Directors and CEO of Central de Divisas Casa de Cambio for 23 years and served in the Auditing Department of Gossler, Navarro, Ceniceros y Cia. for three years and in the corporate finance area of Grupo Cydsa for eight years.

Jaime Sanchez Fernandez (41)
General Counsel of Arca Continental and Secretary of the Board of Directors of Embotelladoras Arca and Arca Continental since 2009.

Headings
1 Shareholding
2 Independent
3 Related

Committees
A Audit and Corporate Practices
C Compensation
P Planning

SENIOR MANAGEMENT

Francisco Garza Egloff (57)
Chief Executive Officer of Arca Continental. Mr. Garza Egloff had previously been Chief Executive Officer of Embotelladoras Arca since 2003. He is a member of the Boards of Directors of Grupo Industrial Saltillo, Banco Banregio, Banco Holandes Rabobank and the ITESM School of Engineering and Architecture. He was Chief Executive Officer of Sigma Alimentos, Akra, Petrocel-Temex and Polioles, part of Grupo Alfa's petrochemical division, where he worked for 26 years. He has a Bachelor's Degree in Chemical Engineering and Management from Instituto Tecnologico y de Estudios Superiores de Monterrey (ITESM) and has taken several post-graduate courses in management at IPADE.

Miguel Angel Rabago Vite (56)
Assistant Chief Executive Officer and Vice Chairman of the Board of Directors of Arca Continental. Mr. Rabago Vite was previously Chief Executive Officer and a member of the Board of Directors of Grupo Continental and occupied diverse positions in that company over 35 years. He has a Bachelor's Degree in Public Accounting and Auditing from Universidad Autonoma de Tamaulipas.

Alejandro Gonzalez Quiroga (50)
Vice President of Arca Continental South America. Mr. Gonzalez Quiroga was previously Vice President of Arca's Argentina Division and Manager of the Nuevo Leon Region of Embotelladoras Arca. He has a Bachelor's Degree in Business Administration from Universidad Regiomontana and a Management Diploma from ITESM, and has taken several post-graduate courses at IPADE.

Manuel Gutierrez Espinoza (59)
Executive Director for Planning of Arca Continental, responsible for the areas of Strategic Planning, Information Technologies, Supply and Strategic Projects. Mr. Gutierrez Espinoza previously spent more than 30 years at Alfa and Hylsa in the areas of Planning, Supply, Divestment, Growth Projects, Control, Informatics and Supply. He has a Bachelor's Degree in Mechanical Engineering and Management from ITESM and an MBA from the Massachusetts Institute of Technology (MIT).

Arturo Gutierrez Hernandez (46)
Vice President of Arca Continental Mexico. Mr. Gutierrez Hernandez was previously Vice President of Operations and Secretary of the Board of Directors, as well as Vice President of the Mexico Beverages Division, Director of Human Resources, Director of Corporate Planning and General Counsel, of Embotelladoras Arca. He was also Grupo Alfa's General Counsel. He has a Bachelor's Degree in Law from Escuela Libre de Derecho and a Master Degree of Laws/J.D. from Harvard University.

Alejandro Molina Sanchez (44)
Technical Executive Director of Arca Continental. Mr. Molina Sanchez served for more than 15 years at Coca-Cola de Mexico in the areas of Quality, Environmental Sustainability and Supply Chain. He has a Bachelor's Degree in Chemical Engineering from Universidad La Salle and a Diploma in Supply Chain from Instituto Tecnologico Autonomo de Mexico (ITAM).

Baldomero Ponce Cruz (57)
Executive Director of Human Capital of Arca Continental. Mr. Ponce Cruz was previously Assistant Chief Executive Officer and a member of the Board of Directors of Grupo Continental and served in various other positions in that company for more than 33 years. He has a Bachelor's Degree in Mechanical Engineering and Management from Tecnologico de Ciudad Madero.

Jaime Sanchez Fernandez (41)
Legal Counsel and Secretary of the Board of Directors of Arca Continental. Mr. Sanchez Fernandez was previously General Counsel of Embotelladoras Arca. He served for eight years at Grupo Alfa and also practiced law independently. He has a Bachelor's Degree in Law from Universidad de Monterrey and a Master of Laws from the University of Michigan.

Adrian Wong Boren (61)
Chief Financial Officer of Arca Continental. Mr. Wong Boren had been Chief Financial Officer of Embotelladoras Arca since 1994. He was also a Professor at the San Diego State University, ITESM, University of California and Virginia Polytechnic Institute and State University. He holds a Bachelor's Degree in Public Accounting from Universidad de Coahuila, an MBA from Instituto Tecnologico y de Estudios Superiores de Monterrey (ITESM) and a Doctorate from the Virginia Polytechnic Institute and State University.

Consolidated financial statements

ARCA CONTINENTAL, S. A. B. DE C. V. AND SUBSIDIARIES (FORMERLY EMBOTELLADORAS ARCA, S.A.B. DE C.V.)

December 31, 2011 and 2010

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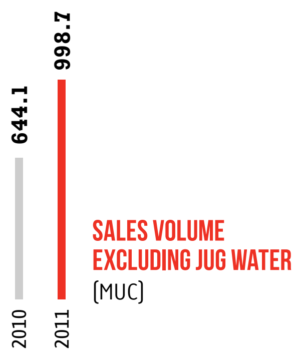
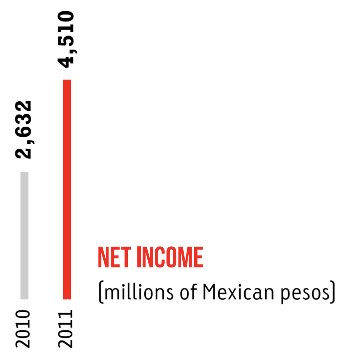
ARCA CONTINENTAL, S.A.B. DE C.V. AND SUBSIDIARIES

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS





Results for 2011 include seven months of Grupo Continental, S.A.B. (Contal), due to the merger of operations as of June 1, 2011.

SALES

Total sales volume excluding jug water increased 55% in 2011 to 998.7 MUC. Mexico registered sales a volume excluding jug water of 727.6 MUC, representing an increase of 49.1% when compared to the previous year, while volume corresponding to the operations in South America (Argentina and Ecuador) reached 271.1 MUC, representing an increase of 73.6% compared to the previous year. During 2011, the average price per unit case excluding jug water in Mexico rose 3.4%, resulting from the various selective price increases realized throughout the year and an effective pricing architecture. Consolidated net sales grew 65.5%, from Ps. 27,060.2 million in 2010 to Ps. 44,797.6 million in 2011. Mexico reached Ps. 33,334.3 million, while South America contributed Ps. 11,463.3 million.

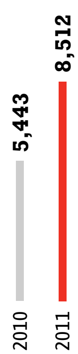
COST OF SALES

2011 the cost of sales grew 67.5% with respect to 2010, reaching Ps. 24,553.1 million mainly as a result of the incorporation of results for Contal, the increase in price of raw materials such as fructose and PET, and the depreciation of the Mexican peso. The consolidated gross margin for 2011 was 45.2%, 0.6 percentage points lower than the previous year. The gross margin for Mexico was 46.6% and in South America it was 41.0%.

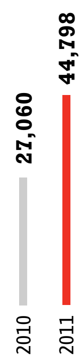
OPERATING EXPENSES

Consolidated operating expenses in 2011 increased 66.2% to Ps. 13,597.9 million mainly as a result of: the incorporation of Contal's operations, greater marketing expenses, transportation and industrial equipment maintenance, enhanced in fuel costs and increased depreciation from a greater introduction of coolers. In Mexico, operating expenses rose 57.3% year-over-year to 30.2% of sales, compared to 29.6% reported in 2010. In 2011, expenses in South America represented 30.9% of sales, 2.0 percentage points above 2010 levels.

* EXCLUDES NON RECURRING EXPENSES



EBITDA *
(millions of Mexican pesos)



NET SALES
(millions of Mexican pesos)

OPERATING INCOME AND EBITDA

Consolidated operating income rose 57.5% compared to 2010, reaching Ps. 6,646.5 million in 2011, resulting in a margin of 14.8%. Operating income for Mexico grew from Ps. 3,841.4 million to Ps. 5,496.4 million, with a margins of 17.8% and 16.5% in 2010 and 2011, respectively. Operating income for South America rose from Ps. 378.2 million to Ps. 1,150.1 million representing a margin of 6.9% in 2010 and 10.0% in 2011. Consolidated EBITDA increased 56.4%, from Ps. 5,443.1 million in 2010 to Ps. 8,512.5 million in 2011, resulting in a margin of 19.0%.

COMPREHENSIVE FINANCING COST

In 2011, comprehensive financing cost reached Ps. 423.8 million, primarily derived from the financial expenses generated by the local notes program.

INCOME TAX PROVISION

The effective rate for income tax provision was 15.4% in 2011 and 27.6% in 2010. Income tax went from Ps. 1,020.9 million in 2010 to Ps. 847.1 million in 2011.

NET INCOME

Net income for 2011 totaled Ps. 4,510.4 million or Ps. 3.67 per share, 71.4% higher than the Ps. 2,631.5 million in net income reported for 2010.

CASH POSITION AND CASH FLOW

As of December 31, 2011, Arca Continental had a cash position of Ps. 3,298.1 million and debt of Ps. 11,575 million, resulting in a net debt of Ps. 8,277 million. The net cash position generated by operations in 2011 reached Ps. 6,175.1 million.

CAPEX

In 2011, CAPEX totaled Ps. 2,895 million, mainly allocated to the purchase of sales and transportation equipment as well as machinery updates.

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

CONSOLIDATED BALANCE SHEETS

(In millions of Mexican pesos)

December 31,	2011	2010	2009	2008	2007[1]
ASSETS					
CURRENT ASSETS:					
CASH AND CASH EQUIVALENTS	3,298	3,628	4,421	959	2,758
TRADE ACCOUNTS RECEIVABLE	1,826	1,177	906	928	738
OTHER ACCOUNTS RECEIVABLE	510	584	427	279	251
INVENTORIES	3,488	2,018	1,742	1,491	996
PREPAID EXPENSES	467	257	93	70	54
TOTAL CURRENT ASSETS	**9,589**	**7,665**	**7,589**	**3,727**	**4,797**
INVESTMENT IN SHARES	2,429	696	787	766	122
PROPERTY, PLANT AND EQUIPMENT, NET	21,162	12,315	10,869	10,929	9,182
GOODWILL, NET	8,296	8,033	4,612	4,521	2,534
EMPLOYEE BENEFITS	-	21	86	14	-
OTHER ASSETS	18,940	5,861	1,699	1,702	605
TOTAL ASSETS	**60,415**	**34,592**	**25,642**	**21,659**	**17,240**
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
SUPPLIERS	2,555	1,413	910	1,116	980
DERIVATIVE INSTRUMENTS	3	1	20	-	-
CURRENT PORTION OF LONG-TERM DEBT	1,371	531	1,961	2,488	1,011
OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES	2,427	1,861	938	824	727
TOTAL CURRENT LIABILITIES	**6,357**	**3,806**	**3,829**	**4,428**	**2,718**
LONG-TERM DEBT	10,204	7,787	4,004	500	509
DERIVATIVE INSTRUMENTS	62	57	5	-	-
EMPLOYEE BENEFITS	919	-	-	-	87
DEFERRED EMPLOYEES' PROFIT SHARING	308	190	112	86	96
OTHER DEFERRED LIABILITIES	119	153	134	203	-
DEFERRED INCOME TAX	3,334	2,929	1,762	1,783	1,364
TOTAL LIABILITIES	**21,303**	**14,922**	**9,846**	**7,000**	**4,774**
STOCKHOLDERS' EQUITY:					
CAPITAL STOCK	5,696	4,698	4,698	4,698	4,698
ADDITIONAL-PAID IN CAPITAL	26,861	729	711	725	725
RETAINED EARNINGS	2,993	12,280	10,495	9,036	9,483
CUMULATIVE TRANSLATION ADJUSTMENT OF FOREIGN SUBSIDIARIES	839	(382)	(108)	200	5
DEFICIT FROM RESTATEMENT	-	-	-	-	(2,445)
TOTAL STOCKHOLDERS' EQUITY (CONTROLLING INTEREST)	**36,389**	**17,324**	**15,796**	**14,659**	**12,466**
NON-CONTROLLING INTEREST	2,723	2,346	0	0	0
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**60,415**	**34,592**	**25,642**	**21,659**	**17,240**

(1) MILLIONS OF MEXICAN PESOS AS OF DECEMBER 31, 2007 PURCHASING POWER

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

CONSOLIDATED STATEMENTS OF INCOME

(In millions of Mexican pesos)

December 31,	2011 (2A)	2010 (2A)	2009(2A)	2008	2007(1)
SALES VOLUME EXCLUDING JUG (MUC)	998.7	644.1	608.6	509.9	480.2
NET SALES	44,798	27,060	24,234	20,255	18,586
COST OF SALES	(24,549)	(14,659)	(13,068)	(10,494)	(9,545)
GROSS MARGIN	**20,249**	**12,401**	**11,166**	**9,761**	**9,041**
SELLING EXPENSES	(10,793)	(6,708)	(5,923)	(4,755)	(4,332)
ADMINISTRATIVE EXPENSES	(2,700)	(1,467)	(1,419)	(1,159)	(1,057)
OPERATING INCOME EXCLUDING NON-RECURRING EXPENSES	**6,756**	**4,227**	**3,824**	**3,847**	**3,652**
NON-RECURRING EXPENSES (2A)	(110)	(7)	(51)	-	-
	6,647	**4,220**	**3,773**	**3,847**	**3,652**
OTHER EXPENSE, NET (2B)	(809)	(331)	(102)	(1)	(108)
COMPREHENSIVE FINANCING INCOME (COST):					
INTEREST (EXPENSE) INCOME, NET	(560)	(309)	(285)	(74)	2
EXCHANGE GAIN (LOSS), NET	136	102	(1)	97	11
LOSS FROM MONETARY POSITION	-	-	-	-	(41)
	(424)	**(207)**	**(286)**	**23**	**(28)**
	5,414	**3,682**	**3,385**	**3,869**	**3,516**
EQUITY IN INCOME (LOSS) OF ASSOCIATED COMPANIES	96	13	(2)	18	15
INCOME BEFORE INCOME TAX	**5,510**	**3,695**	**3,383**	**3,887**	**3,531**
INCOME TAX	(847)	(1,021)	(932)	(937)	(1,047)
NON-CONTROLLING INTEREST	(152)	(43)	-	-	-
CONSOLIDATED NET INCOME	**4,510**	**2,632**	**2,451**	**2,950**	**2,484**
NUMBER OF SHARES (THOUSANDS)	1,611,264	806,020	806,020	806,020	806,020
DEPRECIATION AND AMORTIZATION	1,756	1,216	1,118	869	820
EBITDA EXCLUDING NON-RECURRING EXPENSES	8,512	5,443	4,941	4,715	4,472
CAPEX	2,895	1,350	1,237	1,435	1,100

(1) MILLIONS OF MEXICAN PESOS AS OF DECEMBER 31, 2007 PURCHASING POWER.

(2) TO FACILITATE COMPARATIVE ANALYSIS, SOME ADJUSTMENTS WERE MADE TO THE AUDITED FINANCIAL STATEMENTS: (2A) SELLING AND ADMINISTRATIVE EXPENSES THAT AC'S MANAGEMENT CONSIDERS NON-RECURRING, ARE SHOWN SEPARATELY, AND (2B) EFFECTIVE JANUARY 1, 2007, THE COMPANY ADOPTED MEXICAN FINANCIAL REPORTING STANDARD B-3 WHICH REQUIRED THE RECLASSIFICATION OF EMPLOYEES PROFIT SHARING INTO THE OTHER EXPENSES LINE.

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

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

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

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

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

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

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

Francisco Garza Egloff
Chief Executive Officer

Adrian Wong Boren
Chief Financial Officer

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

REPORT OF INDEPENDENT AUDITORS

Monterrey, N. L., March 20, 2012

TO THE STOCKHOLDERS OF ARCA CONTINENTAL, S.A.B. DE C.V. (FORMERLY EMBOTELLADORAS ARCA, S.A.B. DE C.V.)

1. We have examined the accompanying consolidated balance sheets of Arca Continental, S. A. B. de C. V. and subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income, of changes in stockholders'equity and of cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

2. We conducted our audits in accordance with generally accepted auditing standards in Mexico. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and that they were prepared in accordance with Mexican Financial Reporting Standards (MFRS). An audit consists of examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the financial reporting standards used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

3. As described in Note 1 to the consolidated financial statements, Arca Continental, S.A.B. de C.V. (the Company) announced on January 24, 2011 that its majority stockholders and those of Grupo Continental S.A.B. entered into an agreement for the merger of these companies. The transaction closing was approved in the extraordinary stockholders'meeting of such companies, on May 20, 2011, becoming effective as of June 1, 2011. Upon the merger, the Company survives as the merging entity and Grupo Continental S.A.B. disappears as the merged entity.

4. As described in Note 3 to the consolidated financial statements, as from January 1, 2012, the Company adopted International Financial Reporting Standards (IFRS) as its accounting and reporting framework, in order to comply with the provisions established by the National Banking and Securities Commission (CNBV) and with the Interpretation of MFRS 19 "Change derived from the adoption of International Financial Reporting Standards".

5. In our opinion, the aforementioned consolidated financial statements present fairly, in all material respects, the financial position of Arca Continental, S. A. B. de C.V. and subsidiaries as of December 31, 2011 and 2010, and the results of their operations, the changes in their stockholders' equity and their cash flows for the years then ended, in conformity with Mexican Financial Reporting Standards.

PricewaterhouseCoopers

Alejandro Moreno Anaya
Audit Partner

ARCA CONTINENTAL, S.A.B. DE C.V. AND SUBSIDIARIES (FORMERLY EMBOTELLADORAS ARCA, S. A. B. DE C. V.)

CONSOLIDATED BALANCE SHEETS

December 31, 2011 and 2010

Thousands of Mexican pesos (Notes 1, 2 and 4)

December 31,		2011		2010
ASSETS				
CURRENT ASSETS:				
CASH AND CASH EQUIVALENTS (NOTE 6)	Ps.	3,298,145	Ps.	3,628,418
ACCOUNTS RECEIVABLE:				
TRADE ACCOUNTS RECEIVABLE (NET OF ALLOWANCE FOR DOUBTFUL ACCOUNTS OF PS. 45,732 IN 2011 AND PS. 8,805 IN 2010)		1,825,997		1,176,994
OTHER ACCOUNTS RECEIVABLE		509,548		583,928
INVENTORIES (NOTE 7)		3,488,216		2,018,467
PREPAID EXPENSES (NOTE 7)		466,974		256,801
TOTAL CURRENT ASSETS		**9,588,880**		**7,664,608**
INVESTMENTS IN ASSOCIATED COMPANIES AND OTHER PERMANENT INVESTMENTS (NOTE 8)		2,428,551		696,312
PROPERTY, PLANT AND EQUIPMENT, NET (NOTE 9)		21,161,843		12,315,442
GOODWILL, NET (NOTE 11)		8,295,716		8,033,213
EMPLOYEE BENEFITS (NOTE 15)				20,879
DEFERRED INCOME TAX (NOTE 20)		580,653		
INTANGIBLE ASSETS AND OTHER ASSETS (NOTE 12)		18,359,214		5,861,386
TOTAL ASSETS	**Ps.**	**60,414,857**	**Ps.**	**34,591,840**
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
SUPPLIERS	Ps.	2,555,330	Ps.	1,413,073
DERIVATIVE FINANCIAL INSTRUMENTS (NOTE 14)		3,490		1,080
CURRENT PORTION OF LONG-TERM DEBT (NOTE 13)		1,371,396		530,965
OTHER ACCOUNTS PAYABLE AND ACCRUED EXPENSES		1,887,961		1,547,756
EMPLOYEES' PROFIT SHARING PAYABLE (NOTE 19)		538,608		312,986
TOTAL CURRENT LIABILITIES		**6,356,785**		**3,805,860**
LONG-TERM LIABILITIES:				
LONG-TERM DEBT (NOTE 13)		10,204,092		7,787,200
DERIVATIVE FINANCIAL INSTRUMENTS (NOTE 14)		62,155		57,382
EMPLOYEE BENEFITS (NOTE 15)		919,061		
DEFERRED EMPLOYEES' PROFIT SHARING (NOTE 19)		307,685		190,309
OTHER DEFERRED LIABILITIES		119,290		152,588
DEFERRED INCOME TAX (NOTE 20)		3,334,396		2,928,856
TOTAL LIABILITIES	**Ps.**	**21,303,464**	**Ps.**	**14,922,195**
STOCKHOLDERS' EQUITY (NOTE 17):				
CAPITAL STOCK	Ps.	5,696,249	Ps.	4,697,989
ADDITIONAL PAID-IN CAPITAL		26,861,182		728,659
RETAINED EARNINGS		2,992,821		12,279,910
CUMULATIVE TRANSLATION ADJUSTMENT OF FOREIGN SUBSIDIARIES		838,524		(382,476)
TOTAL CONTROLLING INTEREST		36,388,776		17,324,082
TOTAL NON-CONTROLLING INTEREST		2,722,617		2,345,563
TOTAL STOCKHOLDERS' EQUITY	**Ps.**	**39,111,393**	**Ps.**	**19,669,645**
CONTINGENCIES AND COMMITMENTS (NOTE 16)				
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**Ps.**	**60,414,857**	**Ps.**	**34,591,840**

THE ACCOMPANYING TWENTY-THREE NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS, WHICH WERE AUTHORIZED FOR THEIR ISSUANCE BY THE OFFICIALS THAT SIGN HEREUNDER.

Francisco Garza Egloff
Chief Executive Officer

Adrian Wong Boren
Chief Financial Officer

ARCA CONTINENTAL, S.A.B. DE C.V. AND SUBSIDIARIES (FORMERLY EMBOTELLADORAS ARCA, S. A. B. DE C. V.)

CONSOLIDATED STATEMENTS OF INCOME

December 31, 2011 and 2010

Thousands of Mexican pesos (Notes 1, 2 and 4)

Year ended December 31,		2011		2010
NET SALES	Ps.	44,797,561	Ps.	27,060,243
COST OF SALES		(24,553,137)		(14,658,949)
GROSS PROFIT		**20,244,424**		**12,401,294**
SELLING EXPENSES		(10,794,214)		(6,714,870)
ADMINISTRATIVE EXPENSES		(2,803,689)		(1,466,811)
		(13,597,903)		(8,181,681)
OPERATING INCOME		**6,646,521**		**4,219,613**
OTHER EXPENSES, NET (NOTE 19)		(809,012)		(330,625)
COMPREHENSIVE FINANCIAL EXPENSE (NOTE 18):				
FINANCIAL EXPENSES, NET		(560,110)		(308,729)
EXCHANGE GAIN, NET		136,327		102,044
		(423,783)		(206,685)
		5,413,726		3,682,303
EQUITY IN INCOME OF ASSOCIATED COMPANIES		96,136		13,256
INCOME BEFORE INCOME TAX		5,509,862		3,695,559
INCOME TAX (NOTE 20)		(847,120)		(1,020,892)
INCOME BEFORE NON-CONTROLLING INTEREST		4,662,742		2,674,667
NON-CONTROLLING INTEREST		(152,382)		(43,149)
NET INCOME	**Ps.**	**4,510,360**	**Ps.**	**2,631,518**
NET INCOME PER SHARE, IN PESOS (NOTE 4 W.)	**Ps.**	**3.67**	**Ps.**	**3.26**
AVERAGE OUTSTANDING SHARES (THOUSANDS)		**1,230,149**		**806,020**

THE ACCOMPANYING TWENTY-THREE NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS, WHICH WERE AUTHORIZED FOR THEIR ISSUANCE BY THE OFFICIALS THAT SIGN HEREUNDER.

Francisco Garza Egloff
Chief Executive Officer

Adrian Wong Boren
Chief Financial Officer

ARCA CONTINENTAL, S.A.B. DE C.V. AND SUBSIDIARIES (FORMERLY EMBOTELLADORAS ARCA, S. A. B. DE C. V.)

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

December 31, 2011 and 2010

Thousands of Mexican pesos (Notes 1, 2 and 4)

	Contributed Capital		
	Capital stock	Additional paid-in capital	Retained earnings
BALANCES AT DECEMBER 31, 2009	Ps. 4,697,989	Ps. 711,034	Ps. 10,495,486
CHANGES IN 2010:			
DIVIDENDS DECLARED			(846,321)
FUND FOR REPURCHASE OF OWN SHARES		17,625	52,070
CHANGES IN NON-CONTROLLING INTEREST			
COMPREHENSIVE INCOME (NOTE 4 Y.)			2,578,675
BALANCES AT DECEMBER 31, 2010	4,697,989	728,659	12,279,910
CHANGES IN 2011:			
DIVIDENDS DECLARED			(5,020,022)
INCREASE IN STOCKHOLDERS' EQUITY FROM MERGER	998,260		
DIVIDENDS DECLARED IN SHARES AND CASH		26,106,671	(8,647,810)
FUND FOR REPURCHASE OF OWN SHARES		25,852	(85,557)
CHANGES IN NON-CONTROLLING INTEREST			
COMPREHENSIVE INCOME (NOTE 4 Y.)			4,466,300
BALANCES AT DECEMBER 31, 2011 (NOTE 17)	**Ps. 5,696,249**	**Ps. 26,861,182**	**Ps. 2,992,821**

THE ACCOMPANYING TWENTY-THREE NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS, WHICH WERE AUTHORIZED FOR THEIR ISSUANCE BY THE OFFICIALS THAT SIGN HEREUNDER.

Earned surplus			
Cumulative translation adjustments of foreign subsidiaries	**Total Controlling interest**	**Total non-controlling interest**	**Total stockholders' equity**
(Ps. 108,388)	Ps. 15,796,121	Ps. 149	Ps. 15,796,270
	(846,321)		(846,321)
	69,695		69,695
		2,345,414	2,345,414
(274,088)	2,304,587		2,304,587
(382,476)	17,324,082	2,345,563	19,669,645
	(5,020,022)		(5,020,022)
	998,260		998,260
	17,458,861		17,458,861
	(59,705)		(59,705)
		377,054	377,054
1,221,000	5,687,300		5,687,300
Ps. 838,524	**Ps. 36,388,776**	**Ps. 2,722,617**	**Ps. 39,111,393**

Francisco Garza Egloff
Chief Executive Officer

Dr. Adrian Wong Boren
Chief Financial Officer

ARCA CONTINENTAL, S.A.B. DE C.V. AND SUBSIDIARIES (FORMERLY EMBOTELLADORAS ARCA, S. A. B. DE C. V.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

At December 31, 2011 and 2010

Thousands of Mexican pesos (Notes 1, 2 and 4)

Year ended December 31,	2011	2010
OPERATING ACTIVITIES:		
INCOME BEFORE INCOME TAX	Ps. 5,509,862	Ps. 3,695,559
INVESTING ACTIVITIES RELATED ITEMS:		
DEPRECIATION AND AMORTIZATION	1,739,142	1,149,096
INCOME FROM SALE OF PROPERTY, PLANT AND EQUIPMENT	(7,192)	(22,536)
WRITE-OFF OF ASSETS NO LONGER IN USE	15,415	17,195
EQUITY IN INCOME OF ASSOCIATED COMPANIES	(96,136)	(13,256)
EMPLOYEE BENEFITS	30,923	59,623
	7,192,014	**4,885,681**
FINANCING ACTIVITIES RELATED ITEMS:		
INTEREST CHARGE	817,656	469,739
SUBTOTAL INVESTING AND FINANCING ACTIVITIES RELATED ITEMS	**8,009,670**	**5,355,420**
INCREASE IN ACCOUNTS RECEIVABLE AND OTHERS	(361,957)	(208,021)
COLLECTIONS FROM OTHER DEBTORS		98,828
INCREASE IN INVENTORIES	(545,770)	60,568
DECREASE IN SUPPLIERS	213,575	242,619
INCOME TAX PAID	(1,457,855)	(627,746)
INCREASE IN CREDITORS AND OTHER ACCOUNTS PAYABLE	317,404	308,429
MOVEMENTS OF BENEFIT PLANS		(65,593)
OPERATING ACTIVITIES NET CASH FLOWS	**6,175,067**	**5,164,504**
INVESTING ACTIVITIES:		
BUSINESS ACQUISITIONS	(1,415,723)	(4,445,649)
OTHER PERMANENT INVESTMENTS IN SHARES	38,799	103,938
ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT	(2,136,162)	(1,350,373)
COLLECTIONS FROM SALE OF PROPERTY, PLANT AND EQUIPMENT	19,198	41,907
INVESTMENT IN INTANGIBLE ASSETS	(197,235)	(463,624)
INVESTING ACTIVITIES NET CASH FLOWS	**(3,691,123)**	**(6,113,801)**
	Ps. 2,483,944	(Ps. 949,297)
FINANCING ACTIVITIES:		
DEBT CERTIFICATES	3,000,000	3,500,000
OTHER LOANS	4,500,000	3,095,425
PAYMENT OF LONG-TERM DEBT	(4,356,392)	(5,004,699)
PAYMENT OF OTHER FINANCING		(73,201)
INCREASE IN CAPITAL STOCK	44,513	
INTEREST PAID	(852,788)	(471,954)
ADDITIONAL PAID-IN CAPITAL	25,852	17,625
REPURCHASE OF SHARES	(185,557)	52,070
EMPLOYEE BENEFITS	9,227	
DIVIDENDS PAID	(5,020,020)	(846,321)
NET CASH FLOWS FROM FINANCING ACTIVITIES	**(2,835,165)**	**268,945**
NET DECREASE IN CASH AND CASH EQUIVALENTS	(351,221)	(680,352)
ADJUSTMENTS FROM TRANSLATION OF FOREIGN OPERATIONS BALANCES AND CASH FLOWS	20,948	(67,677)
ADJUSTMENTS TO CASH FLOW FROM VARIATIONS IN EXCHANGE RATES AT FAIR VALUE		(44,706)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,628,418	4,421,153
CASH AND CASH EQUIVALENTS AT END OF YEAR	**Ps. 3,298,145**	**Ps. 3,628,418**

THE ACCOMPANYING TWENTY-THREE NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS, WHICH WERE AUTHORIZED FOR THEIR ISSUANCE BY THE OFFICIALS THAT SIGN HEREUNDER.

Francisco Garza Egloff
Chief Executive Officer

Adrian Wong Boren
Chief Financial Officer

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 2011 and 2010

(Thousands of Mexican pesos (Ps) (Note 2), thousands of US dollars (US$) or thousands of Euros (EUR), except for figures corresponding to the number and market value of shares and exchange rates)

NOTE 1 ORGANIZATION, NATURE OF BUSINESS AND SIGNIFICANT EVENTS

Arca Continental, S. A. B. de C. V. (AC or the Company) (formerly Embotelladoras Arca, S.A.B. de C.V. (Arca)) is a company whose main activity consists of the production, distribution and sale of soft drinks of brands owned by The Coca-Cola Company (TCCC). AC's shares are registered under the National Securities Registry of the National Banking and Securities Commission (CNBV) and are listed in the Mexican Stock Exchange. Under a bottling agreement with TCCC, AC has exclusive rights to carry out these activities with Coca-Cola products in territories located in Northern Mexico and Argentina, in the Republic of Ecuador (Ecuador) and, from June 1, 2011, in the Western part of Mexico (where Grupo Continental, S.A.B. operated) having within its product portfolio, a private label, flavored soft drinks and carbonated and non-carbonated bottled water (purified or flavored) in various presentations. Additionally, the company produces and distributes chips and snacks under its "Bokados" brand.

AC operates through wholly-owned subsidiaries in which it controls, directly or indirectly, the majority of common stock. The term "the Company", as used in this report, refers to AC and its subsidiaries.

SIGNIFICANT EVENTS

In a General Extraordinary Meeting held on May 20, 2011, Arca's Stockholders agreed to the merger with Grupo Continental, S. A. B. (Contal), as described below:

a) Merger between Contal and Arca (Note 10)

To continue strengthening the strategic position of the Company in the carbonated drink industry, Arca announced on January 2011 that its majority stockholders and those of Contal entered into an agreement for the merger of these companies. The transaction closing was approved in the Extraordinary Stockholders' Meetings of these companies on May 20, 2011, becoming effective as from June 1, 2011. Upon the merger the Company survives as the merging company and Contal ceases to exist as the merged entity.

The merger was performed through the exchange of new shares issued by AC at a rate of 0.625 shares of AC per each outstanding share of Contal. As a result of the above mentioned, AC issued 468,750,000 new shares. The accounting treatment of such merger was recorded by applying the acquisition method as required by Financial Reporting Standard (MFRS) B-7 "Business Acquisitions".

The financial statements of the companies incorporated due to the aforementioned merger, were consolidated as from the date that effective control was obtained over its operations. The preliminary assignment in accordance with the acquisition method described above for the recognition of fair values of assets and liabilities, as well as the related goodwill described in Note 10.

The merger agreement implied the subscription of non-compete agreements as well as other independent acts relative to the payment of dividends as described in Note 16 to these financial statements.
Additionally, the stockholders of Arca approved making an integral reform to the Company's by-laws, among which are the following changes:
i. Change in the corporate name of the Company, from June 1, 2011 onwards, to "Arca Continental, S.A.B. de C.V."
ii. The corporate domicile of Cd. Juarez, Chihuahua to San Pedro Garza Garcia, N.L.
iii. Certain corporate governance matters, and coverage dispositions related to possible acquisitions of the Company's control.

b) Acquisition of Petstar, S.A.P.I. de C.V.

In connection with TCCC's strategy related to its sustainable project, on June 10, 2011, AC entered into a sales agreement to acquire 100% of the shares representative of the capital stock of Petstar, S.A.P. I. de C. V. (PetStar), the main activity of which consists in the collection and recycling of PET bottles, and subsequent marketing of recycled PET resin.
The total price of the transaction, was agreed in US$36,099, subject to adjustments and to a contribution of future increases in capital destined to paying off the debt. The operation was completed during the month of October, 2011 and subsequently, TCCC and some bottlers in Mexico, acquired 56% of the shares of PetStar; therefore, as of December 31, 2011, AC only held 44% of the outstanding shares of such entity.

c) Acquisitions in Ecuador (Note 10)

As part of the growth and geographic expansion projects of the Company, on September 8, 2010, acquisition agreements were signed with the former majority stockholders of Ecuador Bottling Company Corp. (EBC, or currently Arca Ecuador, S. A. (Arca Ecuador)), the bottling franchiser of the Coca-Cola brand in Ecuador. As a result of such agreements, the Company acquired 75% of the voting shares of EBC, assuming control of EBC as from October 1, 2010.
The agreement involved:
- The payment of US$320 million for 60% of the voting shares of Arca Ecuador,
- The payment of US$25 million for 475 preferred shares with no voting rights, granting the Company the right to receive an annual preferred dividend of US$7 million payable on a quarterly basis, and
- The exchange of shares representing 25% of the capital stock of AC's Spanish subsidiaries, Rockfalls Spain, S.L. (Rockfalls) and Franklinton, Spain S.L. (Franklinton), which are jointly owners of 100% of the capital stock of the Argentine Company's subsidiaries, in exchange for 15% of the shares of Arca Ecuador.
- The subscription of agreements between stockholders wherein, among other things, the following was established: (i) the composition of the members of the administrative organs of Arca Ecuador, Rockfalls and Franklinton; (ii) certain agreements on the management of these companies; (iii) restrictions on the sale of the shares of these companies; and (iv) the terms and conditions for the minority stockholders to be able to sell their shares in these companies after a certain period of time.

The financial statements of the acquired companies were consolidated as from the date at which effective control was obtained over their operations. The preliminary purchase price allocation to the fair values of assets and liabilities, as well as the goodwill recorded, is described in Note 10.

d) Issuance of debt certificates

At October 14, 2011 the debt certificates were issued in the amount of Ps. 3,000,000, which were used mainly to substitute liabilities contracted during the second quarter of such year.
During 2010, AC issued a series of publicly- traded debt certificates, obtaining resources in the amount of Ps.3,500,000, which were used mainly to repay liabilities contracted previously, as described in Note 13.

NOTE 2 BASIS FOR THE PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Standards:

The accompanying consolidated financial statements as of December 31, 2011 and 2010, have been prepared in accordance with and fully comply with Mexican Financial Reporting Standards (MFRS) so as to show a fair presentation of the financial position of the Company. The MFRS establish that International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations to the International Financial Reporting Standards (IFRIC) and the definitions of Standing Interpretations Committee (SIC) are a supplementary part of MFRS, to be applied when the absence of MFRS requires it. Consequently, the Company, with the objective of recognizing, valuing and disclosing certain transactions specific to it, applies IAS-18 “Income from ordinary activities” effective as from January 1, 1995.

Presentation of costs, expenses and additional line items in the statement of income:

The Company has prepared its statements of income using a functional classification of their components, since grouping its costs and expenses in this way allows it to disclose the various levels of income. Additionally, to permit a better analysis of the statement of income, the Company has opted to show separately the amount of operating profit, since this is a common disclosure practice in the sector to which the Company belongs

Effects of inflation on the financial information:

In accordance with the provisions of MFRS B-10 “Effects of inflation”, the Mexican economy is not considered inflationary, since cumulative inflation has been below 26% (threshold for defining whether an economy should be considered as inflationary) in the most recent three-year period. Therefore, as of January 1, 2008 the Company discontinued the recognition of effects of inflation on the financial information (suspension of inflation accounting). Consequently, the figures in the accompanying financial statements at December 31, 2011 and 2010, are stated in historical Mexican pesos (Ps) modified by the cumulative effects of inflation on the financial information recognized up to December 31, 2007. For purposes of recognizing the effects of inflation through 31 December 2007, as described in the previous paragraph, factors derived from the National Consumer Price Index (NCPI) published by Bank of Mexico were used for domestic companies.

Following are the applicable rates of inflation:

December 31,	2011	2010
FOR THE YEAR	3.82%	4.40%
ACCUMULATED IN THE LAST THREE YEARS	19.59%	15.19%

At December 31, 2011, the accumulated inflation percentage in the three most recent years in Argentina exceeded the 26% required by MFRS B-10 to consider the economic environment as inflationary; therefore, AC subsidiaries located in this territory, performed an inflationary reconnection as from the last year when inflationary effects were recognized, being this fiscal year 2008.

At December 31, 2011 and 2010, the financial statements of the subsidiaries of AC located in Ecuador are prepared based on modified historical cost with respect to the balances originated before March 31, 2000, on which date the accounting records were converted to US dollars. For purposes of consolidation with AC in 2011 and 2010, no effects of inflation were recorded since in the most recent three-year period in Ecuador the cumulative inflation did not exceed 26%.

The initial recognition of the figures of the acquired subsidiaries described above, as well as those relative to the merger with Contal, was performed based on the acquisition method as described in Note 10.
Interex Corp, a subsidiary located in the United States of America, operates in a non-inflationary environment, as do the AC subsidiaries located in Spain and Holland (see Note 4).

Recording, functional and reporting currencies:

Consolidated foreign transactions in these financial statements identified as such in accordance with MFRS B-15, were translated from their functional currency to their reporting currency in conformity with paragraph z. of Note 4 below.
Following are the principal exchange rates used in the various translation processes mentioned above:

		Local currency to Mexican pesos	
Country	**Local currency**	**Average exchange rate of 2011**	**Year-and exchange rate at December 31, 2011**
ARGENTINA	ARGENTINE PESO	3.0100	3.2485
ECUADOR AND UNITED STATES	US DOLLAR	12.4804	13.9787

		Local currency to Mexican pesos	
Country	**Local currency**	**Average exchange rate of 2010**	**Year-end exchange rate at December 31, 2010**
ARGENTINA	ARGENTINE PESO	3.2285	3.1142
ECUADOR AND UNITED STATES	US DOLLAR	13.5542	12.3817

Since for AC the recording, functional and reporting currency is the Mexican peso, it was not necessary to carry out any translation process.

Financial Reporting Standards adopted in 2011:

From January 1, 2011, the Company adopted retrospectively the following MFRS issued by the Mexican Financial Standards Board for (MFRSB) which became effective on the aforementioned date:
MFRS B-5 "Financial Information by Segments". This standard establishes the general rules for disclosing financial information by segments. Additionally, it allows users of financial information to analyze the entity, by using the same approach as Management and permits presenting information by segments more consistently with the entity's financial statements. This standard leaves Bulletin B-5 "Financial information by segments" effective up to December 31, 2010 without effect.
MFRS C-4 "Inventory". It establishes new inventory valuation, presentation and disclosure rules. The most significant changes is that MFRS C-4 eliminates the use of LIFO (last in first out) as a method to cost inventories, therefore, leaving the identified costs, average costs and FIFO (first in first out); as well as the disposal of direct cost methods to value inventory. This standard leaves Bulletin C-4 "Inventory" effective up to December 31, 2010, without effect.
MFRS C-5 "Advanced payments". It establishes the presentation and disclosure rules for advanced payments and requires companies to segregate and present current versus non-current advance payments.
MFRS C-6 "Property, plant and equipment". It establishes the valuation, presentation and disclosure rules for property, plant and equipment, when considered within the scope of this MFRS are such used for developing or maintaining biological assets and of the extractive industry and the componentization of property, plant and equipment for depreciation effects. This standard leaves Bulletin C-6 "Property, plant and equipment" effective up to December 31, 2010, without effect.

Interpretation to MFRS 19 "Change arising from the adoption of International Financial Reporting Standards (IFRS)". It requires the disclosure of the Company's reasons to adopt IFRS, the expected date of adoption and the estimated amount of any significant effects relating to the adoption of IFRS, or an explanation for not disclosing the estimated effects.

Improvements to MFRS 2011

MFRS B-2 "Statement of cash flows". It allows the optional presentation of the item of excess cash to apply to or (obtain from) financing activities.

Bulletin C-10 "Derivative financial instruments and hedging transactions". It establishes, among other things: a) the exclusion of the "option" or "forward" valuation from the difference between the changes of the derivative's fair value and its intrinsic value for purposes of assessing effectiveness; b) that a forecasted future cash flow hedging transaction might be considered as primary, depending on its occurrence and if it is carried out between non-related parties; c) the presentation in supplementary accounts of the primary positions and portions of financial assets and liabilities that had a specific modification in a portion of an investment portfolio; d) that the accounts representing contributions o collateral margins, deposits of financial warranties constituted by credit letters or bonds, not becoming the entity's property should not be included as assets for derivative financial instruments, and e) the option of taking just a portion of the notional amount of a hedging instrument to hedge a primary position.

MFRS C-13 "Related parties". It widens the definition of close relative as a related party of the Company.

Authorization of the financial statements:

The accompanying consolidated financial statements and the Notes were authorized for issuance on March 20, 2012, by the officers signing the financial statements and Notes thereto, who are duly authorized for such purpose.

NOTE 3 ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Starting on January 1, 2012, the Company adopted International Financial Reporting Standards (IFRS) as its accounting and reporting framework, in order to comply with the provisions established by the CNBV.

The effects from this adoption in the Company's financial statements are in the process of being quantified and recorded; therefore, it has been concluded that it is premature to make an estimate of the monetary effects from the adoption at January 1, 2012, since changes may arise due to several recording options established by the IFRS. However, it is anticipated that the most significant change will be on property, plant and equipment and deferred taxes, as well as liabilities from the valuation of sale rights owning the minority interest of 25% of the shares of the AC businesses located in Argentina and Ecuador.

NOTE 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The MFRS require the use of certain accounting estimates in the preparation of the financial statements. It also requires exercising judgment by Management in the process of defining the Company's accounting policies.
Following is a summary of the most significant accounting policies, which have been consistently applied during the reporting years, unless otherwise specified.

a. Consolidation

The consolidated financial statements include the assets, liabilities and results of operations of all subsidiaries in which AC has a controlling interest. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements. Intercompany transactions were eliminated in these consolidated financial statements for the 12-month year or, for the period as from the date in which the subsidiaries were incorporated.
The consolidation as of December 31, 2011 was prepared based on the financial statements of the following companies, which are located in Mexico, except where otherwise indicated, and which are practically 100%-owned subsidiaries, except in the case of companies located in Spain, which are 75%-owned:

ARCA CONTINENTAL, S. A.B DE C. V. (HOLDING)
BEBIDAS MUNDIALES, S. A. DE C. V.
DISTRIBUIDORA DE JUGOS Y BEBIDAS DEL NORTE, S. A. DE C. V.
PRODUCTORA Y COMERCIALIZADORA DE BEBIDAS ARCA, S. A. DE C. V.
NACIONAL DE ALIMENTOS Y HELADOS, S. A. DE C. V.
COMPAÑÍA TOPO CHICO, S. A. DE C. V.
INDUSTRIAL DE PLÁSTICOS ARMA, S. A. DE C. V.
BEBIDAS EMERGENTES DEL NORTE, S.A.P.I. DE C.V.
PROCESOS ESTANDARIZADOS ADMINISTRATIVOS, S. A. DE C.V.
EMBOTELLADORAS ARGOS, S. A.
EMBOTELLADORA LA FAVORITA, S. A. DE C. V. (6)
EMBOTELLADORA AGUASCALIENTES, S. A. DE C. V. (6)
EMBOTELLADORA GUADIANA, S. A. DE C. V. (6)
EMBOTELLADORA ZACATECAS, S. A. DE C. V. (6)
EMBOTELLADORA LAGUNERA, S. A. DE C. V. (6)
EMBOTELLADORA LOS ALTOS, S. A. DE C. V. (6)
EMBOTELLADORA SAN LUIS, S. A. DE C. V. (6)
EMBOTELLADORA ZAPOPAN, S. A. DE C. V. (6)
FOMENTO DE AGUASCALIENTES, S. A. DE C. V. (6)
FOMENTO DURANGO, S. A. DE C. V. (6)
FOMENTO MAYRÁN, S. A. DE C. V. (6)
FOMENTO POTOSINO, S. A. DE C. V. (6)
FOMENTO RÍO NAZAS, S. A. DE C. V. (6)
FOMENTO SAN LUIS, S. A. DE C. V. (6)
FOMENTO ZACATECANO, S. A. DE C. V. (6)
GROSSMAN Y ASOCIADOS, S. A. DE C. V. (6)
INMOBILIARIA FAVORITA, S. A. DE C. V. (6)
SERVICIOS EJECUTIVOS CONTINENTAL, S. A. (6) (7)
SOCIEDAD INDUSTRIAL, S. A. DE C. V. (6)
JUGOS Y BEBIDAS CONTAL, S. A. P. I. DE C. V. (6)
ALIANZAS Y SINERGIAS, S. A. DE C. V. (6)
CADENA COMERCIAL T3, S. A. DE C. V. (6)
DESARROLLADORA ARCA, S. A. DE C.V.
FRANKLINTON (1) (2)
SERVICIOS CORPORATIVOS ARCA, S. A. DE C.V.
INTEREX, CORP.
ROCKFALLS (1) (2)
FORMOSA REFRESCOS S. A.(3)
DISTRIBUIDORA DICO S. A. (3)
EMBOTELLADORAS ARCA DE ARGENTINA S. A. (3)
SALTA REFRESCOS S. A. (3)
ENVASES PLÁSTICOS S. A. (3)
ARCA EUROPE COÖPERATIVE (4)
ARCA ECUADOR (1) (5)
INDUSTRIAL DE GASEOSAS, S. A. (5)
CONGASEOSAS, S. A. (5)
EMBOTELLADORA Y PROCESADORA DE EL ORO, S. A. (5)
EMBOTELLADORA Y PROCESADORA DEL SUR, S. A. (5)
EMBOTELLADORA Y PROCESADORA CENTRAL, S. A. (5)
DIRECTCOM Y ASOCIADOS, S. A. (5)

(1) COMPANIES LOCATED IN SPAIN.
(2) THEY OWN 10% AND 90%, RESPECTIVELY, OF THE COMPANIES LOCATED IN ARGENTINA.
(3) COMPANIES LOCATED IN ARGENTINA.
(4) COOPERATIVE ENTITY LOCATED IN HOLLAND.
(5) SUBSIDIARIES INCORPORATED IN THE CONSOLIDATION AS FROM OCTOBER 1, 2010, LOCATED IN ECUADOR, EXCEPT ARCA ECUADOR, WHICH IS LOCATED IN SPAIN.
(6) ENTITIES INCORPORATED AS FROM THE MERGER OF ARCA AND CONTAL.
(7) AT DECEMBER 31, 2011, THE COMPANY HELD 51% OWNERSHIP OF THE SHARES OF THAT ENTITY, WHICH WAS DISPOSED IN JANUARY 2012.

The functional currency of the subsidiaries located in Argentina, Rockfalls and Franklinton is the Argentine peso; for those located in the United States, Ecuador and Holland, as well as Arca Ecuador (located in Spain), it is the US dollar.

b. Use of estimates

The preparation of financial statements requires management to make estimates and assumptions, recorded under the best estimate, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the information shown in the financial statements at December 31, 2011 and 2010.

c. Cash and cash equivalents (Note 6)

Cash and cash equivalents include cash balances, bank deposits and other highly liquid investments, with no significant risks from changes in value.
AC considers all highly liquid temporary investments with original maturities of three months or less to be cash equivalents. (See Note 6).

d. Derivative financial instruments (Note 14)

All derivative financial instruments classified as for trading purposes as hedges against market risks, are recorded in the balance sheet as assets and/or liabilities at fair value. The fair value is determined based on market prices determined by the counterparty with which AC has privately contracted the instruments.
The changes in the fair value of the financial instruments contracted with hedging purposes from an economic perspective are recorded in stockholders' equity, while those related to this type of instruments that fail to comply with all the requirements for recognition as hedges in 2010, are recorded in comprehensive financial income (expense).
AC also contracts derivative financial instruments to cover its exposure to risk from the variable interest rates on its debt certificates, as indicated in Note 14. In addition, AC acquires some of its main raw materials for production in currencies different from its functional currency and in order to reduce its exposure to the exchange rate risk, it contracts derivatives in foreign currency so as to cover these forecasted transactions. Derivatives are only contracted with institutions of recognized solvency and limits have been established for each institution.

e. Inventories and cost of sales (Note 7)

Inventories of raw materials, finished products and materials and spare parts and the cost of sales are valued at historical cost determined by the average cost method. Values so determined do not exceed market value.
Packaging and distribution boxes are recorded at acquisition cost, which does not exceed their market value.
In 2011 and 2010 the losses due to breakage of bottles and distribution boxes are recorded in income for the period in which they are incurred. Additionally, the bottles and distribution boxes that are not acceptable for use under the impairment and/or physical condition standards established by AC and TCCC, are retired and charged to income as identified. The useful life of the returnable glass and plastic packaging is estimated at an average of four years and one year, respectively. In Argentina and Ecuador packaging and distribution box costs are charged to income on a basis similar to that used for the Mexican subsidiaries.

f. Investment in shares of associated companies and other permanent investments (Note 8)

Permanent investments in associated companies are valued by the equity method, which consists of adjusting cost determined by the purchase method, by the proportional part of the investee's comprehensive profit or loss, less any dividends as capital reimbursements received subsequent to the acquisition date.
Losses in associated companies are recognized in the corresponding portion, as follows: a) in the permanent investment until reducing it to zero. Additionally, AC has no liabilities for legal obligations or assumed on behalf of its associated companies, and has not recognized any assets or liabilities in this respect.
The Company´s equity in income (loss) of associated companies is shown separately in the income statement. The investments in associated companies are subject to impairment, where applicable, through the equity method.

Other permanent investment in which AC has no significant influence in the decision-making process, are valued at acquisition cost. The dividends arising from these investments are recognized in the income statement of the period when they are received, except they represent profits from periods prior to the purchase of the investment, in which case they are deducted from permanent investments.

g. Property, plant, equipment and depreciation (Note 9)

Property, plant and equipment are expressed as follows:
Mexico:
i. those related go business acquisitions, at fair market value determined by independent experts and subsequently at acquisition cost.
ii. acquisitions made after January 1, 2008, at acquisition cost, and
iii. acquisitions made up to December 31, 2007, at restated values determined by the application of factors derived from the NCPI to acquisition and construction costs.
Argentina:
i. acquisitions made from January 1, 2009 onwards at restated values determined by the application of factors derived from the NCPI to acquisition and construction costs.
ii. acquisitions made through December 31, 2008 at their fair market value determined by independent experts.
Ecuador:
i. acquisitions made from October 1, 2010 at historical cost.
ii. acquisitions made through September 30, 2010 at their fair market value determined by independent experts.
Property, plant and equipment are subject to annual impairment tests only when signs of impairment are identified (see paragraph k. of this Note). Consequently, they are expressed at modified historical cost, less accumulated depreciation, and in some cases, the impairment losses.
When assets are sold or disposed of, the restated investment and accumulated depreciation are cancelled and the gain or loss generated is recorded in income within the caption "Other expense, net" (see Note 19).
Acquisition cost of property, plant and equipment subtracted from its residual value, is depreciated systematically using the straight-line method based on the useful lives of the assets applied to the values of property, plant and equipment.
Depreciation is calculated on the historical or modified historical value of assets, using the straight-line method based on the estimated useful lives determined by the Company. The annual rates applicable to the values of assets are as follows:

BUILDINGS	2%
MACHINERY AND EQUIPMENT	8%
TRANSPORTATION EQUIPMENT	10%
REFRIGERATORS AND SALES EQUIPMENT	10%
COMPUTER EQUIPMENT	25%
OFFICE EQUIPMENT	10%

Advance payments to suppliers are recorded as part of property, plant and equipment when risks and benefits have been transferred to the Company.

h. Goodwill (Note 11)

Based of MFRS B-7 "Business Acquisitions", the Company applies the following accounting guidelines to its business acquisitions:
i) the acquisition method is used as the only valuation rule, which requires allocating the purchase
price to acquired assets and assumed liabilities based on their fair values at the date of acquisition;
ii) acquired intangible assets are identified, valued and recorded, and
iii) the unassigned portion of the purchase price represents goodwill.
Goodwill is considered to have an indefinite life and represents the excess cost of shares of subsidiaries over the fair value of the net assets acquired and its value is subject to annual impairment tests (see Note 11).

i. Intangible assets and other assets (Note 12)

Intangible assets are recorded when they comply with the following characteristics: they are identifiable, provide future economic benefits and the Company has control over these benefits. In connection with the business acquisitions that the Company has carried out, fair values were determined for certain property, plant and equipment, as well as for intangible assets with indefinite lives such as bottling agreements with TCCC (franchises), brands (Bokados) and others, such as customer portfolios, through studies obtained from independent experts.
Intangible assets considered to have an indefinite life are not amortized and are subject to impairment tests as explained in paragraph k. below.
Other assets also include brands and industrial secrets acquired by AC, which are recorded based on their acquisition price. Also included in other assets are licenses for the use of computer software, which are amortized over the period they are expected to produce benefits. Other assets are assessed periodically as to their ability to continue to generate future profits.

j. Advanced payments

From January 1, 2011 advanced payments represent those expenditures made by the Company wherein the benefits and risks inherent to the goods the Company is about to acquire or the services it is about to receive, have not been transferred. Advanced payments are recorded at cost and shown in the balance sheet as current or non-current assets, depending on the caption of the destination item. Once the goods and/or services are received, in relation with the advanced payments, these are recorded as assets or as an expense in the balance sheet or in the statement of income for the period, respectively. Up to December 31, 2010, advanced payments represented expenditures made for services received or goods used exclusively by the business, the purpose of which was not to sell them or use them in the productive process.

k. Impairment of long-lived assets

Long-lived assets, tangible and intangible, including goodwill, and the investments in associated companies are subject to impairment tests. Assets with indefinite lives are tested on an annual basis, and assets with finite lives are tested when there are signs of impairment.
At December 31, 2011 and 2010, there were no adjustments for impairment, except for reserves for decrease in value from the merger of Arca and Contal.

l. Provisions

Liability provisions represent present obligations resulting from past events, where the outflow of economic resources is probable. These provisions have been recorded using Management's best estimate.

m. Employee benefits (Note 15)

Benefits granted by the Company to its employees, including defined benefit plans (or defined contribution plans), are summarized as follows:
Direct benefits (salaries, overtime, vacations, holidays and paid leave of absence, etc.) are recorded in income as accrued and the liabilities are expressed at nominal value, due to their short term. Absences paid in conformity with legal or contractual provisions are non-cumulative.
Benefits payable on termination of the labor relationship for causes other than restructuring, as well as retirement benefits (pensions, seniority premiums, medical expenses and indemnities) are recorded based on actuarial studies performed by independent experts using the projected unit credit method. To cover the aforementioned benefits, the Company makes periodical contributions to funds established in irrevocable trusts for some of its subsidiaries.
The net cost for the period of each employee benefit plan is recorded as an operating expense in the year it is accrued, including the amortization of the cost of past services and of actuarial gains (losses) from prior years.

Actuarial studies on employee benefits incorporate the hypothesis of career salary increases.
In Ecuador, there are pension plans for retirement and dismissal (benefits upon termination of the labor relationship), the provision for which is determined according to actuarial studies obtained from independent experts using the projected unit credit method. In Argentina, there are no Company pension plans, since pensions are paid by the state.

n. Preferred dividends

In accordance with the purchase transaction described in paragraph c) of Note 1, AC acquired for US$25 million, 475 preferred shares from Arca Ecuador (without voting rights), granting it the right to receive an annual preferred dividend of US$7 million. Cumulative preferred dividends of these shares are known as an account receivable until these are declared; however, at December 31, 2011 such dividends had not been recorded since at the date of issuance of these financial statements there are no audited financial statements in each jurisdiction. The estimated amount of these dividends at December 31, 2011 and 2010 amounts to US$7 million and US1.75 million, respectively.

o. Deferred income tax (Note 20)

Income tax is recorded by the comprehensive asset-and-liability method, which consists of recognizing deferred tax on all temporary differences between the book and tax values of assets and liabilities.
The Company has recognized deferred income tax, since the financial and tax projections prepared by the Company indicate that it will essentially pay income tax in the future.

p. Deferred employees' profit sharing (EPS) (Note 19)

Deferred EPS is recorded using the comprehensive asset-and-liability method, which consists of recognizing deferred EPS for all temporary differences between book and tax values of assets and liabilities where payment or recovery is probable.
Nevertheless, AC determines the EPS by applying the applicable rate to the same basis on which it determines the income tax, since its subsidiaries have obtained judicial verdicts supporting this practice; otherwise, it applies the current jurisprudential criteria.
The Company has defined as probable the effects of deferred EPS arising from the temporary differences calculated for the following five years. The effects of temporary differences exceeding such period are considered contingent. The effect of the temporary differences arising from 2017 onwards and considered as a contingent liability is estimated at approximately Ps.263,525; however, considering the obligation to which the Company is subject of IFRS conversion as from January 1, 2012, this liability will not be recorded in the future. EPS payable and deferred is shown in the statement of income within the caption "Other expenses, net".

q. Financial instruments with liability characteristics

Financial instruments issued by AC with liability characteristics (see Note 13), are recorded on issuance as liabilities, in accordance with their various components. The initial costs incurred in the issuance of such instruments are assigned to liabilities in the same proportion as the amounts of their components. Losses and gains related to components of financial instruments classified as liabilities are recorded in comprehensive financing expense.

r. Stockholders' equity

The capital stock, legal reserve, additional paid-in capital and retained earnings are stated as follows: i) changes made from January 1, 2008 onwards at historical cost, and ii) changes made prior to January 1, 2008, at restated values determined through the application to historical values of factors derived from the NCPI through December 31, 2007. See Note 17. Consequently, the various concepts of stockholders' equity are expressed at modified historical cost.

The additional paid-in capital represents the excess of the payment for subscribed shares over their nominal value; it also includes the gain or loss generated by the purchase/sale transactions of the fund for the fund repurchase for the Company's own shares, which is determined between the sales price and the average repurchase cost.

s. Fund for repurchase of own shares

Own shares acquired are shown as a decrease in the fund for repurchase of own shares, which is included in the financial statements in retained earnings. They are valued at their acquisition cost. Dividends received are recorded by decreasing their historical cost.

In the case of the sale of shares by the repurchase fund, the amount obtained in excess or in deficit of their historical cost, is recognized as additional paid-in capital.

t. Revenue recognition

Revenues from the sale of products are recorded in income when all the following requirements are complied with: a) the risks and benefits of the goods have been transferred to the purchaser and no significant control is maintained over these; b) the amount of revenues and costs incurred and to be incurred are determined reliably, and c) it is probable that the Company will receive the economic benefits associated with the sale.

From time to time, AC grants sales discounts to retailers in connection with launching a new product or special promotion. These promotional payments are accounted for as a reduction in revenue.

u. Advertising and incentives from TCCC

Bottling agreements and authorizations to which AC and some of its subsidiaries are parties, establish that in order to develop and promote the demand of each of the Coca-Cola products, advertising and other marketing activities, to which TCCC may, at its sole discretion, contribute must be carried out in order to maintain and increase the demand for these products.

Regional advertising campaigns have to be approved by TCCC or its affiliated companies, which generally reimburse certain cost percentages of the advertising campaigns for Coca-Cola products and the cost of the refrigeration equipment or other assets acquired. These incentives are recorded as a reduction in selling expenses and in the other expenses caption, net, respectively, in the results of the year they are received.

v. Exchange differences (Note 18)

At December 31, 2011 and 2010, the nominal exchange rate was Ps13.97 and Ps12.38 per US dollar, respectively.

Transactions in foreign currency are recorded at the exchange rate in effect at the transaction date. Assets and liabilities in foreign currency are expressed in local currency at the exchange rate in effect at the balance sheet date. Exchange differences derived from changes in the exchange rates between the date of the transactions and their settlement date or valuation at the balance sheet date, are recorded in income for the year.

w. Earnings per share

Earnings per share are computed on the basis of the weighted average number of common shares outstanding during the year. For the years ended December 31, 2011 and 2010, there were no effects arising from potentially dilutive shares.

x. Risk concentration

Financial instruments that potentially subject AC to significant concentration of credit risk consist primarily of cash and cash equivalents; trade accounts receivable and other accounts receivable.

AC maintains its cash and temporary investments with various major financial institutions. They are mainly invested in short-term investments and money market accounts.

Concentration of credit risk with respect to trade accounts receivable is limited due to the large number of customers distributed throughout Mexico, Argentina and Ecuador where AC operates. AC maintains allowances for doubtful accounts based on the expected collectability.

For the years ended December 31, 2011 and 2010, approximately 91% of the sales volume, consisted of products of brands owned by TCCC.

y. Comprehensive income

Comprehensive income is represented by the net income plus the translation adjustment arising in connection with the foreign subsidiaries, and items required by specific accounting standards to be reflected in stockholders' equity but which do not constitute capital contributions, reductions or distributions. The figures of comprehensive income of 2011 and 2010 are stated in historical pesos.

Comprehensive income comprised the following:

December 31,	2011	2010
NET INCOME FOR THE YEAR	Ps. 4,510,360	Ps. 2,631,518
EFFECT OF CHANGES IN VALUATION OF HEDGING INSTRUMENTS	(44,060)	(52,843)
CUMULATIVE TRANSLATION ADJUSTMENT OF FOREIGN SUBSIDIARIES	1,221,000	(274,088)
COMPREHENSIVE INCOME	**Ps. 5,687,300**	**Ps. 2,304,587**

z. Foreign currency transactions

The figures of subsidiaries considered as foreign currency operations are recorded in their functional currency, and were used as a basis to translate the financial information of such foreign operations into the reporting currency of AC (Mexican peso), on the following basis:

Non-inflationary environment

a. Assets and liabilities at December 31, 2011 and 2010, are translated at year-end exchange rates.

b. Stockholders' equity balances at December 31, 2010 translated to the reporting currency were added the changes present during 2011, which were translated at average exchange rates.

c. Revenues, costs and expenses for the year were translated at average exchange rates.

d. As a result, there was an effect from conversion recorded in comprehensive income in stockholders' equity.

Inflationary environment

Under this environment, the effects of inflation on the financial information were primarily recognized in conformity with MFRS B-10, using the price index of the country to which the functional currency corresponds; subsequently, the financial statements were translated to the reporting currency, as follows:

a. The assets, liabilities and stockholders' equity, as well as revenues, costs and expenses are translated at closing exchange rates.

b. The variations obtained were recorded by the Company as an item in comprehensive income within stockholders' equity.

Analysis of cumulative translation adjustment:

Following is an analysis of changes in the cumulative translation adjustment:

December 31,	2011	2010
INITIAL BALANCE	(Ps. 382,476)	(Ps. 108,388)
TRANSLATION ADJUSTMENT OF FOREIGN SUBSIDIARIES	1,221,000	(274,088)
FINAL BALANCE	**Ps. 838,524**	**(Ps. 382,476)**

i. Restrictions:

The amount of stockholders' equity reported by foreign subsidiaries in their accounting records, translated at the exchange rate at December 31, 2011 amounted to Ps912,595; while the stockholders' equity recorded in the consolidation in accordance with the procedures described above amounted to Ps3,610,007; consequently, the difference between these amounts represents a restriction on stockholders' equity.

aa. Financial information by segments

MFRS Statement B-5 "Financial information by segments", requires the Company to analyze its organizational structure and its information presentation system, in order to identify segments. With respect to the years presented, the Company has operated the following business segments: soft drinks and other, the latter only applicable in Mexico.
From 2010 onwards, the territory of Ecuador and from 2008 onwards the territory of Argentina are incorporated, which jointly make up the South American segment.

These segments are managed separately since the products handled and the markets served are different. Their activities are performed through several subsidiary companies.

Note 21 shows the income per segment in the way in which Management analyzes, directs and controls the business, and the operating profit; additionally, it shows the information by geographic area, the latter in conformity with the same MFRS B-5.

NOTE 5 FOREIGN CURRENCY POSITION

a. At December 31, 2011 and 2010 the Company had monetary assets and liabilities in US dollars, as shown below:

		2011		2010
ASSETS	US$	21,486	US$	16,005
LIABILITIES		(35,783)		(11,349)
NET POSITION	**(US$**	**14,297)**	**US$**	**4,656**

b. At December 31, 2011 and 2010 the exchange rate was Ps. 13.98 and Ps. 13.04 per US dollar, respectively. On March 20, 2012 date of issuance of the financial statements, the exchange rate was Ps. 12.6645 per US dollar.

c. Following is a summary of the principal transactions held by the Company in the currency indicated below:

USD: **Year ended December 31,**		**2011**		**2010**
SALES	US$	43,009	US$	33,506
PURCHASE OF GOODS		(7,253)		(16,630)
PURCHASE OF FIXED ASSETS		(295)		(1,106)
SERVICES AND INTERESTS		(2,474)		(6,073)
OTHER		(173)		

EUROS: **Year ended December 31,**		**2011**		**2010**
PURCHASE OF GOODS	(EUR	89)	(EUR	540)
PURCHASE OF FIXED ASSETS		(1,091)		(14,399)
SERVICES AND INTERESTS		(19)		(60)
OTHER		(11)		

NOTE 6 CASH AND CASH EQUIVALENTS

The balance corresponding to cash and cash equivalents at December 31, 2011 and 2010 comprises mainly cash funds, bank deposits and temporary investments, all of which are considered highly liquid and subject to insignificant risks of changes in value. The balance is made up as follows:

December 31,	2011	2010
CASH	Ps. 28,745	Ps. 7,676
BANK DEPOSITS	579,025	454,911
DEMAND INVESTMENTS WITH MAXIMUM MATURITY OF THREE MONTHS	2,690,375	3,165,831
TOTAL CASH AND CASH EQUIVALENTS	**Ps. 3,298,145**	**Ps. 3,628,418**

The company has no restricted cash or cash equivalents at December 31, 2011 and 2010.

NOTE 7 INVENTORIES

Inventories consist of the following:

December 31,	2011	2010
RAW MATERIALS	Ps. 794,722	Ps. 530,747
FINISHED GOODS	797,111	425,608
MATERIALS AND SPARE PARTS	573,140	262,573
BOTTLES AND CASES	1,281,876	743,233
OTHER (1)	41,367	56,306
	Ps. 3,488,216	**Ps. 2,018,467**

(1) AMOUNTS OF PS. 305,071 AND PS. 116,520 WERE RECLASSIFIED TO ADVANCED PAYMENTS IN CONFORMITY WITH THE NEW MFRS C-5 DISPOSITIONS FOR 2011 AND 2010, RESPECTIVELY, SEE NOTE 2.

NOTE 8 INVESTMENT IN SHARES OF ASSOCIATED COMPANIES AND OTHER PERMANENT INVESTMENTS

The investment of AC in shares of associated companies consisted of the following:

	2011	December 31,	
	% stock ownership	2011	2010
ASSOCIATED COMPANIES [1]:			
PROMOTORA INDUSTRIAL AZUCARERA, S. A. DE C. V. (PIASA) [2]	49.00%	Ps. 1,247,720	
JUGOS DEL VALLE, S.A.P.I. (JDV) [3]	16.45%	553,208	Ps. 358,195
INDUSTRIA ENVASADORA DE QUERÉTARO, S. A. DE C. V. (IEQSA) [4]	29.34%	151,060	76,495
ANDAMIOS ATLAS, S. A. DE C. V. (ANDAMIOS) [5]	23.81%	129,600	
PETSTAR, S. A. P. I. DE C. V. (PETSTAR) [6]	44.17%	76,106	
PROMOTORA MEXICANA DE EMBOTELLADORAS, S. A. DE C. V. (PROMESA)	20.00%	18,190	8,955
		2,175,884	**443,645**
OTHER PERMANENT INVESTMENTS [7]:			
BETA SAN MIGUEL, S.A. DE C.V. (BETA)	5.26%	252,384	252,384
OTHER		283	283
		252,667	**252,667**
TOTAL INVESTMENT IN SHARES OF ASSOCIATED COMPANIES AND OTHER INVESTMENTS		**Ps. 2,428,551**	**Ps. 696,312**

(1) THESE INVESTMENTS ARE STATED BY APPLYING THE EQUITY METHOD.
(2) DUE TO THE MERGER DESCRIBED IN NOTE 1, AC ACQUIRED A 49% INTEREST IN SHARES OF PIASA. THE INITIAL RECOGNITION OF THIS ASSOCIATED COMPANY WAS MADE AT FAIR VALUE.
(3) DUE TO THE MERGER DESCRIBED IN NOTE 1, AS WELL AS THE SALE OF A PART OF ITS SHARES, AC INCREASED ITS PERCENTAGE OF SHARE OWNERSHIP IN JDV FROM 11.99% TO 16.45% FROM 2010 TO 2011.
(4) DUE TO THE MERGER DESCRIBED IN NOTE 1, AC INCREASED ITS SHARE OWNERSHIP PERCENTAGE IN IEQSA FROM 15.26% TO 29.94% FROM 2010 TO 2011.
(5) DUE TO THE MERGER DESCRIBED IN NOTE 1, AC ADQUIRED INTEREST OF 23.81% OF THE SHARES OF ANDAMIOS.
(6) DUE TO THE MERGER DESCRIBED IN NOTE 1, AC ACQUIRED INTEREST OF 44.17% OF THE SHARES OF PETSTAR. THE INITIAL RECOGNITION OF THIS ASSOCIATED COMPANY WAS REALIZED AT FAIR VALUE.
(7) INVESTMENTS RECORDED AT THEIR HISTORICAL ACQUISITION COST.

Following are the effects of fair value of significant associates incorporated in the year:

	Carrying value	Recorded goodwill	Initial investment in shares
PIASA[1]	Ps. 1,085,194	Ps. 67,485	Ps. 1,152,679
PETSTAR	Ps. 251,801	(Ps. 154,140)	Ps. 97,661

(1) UNTIL BEFORE THE MERGER OF CONTAL IN AC, THE LATTER HAD NO OPERATIONS WITH PIASA FOR PURPOSES OF PURCHASES OF SUGAR OR OF ANY OTHER KIND.

Following is certain financial information about the principal investments in associated companies held by AC:

	2011					
	PIASA	JDV	IEQSA	ANDAMIOS	PETSTAR	PROMESA
CURRENT ASSETS	Ps. 1,040,997	Ps. 2,214,815	Ps. 436,041	Ps. 213,561	Ps. 81,769	Ps. 494,434
NON-CURRENT ASSETS	2,679,998	2,134,765	405,029	460,305	474,950	Ps. 3,003
CURRENT LIABILITIES	(849,270)	(916,244)	(268,144)	(105,504)	(29,318)	(436,805)
LONG-TERM LIABILITIES	(463,082)	(69,817)	(58,065)	(24,082)	(6,128)	
	Ps. 2,408,643	**Ps. 3,363,519**	**Ps. 514,861**	**Ps. 544,280**	**Ps. 521,273**	**Ps. 60,632**
REVENUE FOR THE YEAR	Ps. 4,074,673	Ps. 6,096	Ps. 2,410,679	Ps. 369,931	Ps. 538,427	Ps. 3,516,718
NET INCOME (LOSS) FOR THE YEAR	Ps. 290,075	Ps. 22,614	Ps. 24,864	Ps. 64,349	(Ps. 84,461)	Ps. 16,730
ACCUMULATED INCOME FROM PRIOR YEARS (DEFICIT)	Ps. 547,785	Ps. 448,925	Ps. 450,697	Ps. 219,978	(Ps. 100,537)	Ps. 40,516

	2010		
	JDV	IEQSA	PROMESA
CURRENT ASSETS	Ps. 1,776,944	Ps. 406,416	Ps. 560,651
NON-CURRENT ASSETS	1,971,770	416,000	2,599
SHORT-TERM LIABILITIES	(675,315)	(272,681)	(518,479)
LONG-TERM LIABILITIES	(87,319)	(48,456)	
	Ps. 2,986,080	**Ps. 501,279**	**Ps. 44,771**
REVENUE FOR THE YEAR	Ps. 5,009,207	Ps. 2,179,808	Ps. 2,716,580
ACCUMULATED INCOME FROM PRIOR YEARS	Ps. 493,784	Ps. 461,978	Ps. 40,466

The Company has significant influence over the aforementioned associated companies since it is authorized to participate in deciding the financial and operating policies without obtaining control, since it owns more than 10 percent of the voting shares in these companies.

The investment in shares of associated companies is analyzed as follows:

December 31,	2011	2010
INVESTMENT IN SHARES OF ASSOCIATES AT BEGINNING OF YEAR	Ps. 443,645	Ps. 786,342
NET CHANGE IN CAPITAL OF IEQSA	67,270	592
NET CHANGE IN CAPITAL OF PROMESA	4,216	843
NET CHANGE IN CAPITAL OF JDV	192,972	
INVESTMENT AT FAIR VALUE OF PIASA	1,152,679	
INVESTMENT AT FAIR VALUE OF ANDAMIOS	121,305	
INVESTMENT AT FAIR VALUE OF PETSTAR	97,661	
DECREASE OF INVESTMENT JDV [1]		(337,898)
DIVIDENDS RECEIVED FROM ASSOCIATES		(11,449)
EQUITY IN INCOME FOR THE YEAR OF ASSOCIATES	96,136	13,256
SALE OF VIVIR SHARES		(8,041)
INVESTMENT IN SHARES OF ASSOCIATES AT END OF YEAR	**Ps. 2,175,884**	**Ps. 443,645**

(1) DURING 2010 THIS ENTITY WAS SPUN-OFF, AS A RESULT OF WHICH IT GENERATED THE SEPARATE RECOGNITION OF AN INVESTMENT IN INTANGIBLE ASSETS, REPRESENTING DISTRIBUTION RIGHTS IN THE TERRITORY IN WHICH AC OPERATES.

The financial statements of associates to apply the equity method, were those relative to December 31, 2011.

NOTE 9 PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consist of the following:

December 31,		2011		2010
BUILDINGS	Ps.	8,230,444	Ps.	5,305,124
MACHINERY AND EQUIPMENT		12,460,515		8,927,326
TRANSPORTATION EQUIPMENT		5,294,351		3,437,289
REFRIGERATORS AND SALES EQUIPMENT		4,102,911		2,507,635
COMPUTER EQUIPMENT		700,399		535,240
OFFICE EQUIPMENT		478,486		414,658
OTHERS		1,333,859		589,098
TOTAL DEPRECIABLE ASSETS	Ps.	32,600,965	Ps.	21,716,371
ACCUMULATED DEPRECIATION		(17,296,659)		(11,421,228)
Total depreciable assets, net	**Ps.**	**15,304,306**	**Ps.**	**10,295,142**
LAND	Ps.	4,866,716	Ps.	1,776,764
WORK IN PROGRESS		990,821		243,536
TOTAL NON-DEPRECIABLE ASSETS	Ps.	5,857,537	Ps.	2,020,300
Total property, plant and equipment, net	**Ps.**	**21,161,843**	**Ps.**	**12,315,442**

Depreciation charged to income in 2011 and 2010 was Ps 1,756,190 and Ps 1,081,239, respectively.

At December 31, 2011 and 2010, property, plant and equipment had the following changes:

	Balances at December 31, 2010	Additions	Write-offs	Reclasifi-cations	Acquisitions through businesses acquisition	Loss from impair-ment in the year	Depre-ciation	Balances at December 31, 2011
BUILDINGS	Ps. 5,305,124	Ps. 345,068	(Ps. 10,537)	Ps. 133,946	Ps. 2,720,418	(Ps. 37,174)	(Ps. 226,401)	Ps. 8,230,444
MACHINERY AND EQUIPMENT	8,927,326	902,113	(337,119)	(5,614)	3,728,469	(75,176)	(679,484)	12,460,515
TRANSPORTATION EQUIPMENT	3,437,289	437,392	(203,401)	22,772	1,947,924		(347,625)	5,294,351
REFRIGERATORS AND SALES EQUIPMENT	2,507,635	461,214	(112,251)	(231)	1,490,143		(243,599)	4,102,911
COMPUTER EQUIPMENT	535,240	116,359	(12,872)	3.696	133,370		(75,394)	700,399
OFFICE EQUIPMENT	414,658	17,797	(4,661)	132	78,146		(27,586)	478,486
OTHERS	589,098	543,024	(140,136)	62,253	355,705		(76,085)	1,333,859
TOTAL DEPRECIABLE ASSETS	Ps. 21,716,371	Ps. 2,822,967	(Ps. 820,977)	Ps. 216,954	Ps. 10,454,175	(Ps. 112,351)	(Ps. 1,676,174)	Ps. 32,600,965
ACCUMULATED DEPRECIATION	(11,421,228)	3,767,546	(3,248,869)	(4,717,934)			(1,676,174)	(17,296,659)
TOTAL DEPRECIABLE ASSETS, NET	Ps. 10,295,142	Ps. 6,590,513	(Ps. 4,069,846)	(Ps. 4,500,980)	Ps. 10,454,175	(Ps. 112,351)	(Ps. 3,352,348)	Ps. 15,304,306
LAND	Ps. 1,776,764	Ps. 61,515	(Ps. 9,457)	Ps. 865,241	Ps. 2,208,074	(Ps. 35,421)		Ps. 4,866,716
WORK IN PROGRESS	243,536	1,703,093	(1,279,416)	231,525	92,083			990,821
TOTAL NON-DEPRECIABLE ASSETS	Ps. 2,020,300	Ps. 1,764,608	(Ps. 1,288,873)	Ps. 1,096,766	Ps. 2,300,157	(Ps. 35,421)		Ps. 5,857,537
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET	**Ps. 12,315,442**	**Ps.8,355,121**	**(Ps.5,358,719)**	**(Ps.3,404,214)**	**Ps. 12,754,332**	**(Ps.147,772)**	**(Ps. 3,352,349)**	**Ps. 21,161,843**

NOTE 10 FAIRVALUE OF ACQUIRED BUSINESSES

MERGER WITH GRUPO CONTINENTAL

As described in Note 1, the Company merged with Contal as from June 1, 2011, the Company surviving as the merging company. The assets and liabilities preliminarily valued at fair value, including preliminary allocation of the purchase price, are described below:

		Carrying value of net assets at May 31, 2011		Allocation of goodwill		Net assets recorded at fair value at May 31, 2011
CURRENT ASSETS	Ps.	2,466,102			Ps.	2,466,102
INVESTMENT IN ASSOCIATED COMPANIES		1,703,497	Ps.	67,485		1,770,982
FIXED ASSETS		4,954,479		2,746,636		7,701,115
INTANGIBLE ASSETS		4,802		11,752,687		11,757,489
GOODWILL				753,855		753,855
	Ps.	**9,128,880**			**Ps.**	**24,449,543**
CURRENT LIABILITIES	Ps.	1,132,796			Ps.	1,132,796
DEFERRED INCOME TAX		472,356		769,058		1,241,414
EMPLOYEE BENEFITS		370,692		493,391		864,083
	Ps.	**1,975,844**			**Ps.**	**3,238,293**
NET ACQUIRED ASSETS	**Ps.**	**7,153,036**	**Ps.**	**14,058,214**	**Ps.**	**21,211,250**

Expenses recorded in income from the merger of AC and Contal amounted to approximately Ps. 178,916 relative to fees and services related to such transaction. Likewise, the merger included the payment of non-compete agreements for approximately US$180 million.

The following pro forma consolidated financial information , for the twelve-month period ended December 31, 2011, gives effect to the merger of Contal and Arca as if it had occurred on January 1, 2011.

Concept:		**Audited figures AC**		**Non-audited figures Contal**		**Proforma information (*) (non-audited)**
SALES	Ps.	44,797,561	Ps.	6,129,606	Ps.	50,927,167
NET CONSOLIDATED INCOME	Ps.	4,510,360	Ps.	405,839	Ps.	4,916,199

BUSINESS ACQUISITION IN ECUADOR

As described in Note 1, the Company acquired 75% of the shares of Arca Ecuador at the date of acquisition of the company, the assets and liabilities were provisionally valued at fair value, including a provisional allocation of the purchase price, as shown below:

		Carrying value of net assets at September 30, 2010		Allocation of goodwill		Net assets recorded at fair value at September 30, 2010
ASSETS:						
CASH	Ps.	54,014			Ps.	54,014
ACCOUNTS RECEIVABLE, NET		71,299				71,299
OTHER ACCOUNTS RECEIVABLE AND OTHER ASSETS		300,772				300,772
INVENTORIES		489,644				489,644
FIXED ASSETS		979,800	Ps.	392,412		1,372,212
INTANGIBLE ASSETS				3,966,176		3,966,176
GOODWILL				3,957,662		3,957,662
	Ps.	**1,895,529**			**Ps.**	**10,211,779**
LIABILITIES:						
SUPPLIERS	Ps.	254,669			Ps.	254,669
PROVISIONS AND OTHER ACCOUNTS PAYABLE		322,336				322,336
SHORT-TERM DEBT		552,681				552,681
LONG-TERM DEBT		338,460		1,288,318		1,626,778
EMPLOYEE BENEFITS		122,542				122,542
	Ps.	**1,590,688**			**Ps.**	**2,879,006**
NET ACQUIRED ASSETS	**Ps.**	**304,841**	**Ps.**	**7,027,932**	**Ps.**	**7,332,773**

The fair values of property, machinery and equipment, as well as those of intangible assets were determined by independent experts, as described in Notes 4 g) and 4 h).

The following consolidated proforma financial information for the twelve-month period ended December 31, 2010, gives effect to Arca's acquisitions as if they had occurred on January 1, 2010.

Concept:		Audited figures AC		Non-audited figures Ecuador		Proforma information (*) (non-audited)
SALES	Ps.	27,060,243	Ps.	2,917,784	Ps.	29,978,027
CONSOLIDATED NET INCOME	Ps.	2,631,518	Ps.	232,376	Ps.	2,863,894

(*) THE CONSOLIDATED PROFORMA FINANCIAL INFORMATION IS NOT INTENDED TO SHOW THE RESULTS FROM CONSOLIDATED OPERATIONS THAT AC WOULD HAVE REPORTED HAD THE ACQUISITIONS ACTUALLY BEEN MADE ON INDICATED DATES; THEREFORE, IT SHOULD NOT BE TAKEN AS REPRESENTATIVE OF THE RESULTS OF THE OPERATIONS IN THE FUTURE.

Commitments related to the transaction mentioned in this Note, are described in Note 16.

NOTE 11 GOODWILL

Goodwill is analyzed as follows:

December 31,		2011		2010
RECORDED IN ACQUIRED SUBSIDIARIES BY AC	Ps.	5,624,817	Ps.	5,643,597
RECORDED BY AC		3,374,489		3,093,145
	Ps.	8,999,306	Ps.	8,736,742
AACCUMULATED AMORTIZATION		(703,590)		(703,529)
	Ps.	**8,295,716**	**Ps.**	**8,033,213**

The reconciliation in the balance of goodwill was as follows:

December 31,		2011		2010
INITIAL BALANCE	Ps.	8,033,213	Ps.	4,611,884
GOODWILL DERIVED FROM BUSINESS ACQUISITIONS		262,503		3,421,329
FINAL BALANCE	**Ps.**	**8,295,716**	**Ps.**	**8,033,213**

NOTE 12 INTANGIBLE ASSETS AND OTHER ASSETS

This item is analyzed as follows:

December 31,		2011		2010
FRANCHISES, MAINLY	Ps.	17,236,169	Ps.	5,341,436
OWN BRANDS AND INDUSTRIAL SECRETS		885,068		391,565
SOFTWARE LICENSES		357,041		372,397
EXPENSES FROM ISSUANCE OF SECURITIES		12,566		12,566
OTHER ASSETS		183,693		675
	Ps.	18,674,537	Ps.	6,118,639
ACCUMULATED AMORTIZATION		(315,323)		(257,253)
	Ps.	**18,359,214**	**Ps.**	**5,861,386**

AMORTIZATION CHARGED TO INCOME IN 2011 AND 2010 WAS PS.34,101 AND PS.36,889, RESPECTIVELY.

The reconciliation of the values of intangible assets at the beginning and end of the year is as follows:

		Value of investment		Accumulated of amortization		Net
BALANCES AT DECEMBER 31, 2010	Ps.	6,118,639	(Ps.	257,253)	Ps.	5,861,386
ADD (DEDUCT):						
FRANCHISES [1]		11,894,734				11,894,734
OWN BRANDS AND INDUSTRIAL SECRETS		493,503		(9,892)		483,611
SOFTWARE LICENSES		(15,356)		(17,395)		(32,751)
OTHER ASSETS		183,017		(30,783)		152,234
BALANCES AT DECEMBER 31, 2011	**Ps.**	**18,674,537**	**(Ps.**	**315,323)**	**Ps.**	**18,359,214**

(1) REFERS TO ADJUSTMENTS AT FAIR VALUE OF INTANGIBLE ASSETS SUCH AS THE COCA-COLA BOTTLER AGREEMENT, ARISING FROM THE APPLICATION OF THE PURCHASE METHOD TO THE SUBSIDIARIES INDICATED IN NOTE 1.

NOTE 13 LONG-TERM DEBT

Short and long-term debt is summarized as follows:

December 31,		2011		2010
DEBT CERTIFICATES	Ps.	10,500,000	Ps.	7,500,000
PRODUFONDOS* [1]		229,976		288,907
SANTANDER [2]		629,040		
BANCO FRANCÉS [5]		129,940		
BANCO DE LA PRODUCCIÓN* [3]				195,023
BANCO BOLIVARIANO* [4]				155,700
OTHERS* [6]		86,532		178,535
	Ps.	11,575,488	Ps.	8,318,165
CURRENT PORTION OF LONG-TERM LIABILITIES		(1,371,396)		(530,965)
LONG-TERM DEBT	**Ps.**	**10,204,092**	**Ps.**	**7,787,200**

(*)MOST OF THE BORROWINGS SHOWN IN 2010 BELONG TO MORTGAGE LOANS CONSOLIDATED IN AC FROM ARCA ECUADOR'S ACQUISITION.
(1) LOANS SECURED BY ACCOUNTS RECEIVABLE BEARING INTEREST AT ANNUAL RATES RANGING BETWEEN 8.75% AND 7.75% WITH MATURITIES FROM 2012 TO 2015.
(2) SHORT-TERM LOANS BEARING INTEREST AT ANNUAL RATES RANGING BETWEEN ANNUAL 3.00% AND 3.23%.
(3) BEARING INTEREST AT RATES RANGING BETWEEN ANNUAL 7.50% AND 9.12% WITH MATURITIES BETWEEN 2012 AND 2013.
(4) SHORT-TERM LOANS BEARING INTEREST AT ANNUAL RATES RANGING BETWEEN 7.00% AND 8.32%.
(5) LONG-TERM LOANS BEARING INTEREST AT ANNUAL RATES BETWEEN 13.95% AND 15.95%.
(6) PLEDGE AND MORTGAGE INDIVIDUAL LIABILITIES FOR LESSER AMOUNTS.

At December 31, 2011 and 2010, long-term debt maturities in Ecuador were as follows:

Ecuador:		2011		2010
2012	Ps.	179,653	Ps.	95,578
2013				30,469
2015 ONWARDS		134,195		158,486
	Ps.	**313,848**	**Ps.**	**284,533**

Argentina:		2011
2013	Ps.	38,982
2014		90,958
	Ps.	**129,940**

Following is a summary of the main characteristics of the debt certificates at December 31, 2011:

Date of issuance		Amount	Rate	Term in years
JUNE 5, 2009	Ps.	1,000,000	TIIE to 28 + 1.00%	3
JUNE 5, 2009		500,000	Fixed of 9.75%	7
DECEMBER 10, 2009		2,100,000	TIIE to 28 + .95%	5
DECEMBER 10, 2009		400,000	Fixed of 9.50%	7
NOVEMBER 26, 2010		2,500,000	Fixed of 7.74%	10
NOVEMBER 26, 2010		1,000,000	TIIE to 28 + .29%	5
OCTOBER 14, 2011		1,000,000	TIIE to 28 + .25%	5
OCTOBER 14, 2011		2,000,000	Fixed of 7.63%	10
BALANCE AT DECEMBER 31, 2011	**Ps.**	**10,500,000**		

Debt certificates issuances prior to December 2009 belongs to a placement program in the total amount of up to Ps.6,000,000, the others regarding to 2010, belongs to a placement program in the total amount of up to Ps.11,000,000. Resources obtained from these issuances have been mainly used for the payment of previously contracted liabilities by the entity.

The documents governing the issuance of the above debt certificates contain certain covenants for the Company, all of which had been complied with at December 31, 2011 and 2010.

NOTE 14 DERIVATIVE FINANCIAL INSTRUMENTS

The Company's derivative financial instruments are contracted as economic hedges and for those that comply with all the requirements established by the accounting standards, the changes in their fair value are recorded in comprehensive income. The derivatives maintained by AC at December 31, 2011 are analyzed as follows:

a) Swaps to cover its exposure to the variable interest rate risk in the debt certificates:

Institution		Notional amount	Annual rate paid by AC	Annual rate paid by Bank	Maturity date	Market value
BANK OF AMÉRICA	Ps.	500,000	7.35%	TIIE + 1.00%	1-jun-12	(Ps. 3,490)
SANTANDER MÉXICO	Ps.	500,000	8.54%	TIIE to 28 + 0.95%	4-dic-14	(31,230)
SANTANDER MÉXICO	Ps.	500,000	8.52%	TIIE to 28 + 0.95%	4-dic-14	(30,925)
						(Ps. 65,645)

NOTE 15 EMPLOYEE BENEFITS

AC has several employee benefit plans (see Note 4. m). The valuation of the liabilities for employee retirement plans (pensions, seniority premiums, postretirement medical benefits and dismissal indemnities), formal or informal, covers all employees included in the plans, and is based primarily on their years of service, present age and their estimated salary at retirement date.

Most of AC's subsidiaries in Mexico make voluntary contributions from time to time to fund the pension, postretirement and seniority premium plans, which contributions are tax-deductible. As of December 31, 2011 and 2010, the pension funds, postretirement and seniority premium trusts are invested in bonds and securities issued by the Mexican Government, and debt instruments, investment funds or other securities approved by the CNBV under applicable tax regulations.

In Ecuador, there are retirement pension and dismissal indemnity plans, the provision for which is determined based on actuarial studies obtained from independent experts using the projected unit credit method, the estimated amount of which at December 31, 2011 was of Ps. 122,642. The companies have not established funds to cover the payment of such obligations in the future.

The following information shows the changes in employee benefit obligations and their funding status for the years ended December 31, 2011 and 2010, relating to the balances shown in the consolidated financial statements.

a) Reconciliation of present value of defined benefit obligation (DBO):

	December 31,	
Concept	**2011**	**2010**
DEFINED BENEFIT OBLIGATION AT BEGINNING OF YEAR	Ps. 1,122,791	Ps. 970,624
DBO FROM MERGER WITH CONTAL	2,287,408	
PAYMENTS FROM EXTINCTION OF OBLIGATIONS	(64,285)	(10,407)
ACTUARIAL LOSS AT BEGINNING OF YEAR	112,313	
LABOR COST	121,775	59,957
FINANCIAL COST	195,820	83,766
ACTUAL PAYMENT OF BENEFITS	(441,410)	(84,044)
ACTUARIAL LOSS	161,614	102,895
EFFECT FROM EVENT OF SEPARATION, REDUCTION OR EXTINCTION	(51,463)	
DBO AT END OF YEAR	**Ps. 3,444,563**	**Ps. 1,122,791**

b) Reconciliation of fair values of plan assets (PA):

	December 31,	
Concept	**2011**	**2010**
MARKET VALUE OF ASSETS AT BEGINNING OF YEAR	Ps. 1,041,827	Ps. 861,478
MARKET VALUE OF ASSETS FROM MERGER WITH CONTAL	1,423,325	
PAYMENTS FROM EXTINCTION OF OBLIGATIONS	(64,285)	(10,407)
EFFECT OF SEPARATION EVENT		(7,249)
ACTUAL RETURN ON ASSETS	132,576	93,727
CONTRIBUTIONS OF THE COMPANY TO THE FUND	266,407	165,308
TRANSFERS TO DEFINED CONTRIBUTION PLAN	(26,879)	(17,764)
PAYMENT OF BENEFITS	(344,974)	(43,266)
MARKET VALUE OF ASSETS AT END OF YEAR	**Ps. 2,427,997**	**Ps. 1,041,827**

c) Reconciliation of the DBO, PA and projected net asset (PNA):

	December 31,	
Concept	**2011**	**2010**
CURRENT BENEFIT OBLIGATION (CBO)	(Ps. 1,835,771)	(Ps. 562,407)
DEFINED BENEFIT OBLIGATION (DBO)	(Ps. 3,444,563)	(Ps. 1,122,791)
MARKET VALUE OF THE FUND	2,427,997	1,041,827
FINANCIAL POSITION	(1,016,566)	(80,964)
TRANSITION ASSET	12,118	38,494
IMPROVEMENTS AND PRIOR UNRECOGNIZED SERVICES	81,157	91,847
ACTUARIAL LOSSES	271,863	94,144
PNA	**(Ps. 651,428)**	**Ps. 143,521**

d) The analysis of the net cost of the year is as follows:

		December 31,		
Concept		**2011**		**2010**
LABOR COST	Ps.	121,775	Ps.	59,957
FINANCIAL COST		195,820		83,766
EXPECTED RETURN ON ASSETS		(177,170)		(87,927)
AMORTIZATION OF TRANSITION LIABILITY		26,448		36,383
PLAN IMPROVEMENTS		7,212		7,321
ACTUARIAL LOSSES		3,442		1,164
COST OF THE PERIOD		177,527		100,664
EFFECT OF RECOGNITION OF LOSSES		3,133		21,663
ADJUSTED COST OF THE YEAR		180,660		122,327
COST OF REDUCTION AND EXTINCTION		86,412		1,679
TOTAL ANNUAL COST OF THE DEFINED BENEFIT COMPONENT	**Ps.**	**267,072**	**Ps.**	**124,006**

e) Criteria for determining the rate of return on plan assets:

The expected rate of return for each type of plan asset is based on projections of historical market rates. The difference with actual rates is shown under actuarial (gains) losses for the year.

f) Details of PA:

At December 31, 2011 the defined benefits PA are invested in the money market in debt instruments, amounting to Ps. 2,351,641.

g) Principal actuarial hypothesis:

The principal actuarial hypothesis used, for the different types of benefits offered by the Company at December 31, 2011 and 2010, respectively are as follows:

Concept	**2011**	**2010**
1) EXPECTED RATE OF RETURN ON ASSETS	Between 10.25% and 8.50%	10.25%
2) EXPECTED RATE OF SALARY INCREASE	4.50%	4.50%
3) EXPECTED INCREASE RATE OF THE MINIMUM SALARY	3.50%	3.50%
4) LONG-TERM INFLATION RATE	3.50%	3.50%

At December 31, 2011 and 2010, the discount rate amounted to between 7.75% and 8.00% and 8.25%, respectively.

h) Estimate of plan contributions for the following year:

The Company regularly makes contributions to its plan assets based on actuarial studies of employee benefits; such contributions are defined as “maximum deductible” for tax purposes. Derived from the fact that as of 2012, as established in Note 3 to the consolidated financial statements, the accounting framework of financial information will be the IFRS, the Company discloses this amount, provided that it will be modified in accordance with the requirements established in IAS 19 Employee benefits, issued by the International Accounting Standards Board (IASB) Organism issuing the accounting standards mentioned above.

NOTE 16 CONTINGENCIES AND COMMITMENTS

a) Contingencies:

Coca-Cola bottler agreements

Current bottling agreements and authorizations held by AC to bottle and distribute Coca-Cola products in the various regions, are as follows:

Region	Date of commencement	Date of maturity
MÉXICO [1] - (NORTH)	SEPTEMBER 23, 2004	SEPTEMBER 22, 2014
MÉXICO [1] (WEST)	AUGUST 1, 2004	JULY 31, 2004
NORTHEAST ARGENTINA [2]	NOVEMBER 1, 2004	NOVEMBER 1, 2011
NORTHWEST ARGENTINA [2]	JANUARY 1, 2007	JANUARY 1, 2012
ECUADOR [2]	JULY 1, 2006	JUNE 30, 2011

(1) AGREEMENTS, WHICH MAY BE PRORROGATED FOR PERIODS OF MORE THAN TEN YEARS, AS FROM THEIR MATURITY DATE.
(2) FOR THOSE REGIONS, TCCC HAS AUTHORIZED NEW BOTTLING AGREEMENTS AND PERMITS FOR A TERM OF 5 YEARS.

During AC's more than 80-year business relationship with TCCC in Mexico, the latter has never failed to renew the bottling agreement with AC, or where applicable, to enter into new agreements to replace the previous ones. Management believes that TCCC will continue to renew the bottling agreement upon its expiration date, or enter into new agreements (or grant new authorizations), in place of the current ones, but can give no assurance that this will occur. If TCCC fails to renew the bottling agreement, AC's business and results of operations would be adversely affected.

TCCC supplies the concentrates and syrups used in the manufacturing of all the products sold under its proprietary trademarks and has the ability to unilaterally set the price of such products. If TCCC significantly increased the prices of concentrate for soft drinks, AC's results of operations could be adversely affected.

In addition, the bottling agreement entered into with TCCC provides that AC may not bottle any products other than Coca-Cola products, except for those expressly authorized under the same agreements. AC is currently bottling and distributing some other products under its own brand names with TCCC's authorization.

Economic Competition in Mexico

a. Dated February 6, 2009, the Federal Official Gazette published an extract of the initial agreement, under which the Federal Commission of Economic Competition (CFC by its acronym in Spanish) started an investigation on AC, and other bottling companies of TCCC, relative to monopolistic practices established in Article 10, sections IV and VIII of the Federal Law of Economic Competition, in the carbonated drinks market, commonly known as soft drinks.

   AC and its bottling subsidiaries, were required information by the CFC, and such requirement was considered as fully resolved. Subsequently, on December 9, 2011, the Plenary Meeting of the CFC by unanimity of votes resolved to declare the file closed since there were no sufficient elements to support the probable responsibility of AC and the rest of the investigated economic agents.

   We have knowledge of the fact that last February Industria de Refrescos del Noreste, S. de R.L. de C.V., Bebidas Purificadas del Sureste, S. de R.L. de C.V. and Embotelladora Potosí, S. de R.L. de C.V., bottling companies of Pepsi Cola and complainant economic agents in such investigation process, contested the file closing declared by the plenary meeting of the CFC through the filing of an appeal for review, which is pending resolution to date.

b. In 2003, Grupo Continental, S.A.B. (Contal) and its subsidiaries Embotelladora La Favorita, S.A. de C.V. and Embotelladora Zapopan, S.A. de C.V. were sanctioned by the CFC for related monopolistic practices established in Article 10, sections IV and V of the Federal Law of Economic Competition, in the market of carbonated drinks, commonly known as soft drinks, under file number DE-21-2003 due to a claim filed by our competitor Ajemex, S.A. de C.V. (Ajemex).

The amount of the sanction for each one of such companies amounted to Ps. 10,530,000, which, having exhausted all instances and legal proceedings including the injunction trail, was covered by Embotelladora La Favorita, S.A. de C.V. (La Favorita) and Embotelladora Zapopan, S.A. de C.V. (Zapopan).

The sanction imposed to Contal is currently subject to a nullity trial filed before the Third Regional Metropolitan Court of the Federal Court of Fiscal and Administrative Justice. An adverse resolution for Contal by such court may be contested through an injunction trial.

Likewise, Ajemex promoted a commercial claim against La Favorita, Zapopan, TCCC and other bottling companies of Coca-Cola en México jointly claiming, among other benefits, material damages for affecting the commercial value of its brand in an amount not below Ps. 840,000, damages due to the deprivation of gains not below Ps. 671,903 and moral damage. Our legal advisors consider that no adverse effects are expected for the Company in relation to this issue.

Economic Competition Ecuador

Currently, Arca Ecuador, S.A. faces an investigation process before the Subministry of Competition of such country for assumed violations to the legal dispositions applicable for competition purposes, specifically for the establishment of predatory or exploiting pricing and anticompetitive conducts in general. At the date of this report, the Company has complied with the information requirements made by the corresponding authority and has argumented the inadmissible nature of the contested conducts.

To date, we are expecting a preliminary resolution to be issued by the Subministry of Competition and subsequently a Final Resolution by the Ministry of Industries and Productivity of the Republic of Ecuador, which may be contested.

Our external legal advisors consider the possibility of Arca Ecuador, S.A. getting sanctioned in this investigation procedure, to be remote.

Payment of profits in Ecuador

In 2008, the Permanent Meeting of Exworkers, integrated by approximately 1,000 persons, filed an administrative claim against Ecuador Bottling Company (today Arca Ecuador) before the Ministry of Labor Relations due to the lack of payment of profits since 1984 and up to 2008. The claim does not express a specific amount.

The Company considers that an important part of this claim has expired and that it was not filed before tax authorities. The Company is in the process of determining whether this procedure represents a significant contingency and, if this is the case, its amount.

At the date of this report, the Company has not created a reserve in relation with this procedure.

b) Commitments:

Related to the acquisition of businesses in Ecuador described in Note 1, as follows:

1. Put rights: in favor of minority shareholders of Arca Ecuador, S. A. (Arca Ecuador), Rockfalls and Franklinton if: i) occurs in Arca a change of control, as defined in the respective stockholders' agreements, and ii) the minority stockholders exercise such rights during 6 half-yearly periods of 30 days each, commencing July 1, 2013.
2. Pledge agreement 12.5% of the capital stock of Arca Ecuador to guarantee the payment resulting from the exercise of any put option in favor of the minority shareholders of Arca Ecuador.
3. Pledge agreements on 12.5% of the shares Rockfalls and Franklinton to guarantee the payment resulting from the exercise of any put right of minority stockholders of these companies.
4. Pledge agreements on 3.75% of the shares of Rockfalls and Franklinton to guarantee the payment of indemnities to which the minority stockholders of Rockfalls and Franklinton could have a right against Arca resulting from the agreement by which 25% of the shares in companies were exchanged for 15% of the shares of Arca Ecuador. These indemnities refer to losses resulting from acts or omissions in subsidiaries of Arca in Argentina occurring prior to the

date of transfer to the minority stockholders of 25% of the shares in Rockfalls and Franklinton.

5. Corporate guarantee granted by the subsidiaries of Arca in Ecuador and Argentina to guarantee the payment resulting from the exercise of any put right described in point 1 above.

At the date of issuance of this report, the minority stockholders' have declared their intention not to exercise the put rights described above; therefore, in accordance with the of MFRS C-9 "Liabilities, Provisions, Contingent Assets and Liabilities and Commitments", it is considered improbable that AC should record an obligation implying a future outflow of economic resources in this connection; therefore, no liability was recognized at December 31, 2011 and 2010 with respect to this issue.

NOTE 17 STOCKHOLDERS' EQUITY

At December 31, 2010, the authorized capital stock is a fixed minimum of Ps. 46,360 and a variable portion that shall not exceed ten times the fixed portion.

In an Ordinary General Meeting dated April 20, 2010, the stockholders was agreed to distribute a dividend of Ps 1.05 per share. The amount of dividends distributed in 2010 was Ps846,321.

In relation to the Merger described in Note 1 on the financial statements, and prior to its being carried out, the majority stockholders of Arca and Contal, held a Merger framework Agreement, which comprised, agreements relative to the payment of dividends, which, were subsequently approved in the Stockholders' Meetings held as indicated below:

Meeting date	Dividend declared	Amount
April 7, 2011	Ps. 1.40 per share	Ps. 1,128,428
July 4, 2011 [1]	Ps. 13.60 per share or 0.341 shares, at the election of each stockholder	Ps. 3,891,594

(1) THE TOTAL AMOUNT OF THE DIVIDEND PAID IN CASH WAS PS.17,336,867, APPLIED AGAINST RETAINED EARNINGS AND SUBSEQUENTLY AGAINST THE PREMIUM ON EXCHANGE OF SHARES. THE PAYMENT OF DIVIDENDS IN SHARES DESCRIBED ABOVE, GENERATED AN INCREASE IN THE VARIABLE PORTION OF CAPITAL STOCK AND THE CREATION OF ADDITIONAL PAID-IN CAPITAL IN THE AMOUNT OF PS.44,510 AND PS.13,400,763, RESPECTIVELY.

Consequently, changes occurred as to the number of shares issued by the Company as shown below:

	Number of Shares
FIXED SUBSCRIBED CAPITAL STOCK	434,066,289
VARIABLE SUBSCRIBED CAPITAL STOCK	371,953,370
NUMBER OF SHARES AT DECEMBER 31, 2010	806,019,659
NUMBER OF SHARES ISSUED BY AC DUE TO THE MERGER [1]	468,750,000
SUBTOTAL	1,274,769,659
SHARES ISSUED BY THE DECLARATION OF DIVIDENDS IN SHARES	336,493,915
TOTAL SHARES AT DECEMBER 31, 2011	**1,611,263,574**

(1) THESE SHARES INCREASED THE NUMBER OF REPRESENTATIVE SHARES OF THE FIXED PORTION OF CAPITAL STOCK

After the aforementioned changes, the capital stock at December 31, 2011 is integrated as follows:

Shares *	Description		Amount
902,816,289	Only series shares representing the fixed portion of capital without right of withdrawal	Ps.	61,360,194
708,447,285	Only series shares representing the variable portion of the capital with right of withdrawal	Ps.	48,149,843
1,611,263,574	**CAPITAL STOCK AT DECEMBER 31, 2011**	**Ps.**	**109,510,037**

The capital stock of AC is represented by a unique Series of common shares, without par value or restrictions on their ownership. All shares representative of the capital stock of AC assign the same rights to its holders.

On listing its shares in the Mexican Stock Exchange, the legal dispositions for Mexican stock purposes are applicable to such issuer, including, but without limited to the Stock Market Law.

In an Ordinary General Meeting of AC dated April 7, 2011, the maximum amount of resources to be destined to the repurchase of own shares would be an amount of Ps. 500,000.

At December 31, 2011 AC held 4,661,200 own shares with a cost of Ps. 280,443. At the date of issuance of these consolidated financial statements, the market value of such shares amounted Ps. 60.62.

Fully paid-in shares upon the approval of a distribution of dividends, will be entitled to the same, except for own shares referred to above. The partially paid shares will be entitled to receive dividends in proportion to their shown amounts.

Dividends paid are not subject to income tax if paid from the Net Tax Profit Account, and will be taxed at a rate that fluctuates between 4.62% and 7.69% if they are paid from the Reinvested Net Tax Profit Account. Any dividends paid in excess of this account will be subject to a tax equivalent to approximately 42.86% if paid during 2011. The tax is payable by the company and may be credited against its income tax in the same year or the following two years. Dividends paid from previously taxed profits are not subject to tax withholding or additional tax payment.

At December 31, 2011, the tax value of the Net Tax Profit Account and the Contributed Capital Account amounted to Ps.13, 644,597 and Ps.11,409,833, respectively.

In the case of a capital reduction, any excess of the stockholders' investment over the Contributed Capital Account balances will be accorded the same tax treatment as dividends, in conformity with the procedures established by the Income Tax Law.

Under Mexican Corporate Law, a company's net profit for each fiscal year is subject to the shareholders' approval at the Ordinary General Shareholders' meeting and should be allocated as follows:

- 5% of the annual net income to the legal reserve, until the reserve equals 20% of the Company's capital stock. This reserve is not available for dividends, but may be used to reduce deficit or may be transferred to contributed capital.
- Other amounts, as determined by the stockholders may be allocated to other general or special reserves.

The remaining balance, if any, is available for the distribution of dividends in cash to the shareholders.

NOTE 18 ANALYSIS OF COMPREHENSIVE FINANCIAL EXPENSE

This item is analyzed as follows:

Year ended December 31,	2011	2010
INTEREST PAID	(Ps. 817,656)	(Ps. 440,492)
INTEREST EARNED	214,747	161,010
EXCHANGE GAIN, NET	136,327	102,044
OTHERS	42,799	(29,247)
TOTAL ACCRUED AND RECORDED IN THE YEAR	**(Ps. 423,783)**	**(Ps. 206,685)**

NOTE 19 OTHER EXPENSES, NET

The other expenses item, net is integrated as follows:

Year ended December 31,	2011	2010
EMPLOYEES' PROFIT SHARING	(Ps. 392,388)	(Ps. 255,677)
DEFERRED EMPLOYEES' PROFIT SHARING	(70,767)	(78,461)
EXPENSES FROM MERGER WITH CONTAL	(178,916)	
INDEMNITIES	(26,032)	
INCOME TAX FROM PRIOR YEARS	(15,988)	(3,692)
PROVISION FOR REBATES RECOVERABLE		59,429
INCOME FROM OTHER BENEFITS	125,355	88,863
GAIN FROM SALE OR WRITE OFF OF FIXED ASSETS	31,340	5,314
OTHERS	(281,617)	(146,401)
	(Ps. 809,012)	**(Ps. 330,625)**

Employees' profit sharing (PTU):

Employees' profit sharing is determined at the rate of 10% on the taxable income adjusted as prescribed by the Income Tax Law. AC obtained a favorable resolution with respect to the application of Article 10 of the Income Tax Law in the calculation of employees' profit sharing.

Based on MFRS D-3 as described in Note 4 p., the recognition of deferred Employees' Profit Sharing (EPS) is based on the comprehensive asset-and-liability method, provided it is probable that these benefits will be realized on the liability paid. The main temporary differences to record employees' profit sharing are integrated as follows:

December 31,	2011	2010
INVENTORIES	Ps. 3,162	Ps. 6,891
PROPERTY, PLANT AND EQUIPMENT, NET	366,439	199,686
EMPLOYEE BENEFITS	(30,401)	7,650
TAX LOSSES	(336)	
OTHERS	(31,179)	(23,918)
LIABILITIES FROM DEFERRED EPS	**Ps. 307,685**	**Ps. 190,309**

The reconciliation between the effective and statutory rate is shown below:

Year ended December 31,	2011	2010
INCOME BEFORE INCOME TAX	Ps. 5,509,862	Ps. 3,695,559
EQUITY IN INCOME OF ASSOCIATED COMPANIES	(96,136)	(13,256)
NET INCOME BEFORE INCOME TAX	Ps. 5,413,726	Ps. 3,682,303
EMPLOYEES' PROFIT SHARING AT STATUTORY RATE (10%)	(Ps. 541,373)	(Ps. 368,230)
ADD (DEDUCT) EFFECT OF EMPLOYEES' PROFIT SHARING ON:		
INFLATION EFFECTS	4,808	(11,584)
NON DEDUCTIBLES	(21,070)	(7,480)
OTHER NON-CUMULATIVE REVENUES	18,770	33,015
OTHER	75,710	20,141
EMPLOYEES' PROFIT SHARING PAYABLE AND CHARGED TO INCOME	**(Ps. 463,155)**	**(Ps. 334,138)**
EFFECTIVE RATE	**9%**	**9%**

NOTE 20 INCOME TAX AND FLAT TAX

Commencing 2005, “controlling companies”, as defined by the Income Tax Law, may consolidate for income tax purposes the results of their subsidiaries for up to 100% of the investment maintained in such subsidiaries.
During fiscal years 2011 and 2010 AC and its Mexican subsidiaries, except those incorporated in the merger with Contal (see Note 1) consolidate its income for income tax purposes in conformity with the rules established in the Income Tax Law.
In 2011, the subsidiaries incorporated in the merger with Contal in AC, were subject to taxes individually. AC paid the tax for tax deconsolidation in the amount of approximately Ps. 6,237.
The charge to income for income tax was as follows:

Year ended December 31,	2011	2010
INCOME TAX PAYABLE	(Ps. 1,040,869)	(Ps. 1,085,495)
DEFERRED INCOME TAX [1]	193,749	64,603
	(Ps. 847,120)	**(Ps. 1,020,892)**

(1) INCLUDES A DEBIT AND CREDIT FOR AN AMOUNT OF PS.580,653 RELATIVE TO TAX LOSSES USED IN THE TAX CONSOLIDATION.

The reconciliation among the statutory and effective income tax rates is shown below:

Year ended December 31,	2011	2010
INCOME BEFORE INCOME TAX	Ps. 5,509,862	Ps. 3,695,559
EQUITY IN INCOME OF ASSOCIATED COMPANIES	(96,136)	(13,256)
NET INCOME BEFORE INCOME TAX	Ps. 5,413,726	Ps. 3,682,303
INCOME TAX AT STATUTORY RATE (30% AVERAGE RATE)	(Ps. 1,624,118)	(Ps. 1,104,691)
ADD (DEDUCT) EFFECT OF INCOME TAX ON		
INFLATIONARY EFFECTS	(67,351)	(34,750)
NOT DEDUCTIBLE	(63,557)	(22,439)
OTHER NON-CUMULATIVE INCOME	69,536	99,044
BENEFITS FROM TAX CONSOLIDATION	174,196	
NON-COMPETE AGREEMENT	669,978	
OTHER	(5,804)	41,944
INCOME TAX CHARGED TO INCOME	**(Ps. 847,120)**	**(Ps. 1,020,892)**
EFFECTIVE RATE	**16%**	**28%**

The tax effect of the main temporary differences on which deferred income tax is recognized is comprised as follows:

December 31,	2011	2010
INVENTORIES	Ps. 15,098	Ps. 39,438
PROPERTY, PLANT AND EQUIPMENT, NET	3,111,073	3,008,994
INCOME TAX FROM TAX CONSOLIDATION	580,653	
TAX LOSSES	(1,650)	
EMPLOYEE BENEFITS	(149,287)	29,702
EMPLOYEES' PROFIT SHARING	(52,741)	(47,713)
TAXES RECOVERABLE		(318)
OTHER	(168,750)	(101,247)
DEFERRED INCOME TAX LIABILITY	**Ps. 3,334,396**	**Ps. 2,928,856**

On December 7, 2009 the decree by which several income tax dispositions for 2010 are reformed, added or revoked, was published, establishing, among other, that the income tax rate applicable from 2010 to 2012 will be 30%, for 2013 it will be 29% and from 2014 onwards 28%. Considering the tax rate applicable to fiscal years 2010 and 2011 remains at 30%, at December 2011 Management considers there is no difference from change in rates that could be relevant to disclose. On October 1, 2007 the Flat Tax Law was published, becoming effective as of January 1, 2008. The law applies to individuals and legal entities with permanent establishment in Mexico. The Flat Tax for the period is calculated by applying a 16.5% rate for 2008, 17% for 2009 and 17.5% for 2010 and subsequent period, to income determined based on cash flows. This procedure shall be covered only in those cases when the flat tax determined exceeds the income tax of the same year. In accordance with the interpretation published by the CINIF, on December 21, 2007, with respect to flat tax, and based on financial and tax projections prepared and indicate that AC and its subsidiaries will essentially pay income tax in the future, management did not record at year end the deferred effect of flat tax.

Income tax under the tax consolidation regime:

AC, is authorized to determine its income tax under the tax consolidation regime jointly with its direct and indirect subsidiaries in Mexico, as authorized by the Ministry of Finance and Public Credit on March 27, 1985, in accordance with that established in the corresponding law.

In 2011, the Company determined a consolidated taxable income of Ps.1,064,312 (Ps.3,124,210 in 2010). The consolidated tax result differs from the accounting result, mainly due to those items which are taxed or deducted in different periods, due to the recognition of the effects of inflation for and tax purposes and due to other items which are non-deductible or non-taxable.

Likewise, in 2011 this consolidated tax profit used tax losses in the tax consolidation yet to be amortized individually, which resulted in deferred tax asset for an amount of Ps. 580,630, shown in the consolidated balance sheet, based on interpretation to MFRS 18, Recognition of the effects of the 2010 tax reform in income taxes.

Based on the foregoing, the consolidated tax result comprises, in addition to that of AC, the tax results of the following controlled subsidiaries:

i) Bebidas Mundiales, S.A. de C.V.
ii) Productora y Comercializadora de Bebidas Arca, S.A. de C.V.
iii) Compañía Topo Chico, S.A. de C.V.
iv) Servicios Corporativos Arca, S.A. de C.V.
v) Desarrolladora Arca, S.A. de C.V.
vi) Distribuidora de Jugos y Bebidas del Norte, S.A. de C.V.
vii) Embotelladora Argos, S.A.
viii) Industrial de Plásticos Arma, S.A. de C.V.
ix) Nacional de Alimentos y Helados, S.A. de C.V.
x) Procesos Estandarizados Administrativos, S.A. de C.V.

NOTE 21 FINANCIAL INFORMATION BY SEGMENTS

The Company manages and evaluates its operations through two basic operating segments: soft drinks and other products. The operating segments are managed and controlled independently because they are different products and are sold in different markets.

The condensed financial information of these operating segments and geographic segment is as follows:

2011	Soft drinks*		Other**	
Concept:	**Mexico**	**South America**	**Mexico**	**Total**
NET EXTERNAL SALES	Ps. 31,477,033	Ps. 11,463,256	Ps. 1,857,272	Ps. 44,797,561
OPERATING INCOME	5,278,303	1,192,094	176,124	6,646,521
NET INCOME	3,821,226	512,306	176,828	4,510,360
TOTAL SEGMENT ASSETS	44,078,735	14,478,240	1,126,522	59,683,497
DEPRECIATION AND AMORTIZATION	1,172,810	493,789	89,591	1,756,190
INVESTMENTS IN THE PERIOD	1,365,400	666,286	85,279	2,116,965
NET TOTAL FIXED ASSETS	17,240,163	3,129,842	791,838	21,161,843

2010	Soft drinks*		Other**	
Concept:	**Mexico**	**South America**	**Mexico**	**Total**
NET EXTERNAL SALES	Ps. 20,247,981	Ps. 5,446,374	Ps. 1,365,888	Ps. 27,060,243
OPERATING INCOME	3,684,468	389,914	145,231	4,219,613
NET INCOME	2,323,164	214,393	93,961	2,631,518
TOTAL SEGMENT ASSETS	20,218,051	13,478,200	895,589	34,591,840
DEPRECIATION AND AMORTIZATION	881,835	252,990	81,305	1,216,130
INVESTMENTS IN THE PERIOD	806,286	410,156	133,931	1,350,373
NET TOTAL FIXED ASSETS	8,989,654	2,735,044	590,744	12,315,442

* INCLUDES WATER IN INDIVIDUAL FORMAT
** INCLUDES WATER JUGS AND SNACKS

NOTE 22 BALANCES AND TRANSACTIONS WITH RELATED PARTIES AND ASSOCIATED COMPANIES

The principal balances payable to associated companies and related parties were as follows:

December 31,	2011	2010
CCM [1]	Ps. 274,239	
JDV	226,118	Ps. 73,367
PROMESA	53,957	109,977
BETA	5,864	11,123
PIASA	3,414	
IEQSA	42,508	3,334
CRIOTEC	905	
	Ps. 607,005	**Ps. 197,801**

(1) CCM: COCA-COLA MÉXICO

The main transactions with related parties and associated companies are comprised as follows:

Year ended December 31,	2011	2010
PURCHASE OF CONCENTRATE	Ps. 6,020,210	
PURCHASE OF JUICES AND NECTARS	1,045,998	Ps. 541,870
PURCHASE OF SUGAR	945,217	324,589
PURCHASE OF CANNED PRODUCTS	682,836	312,918
PURCHASE OF CANS AND BOTTLES	378,762	366,573
PURCHASE OF REFRIGERATORS	306,476	252,678
PURCHASE OF SPARE PARTS AND OTHER	11,456	16,205
	Ps. 9,390,955	**Ps. 1,814,833**

Benefits granted to key management personnel or directors:

The total amount of benefits granted to key management personnel and relevant managers of the group as a whole was composed as follows:

	December 31,	
Concept	**2011**	**2010**
PENSION PLAN	Ps. 280,324	Ps. 81,318
MEDICAL EXPENSES POST RETIREMENT	1,663	632
SENIORITY PREMIUM	346	138
LEGAL INDEMNITY	27	
TOTAL	**Ps. 282,360**	**Ps. 82,088**

NOTE 23 NEW FINANCIAL REPORTING STANDARDS

The CINIF issued during December 2011, the Improvements to MFRS 2012 (2012 Improvements), the MFRS B-3 "Comprehensive statement of income" (MFRS B-3) and B-4 "Statement of changes in stockholders' equity" (MFRS B-4). The MFRS B-3 and MFRS B-4 will become effective January 1, 2013 and the 2012 Improvements together with the disposition of the MFRS C-6 "Property, plant and equipment" relative to the determination of the components of property, plant and equipment became effective as from January 1, 2012. The MFRS are not considered to substantially affect the financial information presented by the Company, as explained below:

- MFRS B-3 "Comprehensive income statement" establishes the option by the entity to present the comprehensive income (loss) in one or two states. It also establishes that the other comprehensive results (OCR) shall be presented after net income or loss, eliminate the concept of non-ordinary items and establish the requirements that other income and expenses shall contain to be considered as such.
- MFRS B-4 "Statement of changes in stockholders' equity" establishes the standards for the presentation of the aforementioned statement; as well as the disclosures required in the event certain changes occur in stockholders' equity.
- MFRS C-6 "Property, plant and equipment". Establishes the obligatory nature of determining the components representative of property, plant and equipment, with the objective that as from January 1, 2012, such components are depreciated in accordance with their useful life.

Improvements to the MFRS:

- MFRS A-7 "Presentation and disclosure". It establishes that the key assumptions used at year end shall be disclosed in the determination of accounting estimates implying uncertainty with the risk of undergoing relevant adjustments in the value of assets or liabilities within the following accounting period.

- Bulletin B-14 “Profit per share”. Bulletin B-14 is modified so that those entities disclosing the profit per diluted share, do so, regardless of their having generated income or loss from continuous operations.
- MFRS C-1 “Cash and cash equivalents”. It establishes that the current assets shall include the cash and cash equivalents, unless their use is restricted within the following twelve months or subsequent to its normal cycle of operations at the balance sheet date.
- Bulletin C-11 “Stockholders’ equity” and Interpretation to MFRS 3 “Initial application of the MFRS”. It establishes that donations received should be recorded as income in the statement of income and not be part of the contributed capital with the objective of harmonizing the changes previously made to other MFRS.
- Bulletin C-15 “Impairment in the value of long-lived assets and their disposal”. It establishes several concepts on long-lived assets to be sold. It also indicates that losses from impairment in goodwill shall not be reversed and establishes the guidelines for the presentation of losses from impairment or reversals within the statement of income.
- MFRS D-3 “Employee benefits”. It establishes that the expense from employees’ profit sharing shall be recorded in the same costs and expenses items wherein the entity records the rest of the employee benefits.

Francisco Garza Egloff
Chief Executive Officer

Adrian Wong Boren
Chief Financial Officer

GLOSSARY

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

Blowmoulding Equipment: Equipment for conversion of preforms into PET bottles.

Consumer: Individual who purchases the Company's products from a point of sale.

CSD: Carbonated Soft Drink.

EPS: Employee's Profit Sharing.

Hand Held: Electronic device used by sales force for order taking.

IPADE: Instituto Panamericano de Alta Direccion de Empresas.

ITESM: Instituto Tecnologico y de Estudios Superiores de Monterrey.

MUC: Million Unit Cases.

PET Bottle: Non-returnable plastic container.

PET Preform: Intermediate product manufactured from PET resin from which PET bottles are produced through a blowmoulding process.

PET Resin: (Polyethyleneterephtalate) Material used in the production of plastic containers.

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

Preform Injection Equipment: Equipment for conversion of PET resin to preforms.

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

REF-PET Bottle: Returnable plastic container.

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

Vending Machine: Non-returnable soft-drink dispenser that operates with cash.

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

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