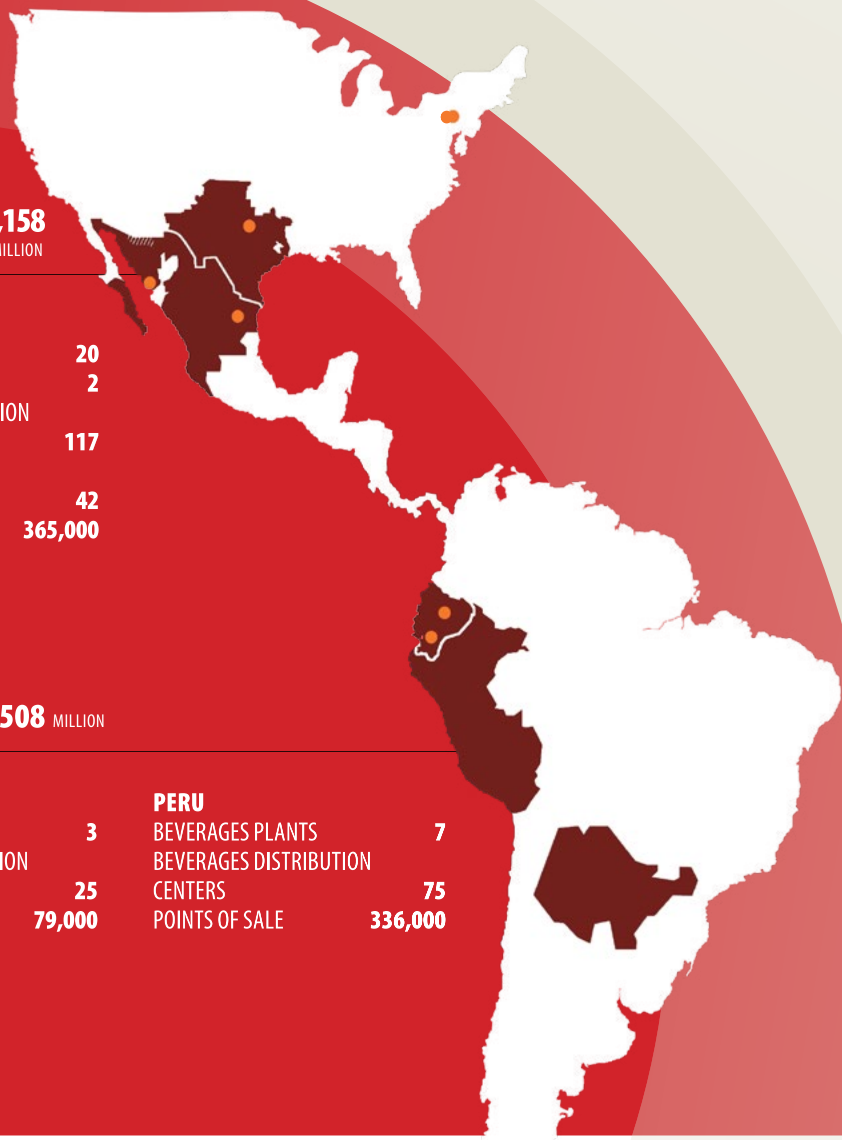
ARCACONTINENTAL

TRANSFORMATION

DRIVING GROWTH

ANNUAL REPORT 2016

Arca Continental produces, distributes and sells non-alcoholic beverages under The Coca-Cola Company brands, as well as snacks under the brands of Bokados in Mexico, Inalecsa in Ecuador and Wise in the U.S. In partnership with The Coca-Cola Company, Arca Continental leads the high value-added dairy category in Ecuador through ToniCorp. With an outstanding history spanning more than 91 years, Arca Continental is the second-largest Coca-Cola bottler in Latin America and one of the largest in the world. Within its Coca-Cola franchise territory, the Company serves over 118 million consumers in northern and western Mexico, Ecuador, Peru, northern Argentina and the southwestern United States. The Company's shares trade on the Mexican Stock Exchange under the ticker symbol "AC". For more information on Arca Continental, please visit www.arcacontal.com.



ARCA CONTINENTAL NORTH AMERICA

VOLUME **1,168** MUC SALES Ps. **57,158** MILLION

UNITED STATES*	
BEVERAGES PLANTS	9
SNACKS PLANTS	2
BEVERAGES DISTRIBUTION CENTERS	34
SNACKS DISTRIBUTION CENTERS	13
POINTS OF SALE	132,000

MEXICO	
BEVERAGES PLANTS	20
SNACKS PLANTS	2
BEVERAGES DISTRIBUTION CENTERS	117
SNACKS DISTRIBUTION CENTERS	42
POINTS OF SALE	365,000

ARCA CONTINENTAL SOUTH AMERICA

VOLUME **572** MUC SALES Ps. **36,508** MILLION

ECUADOR	
BEVERAGES PLANTS	3
DAIRY PLANTS	1
SNACKS PLANTS	2
BEVERAGES DISTRIBUTION CENTERS	32
SNACKS DISTRIBUTION CENTERS	16
POINTS OF SALE	166,000

ARGENTINA	
BEVERAGES PLANTS	3
BEVERAGES DISTRIBUTION CENTERS	25
POINTS OF SALE	79,000

PERU	
BEVERAGES PLANTS	7
BEVERAGES DISTRIBUTION CENTERS	75
POINTS OF SALE	336,000

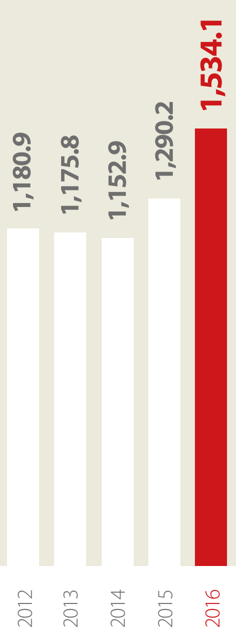
* COCA-COLA SOUTHWEST BEVERAGES OPERATIONS INCLUDED

Financial Highlights

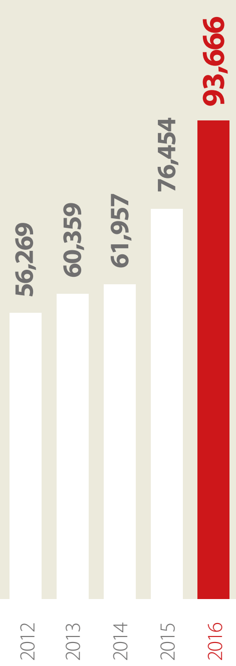
Figures in millions of Mexican pesos, except volume and per share data

	2016	2015	CHANGE %
TOTAL SALES VOLUME (MUC)	**1,740.6**	1,477.7	17.8
NET SALES	**93,666**	76,454	22.5
GROSS MARGIN	**47.0%**	48.5%	
OPERATING INCOME	**16,300**	12,754	27.8
OPERATING MARGIN	**17.4%**	16.7%	
EBITDA[1]	**20,092**	16,707	20.3
EBITDA MARGIN	**21.5%**	21.9%	
NET INCOME	**9,711**	7,659	26.8
TOTAL ASSETS	**138,924**	124,934	11.2
CASH	**5,546**	8,295	-33.1
TOTAL DEBT	**31,184**	39,914	-21.9
CONTROLLING INTEREST	**71,425**	51,044	39.9
CAPITAL EXPENDITURES	**7,379**	5,728	28.8
PER SHARE DATA			
NET INCOME PER SHARE	**5.38**	4.50	
BOOK VALUE	**42.55**	31.68	
DIVIDENDS PAID	**1.85**	1.75	
AVERAGE SHARES OUTSTANDING (THOUSANDS)	**1,678,753**	1,611,263	

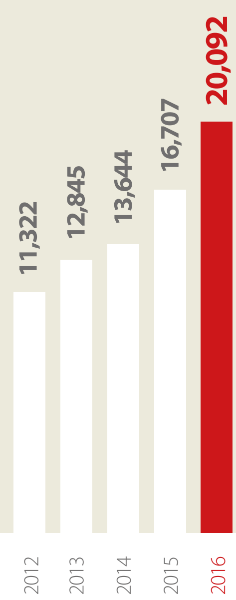
[1] Operating Income plus depreciation, amortization and non-recurrent expenses.



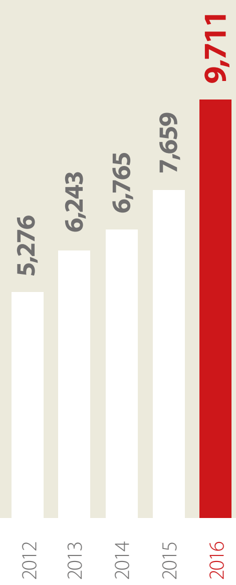
Sales Volume
MUC (Not including Jug Water)



Net Sales
(Millions of Mexican Pesos)



EBITDA
(Millions of Mexican Pesos)



Net Income
(Millions of Mexican Pesos)

To our shareholders

Arca Continental's operational and financial excellence, combined with strategic investments that over the years have enhanced our competitiveness, continue to lead us in our journey of positive transformation. Our efforts have assured our strength and positioned us to face challenging environments and consistently deliver favorable results.

Francisco Garza Egloff
Chief Executive Officer

Manuel L. Barragan Morales
Chairman of the Board of Directors

+17.8% Sales Volume
+22.5% Net Sales

Driven by the work and talent of our professional team, we are pleased to report that in 2016 we posted Net Sales of Ps. 93,666 million, 22.5% above 2015. Operating cash flow (EBITDA) was Ps. 20,092 million for 2016, 20.3% more than the previous year, achieving 23 successive quarterly increases in this indicator.

In this way, Arca Continental is progressing towards the goal set in 2012, of reaching sales of Ps. 100,000 million by 2017. We are confident that if we continue growing at the current rate, we will reach this goal without including new acquisitions. Fulfilling this objective will mean that for the third consecutive five-year period we have profitably doubled the company's sales.

In parallel, we made progress with the incorporation of Arca Continental Lindley in Peru. Moreover, during the year we took a historic step towards driving value creation by becoming Latin America's first bottler to participate in The Coca-Cola Company's refranchising process in the United States.

In the framework of the 91st anniversary of our strategic alliance with The Coca-Cola Company, on April 1st we completed the transaction to become Coca-Cola's exclusive bottler in the state of Texas and parts of New Mexico, Arkansas and Oklahoma through a new company called Coca-Cola Southwest Beverages.

This transaction consolidates Arca Continental's geographical footprint in the United States, giving us access to a potential market of more than 30 million consumers and positioning us to post an estimated 47% total revenue growth and 30% EBITDA expansion, in annualized pro forma basis in 2017.

During the year, we completed the transfer of our trademark rights of Topo Chico sparkling mineral water in Mexico to The Coca-Cola Company. The agreement will expand the distribution of this legendary and prestigious brand to all our territories across the nation and generate new expansion options for the category.

In Peru, a little over a year since its incorporation, we were able to capture synergies amounting to an annualized 40 million dollars, 60% more than we had projected. This, together with our successful initiatives to standardize best practices, drove the EBITDA margin from 17% when we entered Peru to 21% by year-end 2016.

We also made significant progress with the vertical integration of our value chain in Mexico, with the acquisition of the Plan de San Luis sugar mill through our affiliate PIASA. This transaction complements the purchase of the sugar-producing assets of Famailla, in Argentina, thereby underpinning the cost structure of this highly strategic raw material.

In the snacks business, we continued to expand the presence of Bokados in southern and central Mexico through a project to build a third plant in Queretaro which will be concluded in the first half of 2017.

During the year, we implemented the Arca Continental Total Execution Model (ACT) across 100% of our territories in Mexico and also began introducing the system in South America in order to standardize our commercial capabilities. This initiative gives us a better understanding of our customers and the particular consumption behavior in the regions we serve.

In the area of Operational Excellence, we continued to lead the Coca-Cola System with the certification of 11 sites, nine at the bronze level and two at the silver, and trained 16,000 employees in this methodology. The savings resulting from continuous improvement programs totaled Ps. 180 million in 2016.

These efforts boosted Arca Continental's operating results, posting a Sales Volume of 1,741 million unit cases, 17.8% above 2015, as a result of both organic growth and also the first complete year of Arca Continental Lindley.

Operating Income, grew 27.8% to Ps. 16,300 million, giving a Net Income of Ps. 9,711 million, 26.8% above the previous year.

Thanks to the company's disciplined financial management, different credit rating institutions, such as Fitch, Moody's and Standard & Poor's, reaffirmed Arca Continental at the highest rating once again, even in an environment where the industry in general and the country as a whole faced downward revisions.

Another highlight of 2016 was our inclusion in the London Stock Exchange's FTSE4Good Emerging Index, one of the world's most important in terms of Corporate Governance and Social Responsibility.

Additionally, the Mexican Center for Philanthropy ratified us as a Socially Responsible Company for the thirteenth consecutive year, and we continued to improve our position among the best companies of the Sustainability Index of the Mexican Stock Exchange.

Santa Clara

+10.8% Average quarterly growth

NORTH AMERICA

We continued to demonstrate the strength of the beverages segment in Mexico, where consistent point-of-sale investments, a sound price-package architecture and continuous portfolio innovation, combined with our service models and marketing initiatives, drove another year of solid growth.

At the consolidated level, North America closed 2016 with a Sales Volume 8.3% above 2015, and Sales of Ps. 57,158 million, 13.8% more than the previous year.

Sales Volume of Sparkling Beverages grew 8.1% year-over-year, above the industry average, consolidating Arca Continental's leadership in the territories we serve. In addition, we reaffirmed our competitive position in Still Beverages across most key segments, including nectars, juices, teas, sports drinks and water.

Our continuous efforts to be our customers' best commercial partner were recognized with different awards during the year, such as "H-E-B 2016 Strategic Partner"; as well as "Most Progress with Customer Service Capabilities," "Best General Performance," "Category Leadership" and "Best Collaborative Marketing Team" from Walmart.

The second version of "Share a Coke" in Mexico was one of the year's most successful marketing campaigns, launching even more names, surnames and nicknames. We also had an outstanding kickoff of the "One Brand" campaign, combining the promotion with a series of commitments to our communities to ensure that we always offer different options, portions and solutions.

During the year, we accelerated the expansion of our dairy segment and grew market share of Santa Clara brand. In the three years since this brand became part of our portfolio, we have tripled sales across our territories, winning consumers' preference both in the Traditional and Direct to Home channels, while expanding its presence in convenience stores.

We also diversified our product offering with the integration of Monster energy drinks, leveraging the existing distribution capabilities and implementing a market-leading execution to rapidly capture additional market share in this segment.

SOUTH AMERICA

On a consolidated level, Arca Continental South America posted Net Sales of Ps. 36,508 million, 39.3% above 2015, while Sales Volume reached 572 MUC, up 43.4% from previous year, mainly as a result of incorporating one full year of Arca Continental Lindley.

EBITDA of this operation grew 40.6%, to Ps. 6,968 million.

On a regional level, despite the challenging environment in Ecuador and Argentina, 2016 was a year of good results. We also significantly improved our go to market capabilities, point-of-sale execution and communication with the consumer.

In Peru, we reduced Arca Continental Lindley's level of financial debt and lowered exposure to foreign exchange fluctuations by almost 70%, from USD$ 480 million to USD$ 150 million, derived from our liability management strategies which optimized the company's financial position.

As a result of these actions, Standard & Poor's and Fitch upgraded the debt rating of our Peruvian subsidiary to the same level as the sovereign debt of the Republic of Peru.

In Argentina, the transition to an open market economy affected consumption in general. However, we implemented initiatives to improve point-of-sale execution, optimize costs and expand our cooler coverage to 58% of the served territories in this country.

Thanks to these and other initiatives, our Argentinean operations posted the highest Execution Quality Index of the Modern Channel in the South Latin Business Unit of the The Coca-Cola Company, who gave us a special award for this outstanding achievement.

In Ecuador, we faced a decline in consumption due to the adverse economic situation, an earthquake in the month of April and a new excise tax on sugar sweetened beverages.

In this context, our Ecuadorian operations implemented a strict cost-reduction and efficiency program, enhanced price architecture and aggressive innovation plan to promote non-calorie products. As a whole, these efforts helped to support the profitability of our business activities in this market.

In particular, the successful launch of sugar-free Coca-Cola in Ecuador showed the capacity of our organization to adapt to changing consumer demands and challenging environments.

As a result, Arca Continental Ecuador obtained seven of the 14 execution prizes awarded to the different bottlers of The Coca-Cola Company's Latin Center Business Unit, including the "Be Loved" and "Be Perfect" cups.

In 2016, Tonicorp began operations at the Aurora Plant in Guayaquil, one of the most important and modern production facilities in the region's dairy industry.

Arca Continental South America posted Net Sales 39.3% above 2015, while Sales Volume grew 43.4% year-over-year.

Inalecsa launched its new packaging and image, offering innovative products and even more attractive presentations for the consumer.

COMPLEMENTARY BUSINESSES

Our Complementary Businesses Division continued growing during the year, with an expanded market presence, a strong platform of innovation and the creation of a solid base to generate new growth opportunities.

In the Mexican market, Bokados sales volume grew above the industry average, increasing its market share, as a result of strong operating discipline, the opening of new branches and the incorporation of more customers.

2016was very challenging for Wise. In the United States we doubled down our efforts to strengthen brand preference with 16 new products which were developed at our Global Innovation Center for Snacks in Atlanta, while we continued upgrading the plants in Berwick, Pennsylvania, and Fort Worth, Texas.

Inalecsa, in Ecuador, overcame the difficulties in the economy of the country with an intense program to renew its packaging and brand image, offering new products and smaller presentations to assure product affordability and its own profitability. Consequently, the company was able to post growth once more.

Interex, our exports business to the United States, grew sales of Topo Chico sparkling mineral water significantly, posting another historic record in 2016, both in sales as well as in market share. In fact, in the region comprised of Texas, Oklahoma, Louisiana and Arkansas, our brand already commands a share of 65% over of the imported sparkling water category in supermarkets.

Volume growth, sales and transactions of our vending machine business, a key part of our strategy of adding value in the retail segment, increased in 2016, reflecting, among other aspects, the deployment of an enhanced IT platform.

Interex, the business that exports our products to the United States, grew its sales of Topo Chico sparkling mineral water significantly, posting another historic record, not only in sales, but also in market share.

As in previous years, we reaffirm our promise to seek new opportunities for creating value for our shareholders by capitalizing on our robust financial position and proactively adapting to the needs of customers and consumers.

SUSTAINABILITY AND SOCIAL RESPONSIBILITY

In 2016, we reiterated Arca Continental's commitment to the comprehensive wellbeing of society through the execution of our Sustainability and Social Responsibility strategy.

We implemented a comprehensive program to improve the communication and dialog with our stakeholders in the territories we serve in Mexico.

Through a state-focused platform, we expanded the impact of some of our individual, social and environmental wellbeing platforms. For example, "Ponte al 100" reached 239,000 people in 2016, with double measurement across our territories in Mexico; 26% of participants reporting an improvement in their health since beginning the program.

As part of our commitment to physical activation, we put 3.8 million people in motion in 2016 and, for the eleventh consecutive year, the Monterrey Powerade Marathon broke attendance records with a total of 8,000 runners and more than 30,000 spectators.

In the area of environmental wellbeing, we improved all operating indicators: especially water use efficiency, reducing usage by 26% compared to the 2010 base line to reach an index of 1.71 liters of water per liter of beverage at a consolidated level. In terms of energy use, 41% of the electricity used in our Mexican operations came from renewable sources.

On Annual Volunteer Day, we helped with the rehabilitation of 39 public spaces in Mexico, Ecuador, Argentina and Peru, with the participation of more than 5,500 employees who carried out public space rehabilitation and reforestation activities, cleaned beaches and riverbanks, and restored schools.

TRANSFORMATION DRIVING GROWTH

2016 was not only a year of geographic consolidation, but also of innovation and transformation, which gave added strength to the company's position as an attractive investment alternative capable of profitably and sustainably creating and leveraging new challenges.

We would like to thank the members of Arca Continental's Board of Directors for their guidance and trust along this journey of growth, always within a solid framework of ethics and values.

We are also very grateful to our employees for their hard work and commitment to obtaining these results.

Once again, we would like to express our appreciation and recognition to The Coca-Cola Company, for its support, trust and teamwork.

All of us who are part of Arca Continental should be very proud of the transformation we have achieved. However, it implies an even greater commitment to leverage our new scope and scale, and continue growing as a company focused on excellence in everything we do and an increasingly important agent of positive change in the communities we serve.

As in previous years, we reaffirm our promise to seek new opportunities for creating value for our shareholders by capitalizing on our solid financial position and proactively adapting to the needs of our increasingly dynamic customers and consumers. Only in this way will we be able to continue capitalizing on growth opportunities in the beverages sector and expanding our complementary businesses.

Manuel L. Barragan Morales
Chairman of the Board of Directors

Francisco Garza Egloff
Chief Executive Officer

TRANSFORMATION DRIVING GROWTH

2016 was a year of transformation for Arca Continental, further driving our sustained value creation by delivering positive results across our businesses and markets.

Our commitment to profitable growth is based on the relentless pursuit of excellence in market service, the continuous enhancement of production capacity and the comprehensive development of employees, the community and the environment.

Commitment to value creation...

Consistent with our long-term vision, every day we consolidate our business model as a platform for driving the company's organic growth, operational capabilities and financial flexibility. In this way, we can integrate new territories and expand in ways that create additional value, in order to ensure profitable, sustainable growth.

Through excellence in market service…

Driven by an enormous passion for our brands and products, our close ties with and constant feedback from customers and consumers, and the support of the latest information technologies, we have been able to consolidate our leadership and continue enhancing our value offer and market execution.

And the continuous improvement of operations…

As a key component of our organizational culture, we focus on increasing the efficiency and safety of all our operations, thus enabling us to accelerate the deployment of best practices and enhance productivity across our diverse processes and territories.

While promoting integral wellness.

Our performance would be pointless without a resolute commitment to employee development, community wellbeing and environmental protection. This is an intrinsic part of each area of the organization and a value that gives meaning to our efforts.

2016 WAS A YEAR OF POSITIVE TRANSFORMATION THAT STRENGTHENED ARCA CONTINENTAL'S PATH TO VALUE CREATION

Coca-Cola SOUTHWEST BEVERAGES

ARCACONTINENTAL

Beginning of operations in the United States

After announcing in May 2016 the agreement between Arca Continental and The Coca-Cola Company to participate in the US refranchising process, on April 1, 2017, the transaction to integrate the operations of Coca-Cola Southwest Beverages was finalized. This achievement represents a milestone in the company's journey of profitable growth and the consolidation of a presence of over 20 years in the United States through Topo Chico sparkling mineral water, Coca-Cola Nostalgia and our snacks business.

Access to a market of over 30 million consumers

With the incorporation of the territories of Texas and parts of New Mexico, Oklahoma and Arkansas through the second largest franchise in the US Coca-Cola System, Arca Continental has gained access to a population of over 30 million consumers through nine plants, 34 distribution centers and more than 7,500 employees.

Diversification and growth

The journey of profitable growth we have undertaken over the last 15 years has transformed us from a regional company into a multinational enterprise, diversified both geographically and in our business portfolio. By the end of 2017, a third of the company's revenues will come from Mexico, a third from the United States and the rest from South America and Complementary Businesses, with almost 50% of our sales in US dollars.

400MUC

Estimated operating volume in the United States

USD **2,350** MILLION

Estimated Net Sales of Coca-Cola Southwest Beverages

Peru: Rapid consolidation with superior performance

In its first year, Arca Continental Lindley, in Peru, presented favorable results and made progress in best-practice standardization.

We continued to deploy the direct distribution model in the Traditional Channel, attracting 12,000 new customers, increasing the coverage of our main products and improving customer-service quality.

USD40 MILLION

Leveraged synergies in Peru in 2016, 60% more than estimated

+2.36%

EBITDA margin expansion in Peru

Vertically integrated value chain

- We strengthened our cost structure and assured the availability of sugar, a strategic key input, by incorporating two new sugar mills:
  Plan de San Luis Sugar Mill
  Together with the other PIASA mills, this acquisition secures 100% of AC Mexico's sugar supply at a competitive price.
  Famaillá Sugar Assets
  This acquisition guarantees over 50% of the supply in Argentina at a competitive price for 2018.

Improved credit rating in Peru

Fitch and Standard & Poor's upgraded the credit rating of Arca Continental Lindley, placing it at the same investment grade level as the sovereign debt of the Republic of Peru.

In addition to the ongoing improvement in our main operating indicators, we also advanced in the pursuit of new value creation opportunities.

Topo Chico mineral water's expanded footprint

As part of our commitment to value creation, in 2016 we completed the transfer of trademarks of the Topo Chico sparkling mineral water brand in Mexico to The Coca-Cola Company, thus making it possible to expand the distribution of this legendary brand's products and generating expansion options for the category in the premium segment.

In 2016, Topo Chico grew its presence in the state of Jalisco and in various territories in the Central and Lagunera Regions of Mexico.

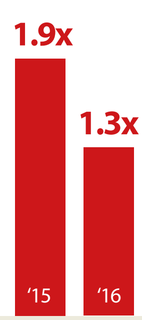
In-depth market knowledge

Our dynamic segmentation tool allowed us to strengthen our leadership in the markets we serve through a greater understanding of the consumer and the changing needs of customers, as we leveraged information technologies that allow us to consolidate and analyze point-of-sale data and take immediate action.

Strengthened financial structure

As a result of our prudent financial management, we managed to reduce the leverage ratio from 1.9x to 1.3x at year-end 2016, with a reduction in exposure to foreign currency debt of almost 90%. Rating agencies recognized this robust financial strategy by giving Arca Continental a higher credit rating than Mexico's sovereign credit ratings.

Net debt / EBITDA



DYNAMIC SEGMENTATION ARCACONTINENTAL

DELIVERING EXCEPTIONAL RESULTS BECAUSE OF OUTSTANDING PERFORMANCE IN THE BUSINESSES AND MARKETS WHERE WE OPERATE

9.2%

Growth in Mexico Beverages' sales volume (excluding jug water)

Maintaining our growth rate

The ability to capitalize on the correct combination of consumption variables, such as occasion, brand, price, packaging and channel, allowed us, in 2016, to capture a greater number of transactions and improve the performance of our brands across our different channels and territories.

Powerade underscoring its leadership in Mexico

32%

Volume increase in Mexico in 2016

1,741 MUC

Consolidated Annual Volume

16.3%

Annual volume growth in soft drinks (consolidated)

34.6%

Annual volume growth in still beverages (consolidated)

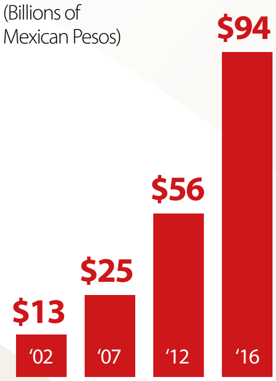
8.3%

Annual sales volume growth in North America

43.4%

Annual sales volume growth in South America (including Peru's first year)

We doubled our revenues every five years in a profitable way



Our solid operating performance was driven by consistent market investment.

23 consecutive quarters of EBITDA growth

An effective efficiency plan in Mexico, Ecuador and Argentina to offset the pressure from raw material prices, together with a solid operating performance in Mexico and Peru, generated Ps. 20,092 million in annual consolidated EBITDA, 20.3% more than the previous year, accumulating 23 consecutive quarters of growth in this indicator.

PS. **9,711** MILLION

Consolidated Net Income, **26.8%** more than in 2015

In Ecuador, cost-cutting initiatives, combined with synergies between the soft-drinks business and Tonicorp, enhanced our operating efficiency.

In Argentina, we continued to develop our portfolio of flavored beverages, with Fanta, Sprite and Crush, as well as still categories, driving market share in juices, sports drinks and waters.

Expanded scope of the vending machines business

38,500 vending machines in AC territories, 18% more than in 2015.

13.8%
Annual sales growth in the vending machines business

44%
Increase in vending machines with telemetry capability in Mexico

Topo Chico sparkling mineral water

21.8%
Annual export volume growth

94%
Annual EBITDA growth vs. 2015

Focusing efforts in South America

Faced with a complex macroeconomic environment, operations in Ecuador and Argentina implemented specific plans to boost their results.

- **Ecuador:** Reformulation plan and unique brand strategy to position zero-calorie options.
- **Tonicorp:** Driving of affordable price-package architecture adapted to consumers' new reality, expansion of the customer base, and enhancing of point-of-sale execution capabilities.
- **Argentina:** Strategy focused on execution and customer segmentation in order to increase volume and focus marketing investments.

In Ecuador, we tripled the proportion of zero-calorie product sales, reflecting the launch of new formulas.

REITERATING OUR COMMITMENT TO EXCELLENCE IN MARKET SERVICE

Bokados implemented the "Conquista" Plan to incorporate 24,000 new customers, and deployed more routes in Zacatecas and Durango.

ACT ARCACONTINENTAL

Route to Market: Specialized service models

ACT: Arca Continental Total Execution

This is a platform developed with the aim of standardizing the company's commercial capabilities, sharing best practices and systematizing metrics. Arca Continental's execution model was deployed across 100% of the territories served in Mexico, and its implementation initiated in South America.

100%

of operations in Mexico function under the ACT model

RTM 4.0

We implemented a new version of our **Route-to-Market** platform, enhancing the specialization of our service models.

2016 RTM Global Forum

Executives from over 45 countries, representing 39 bottling companies, visited the Arca Continental headquarters to exchange experiences and information about the RTM system.

BIG DATA

This tool provides in-depth knowledge of the variables that affect sales behavior and allows us to determine the specific actions that will have the greatest impact on results.

Cutting-edge commercial execution and marketing focused on consumer experiences drove our market leadership.

Our customers' best commercial partner

15

New Complementary Business Centers

In 2016, HEB recognized Arca Continental as its "2016 Strategic Partner" and Walmart distinguished the Mexico operations, for the second consecutive year, with its "Best Overall Performance" award in the category "Best Advancement in Customer-Service Capabilities".

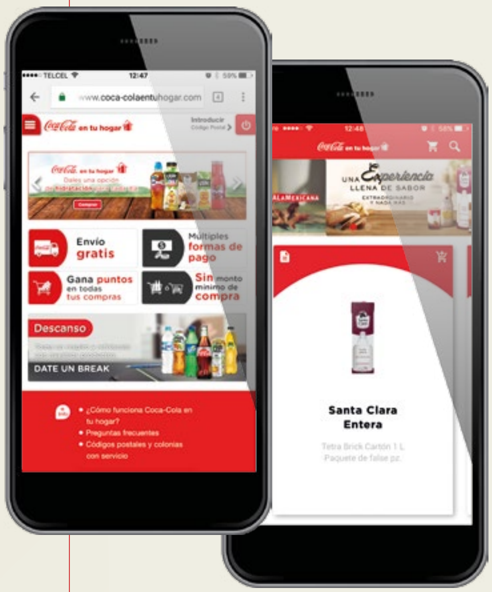
Bringing the Traditional Channel into the 21st Century

We have supported more than 10,900 customers since the start of the project to modernize and elevate their competitiveness, incorporating point-of-sale terminals and providing training, among other benefits.

We made great strides in helping our customers to modernize their operations, providing them with technology that promotes competitiveness and enhances consumer service, such as point-of-sale terminals which facilitate e-payments for services and the use of credit and debit cards.

From "app" to home

We continued to innovate Direct-to-Home (DTH) sales with additional services which reinforced our relationship with our customers, including card payments and implementing the mobile application "Coca-Cola in your home".



Cooler coverage by country

- Mexico: 83%
- Argentina: 58%
- Ecuador: 46%
- Peru: 30%

+77,000

High-efficiency coolers installed in Mexico and Peru

380,000

Direct-to-Home Customers (excluding jug water)

Ecuador
"Be Loved" cup

- Against a complex economic background and diminished consumption, in 2016 Arca Continental Ecuador won the "Be Loved" cup for the love expressed by consumers for the company's brands in that country, obtaining the leadership position in the categories in which it participates because of the excellence of its execution of market initiatives.

Be Perfect Cup

- Ecuador earned certification for the four management systems of its plants, successfully completing the GAO-KORE audit and improving its product quality, packaging and safety indexes.

Argentina
Best execution

Arca Continental Argentina was recognized by The Coca-Cola Company with the "ICE" cup for the best Modern Channel execution index in the South Latin Business Unit.

Complementary Businesses
Prispas arrives to Ecuador

As part of the plan to leverage synergies between the three company's snack brands, Prispas, by Bokados, has been distributed in Ecuador since 2016 through Inalecsa.

Leaders in sweet-snacks in Ecuador

Inalecsa increased its leadership in the sweet-snack segment.

New launches

Anticipating the dynamic evolution of consumer needs, we continued to innovate and consolidate our beverage and snack portfolio with products such as:

- Orange PowerAde Reformulation
- Del Valle Blends
- 20-ounce Topo Chico Twist of Lime and Twist of Grapefruit

Sugar-free Coca-Cola

The same Coca-Cola but calorie-free was deployed in Ecuador for the first time with great success. The launch was then replicated in Mexico and other countries.

Unleashing the potential of Monster

By integrating this brand's portfolio into Arca Continental's distribution routes in Mexico, we achieved an 83% increase in the energy drink category.

24%
Growth in calorie-free beverages in Peru

Growth in Santa Clara's coverage and sales

The dairy brand's market share continued to rise across the company's territories, with an average quarterly growth of 10.8%.

+4,800
New coolers in two years

40%
Coverage in the Traditional Channel

We used unique, innovative campaigns to reinforce consumers' emotional ties with our brands.

Experiential marketing: Listen, learn and connect.

One Brand

In 2016, we deployed the "One Brand" global campaign, through which we unified communication with the consumer, demonstrating a single identity with diverse variants. We accompanied our successful launch with the announcement of a series of public commitments to society, such as always offering options, portions and solutions that address the health challenges our communities face.

Spectacular connection

Our 2016 Christmas Parade reflected the profound ties between the Coca-Cola brand and consumers, with a record participation in the diverse events held in our territories in Mexico and other countries.

Share a Coke with…

We rolled out this successful campaign for a second time in the Mexican market, including more names, surnames and nicknames on the diverse Coca-Cola brand options. New presentations enabled consumers to gift a personalized package to the people who are special to them.

700,000

Campaign impacts to drive fruit drinks in territories served by AC.

STRENGTHENING CONTINUOUS IMPROVEMENT PROCESSES TO DRIVE PRODUCTIVITY AND OPERATIONAL EFFICIENCY

Focused on productivity and operational efficiency, with a commitment to continuous improvement as a key factor of our organizational culture, in 2016 our main operating indicators advanced significantly, thus assuring product quality and production efficiency.

Operational Excellence

- 11 sites certified in 2016, 9 bronze and 2 silver in Mexico.
- The world's only bottling group with two silver-level Benchmark Centers of Operational Excellence.
- +16,000 certified employees.
- Savings of Ps.180 million as a result of continuous improvement programs.
- Implementation of Operational Excellence at the Bokados Plant North.

OE
Operational
Excellence

Investment with a long-term vision and cutting-edge technology

Wise modernization

- **Berwick Plant:** Packaging process automation and potato processing machinery upgrade.
- **Fort Worth Plant:** Potato chip production line with state-of-the-art technology.
- **BRC Food Safety Certification.**

New La Aurora mega plant for dairy products, in Guayaquil, Ecuador

- Combining production and distribution capabilities for high value-added dairy products, including ice cream.
- Enabling synergies with the beverage business in Ecuador.

150 MILLION
Liters of installed capacity.

Standardizing processes and metrics to share resources has generated efficiencies across our operations, allowing business units to focus on execution and market service.

Shared Services Center

In 2016, we completed the alignment and standardization of the administrative processes in Ecuador and Argentina by consolidating them in the Arca Continental Shared Services Center in Monterrey, Mexico.

enlace
Transformación de Procesos–Bebidas

Enlace project

We consolidated the implementation of the Coke One System Supply Chain Module through the "Enlace" project across Mexico, and also made progress in deploying the commercial module in the Jalisco and Central regions. These initiatives will facilitate sales force functioning, providing enhanced product trackability, a more productive use of assets and greater control of promotional activities.

Safety as a priority

We made progress with the implementation of a solid culture of safety among our employees.

34%
Reduction in the Lost-Time Incident Rate (LTIR)

Bokados advances in central and southern Mexico

At the end of 2016, we began building a third snacks plant, located in Queretaro, which together with the deployment of new distribution routes in Zacatecas and Durango, and the strategic alliance with Galletas Donde in the southeast of the country, will drive the penetration of Arca Continental snacks in the central and southern regions of Mexico.

Legacy Cup

In 2016, Arca Continental was recognized among Mexico's bottlers for the alignment of its processes with the principal indicators of The Coca-Cola Company in the areas of Quality, Accelerators and Still Beverages.

99.1
Product Quality Index for AC Mexico

Peru races towards excellence

Through strategic investments, Arca Continental Lindley is modernizing its production facilities, improving its efficiency levels and adapting its capacities to market needs.

USD15 MILLION
Investment in the new Huachipa mega warehouse

PROMOTING EMPLOYEE WELLBEING, COMMUNITY DEVELOPMENT AND THE CONSERVATION OF AN INCREASINGLY SUSTAINABLE ENVIRONMENT

A standardized global strategy

A key component in the advancement of our main global sustainability and social responsibility indicators was the effort led by the Sustainability Executive Committee to standardize metrics and best practices across the different countries served by the company, through a strategy aligned with our fundamental principles of respect for local needs and customs.

FTSE4Good Emerging Index

- Arca Continental was selected to form part of the London Stock Exchange's FTSE4Good Emerging Index, which includes companies operating with the best social, environmental and corporate governance practices.
- This recognition complements the company's inclusion in the MSCI Global Sustainability Index in 2014, participation in the Sustainability Index of the Mexican Stock Exchange since its creation in 2011, and recertification as a Socially Responsible Company for 13 consecutive years.

Individual Wellbeing

- 3.8 million people physically activated
- 80 thousand state school students benefited from diverse physical activation and sports infrastructure programs in Argentina, Ecuador and Peru over the past few years
- 2016 Powerade Marathon. More than 8,000 runners, making it the fastest growing marathon in Mexico

Schools in Motion

114,000

students benefited in 132 schools in Mexico

Arca Continental was rated as one of the top three companies in the Mexican Stock Exchange's Sustainability Index.

PetStar:
The world's largest food-grade PET recycling plant.

Social Wellbeing

- 65,700 employees trained
- 20,000 training courses
- 51 business units GPTW certified
- 33 work centers certified under Occupational Health and Safety Assessment Series OHSAS 18001:2007

Volunteer Programs in 2016

- 8,800 employees
- 32 cities
- 12,000 trees planted
- 39 public spaces rehabilitated
- 25 linear kilometers of waterfront cleaned up
- 49 tons of waste collected

Environmental Wellbeing

- **100% of the water** used in our processes is recovered through reforestation and water harvesting programs
- **26% more water saved** than in 2010
- **13% more energy saved** than in 2010
- **41% of electricity** in Mexico comes from renewable sources (wind and biomass)
- **27% of recycled resin from food-grade PET** incorporated into PET packaging

34%
Recycled food-grade PET used in packaging in Mexico

Solidarity with society

Faced with the severe damage caused by the earthquake measuring 7.8 on the Richter scale that hit Ecuador in April 2016, Arca Continental Ecuador, The Coca-Cola Company and their associates were the first to support the community, donating millions of liters of water and food, and redirecting advertising investment to reconstruction actions.

13 YEARS
Socially Responsible Company.

Board of Directors

Manuel L. Barragan Morales (66) 1
Mr. Barragan Morales has been Chairman of the Board of Directors since 2005 and a member of the Board since 2001. He is also Chairman of the Board of Directors of Grupo Index, has been a member of the Boards of Directors of Grupo Procor, Banco Regional del Norte and Papas y Fritos Monterrey, and was an executive at a financial institution for 15 years.

Estuardo Alvelais Destarac (34) 3, P
Member of the Board of Directors since 2011.

Luis Arizpe Jimenez (55) 1, P
Vice-president of the Board of Directors since 2008. Mr. Arizpe Jimenez is also Chairman of the Boards of Saltillo Kapital and Hotel Camino Real Saltillo, a member of the Board of Grupo Industrial Saltillo, Chairman of the Mexican Red Cross in Saltillo, Vice-president of the Board of Trustees of the Saltillo Campus of ITESM, and a member of Consejo Civico de las Instituciones de Coahuila A.C. He is also President of the Offering Committee of the Saltillo Diocese and of COPARMEX, Southeast Coahuila, and a member of the Advisory Board of Grupo Financiero Banorte, Northern Region.

Eduardo R. Arrocha Gio (74) 2
Member of the Board of Directors since 2011. Mr. Arrocha Gio is also a Professor in the Law Schools of Universidad Nacional Autónoma de México, Universidad Anahuac and Universidad Iberoamericana. He was General Counsel for Laboratorio Syntex for seven years and Legal Vice-president for Latin America in The Coca-Cola Company, retiring from the latter company after 25 years of service. He was President of the Mexican National Association of Corporate Lawyers and is a member of the Mexican Lawyers Association. Mr. Arrocha Gio currently exercises his profession independently.

Juan M. Barragan Treviño (55) 1, C
Member of the Board of Directors since 2009. Mr. Barragan Treviño has a Bachelor's Degree in Mechanical Engineering and a Master's in Business Administration from ITESM. He was a member of the Boards of Transportes Especializados Regiomontanos, Papas y Fritos Monterrey, Grupo Procor and Grupo Index.

Juan Carlos Correa Ballesteros (45) 3, C
Member of the Board of Directors since 2016. Mr. Correa Ballesteros has been a member of the Executive Committee and of the Human Capital Committee of the Board of Directors of Arca Continental South America since 2010. He worked for 14 years for Ecuador Bottling Company, the Coca-Cola bottler for Ecuador, occupying a number of different positions, including, for the last three years, Director of Operations and Corporate Vice-president of the company. He is currently CEO of Corma Holding Family Office. Mr. Correa Ballesteros holds an MBA in Finance from the University of Miami.

Felipe Cortes Font (74) 2, A
Member of the Board of Directors since 2013. Mr. Cortes Font was a Founding Partner of Auric and worked for over 28 years in Grupo Industrial Alfa as part of the team for strategic and financial restructuring, heading Planning and Controllership. He also led the Petrochemical Sector and later became CEO of Hylsamex. He is currently a member of the Boards of Grupo Financiero Afirme and Ternium Mexico. He was a Director of the American Iron and Steel Institute and President of Canacero, Centro de Productividad de Nuevo Leon and the Latin American Institute of Iron and Steel. Mr. Cortes Font holds a Bachelor's Degree from MIT.

Alejandro M. Elizondo Barragan (63) 1, P
Member of the Board of Directors since 2004. Mr. Elizondo Barragan is Senior Vice-president of Development at Alfa and has occupied diverse positions in Alfa's corporate area and steel and petrochemical divisions for more than 41 years. He is a member of the Boards of Banregio Grupo Financiero, Indelpro, Polioles and Alestra.

Tomas A. Fernandez Garcia (45) 3, C & P
Vice-chairman of the Board of Directors since 2007 and a member since 2005. Mr. Fernandez Garcia is CEO of Grupo Mercantil de Chihuahua, S.A. de C.V., SOFOM ENR.

Ulrich Guillermo Fiehn Rice (45) 2, A
Member of the Board of Directors since 2011. Mr. Fiehn Rice is Chairman of the Boards of Alto Espacio Residencial and Grupo Industrial Mazatlan. He previously occupied diverse positions in the Corporate Finance area at Cemex and was a financial risk analyst at Vector Casa de Bolsa.

Roberto Garza Velazquez (60) 3, P
Member of the Board of Directors since 2010. Mr. Garza Velazquez is CEO of Industria Carrocera San Roberto, S.A. de C.V. and a member of the Boards of Grupo Index, Afirme Grupo Financiero and AMANEC, A.C., as well as of Grupo Autofin Monterrey since 2017.

Jose Roberto Gavilano Ramirez (44) 2
Member of the Board of Directors since 2016. Mr. Gavilano Ramirez is also a member of the Board of Lindcorp and CEO of Griffin S.A.C. He was previously Corporate Director for Business Development of Breca, one of Peru's most important business groups. He also worked for J.P. Morgan in New York, in the department of Mergers and Acquisitions for Latin America, where he was Executive Director, and has been a member of the Board of Directors of Corporacion Lindley S.A. Mr. Gavilano Ramirez obtained a Bachelor's Degree Cum Laude in Economics from Harvard University.

Luis Lauro Gonzalez Barragan (63) 1, P
Member of the Board of Directors since 2001. Mr. Gonzalez Barragan is Chairman of the Board of Directors of Grupo Logístico Intermodal Portuario, a member of the Boards of Directors of Terra Regia, Berel and CABAL, and a member of the Board of Trustees of Universidad de Monterrey. He was a Delegate Director of Procor.

Cynthia H. Grossman 1
Member of the Board of Directors 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.

Ernesto Lopez De Nigris (56) 2, C
Member of the Board of Directors since 2001. Mr. Lopez de Nigris is a member of the Board of Directors of Grupo Industrial Saltillo and a member of the Advisory Board of Telmex.

Miguel Angel Rabago Vite (61) 3, C & P
Vice-chairman of the Board of Directors since 2011. Mr. Rabago Vite was previously CEO and a member of the Board of Directors of Grupo Continental, occupying diverse positions in that company for more than 35 years. He has a Bachelor's Degree in Public Accounting and Auditing from Universidad Autónoma de Tamaulipas.

Jose Antonio Rodriguez Fuentes (60) 3, P
Member of the Board of Directors since 2010. Mr. Rodriguez Fuentes is also President and Sole Administrator of Avicola Ganadera La Pasta and Arrenda Saltillo, and serves as a member of the Boards of Fondo Inmobiliario Trilenium 1, the Monterrey Plant of Agribrands Purina Mexico, Union de Avicultores de Saltillo, Federacion Agronomica, the College of Agricultural and Animal Husbandry Engineers of Coahuila and CANACO Saltillo. He is a founding member of the Board of Trustees of Caritas in the Diocese of Saltiillo, Home of the Emeritus Priest and the Children's Home Casa de los Niños y las Niñas. He is Secretary of the Board of Instituto Juvenil Saltillense A.C., President and Founder of Jovenes Unidos and Vice-president of the Saltillo Red Cross.

Alberto Sanchez Palazuelos (77) 3
Member of the Board of Directors since 2011. Mr. Sanchez Palazuelos was President of Negromex, Grupo Novum and Troy Grupo Industrial and also a member of the Boards of BBVA Bancomer, Grupo Marti, Probursa, City Express Hotels and several other companies. He is currently President of ASP y Asociados, S.C., as well as a member of the Boards of Procorp and Inmobiliaria CADU and a member of the Advisory Boards of Purdue University and of Instituto de Empresas de Madrid.

Jorge Humberto Santos Reyna (42) 3, C
Vice-chairman of the Board of Directors since 2007 and a member since 2001. Mr. Santos Reyna is Chief Executive Officer of Grupo San Barr and a member of the Board of Banregio Grupo Financiero. He is Vice-president of Asociacion de Engordadores de Ganado Bovino del Noreste and of Confederacion USEM, and also a member of the Board of Trustees of the Mexican Red Cross in Monterrey. He was a member of the Boards of Procor, CAINTRA Nuevo León and Papas y Fritos Monterrey, and also Chairman of the Board of USEM Monterrey.

Armando Solbes Simon (61) 2, A
Member of the Board of Directors since 2011. Mr. Solbes Simon was a member of the Board of Directors of Grupo Continental. He is currently Director of the Tampico Office of Banco Base and an associate and member of the Boards of Trustees of the Bene Hospital of the Centro Español in Tampico and of Universidad I.E.S.T. Anahuac and a member of the Regional Advisory Board of Tecnologico de Monterrey, Campus Tampico (ESTAC). He was Chairman of the Board of Directors and CEO of Central de Divisas Casa de Cambio for 23 years, and served in several positions in the corporate finance area of Grupo Cydsa, S.A.B. for eight years and in the External Auditing Department of Gossler, Navarro, Ceniceros y Cia. for three years.

Jesus Viejo Gonzalez (42) 3, P
Member of the Board of Directors since 2007. Dr. Viejo Gonzalez is Executive President of Trefilia Capital Investments and of Grupo CONVEX. He is also Technical Secretary of the Nuevo Leon Strategic Planning Council, Executive Director of Universidad de Monterrey (UDEM), President of the Board of Trustees of Museo de la Fauna y Ciencias Naturales del Estado de Nuevo Leon A.B.P. and a member of the Advisory Council of the David Rockefeller Center for Latin American Studies at Harvard University, and the Private Sector Center for Economic Studies. He also participates in different institutions, such as CAINTRA, Pronatura Noreste and the Monterrey Harvard Club. He was Vice-president of Economic Research for Emerging Markets at Goldman Sachs in New York and Chief Economist of Grupo Alfa. Dr. Viejo Gonzalez has a Bachelor's Degree in Economics from ITESM, a Master's in Public Policy from Harvard University and a PhD in Economics from Boston University.

Jaime Sanchez Fernandez (46)
Executive Legal Director and Secretary of the Board of Directors since 2009.

LEGENDS
1. Patrimonial
2. Independent
3. Related

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

Senior Management

Francisco Garza Egloff (62)
Chief Executive Officer
Mr. Garza Egloff has been CEO of the company since 2003. He is a member of the Boards of Directors of Grupo Industrial Saltillo, Grupo AlEn, Banco Banregio, Banco Holandes Rabobank, Ovniver, Ragasa, Proeza and Axtel. He was previously CEO of Sigma Alimentos, Akra, Petrocel-Temex and Polioles, all part of Alfa, where he spent a total of 26 years. Mr. Garza Egloff studied Chemical Engineering at ITESM and Management at IPADE.

Guillermo Aponte Gonzalez (50)
Vice-president of Arca Continental South America
With a history of over 25 years at The Coca-Cola Company in Asia and Latin America, Mr. Aponte Gonzalez previously served as Chairman and CEO of The Coca-Cola Company in the Philippines and CEO in Colombia. He has a Bachelor's Degree in Systems Engineering and Computer Science, with specialty studies in Marketing, from Universidad de Los Andes, and is a graduate of the Executive Development Program at Wharton Business School, University of Pennsylvania.

Jose Borda Noriega (48)
Executive Director of Arca Continental Lindley
Mr. Borda Noriega was designated General Manager of Corporacion Lindley in 2015, and had previously been General Manager of Coca-Cola Central America and Vice-president of Sparkling Beverage Operations for Coca-Cola Mexico. He has a Bachelor's Degree in Industrial Engineering from Pontificia Universidad Catolica del Peru and an MBA from Northwestern University's Kellogg School of Management.

Guillermo Garza Martinez (49)
Executive Director of Public Affairs and Communication
Mr. Garza Martinez was previously Director of Communications and Social Responsibility. He is a member of different Boards of the industry and has more than 27 years of experience in journalism, communication, social responsibility and public affairs. He has a Bachelor's Degree in Communication from Universidad Regiomontana and a Master's of Science from ITESM, and has undertaken executive studies at Boston College and IPADE.

Alejandro Gonzalez Quiroga (55)
Executive Director of Mexico Beverages
Mr. Gonzalez Quiroga has held various positions in Arca Continental for over 28 years. He was previously Vice-president of Arca Continental South America and of Arca Continental Argentina. He is currently President of the Coca-Cola Bottlers Association. He has a Bachelor's Degree in Business Administration from Universidad Regiomontana and has taken post-graduate management courses at ITESM and IPADE.

Manuel Gutierrez Espinoza (64)
Executive Director of Planning
Mr. Gutierrez Espinoza is responsible for the areas of Strategic Planning, Information Technologies and Strategic Projects, and previously spent more than 30 years at Alfa and Hylsa. He has a Bachelor's Degree in Mechanical Engineering and Management from ITESM and a Master's Degree in Business Administration from the Massachusetts Institute of Technology (MIT).

Arturo Gutierrez Hernandez (51)
Deputy Chief Executive Officer
With a track record of 16 years in the organization, Mr. Gutierrez Hernandez has been Executive Director of Operations, Secretary of the Board of Directors, Director of the Mexico Beverages Division, Director of Human Resources, Director of Corporate Planning and Chief Legal Officer, and is a member of diverse boards of the industry. He has a Bachelor's Degree in Law from Escuela Libre de Derecho and a Master's Degree of Laws/J.D. from Harvard University.

Emilio Marcos Charur (53)
Chief Financial Officer
Mr. Marcos Charur was previously Director of Operations of Mexico Beverages and Director of Complementary Businesses, and headed the Treasury and Purchasing. He has a Bachelor's Degree in Industrial and Systems Engineering from ITESM and a Master's in Business Administration from the University of Illinois.

Gabriel Meneses Jones (43)
Executive Director of Human Capital
Mr. Meneses Jones has been with The Coca-Cola Company for 17 years, occupying different leadership positions in the area of Human Resources for North America, Mexico and Central America, and Europe, and was Vice-president of Grupo Asia-Pacifico, based in Singapore. He has a Bachelor's Degree in Business Administration from ITESM and took postgraduate courses in Human Resources at the London Business School.

Alejandro Molina Sanchez (49)
Executive Director of Technical Issues and Supply Chain
Mr. Molina Sanchez is Chairman of the Global Bottlers Supply Chain Council. He served for more than 15 years at Coca-Cola 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).

Alejandro Rodriguez Saenz (53)
Executive Director of Complementary Businesses
Mr. Rodriguez Saenz was previously Director of Bokados and General Manager of Topo Chico. He is currently a member of the Board of Andamios Atlas, S.A. and previously held management positions at Orion and Akra. He has a Bachelor's Degree in Chemical and Systems Engineering and an MBA from ITESM, and has taken several postgraduate courses at IPADE.

Jaime Sanchez Fernandez (46)
Chief Legal Officer
Mr. Sanchez Fernandez was previously Legal Director, Secretary of the Board of Directors and Corporate Legal Manager. He served for eight years at Grupo Alfa as Corporate Counsel and also practiced law independently. He has a Bachelor's Degree in Law from Universidad de Monterrey and a Master's Degree in Law from Michigan University.

Jean Claude Tissot (45)
Executive Director of Marketing
Mr. Tissot previously worked as an executive at The Coca-Cola Company for more than 15 years and prior to that at Warner Lambert for five years. He has a Bachelor's Degree in Business Administration from ICESI University, in Colombia, and a Master's in Marketing and a Master's in Finance from Colegio de Estudios Superiores de Administracion, also in Colombia.

Consolidated Financial Statements

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

At December 31, 2016 and 2015

Management's Discussion and Analysis of Financial Results

NET SALES

Consolidated net sales grew 22.5%, 11% if we exclude Peru and the currency effect, reaching Ps. 93,666 million compared to 2015. These figures highlight the Company's financial strength as well as its focus and innovation in terms of point of sale execution, combined with effective customer service.

In 2016, volume reached 1,534 MUC (excluding jug water), all categories performed positively, mainly due to the addition of Peru's operations, highlighting the increases in still beverages and the bottled water segments of 32% and 36.4%, respectively. North America reached 976 MUC, excluding jug water; this represents a 9% increase compared to 2015, mainly benefitted by a stronger market execution in addition to a favorable economic environment during the year.

In South America, volume grew 41.4%, closing at 558 MUC and excluding jug water. We continue to work in all three countries to improve the product portfolio as well as the price-pack strategy, in order to drive both price and volume and continue to strengthen profitability.

COST OF SALES

Cost of sales increased 26.1% due to the addition of Peru's operations, the exchange rate volatility as well as higher sugar prices. Gross profit reached Ps. 44,012 million, an 18.7% increase, with a margin of 47%.

OPERATING EXPENSES

Selling and administrative expenses increased 19.3% to Ps. 29,238 million; this increase was mainly due to Peru's operations and the depreciation of the Mexican peso, which affected expenses in our dollar-denominated operations. In North America, operating expenses grew 10.6% versus 2015, representing a 30.8% of sales, while expenses in South America increased 35.5% due to the addition of Peru and the aforementioned exchange rate effect.

OPERATING INCOME AND EBITDA

Consolidated operating income increased 27.8%, reaching Ps. 16,300 million with a margin of 17.4%. Consolidated EBITDA grew from Ps. 16,707 million to Ps. 20,092 million in 2016, an increase of 20.3% and a 21.5% margin. In North America, EBITDA grew 11.7% with a 23% margin. In South America, this line item increased 40.6% with a 19.1% margin.

COMPREHENSIVE FINANCING RESULT

Comprehensive financing result in 2016 was Ps. 2,466 million, the growth is mainly due to the increase in interest expense by the incorporation of Peru and the devaluation of the Mexican peso against the US dollar.

INCOME TAX PROVISION

Income taxes increased to Ps. 4,288 million from Ps. 3,434 million in 2015. The effective tax rate for tax provisions was 30.6% in 2016.

NET INCOME

In 2016, net income grew 24.7% to Ps. 9,034 million or Ps. 5.38 per share with a net margin of 9.6%.

CASH BALANCE AND NET DEBT

2016 registered a cash balance of Ps. 5,546 million and Ps. 31,184 of total debt, resulting in a net debt position of Ps. 25,638 million. The Net Debt/EBITDA ratio was 1.3x.

CAPITAL EXPENDITURES

During 2016, capital expenditures were Ps. 7,379 million, which were mainly allocated towards the acquisition of coolers, to increase returnable packaging base and strengthen production and distribution capabilities, always aligned with Arca Continental's value creation strategy.

Consolidated Balance Sheets

For the years ended December 31
(millions of Mexican pesos - Ps)

DECEMBER 31,	2016	2015 (1)	2014	2013	2012
ASSETS					
Current assets:					
Cash and cash equivalents	**5,546**	8,295	9,039	2,566	2,676
Clients and other accounts receivable, net, include related parties	**6,586**	6,772	4,312	3,176	3,429
Inventories and advance payments	**5,464**	4,705	3,102	2,498	2,528
Derivative instruments	**53**	23	0	0	0
Total current assets	**17,650**	19,795	16,453	8,240	8,633
Investment in shares of associates	**5,211**	4,491	3,926	3,801	3,264
Property, plant and equipment, net	**49,233**	42,913	25,321	24,171	22,735
Goodwill and intangible assets, net	**65,110**	56,321	33,605	29,414	29,932
Deferred Income Taxes	**1,246**	865	1,022	723	1,026
Derivative instruments	**125**	550	0	0	0
Other accounts receivable	**349**	0	0	0	0
Total assets	**138,924**	124,934	80,327	66,349	65,591
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Suppliers, include related parties	**6,514**	5,394	2,952	2,709	2,938
Derivative instruments	**1**	118	0	36	0
Current portion of long-term debt	**4,368**	6,998	1,699	2,376	710
Other accounts payable and taxes	**7,477**	6,575	5,937	2,927	4,026
Total current liabilities	**18,359**	19,084	10,588	8,049	7,675
Current debt	**26,816**	32,916	14,078	11,701	10,732
Derivative instruments	**11**	0	0	0	50
Employee benefits	**2,198**	1,767	1,225	717	1,180
Other deferred liabilities	**464**	491	108	108	93
Deferred income tax	**10,755**	9,043	4,944	4,590	4,758
Total liabilities	**58,603**	63,302	30,943	25,165	24,488
Stockholders' equity:					
Capital stock	**978**	972	972	972	972
Share premium	**38,674**	28,141	28,121	28,095	28,104
Retained earnings	**27,911**	22,942	18,508	11,694	10,934
Other reserves	**3,862**	-1,011	-1,536	-2,408	-1,404
Total stockholders' equity (controlling interest)	**71,425**	51,044	46,064	38,352	38,606
Non-controlling interest	**8,896**	10,588	3,320	2,831	2,497
Total liabilities and stockholders' equity	**138,924**	124,934	80,327	66,349	65,591

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

Francisco Garza Egloff
Chief Executive Officer

Emilio Marcos Charur
Chief Financial Officer

Consolidated Statements of Income

For the years ended December 31
(millions of Mexican pesos - Ps)

DECEMBER 31,	**2016 (1)**	2015 (1)	2014 (1)	2013 (1)	2012 (1)
Sales volume excluding jug (MUC)	**1,534.1**	1,290.2	1,152.9	1,175.8	1,180.9
Net sales	**93,666**	76,454	61,957	60,359	56,269
Cost of sales	**-49,654**	-39,363	-31,569	-31,344	-30,234
Gross income	**44,012**	37,090	30,388	29,016	26,035
Selling expenses	**-24,143**	-20,218	-16,193	-15,371	-13,775
Administrative expenses	**-5,095**	-4,281	-3,631	-3,617	-3,591
Other (expense) income, net (3)	**671**	579	425	289	252
Non-recurring expenses (2)	**855**	-417	-216	-426	-435
Operating income	**16,300**	12,754	10,774	9,891	8,484
Comprehensive financing income (cost):					
Interest expense, net	**-2,137**	-1,041	-943	-928	-852
Exchange loss, net	**-329**	-777	-31	-43	-28
Financial result, Net	**-2,466**	-1,818	-974	-971	-881
Equity in income of associated companies	**165**	157	54	98	115
Income before taxes	**13,999**	11,093	9,854	9,017	7,718
Income tax	**-4,288**	-3,434	-3,089	-2,775	-2,442
Consolidated net income	**9,711**	7,659	6,765	6,243	5,276
Non-controlling Interest	**-677**	-413	-260	-270	-231
Controlling Interest	**9,034**	7,246	6,505	5,973	5,045
Weighted average of outstanding shares (thousands of shares)	**1,678,753**	1,611,264	1,611,264	1,611,264	1,611,264
Depreciation and Amortization	**4,646**	3,536	2,655	2,528	2,403
EBITDA (excludes non-recurring expenses)	**20,092**	16,707	13,644	12,845	11,322
	21.5%	21.9%	22.0%	21.3%	20.1%
CAPEX	**7,379**	5,728	4,032	3,826	3,408

(1) Figures presented prepared in accordance with International Financial Reporting Standards (“IFRS”)
(2) Non recurring expenses
(3) The equity income in strategic associated companies is included in this item

Francisco Garza Egloff
Chief Executive Officer

Emilio Marcos Charur
Chief Financial Officer

Management's Responsability for the Financial Statements

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

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

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

The financial statements were audited by PricewaterhouseCoopers, S.C. a firm of independent public accountants.

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

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

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

Francisco Garza Egloff
Chief Executive Officer

Emilio Marcos Charur
Chief Financial Officer

Report of the Independent Auditors

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

OPINION

We have audited the consolidated financial statements of Arca Continental, S. A. B. de C. V. and subsidiaries (the Company or AC, indistinctively), which comprise the consolidated statement of financial position at December 31, 2016 and the consolidated statements of income, of other comprehensive income, of changes in stockholders' equity and of cash flows for the period then ended, as well as the explanatory notes to the consolidated financial statements that include a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the Company's consolidated financial position at December 31, 2016, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

BASIS OF THE OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTER

Use of judgments and estimates in calculating impairment of intangible assets with indefinite lives.

As mentioned in Notes 5.a, point i, and 12 to the financial statements, identifying and measuring impairment of intangible assets with indefinite lives recognized by the Company requires estimating recovery values of the cash-generating units (CGU) to which those assets have been assigned. Intangible assets with indefinite lives are made up mainly of goodwill, bottler agreements, and brands; the book values of those assets at December 31, 2016 are Ps33,737,641, Ps25,095,172 and Ps4,197,164, respectively.

We have focused on this area given the significance of the balances in question and because those estimates require application of significant judgments in determining the assumptions related to calculation of the recovery value, such as: the approach used (income approach considering multiples of outflow operating cash for terminal value, income approach considering perpetuity for terminal value, or market approach, which are commonly used and accepted if applied consistently), volume and price growth rates, operating margin, future investment in fixed assets (CAPEX), long-term growth rate and discount rate.

HOW OUR AUDIT ADDRESSED THE MATTER

With regard to the recovery value of intangible assets with indefinite lives, we analyzed future cash flow projections prepared by management, as well as the processes followed in preparing them, and verified that future cash flow projections are in line with AC long-term business plans approved by the Board of directors for 2017-2021.

We also challenged the main premises pertaining to projected flows and we involved our valuation experts when considering the assumptions used by AC management in its valuation models.

We compared the actual results for the current year to the figures budgeted for this year and the previous year, so as to determine whether or not any of the assumptions included in the projections could be considered very optimistic.

As regards to the most relevant assumptions, we requested the assistance of our experts to perform the following:

1. We matched the following assumptions to comparable market data obtained from the databases of renowned

sources of information used by our experts: volume and price growth rates, long-term growth rates, discount rates, operating margin and CAPEX.

2. We conducted a sensitivity analysis based on the revenue approach, considering the continuity (perpetuity) business model instead of the outflow multiple used by the Company to determine the recovery value of each CGU. We prepared different stress scenarios on the basis of those parameters.
3. Additionally, we carried out other sensitivity analyses by means of valuations based on a market approach, using implicit multiples of comparable companies, adjusted for liquidity, control premiums and outflow costs, in order to determine the theoretical recovery value of the business.
4. We compared the book value of the CGUs to the results of the sensitivity analyses in question and discussed the differences in the methodologies used to calculate the recovery value with AC management, and verified that they had been applied consistently with prior years.

KEY AUDIT MATTER
Book recognition and disclosure due to sale of the Topo Chico brand.

On May 25, 2016, the Company announced it would sign a letter of intent to enter into a strategic alliance with The Coca-Cola Company (TCCC) and Coca-Cola Bottling Company United (CCU) for the purpose of operating the Coca-Cola franchise in the US territories of Texas and certain areas of Oklahoma, Nuevo Mexico and Arkansas. Operations are expected to start in the second quarter of 2017 after TCCC provides access to those territories in exchange for 20% interest in "AC Bebidas", a company to be incorporated in Mexico that will hold the entirety of AC's beverage business in Latin America. Said letter of intent includes certain conditions that must be met before the full agreements can be signed, including that the Company sell TCCC the Topo Chico brands and rights registered in all territories, except in the US, and that the sale of those brands and rights in US territory be discussed in good faith. On September 30, 2016, the Company announced that it had reached a joint agreement with CCU in order for the latter to no longer participate in the strategic alliance for the aforementioned operation.

HOW OUR AUDIT ADDRESSED THE MATTER

We read the agreements entered into for the sale of the Topo Chico brand to TCCC and focused on the Company's analysis for concluding that the transaction should not be considered an integral part of the business combination that is to take place in the first months of 2017.

We studied management's significant judgments for determining whether the sale of the Topo Chico brands and rights form an integral part of the strategic alliance or whether it qualifies as a separate transaction, and, if applicable, whether AC should have recognized revenue in income as a result of considering that the transactions was conducted under market terms, or whether it should have deferred revenue recognition if the terms of the sale were not in line with market conditions. We relied on our experts to challenge the judgment and criteria used by management, for which purpose we conducted the following procedures, among others:

1. We considered management's reasons for determining the party that mostly benefits from the sale of the brands and rights, i.e., whether it is AC or the business entity created after the business combination.

As mentioned in Notes 1 and 23, on July 22, 2016, AC, through its subsidiary Compañía Topo Chico, S. de R.L. de C.V. (Topo Chico), the Company signed an agreement with TCCC to sell the entirety of rights, titles, interest, and intellectual property (including the Topo Chico formulas) in the territories of Mexico, Ecuador, Peru and Argentina. As a result of that sale, AC received US$80,000,000 in cash and it signed an agreement (enclosed to the current bottling agreement) that allows it to distribute the Topo Chico brand products in the regions currently authorized and in other additional regions in Mexico, where sales of Topo Chico products were not allowed (basically in western Mexico).

According to IFRS, it is necessary to review the contractual agreements to determine whether those transactions qualify as a business combination, and if necessary establish the combination date and the elements and agreements that constitute it. In recognizing a business acquisition, it is necessary to determine the fair value of the total consideration, including any agreed contingent considerations, as well as the fair value of the assets and liabilities acquired. An excess in the fair value of the consideration over the fair value of identifiable net assets acquired is recognized as goodwill.

Therefore, although it has been determined that the alliance begins in 2017, we have focused on reviewing the analysis conducted by the Company regarding the different agreements signed by the parties at December 31, 2016, to decide whether or not the operation constitutes a business combination, determine the expected effective date thereof and whether, based on contractual terms and conditions and the respective background, the sale of the Topo Chico brands should be considered an integral part of the business combination or whether it is a transaction that should be recognized separately, and, where applicable, the way to record it for book purposes in accordance with IFRS.

Specifically, we focused on the aspects considered by the Company to determine the accounting treatment and disclosures required as a result of the sale of the Topo Chico brands and rights to TCCC, since the transaction was mentioned in the letter of intent of the strategic alliance and in light of the significance of the amount paid to the Company.

2. We obtained, evaluated and considered a) qualitative information regarding the clauses of the new bottling agreement signed with TCCC to incorporate the new conditions for manufacturing and distributing Topo Chico products, as for example the operating conditions of the new model with TCCC as the owner of brands, and b) quantitative information, in order to analyze the conditions before and after the sale of the brand, i.e., we compared the determination of the sales prices to the conditions stipulated in the new agreement to arrive at the income earned from bottling and distributing Topo Chico products. We also analyzed the respective distribution costs before and after signing the agreement, in order to assess and confirm the favorable and unfavorable aspects for AC derived from the transaction and confirm the existence of reasonable market conditions.
3. Through a number of meetings with management, we confirmed and obtained an understanding of the business reason for selling the brand.
4. We have been informed that TCCC was interested in acquiring the Topo Chico brands time prior to signing the letter of intent.
5. Based on the terms and conditions of the agreements signed for the sale of the Topo Chico brands and rights, we verified that the purchase/sale transaction was binding and complete and that it is non-cancellable/non-reimbursable.
6. Lastly, we relied on our experts to confirm the accounting treatment of the operation as a separate transaction and we matched the disclosures contained in the consolidated financial statements to the respective agreements.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the annual report released to Comisión Nacional Bancaria y de Valores (CNBV) and the annual information presented to shareholders (but does not include the financial statements and our auditor's report thereon), which are expected to be made available to us after the date of this auditor's report.

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

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

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

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

Management of AC and its subsidiaries is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company and subsidiaries audit. We remain solely responsible for our audit opinion.

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

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

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

The name of the audit partner assigned to conduct the audit of the Company is Felipe Córdova Otero.

PricewaterhouseCoopers, S.C.

C.P.C. Felipe Córdova Otero
Audit Partner

Monterrey, N. L., March 5, 2017

Consolidated Statements of Financial Position

At December 31, 2016 and 2015
(Thousands of Mexican pesos - Ps)

		December 31,	
	NOTE	2016	2015 (1)
ASSETS			
CURRENT:			
Cash and cash equivalents	7	**Ps 5,546,220**	Ps 8,295,334
Clients and other accounts receivable, net	8	**6,481,056**	6,671,791
Related parties	29	**105,310**	100,389
Inventories	9	**5,126,085**	4,337,308
Derivative financial instruments	21	**53,424**	22,687
Prepayments		**338,004**	367,479
Total current assets		**17,650,099**	19,794,988
NON-CURRENT:			
Investment in shares of associates	10	**5,210,747**	4,490,533
Property, plant and equipment, net	11	**49,233,497**	42,913,106
Goodwill and intangible assets, net	12	**65,109,896**	56,320,857
Deferred income tax	18	**1,246,245**	865,050
Derivative financial instruments	21	**125,177**	549,721
Other accounts receivable	8	**348,733**	-
Total non-current assets		**121,274,295**	105,139,267
TOTAL ASSETS		**Ps 138,924,394**	Ps 124,934,255
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
CURRENT:			
Current debt	13	**Ps 4,368,363**	Ps 6,997,783
Factoring	14	**1,539,631**	1,440,933
Suppliers	15	**5,513,619**	4,732,998
Related parties	29	**1,000,055**	660,617
Derivative financial instruments	21	**614**	117,612
Income tax payable	26	**695,569**	621,606
Current deferred income tax for deconsolidation	26	**34,314**	41,454
Other current liabilities	16	**5,207,119**	4,470,718
Total current liabilities		**18,359,284**	19,083,721
NON-CURRENT:			
Non-current debt	13	**26,815,861**	32,916,496
Related parties	29	**-**	352,439
Employee benefits	17	**2,197,859**	1,767,243
Deferred income tax	18	**10,719,546**	8,981,182
Derivative financial instruments	21	**11,478**	-
Non-current deferred income tax for deconsolidation	26	**35,508**	62,180
Other non-current liabilities	16	**463,648**	139,010
Total non-current liabilities		**40,243,900**	44,218,550
TOTAL LIABILITIES		**58,603,184**	63,302,271
STOCKHOLDERS' EQUITY			
Controlling interest:			
Capital stock	19	**977,956**	971,558
Share premium		**38,673,544**	28,141,266
Retained earnings		**27,911,008**	22,941,806
Other accrued comprehensive income	20	**3,862,368**	(1,010,771)
Total controlling interest		**71,424,876**	51,043,859
Non-controlling interest		**8,896,334**	10,588,125
TOTAL STOCKHOLDERS' EQUITY		**80,321,210**	61,631,984
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**Ps 138,924,394**	Ps 124,934,255

(1) Revised to include fair value adjustments due to business combination in 2015, see Note 2.
The accompanying notes are an integral part of these consolidated financial statements.

Francisco Garza Egloff
Chief Executive Officer

Emilio Marcos Charur
Chief Financial Officer

Consolidated Statements of Income

For the years ended December 31, 2016 and 2015
(Thousands of Mexican pesos - Ps)

	NOTE	2016	2015
Net sales	6	**Ps 93,665,902**	Ps 76,453,841
Cost of sales	22	**(49,654,126)**	(39,363,362)
Gross profit		**44,011,776**	37,090,479
Selling expenses	22	**(24,142,854)**	(20,218,102)
Administrative expenses	22	**(5,094,709)**	(4,280,582)
Share of net income of strategic associates	10	**59,366**	63,477
Other income, net	23	**1,466,317**	98,629
Operating profit		**16,299,896**	12,753,901
Financial income	25	**1,541,973**	1,185,158
Financial expense	25	**(4,007,855)**	(3,003,377)
Financial result, net		**(2,465,882)**	(1,818,219)
Share of net income of associates	10	**165,077**	157,033
Profit before income tax		**13,999,091**	11,092,715
Income tax	26	**(4,288,383)**	(3,433,675)
Net consolidated profit		**Ps 9,710,708**	Ps 7,659,040
Net consolidated profit attributable to:			
Controlling interest		**Ps 9,033,535**	Ps 7,246,255
Non-controlling interest		**677,173**	412,785
		Ps 9,710,708	Ps 7,659,040
Earnings per basic share, in pesos		**Ps 5.38**	Ps 4.50
Earnings per diluted share, in pesos	30.i	**Ps 5.12**	Ps 4.50
Weighted average of outstanding shares (thousands of shares)		**Ps 1,678,753**	Ps 1,611,263

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

Francisco Garza Egloff
Chief Executive Officer

Emilio Marcos Charur
Chief Financial Officer

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015
(Thousands of Mexican pesos - Ps)

	NOTE		2016		2015
Profit for the year		Ps	9,710,708	Ps	7,659,040
Other comprehensive income items of the year, net of taxes:					
Items not to be reclassified to profit or loss					
Remeasurement of defined benefit liability, net	20		(215,391)		(161,605)
Equity in other comprehensive income of associates under equity method, net	20		(34,775)		532
			(250,166)		(161,073)
Items that may be reclassified to profit or loss					
Effect of derivative financial instruments designated as cash flow hedges, net	20		312,659		7,853
Effect of translation of foreign entities	20		7,097,623		639,516
			7,410,282		647,369
Total other comprehensive income for the year			7,160,116		486,296
Total comprehensive income for the year		Ps	16,870,824	Ps	8,145,336
Attributable to:					
Controlling interest		Ps	13,906,674	Ps	7,771,234
Non-controlling interest			2,964,150		374,102
Comprehensive income for the year		Ps	16,870,824	Ps	8,145,336

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

Francisco Garza Egloff
Chief Executive Officer

Emilio Marcos Charur
Chief Financial Officer

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2016 and 2015
(Thousands of Mexican pesos - Ps)

		CONTROLLING INTEREST		
NOTE 19	NOTE	CAPITAL STOCK	SHARE PREMIUM	RETAINED EARNINGS
Balances at January 1, 2015		Ps 971,558	Ps 28,120,700	Ps 18,507,756
Transactions with shareholders:				
Dividends declared in cash on April 15, 2015	19			(2,819,711)
Dividends to non-controlling interest				
Repurchase of own shares	3.u.		20,566	7,506
Non-controlling interest acquired through a business combination (1)	2			
			20,566	(2,812,205)
Net profit				7,246,255
Total other comprehensive income for the year	20			
Comprehensive income				7,246,255
Balances at December 31, 2015		971,558	28,141,266	22,941,806
Transactions with shareholders:				
Dividends declared in cash on April 14, 2016	19			(3,101,215)
Dividends to non-controlling interest				
Repurchase of own shares	3.u.		9,062	(101,107)
Non-controlling interest acquired in subsidiaries	30	1,975	3,156,623	205,791
Capital increase	2 and 19	4,423	7,366,593	(1,067,802)
		6,398	10,532,278	(4,064,333)
Net profit				9,033,535
Total other comprehensive income for the year	20			
Comprehensive income				9,033,535
Balances at December 31, 2016		Ps 977,956	Ps 38,673,544	Ps 27,911,008

(1) Revised to include fair value adjustments due business combination in 2015, see Note 2.
The accompanying notes are an integral part of these consolidated financial statements.

OTHER ACCRUED COMPREHENSIVE INCOME	TOTAL CONTROLLING INTEREST	NON-CONTROLLING INTEREST	TOTAL STOCKHOLDERS' EQUITY
(Ps 1,535,750)	Ps 46,064,264	Ps 3,320,080	Ps 49,384,344
	(2,819,711)		(2,819,711)
		(144,180)	(144,180)
	28,072		28,072
		7,038,123	7,038,123
	(2,791,639)	6,893,943	4,102,304
	7,246,255	412,785	7,659,040
524,979	524,979	(38,683)	486,296
524,979	7,771,234	374,102	8,145,336
(1,010,771)	51,043,859	10,588,125	61,631,984
	(3,101,215)		(3,101,215)
		(166,424)	(166,424)
	(92,045)		(92,045)
	3,364,389	(4,489,517)	(1,125,128)
	6,303,214		6,303,214
	6,474,343	(4,655,941)	1,818,402
	9,033,535	677,173	9,710,708
4,873,139	4,873,139	2,286,977	7,160,116
4,873,139	13,906,674	2,964,150	16,870,824
Ps 3,862,368	Ps 71,424,876	Ps 8,896,334	Ps 80,321,210

Francisco Garza Egloff
Chief Executive Officer

Emilio Marcos Charur
Chief Financial Officer

Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015
(Thousands of Mexican pesos - Ps)

	NOTE		2016		2015 (1)
Profit before income tax		Ps	**13,999,091**	Ps	11,092,715
Adjustments for:					
Depreciation and amortization	11		**4,646,262**		3,536,121
Write-off of property, plant and equipment	11		**593,393**		526,580
Write off of brand	23		**(1,488,176)**		-
Impairment of clients	22		**155,708**		73,329
Revenue from sale of property, plant and equipment	23		**(183,974)**		(12,022)
Costs related to employee benefits	17		**341,806**		277,906
Share of net income of associates	10		**(224,443)**		(220,510)
Financial result, net	25		**2,388,989**		1,750,233
			20,228,656		17,024,352
Changes in working capital:					
Clients and other accounts receivable, net	8		**(205,894)**		635,769
Inventories	9		**(383,762)**		(407,199)
Suppliers and related parties	15		**722,939**		430,407
Derivative financial instruments	21		**(166,510)**		(454,796)
Employee benefits	17		**88,810**		(1,658)
Other liabilities			**(206,183)**		(1,119,021)
			(150,600)		(916,498)
Income tax paid	26		**(4,320,312)**		(4,509,654)
Net cash flow generated from operating activities			**15,757,744**		11,598,200
Investment activities					
Acquisitions of property, plant and equipment	11		**(7,378,938)**		(5,728,230)
Disposal of property, plant and equipment	11		**1,639,612**		179,499
Purchase of intangible assets	12		**(120,444)**		(197,064)
Purchase of shares of associates	10		**(507,730)**		(366,486)
Dividends collected from associates	10		**14,450**		21,080
Interest collected and other financial income	25		**330,966**		478,986
Sale of brand	23		**1,488,176**		-
Business acquisition, net of cash received from that operation	2		**(1,721,660)**		(14,477,423)
Net cash flow used in investment activities			**(6,255,568)**		(20,089,638)
Financing activities					
Current and non-current debt obtained	13		**4,700,000**		18,931,890
Payment of current and non-current debt	13		**(18,367,568)**		(6,873,196)
Factoring	14		**98,698**		119,771
Interest paid and other financial expense	25		**(2,258,818)**		(1,310,300)
(Purchase) sale of own shares	3.u		**(92,045)**		28,072
Capital increase	2 and 19		**7,371,016**		-
Dividends paid to non-controlling interest			**(166,424)**		(144,180)
Acquisition of non-controlling interest	30		**(1,125,128)**		(130,447)
Dividends paid to controlling interest	19		**(3,101,215)**		(2,819,711)
Net cash flow (used) generated in financing activities			**(12,941,484)**		7,801,899
Net decrease in cash and cash equivalents			**(3,439,308)**		(689,539)
Exchange fluctuation in cash and cash equivalents			**690,194**		(54,436)
Cash and cash equivalents at beginning of year			**8,295,334**		9,039,309
Cash and cash equivalents at end of year		Ps	**5,546,220**	Ps	8,295,334
Investment transactions not requiring cash flow:					
Acquisition of non-controlling interest in Arca Ecuador	30	Ps	**3,364,389**	Ps	-
Acquisition of building on financial lease	11	Ps	**75,356**	Ps	-

(1) Revised to incorporate fair-value adjustments of 2015 business combination, see Note 2.
The accompanying notes are an integral part of these consolidated financial statements.

Francisco Garza Egloff
Chief Executive Officer

Emilio Marcos Charur
Chief Financial Officer

Notes to the Consolidated Financial Statements

At December 31, 2016 and 2015
(In thousands of Mexican pesos - Ps -, except where otherwise indicated)

Note 1 - Entity and operations:

Arca Continental, S. A. B. de C. V. and subsidiaries (AC or the Company) is a company engaged in the manufacturing, distribution and sale of soft drinks of brands owned or licensed by The Coca-Cola Company (TCCC). The shares of AC are registered in the National Securities Registry of the National Banking and Securities Commission (CNBV) and listed in the Mexican Stock Exchange (BMV). In accordance with the bottling agreements between AC and TCCC and the bottling authorizations granted to the latter, AC has the exclusive right to perform this type of activities with Coca-Cola products in different territories of Mexico, Argentina, Ecuador and Peru. The beverage portfolio of the Company includes a cola and flavored soft drinks, purified and flavored water, and other carbonated and non-carbonated drinks, in different presentations (see Note 28). Additionally, until July 22, 2016, the Company's portfolio included an own brand that it sold on that date to TCCC, although it kept brand and distribution rights in the US (see Note 23).

Additionally, the Company manufactures, distributes and sells food and snacks under the brands Bokados and Wise, and other brands managed by its subsidiaries Nacional de Alimentos y Helados, S. A. de C.V., Bbox Vendings, S. de R.L. de C.V., Industrias Alimenticias Ecuatorianas, S. A. (Inalecsa) and Wise Foods, Inc. (Wise Foods), as well as high value-added dairy products under the Toni brands in Ecuador.

AC performs activities through subsidiary companies, which it owns or in which it directly or indirectly has the majority of common shares representative of their capital stock. See Note 30. The term "the Company" as used in this report, refers to AC together with its subsidiaries.

As mentioned in Notes 19 and 30, AC restructured the non-controlling interest comprised of 25% of the capital stock of Arca Ecuador, S.A., for which purpose it carried out a merger through an exchange of shares, whereby AC issued 29,052,596 common, nominative shares with no par value, in favor of the minority shareholders in exchange for said non-controlling interest.

Arca Continental, S. A. B. de C. V. is a variable income company incorporated in Mexico, and domiciled in Ave. San Jerónimo number 813 Poniente, in Monterrey, Nuevo Leon, Mexico.

In the following notes to the consolidated financial statements, reference to pesos or "Ps" means thousands of Mexican pesos. Reference to dollars or "US" means thousands of US dollars, except where otherwise indicated.

Note 2 - Business combinations:

2016

A. ACQUISITION OF THE FAMAILLÁ SUGAR MILL

On April 5, 2016, through its subsidiary Salta Refrescos, S.A. (SRSA), the Company signed a Transfer Agreement to acquire certain assets for processing sugar cane. As a result of the acquisition, SRSA recognized in its books the Famaillá sugar mill assets, including the existing machinery, the property and certain operating personnel of the sugar mill.

Additionally, as a condition to complete the transaction, certain commitments were assumed by the previous owner of the Famaillá sugar mill, which consisted of: a) the supply of sugar cane to the acquired sugar mill, and b) purchases of sugar and alcohol produced at the mill during the contract period.

The main purpose behind the acquisition of the mill was to partially replace and ensure sources of basic raw materials for the production process. However, the raw material must first be certified to comply with the Company's quality standards.

The transaction was set at the market value of the acquired assets, in accordance with data obtained from the valuation and studies conducted by independent experts. The fair value of the acquired assets was Ps711,313. Nevertheless, the transaction required obtaining a mortgage guarantee worth Ps272,920, which was recognized by the Company as both a right and a contingency provision. The Company recorded the transaction in accordance with the applicable IFRS provisions (see Note 11).

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

On May 10, 2016, AC Negocios Complementarios, S. A. de C. V., a subsidiary of AC, signed an agreement to acquire 100% of the shares of Norco Company Incorporated, S. A. C. (Norco), a peruvian company, Vendomática, holder of 100% of the shares of Vend S. A. C. (Vendsac) and Vendtech S. A. C. (Vendtech). These companies are mainly engaged in selling mass consumption products such as coffee, cookies, chocolate, etc., through vending machines, and installing and providing maintenance to those machines, respectively.

The acquisition was agreed at approximately Ps1,010,347, which amount will be accurately determined after the aforementioned valuation concludes. At December 31, 2016, AC was still in the process of determining the proper distribution and recording of the purchase price considering the fair values of the assets acquired and liabilities assumed from Norco, since at the date of these financial statements it was missing the required appraisals by independent experts. Valuation and recording of the transaction will conclude in a maximum period of twelve months, as allowed by IFRS regulations, after the date of acquisition.

Fee expenses related to the transaction were recorded under "Other income (expenses), net", see Note 23.

2015

On September 10, 2015, AC and other members of the Lindley family, controlling shareholders of Corporación Lindley, S. A. (CL) agreed to a transaction by means of a share sale and purchase agreement. Through this transaction, CL integrated its operations to those of AC. As part of this transaction, AC (i) acquired from several members of the Lindley family, which are part of CL's control group, the amount of 308,847,336 common shares of CL, with full rights to vote and representative of 53.16% of the shares with the right to vote (see Note 30). CL is mainly engaged in the preparation, bottling, distribution and sale of non-alcoholic beverages and carbonated water, as well as fruit pulp and nectar using Coca-Cola, as well as Inca-Kola brand products.

The purchase price of the shares was US$758,700. Additionally, as part of the sale and purchase agreements, AC made a payment of US$150,000 as consideration for the obligation of the Lindley family not to compete with AC. Upon signing the share sale and purchase agreement, AC and the Lindley family entered into a share subscription agreement abiding by Mexican laws, through which the members of the Lindley family are jointly obliged to subscribe and pay 64,530,425 shares representative of the capital stock of AC in the amount of US$400,000 and AC agreed to deliver those shares subject to compliance with certain conditions.

On September 11, 2015, AC acquired common shares representing 0.2397% of the shares with voting rights.

The valuation method for the business acquisition used was the purchase method, and in this case both agreements were considered to be an integral part of the same transaction, with which AC determined that the consideration paid was comprised of a cash disbursement and the remaining amount was paid in own shares with a specific value determined as of that date in relation with their market quotation value, resulting in a total consideration of Ps15,230,075.

As mentioned in Note 19, at the December 29, 2015, Meeting the shareholders' authorized issuance of the shares and on February 22, 2016, the shares were subscribed and paid in.

In 2016, the independent experts concluded the study that made it possible to record the final figures of the distribution of the purchase price at fair values of assets and liabilities acquired from CL, which study at December 31, 2015 was in the preliminary phase. The following table summarizes the consideration paid by AC, the preliminary determination of the fair value of acquired assets and liabilities, and the non-controlling interest at the acquisition date.

	PRELIMINARY VALUES	FAIR VALUE ADJUSTMENTS	FINAL VALUES
Cash and cash equivalents	Ps 752,652		Ps 752,652
Accounts receivable, net (1)	2,397,609		2,397,609
Inventories	1,131,360		1,131,360
Other current assets (2)	53,865	Ps 450,184	504,049
Derivative financial instruments	559,487		559,487
Property, plant, and equipment	15,680,661	142	15,680,803
Intangible assets (3)	11,783,051	862,945	12,645,996
Other assets	199,770	29,705	229,475
Debt	(47,405)		(47,405)
Suppliers and accounts payable	(3,644,916)		(3,644,916)
Other accounts payable (4)	(718,014)		(718,014)
Derivative financial instruments	(409,683)		(409,683)
Non-current debt	(10,030,476)	(670,640)	(10,701,116)
Deferred income tax	(4,876,683)	356,179	(4,520,504)
Net acquired assets	12,831,278	1,028,515	13,859,793
Goodwill	15,683,983	(7,275,578)	8,408,405
	28,515,261	(6,247,063)	22,268,198
Non-controlling interest (5)	(13,356,548)	6,318,425	(7,038,123)
Total consideration paid	Ps 15,158,713	Ps 71,362	Ps 15,230,075

(1) The contractual amount of accounts receivable is Ps2,519,678, of which Ps122,069 is expected not to be recoverable.
(2) The fair value adjustment includes Ps450,326, which relates to the effects of valuation at fair value of AC's rights in relation to the joint obligation of subscribing and paying in 64,530,425 shares of AC, described above and in Note 19.
(3) Intangible assets are mainly comprised of the bottling agreement with TCCC and the non-competition agreement (see Note 12). The Ps862,945 fair value adjustment relates to the bottler agreement.
(4) No contingent liability has arisen from this acquisition that should be recorded.
(5) The preliminary non-controlling interest is measured at fair value at December 31, 2015, while in the determination of final fair values it is measured on the basis of the proportional value of net assets acquired further to IFRS.

Fee expenses related to these transactions were recorded under "Other expenses, net", see Note 23. Also, the share of AC in the unaudited proforma net income of Corporación Lindley, as if acquired on January 1, 2015, amounted to Ps12,257,976. The revenues of Corporación Lindley for the period from the acquisition date up to December 31, 2015 were Ps4,361,544.

Note 3 - Summary of significant accounting policies:

The accompanying consolidated financial statements and notes were authorized for issuance on March 5, 2017 by the officials that sign the basic financial statements and accompanying notes.

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

A. BASIS FOR PREPARATION

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

The consolidated financial statements have been prepared under the historical cost, except for the cash flow hedging instruments measured at fair value.

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

B. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

i. New and amended standards adopted by the Company

The following standards have been adopted by the Company for the first time for the year beginning January 1, 2016:

• Accounting treatment of acquisitions of interest in joint operations - IFRS 11 Revisions.
• Explanation of acceptable depreciation and amortization methods - Changes to IAS 16 and IAS 38.
• IFRS annual revisions - 2012- 2014 cycle.
• Disclosure Initiative - Amendments to IAS 1.

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

ii. New standards, amendments and interpretation issued but not yet mandatory, that were not adopted by AC

A number of new standards, amendments and interpretations of standards have been issued but are not effective for reporting years at December 31, 2016. Valuation by AC of the effects of those new standards and interpretations is shown below:

• IFRS 9 'Financial instruments'. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting and a new model of impairment of financial assets.

This standard will require the Company to conduct a detailed assessment of the classification and measurement of financial assets, such as: debt instruments classified as financial assets available for sale, for which purpose there is the option to classify them at fair value through other comprehensive income (VRORI from Spanish), in which case there would be no changes in the accounting treatment of those assets.

Given that AC holds no such financial assets, the new guidelines are not expected to have a significant effect on the classification and measurement of financial assets.

The accounting treatment of AC financial liabilities will not be affected, since the new requirements only affect accounting for financial liabilities designated at fair value through profit or loss, and AC holds no such liabilities. The rules for disposing of such liabilities have been transferred to IAS 39, Financial instruments: Recording and Measurement and have not been amended.

The new rules for hedge accounting will align the accounting for hedge instruments by making them more compatible to the risk management practices of AC. As a general rule, there will be more hedge ratios eligible for hedge accounting, since the standard introduces an approach more focused on principles.

Although the Company still has to conduct a thorough evaluation, it would seem that the current hedge ratios would continue to be eligible "as is" after applying IFRS 9.

Therefore, AC does not expect a material effect to occur when accounting for its hedge relationships.

The new impairment model requires recognizing impairment estimates based on expected loan losses, rather than on incurred loan losses, under IAS 39, and it applies to financial assets classified at amortized cost, debt instruments measured at VRORI, contractual assets involved in contracts signed with clients in accordance with IFRS 15, accounts receivable from leases, loan commitments and certain financial guarantee agreements. Ac is still in the process of conducting a thorough assessment of the effects of the new model on its impairment estimates. Therefore, at the date of these financial statements there is no estimate for possible early recognition of loan losses. However, based on AC historic conservative practices, no significant effects are expected to arise due to application of the model.

The new standard also introduces wider disclosure requirements and presentation changes, which means that there could be a change in the nature and scope of AC disclosures on its financial instruments, particularly as regards the year of application of the new standard.

This standard is applicable in full as of years staring on January 1, 2018.

• IFRS 15 "Revenue from contracts with customers". The IASB has issued a new standard for recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service is transferred to a customer. The standards allows for a full retrospective application approach, as well as a modified retrospective approach.

Management is currently evaluating the effects of applying the new standard to the financial statements of AC and it has identified that applying the standard will have a marginal effect on recognition of revenue from sales of beverages and snacks to third parties. Furthermore, no significant effects are expected to arise as a result of the commercial programs that are eventually established for certain clients, mainly in the modern channel, given the short life of those programs and because there are no changes in the policies for revenue recognition associated to a commercial program.

AC will continue to evaluate the related effects over the next twelve months. The Company will apply the standard as of January 1, 2018, on which date it becomes mandatory.

• IFRS 16 – "Leases" IFRS 16 was published in January 2016 and establishes that practically all lease agreement must be recognized in the statement of financial position, as it eliminates the difference between financial and operating leases, and requires recognition of an asset for the right to use the leased good, and a financial liability representing the obligation to pay rent fees, except for short-term and/or immaterial value leases.

This standard will mainly affect the accounting for operating leases of AC. At the date of this report, AC has non-cancellable operating lease commitments, as shown in Note 27. However, some of those commitments may full under the short-term/immaterial value exception, and other commitments may relate to agreements not qualifying as leases under IFRS 16.

At the date of this report, AC has not determined the extent to which these commitments will require recognizing an asset and a liability for future payments, or how they will affect profits and the classification of its cash flows.

The standard is mandatory for years starting on January 1, 2019. AC does not plan to apply the standard in advance.

No other standards not yet enacted have been identified that could significantly affect the entity in present or future reporting periods, or affect foreseeable future transactions.

C. CONSOLIDATION

i. Subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases (see Note 30).

The method of accounting used by the Company for the business combinations operations is the purchase method. The consideration transferred in the acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and ownership in equity issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement.

When the payment of any part of the consideration in cash is deferred, the amounts payable in the future are discounted at present value at the transaction date. The discount rate used is the incremental rate of the Company's debt. This rate is similar to that obtained from a debt of independent financing sources under comparable terms and conditions. The contingent consideration is classified as capital or as a financial liability. The amounts classified as financial liabilities are reassessed subsequently at fair value and any changes are recorded in the consolidated income.

The costs related to acquisitions are charged to income when incurred. Acquired identifiable assets, assumed liabilities and contingent liabilities in the joint operation are measured initially at fair value at their acquisition date. The Company recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the statement of income. Intercompany transactions and balances, as well as unrealized gains in intercompany transactions of the Company are eliminated in the preparation of the consolidated financial statements. Unrealized losses are eliminated. In order to ensure consistency with the policies adopted by the Company, accounting policies of the subsidiaries have been modified where considered necessary.

ii. Changes in the interest in subsidiaries without loss of control
Transactions carried out with the non-controlling interest that do not result in the loss of control are accounted for as stockholders' equity transactions, i.e., as transactions conducted with the shareholders. The difference between the fair value of the consideration paid and the interest acquired in the book value of the subsidiary's net assets is recorded in stockholders' equity. Losses or gains from the sale of the non-controlling interest are also recorded in stockholders' equity.

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

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

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

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

The share in income of associated entities is recorded in the statement of income, and share in the changes in other comprehensive income, subsequent to acquisition, is recorded in other comprehensive income. The Company presents the share of net income of associates considered comprehensive vehicles through which the Company performs its operations and strategy as part of the operating profit. Cumulative changes subsequent to the acquisition are adjusted against the value in books of the investment. When the share in losses of an associated company equals or exceeds the equity in associated company, including any other account receivable, the Company does not recognize additional losses, unless it has incurred in obligations or made payments on behalf of the associate.

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

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

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

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

D. FOREIGN CURRENCY TRANSACTIONS

i. Functional and reporting currency

Amounts included in the financial statements of each one of the Company's entities should be measured using the currency of the primary economic environment where the entity operates ("functional currency"). Consolidated financial statements are presented in Mexican pesos, which is the Company's reporting currency. Functional currency of the Company and its subsidiaries is described in Note 30.

ii. Transactions and balances

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

iii. Conversion of foreign subsidiaries

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

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

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

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

Before their conversion to pesos, the financial statements of foreign subsidiaries the functional currency of which is that of a hyperinflationary economy, is adjusted by inflation to reflect the changes in purchasing power of the local currency. Subsequently, assets, liabilities, revenues, costs and expenses are converted at the reporting currency using the exchange rate effective at year end. To determine the existence of hyperinflation, the Company evaluates the qualitative characteristics of the economic environment, as well as the quantitative characteristics established by IFRS of a cumulative inflation rate equal or greater than 100% in the most recent three-year period.

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

	December 31,	
	2016	2015
Pesos per US dollar	**20.66**	17.34
Pesos per Peruvian Sol	**6.16**	5.08
Pesos per Argentinian peso	**1.30**	1.34
Pesos per Euro	**21.80**	18.85

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

	December 31,	
	2016	2015
Pesos per US dollar	**18.62**	16.01
Pesos per Peruvian Sol	**5.51**	5.09
Pesos per Argentinian peso	**1.25**	1.71
Pesos per Euro	**20.68**	17.67

E. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, all of these are subject to a low significant risk of changes in value or country risk.

F. FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

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

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

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

Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement in the period in which they arise under other expenses, net. Income from dividends from financial assets recorded at fair value in income are recorded in the statement of income as other income when it is established that the Company has the right to receive it.

ii. Loans and trade receivables
Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

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

Accounts receivable represent amounts owed by clients on the sales of goods and services rendered over the normal course of the Company's operations.

iii. Financial assets available for sale
Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures in a period less than 12 months or Management intends to dispose of it within the following 12 months after the date of the balance sheet.

Available for sale financial assets are recognized initially at its fair value plus any directly attributable transaction costs. Subsequently, these assets are measured at fair value.

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

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

At December 31, 2016 and 2015, there are no assets available for sale.

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

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

OFFSETTING FINANCIAL INSTRUMENTS
Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right should not be contingent to future events and should be enforceable in the normal course of business, as well as in the case of default, insolvency or bankruptcy of the Company or the opposing party. At December 31, 2016 and 2015, there is no compensation of financial assets and liabilities.

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

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

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

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

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

G. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

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

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

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

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

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

When the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognized in cost of goods sold in the case of inventory or in depreciation in the case of fixed assets. The Company discontinues accounting for hedge transactions when the derivative instrument has expired, been cancelled or been exercised, when it has not reached a high degree of effectiveness to offset the changes in the fair value or cash flow of the hedged item, or when its designation as a hedge is cancelled.

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

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

H. INVENTORIES

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

I. NON-CURRENT ASSETS AVAILABLE FOR SALE

Non-current assets (or groups to be written off) are classified as available for sale when their value in books will recover mainly through a sales transaction, which is considered highly probable.

These assets are recorded at the lowest value resulting from comparing the balance in books and the fair value of the sales costs, they are not depreciated or amortized while classified as available for sale and are presented separately from other assets in the statement of financial position. At December 31, 2016 and 2015 the Company had no assets available for sale.

J. ADVANCE PAYMENTS

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

K. PROPERTY, PLANT AND EQUIPMENT

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

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

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

Buildings	30 to 70 years
Machinery and equipment	10 to 25 years
Transportation equipment	10 to 15 years
Furniture and others	3 to 10 years
Bottles and distribution boxes	2 to 7 years
Refrigerators and sales equipment	10 years
Computer equipment	4 years

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

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

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets requiring a substantial period (twelve months or more), are capitalized as part of the acquisition cost of such qualifying assets, until they are ready for the use to which they are intended or for its sale. At December 31, 2016 and 2015 the calculation of these costs is based on specific and general loans.

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

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

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

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

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

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

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

L. LEASES

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

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

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

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

M. INTANGIBLE ASSETS

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

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

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

INTANGIBLE ASSETS ARE CLASSIFIED AS FOLLOWS:
i. Indefinite useful life
These intangible assets are not amortized and are subject to annual impairment assessment. To date, no factors have been identified limiting the life of these intangible assets.

Indefinite useful life intangible assets consist of: a) bottling agreements that AC has held with TCCC, which grant the rights to produce, package and distribute products owned by TCCC in territories where the Company operates; b) brands with which Nacional de Alimentos y Helados, S. A. de C. V. (NAYHSA), Wise Foods, Tonicorp and Inalecsa market their products, which are considered to be very valuable and have an advantageous position in the market, and c) distribution rights of Tonicorp. The aforementioned agreements have certain maturity dates and do not guarantee their perpetuity; however, the Company considers, based on its own experience and market evidence, that it will continue renovating these agreements and therefore it has assigned them as indefinite useful life intangible assets (see Note 12). These indefinite useful life intangible assets are assigned to cash generating units in order to perform impairment tests.

ii. Finite useful life
These assets are recognized at cost less accumulated amortization and impairment losses recognized. They are amortized on a straight line basis over their estimated useful life, determined based on the expectation of generating future economic benefits, and are subject to impairment tests when triggering events of impairment are identified. These intangible assets correspond to non-competition agreements of the business combinations and to certain brands and software, which are amortized in periods of 5, 10, and 30 years based on the characteristics of each asset (see Note 12).

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

N. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

O. FACTORING

A liability with suppliers is eliminated from the statement of financial position of the entity when it is extinguished; that is, when the obligation is eliminated, cancelled or expired. The Company contracts financial factoring for the financing of accounts payable to suppliers in Peru and when the modification of terms and conditions indicate that a liability with suppliers is extinguished, a new financial liability is considered to be present with the entity granting the factoring, resulting in the derecognition of the original liability with the supplier.

P. INCOME TAXES

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

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

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

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

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

Q. EMPLOYEE BENEFITS

The Company grants the following plans:

I. PENSION PLANS

Defined contribution plans:

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

Defined benefit plans:

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

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

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

Past-service costs are recognized immediately in income.

II. TERMINATION BENEFITS

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

III. SHORT-TERM BENEFITS

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

IV. PROFIT SHARING AND BONUS PLANS

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

R. PROVISIONS

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

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

S. CAPITAL STOCK

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

T. COMPREHENSIVE INCOME

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

U. FUND FOR REPURCHASE OF OWN SHARES

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

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

V. INFORMATION BY SEGMENTS

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

W. REVENUE RECOGNITION

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

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

X. EARNINGS PER SHARE

Earning per share is calculated by dividing the net profit attributable to controlling interest by the weighted average number of common shares outstanding during the year.

The amounts used in the determination of the basic profit per share are adjusted for diluted profits to consider the weighted average of the additional number of shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Y. INCENTIVE AGREEMENT FOR THE BOTTLER

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

Note 4 - Risk management and capital:

I. RISK MANAGEMENT

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

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

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

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

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

Transactions with derivative financial instruments performed by the Company, are contracted and managed in a centralized and corporate manner, contracting the transactions necessary for their subsidiaries, which do not perform this type of transactions individually. An exception to the foregoing is the case of CL, which conducts its own operations. The Company operates this type of agreements with financial and banking institutions and with a robust operating and financial structure.

MARKET RISK

A. CURRENCY EXCHANGE RISK (EXCHANGE RATE)

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

The Company has a policy to operate mainly in the markets of its subsidiaries. The debt is contracted in the local currency of such markets, except for Peru where its subsidiary CL maintains long-term debt in US dollars (see Note 13), for which purpose Management monitors the risk of fluctuation of fair value of the future cash flows of these instruments due to changes in exchange rates and macroeconomic variables and has subscribed Cross Currency Principal Only Swap agreements to hedge a portion of its exposure to exchange risk arising from its 144A corporate bonds in Peru. On February 17, 2016, the Company subscribed cross currency swaps for a notional US$130 million, which it realized with JPMorgan by US$65 million and Bank of America by US$65 million. Those initiatives have considerably reduced the level of exposure in Peru. Of the loans contacted in Mexico for the business combination with CL on September 10, 2015 for a total of US$910 million through an early-payment arrangement, only US$230 million is left over at December 31, 2016, which was refinanced in pesos in January 2017, thus eliminating the exposure to foreign currency debt in Mexico.

The net sales are denominated in Mexican pesos, Argentinian pesos, US dollars and Peruvian soles. In 2016 and 2015, 60.44% and 60.04% of the sales were generated in Mexican pesos, 9.95% and 13.76% in Argentinian pesos, 13.63% and 20.50% in US dollars, respectively; and 15.97% and 5.70% in Peruvian Soles. These currencies correspond to the functional currency of each consolidated entity (see Note 30).

Following is the breakdown of the Company's exposure to exchange rate risk at December 31, 2016 and 2015. The accompanying tables reflect the accounting value of monetary assets and liabilities of the Company denominated in foreign currency:

	(Thousands of Mexican pesos)					
	At December 31,					
	2016			2015		
	US DOLLAR	ARGENTINIAN PESO	PERUVIAN SOLES	US DOLLAR	ARGENTINIAN PESO	(1) PERUVIAN SOLES
Monetary assets	**Ps 4,038,941**	**Ps 2,150,177**	**Ps 3,327,194**	Ps 3,744,556	Ps 2,236,953	Ps 4,608,073
Monetary liabilities	**(3,353,518)**	**(1,627,273)**	**(4,709,235)**	(7,502,972)	(1,450,372)	(4,204,061)
Non-current monetary Liabilities	**(14,467,365)**	**(791,815)**	**(1,801,765)**	(25,518,336)	(291,677)	(144,751)

(1) Revised for fair value adjustments to 2015 business combination,

Following is a sensitivity analysis regarding the unfavorable effect on the Company's comprehensive income due to its exposure to the net position in foreign currencies at December 31, 2016 and 2015:

	Hypothetical variation (all other variables constant)	
	2016	2015
Increase of one peso with respect to the US dollar	**(Ps 666,954)**	(Ps 1,771,954)
Increase/decrease of 50 cents with respect to Argentinian peso	**(258,401)**	(184,666)
Increase/decrease of 50 cents with respect to Peruvian Sol	**(103,285)**	(25,518)

This exposure is to the changes in exchange rates related to the conversion from Argentinian pesos, US dollars and Peruvian Soles to Mexican pesos of income, assets and liabilities of its subsidiaries in the United States of America, Argentina, Ecuador and Peru. As detailed below in this Note, the Company also contracts derivative financial instruments for hedging purposes of certain commitments denominated in foreign currency for the purchase of raw materials. The Company does not cover the risks related to the conversion of subsidiaries, which effects are recorded in stockholders' equity.

B. INTEREST RATE RISK

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

The Company occasionally contracts derivative financial instruments to minimize the market risk and the possible effects that may arise due to a significant increase in interest rates.

The derivative financial instruments that Company occasionally contracts are interest rate swaps over stock certificates with variable interest rates. At December 31, 2016 and 2015, the Company had no effective interest rate hedges.

At December 31, 2016 and 2015, most of the debt, considering its value in pesos, was referenced to a fixed interest rate. At December 31, 2016, Ps20,130 million representing 65% of total debt and at December 31, 2015, Ps20,736 million representing 52.8%, were subject to a fixed interest rate.

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

The terms and conditions of the Company's obligations at December 31, 2016, including exchange rates, interest rates, maturities and effective interest rates, are detailed in Note 13.

At December 31, 2016, if the 28-day TIIE or LIBOR had increased 100 basis points (1.00%) with all other risk factors constant, it would have negatively impacted comprehensive income by Ps61,518 and Ps23,132, respectively.

C. RAW MATERIALS PRICE RISK

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

The main raw materials used in the production are the concentrates acquired from TCCC, sweetening and aluminum and plastic packaging. The Company is exposed to the exchange rate fluctuation risk due to the exchange rate fluctuations in the prices of sweeteners and plastic packaging representing overall 22% (22% in 2015) of the cost of sales of beverages. The Company performs hedging activities on purchases of these raw materials, in order to avoid price variations due to exchange rate fluctuations. (See Note 21, point iv).

At December 31, 2016, an appreciation of 1 Mexican or 1 Peruvian sol peso vis-a-vis the US dollar with all other variables constant would have negatively affected the valuation of derivative financial instruments in stockholders' equity by Ps297,203 and Ps109,353, respectively. The impact in the net income for the year would not be significant since the instruments that expose the Company to these risks are under highly effective cash flow hedges.

CREDIT RISK

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

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

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

Since part of the clients to which the Company sells its products have no independent credit quality rating, management determines the maximum credit risk for each one of them, considering their financial position and past experience, among other factors. The credit limits are established in accordance with policies established by management, which has controls to ensure their compliance.

During 2016 and 2015, around 60% and 61%, respectively, of Company sales were made in cash; consequently, there is no relevant credit risk associated to accounts receivable.

Additionally, up to 36% and 26% of the net sales of 2016 and 2015, respectively, were made to institutional clients, which have no history of payment non-compliance; therefore, no impairment has been recorded.

LIQUIDITY RISK

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

The Company has access to national and international banking institutions credit to face the needs of treasury. The Company also has the highest rating for Mexican companies (AAA) granted by independent rating agencies, as well as global ratings (A and A2), both issued by independent rating agencies, which allows it to assess the capital markets in case it needs resources.

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

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

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

The remaining contractual maturities of financial liabilities of the Company, which include mainly the capital and interest payable in the future up to maturity, at December 31, 2016 and 2015 are as follows:

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

AT DECEMBER 31, 2015	LESS THAN ONE YEAR	FROM 1 TO 3 YEARS	FROM 3 TO 5 YEARS	MORE THAN 5 YEARS	TOTAL
Current and non-current debt	Ps 8,475,563	Ps 7,061,670	Ps 31,170,476	Ps 428,541	Ps 47,136,250
Suppliers, related parties and sundry creditors	5,864,381	117,480	117,480	117,479	6,216,820
	Ps 14,339,944	Ps 7,179,150	Ps 31,287,956	Ps 546,020	Ps 53,353,070

At December 31, 2016 and 2015, the Company has no unused credit lines.

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

The Company manages its capital structure and makes adjustments thereto when there are changes in economic conditions and in the risk characteristics of the underlying assets. The Company monitors its capital based on the ratio of Net Debt divided by Equity.

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

The Net Debt-Capital ratio at December 31, 2016 and 2015 is shown as follows:

	December 31,			
	2016		2015 (1)	
Total debt (Note 13)	**Ps**	**31,184,224**	Ps	39,914,279
Less: Cash and cash equivalents		**(5,546,220)**		(8,295,334)
Net debt	**Ps**	**25,638,004**	Ps	31,618,945
Total Stockholders' Equity	**Ps**	**80,321,210**	Ps	61,631,984
Net Debt Ratio		**31.92%**		51.30%

(1) Revised for fair value adjustments due to business combination in 2015.

Note 5 - Critical accounting estimates and judgments:

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

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

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

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

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

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

With regard to the calculation of the value in use of the Cash Generating Units (CGUs), AC management considers that a change in the current method for determining future cash flows by replacing the outflow operating multiple with a perpetuity and grossing up future growth would have caused the value in use to be lower than the book value of the CGUs of Bebidas Ecuador, Inalecsa and Toni by 61%, 46% and 17%, respectively, (53%, 38% and 47%, respectively in 2015), given the effect of the increase in country risk and interest rate risks in Ecuador in 2016 on the determination of the discount rates applied to the flows of said CGUs (see Note 12).

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

As a result of the nature of the assessment of fair value, the allocation of the purchase price and determinations of fair value at the acquisition date, require significant judgments based on a wide range of complex variables in a specific period of time. Management uses all the information available to make the fair value determinations. At December 31, 2016, Management has determined, based on the above, the preliminary values of the acquired assets and assumed liabilities in the business combination as shown in Note 2, which may vary according to the final determination of the fair values.

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

The Company determines the adequate discount rate at year end. This interest rate is used to determine the present value of cash outflows required to settle expected future pension obligations. In the determination of the appropriate discount rate, the Company considers the discount interest rate in conformity with IAS 19 "Employee benefits" denominated in the currency used to pay benefits with terms to maturity that approximate the obligation terms of related pension obligations (see Note 17).

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

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

II. INVESTMENTS IN JOINT OPERATIONS
Management has assessed the terms and conditions contained in the stockholders' agreement for the joint arrangement of JV Toni, S.L. in Holding Tonicorp, S.A. (Tonicorp) and it has concluded that it has to be classified as a joint operation since it considers its design and purpose requires the AC beverages business in Ecuador to acquire, distribute and market the production of Tonicorp, transferring, therefore, the rights to the benefits and obligations of the liabilities of Tonicorp and its subsidiaries to the two shareholders that have joint control over the agreement, which according to IFRS 11, "Joint Arrangements" requires the agreement be classified as such.

III. USEFUL LIFE OF INTANGIBLE ASSETS
Indefinite life intangible assets of the Company include bottling agreements that AC has held with TCCC, which have certain maturity dates and do not guarantee their perpetuity; however, the Company considers, based on its own experience over the more than 90 years business relationship with TCCC and market evidence, that it will continue renovating these agreements, and therefore it has assigned them as indefinite useful life intangible assets (see Note 28).

Note 6 - Segment reporting:

Segment information is presented consistently with the internal reporting provided to the Company's Chief Executive Officer who is the highest authority in operational decision-making, resource allocation and assessment of operating segment performance. An operating segment is defined as a component of an entity on which separate financial information is regularly being evaluated.

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

The product segments to be reported for the Company are:
- Beverages (includes carbonated and non-carbonated beverages, dairy beverages, and water in the individual format): This segment manufactures, distributes and sells soft drinks of the TCCC brands, in several territories of Mexico, Argentina, Ecuador and Peru since 2015 and dairy beverages of the Santa Clara brand in Mexico and Toni in Ecuador. The Company includes the following within its beverage portfolio: cola and flavored drinks, purified and flavored water in an individual format, dairy drinks and other carbonated and non-carbonated drinks, in different presentations.
- Other segments - complementary businesses: This section represents those operating segments that do not consider reportable segments individually since they do not comply with the quantitative limits, as established by the Standard applicable to any of the reported years. In accordance with this standard, the operating segments with a total of revenues equal or less than 10% of the total income of the Company, do not require to be reported individually and may be grouped with other operating segments that do not comply with such limit, provided that the sum of these operating segments does not exceed 25% of its total revenues. These segments comprise the following complementary businesses:
  a. Beverages in individual formats sold through vending machines (Mexico)
  b. Snacks and frying (Mexico, Ecuador and United States)

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

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

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

Year ended December 31, 2016

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

Year ended December 31, 2015

	BEVERAGES				OTHER	ELIMINATIONS	TOTAL
	MEXICO	ARGENTINA	ECUADOR	PERU			
Statement of income:							
Sales by segment	Ps 43,063,010	Ps 10,519,965	Ps 10,571,798	Ps 4,361,544	Ps 7,937,524	Ps -	Ps 76,453,841
Inter-segment sales	Ps 829,530	-	-	-		Ps (829,530)	-
Sales to external clients	Ps 43,892,540	Ps 10,519,965	Ps 10,571,798	Ps 4,361,544	Ps 7,937,524	(Ps 829,530)	Ps 76,453,841
Operating profit	Ps 8,993,055	Ps 1,735,033	Ps 1,103,515	Ps 536,289	Ps 386,009	Ps -	Ps 12,753,901
Operating cash flow (1)	Ps 11,172,377	Ps 2,084,206	Ps 1,742,086	Ps 1,002,784	Ps 705,460		Ps 16,706,913
Non-recurring expenses	Ps 252,877	Ps 16,870	Ps 52,665	Ps 77,817	Ps 16,662		Ps 416,891
Depreciation and amortization	Ps 1,926,445	Ps 332,303	Ps 585,906	Ps 388,678	Ps 302,789		Ps 3,536,121
Financial income	Ps 1,003,933	Ps 153,071	Ps 7,912	Ps 4,450	Ps 15,792		Ps 1,185,158
Financial expense	Ps 1,861,460	Ps 272,834	Ps 261,072	Ps 596,429	Ps 11,582		Ps 3,003,377
Share of net income of associates	Ps 157,033						Ps 157,033
Profit (loss) before income tax	Ps 8,292,561	Ps 1,615,270	Ps 850,355	(Ps 55,690)	Ps 390,219	Ps -	Ps 11,092,715
Statement of financial position:							
Total assets	Ps 53,434,530	Ps 5,069,228	Ps 21,131,903	Ps 41,663,809	Ps 7,346,110	(Ps 3,711,325)	Ps 124,934,255
Investment in associates (2)	Ps 4,490,533						Ps 4,490,533
Total liabilities	Ps 32,941,913	Ps 1,875,399	Ps 9,551,737	Ps 20,149,688	Ps 2,203,444	(Ps 3,419,910)	Ps 63,302,271
Investments in fixed assets (Capex)	Ps 2,836,968	Ps 712,512	Ps 1,166,137	Ps 407,852	Ps 604,759		Ps 5,728,228

(1) Corresponds to the way in which AC measures its operating cash flow.
(2) Total investment in shares of associates is located in Mexico.

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

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

	Year ended December 31, 2015 (1)							
	SALES TO CUSTOMERS		PROPERTY PLANT AND EQUIPMENT		GOODWILL		INTANGIBLE ASSETS (1)	
Mexico	Ps	45,904,964	Ps	19,552,540	Ps	8,091,780	Ps	9,069,086
Peru		4,361,544		15,461,165		8,212,609		12,368,752
United States of America		4,343,228		1,040,751		1,727,456		2,141,751
Argentina		10,519,965		1,591,864		1,138,487		310,273
Ecuador		11,324,140		5,266,786		9,504,610		3,756,053
Total	Ps	76,453,841	Ps	42,913,106	Ps	28,674,942	Ps	27,645,915

(1) Revised for fair value adjustments due to business combination in 2015.

The Company's customers are commercial establishments classified into institutional clients and general clients, including supermarkets, convenience stores, institutions, companies and mainly grocery stores from small to big. During the years ended December 31, 2016 and 2015, none of the Company's clients accounted for 10% of its total sales.

Note 7 - Cash and cash equivalents:

Cash and cash equivalents are comprised as follows:

	At December 31,			
	2016		2015	
Cash at bank and in hand	**Ps**	**35,104**	Ps	21,738
Short-term bank deposits		**3,506,018**		2,919,625
Short term investments (less than three months)		**2,005,098**		5,353,971
Total cash and cash equivalents	**Ps**	**5,546,220**	Ps	8,295,334

At December 31, 2016 and 2015 the Company had no restricted cash and cash equivalents.

Note 8 - Customers and other accounts receivable, net:

Trade and other accounts receivable are comprised as follows:

	At December 31,			
	2016		2015 (1)	
Customers	Ps	4,946,641	Ps	4,524,025
Provision for impairment in customers		(417,767)		(281,687)
Customers, net		4,528,874		4,242,338
Recoverable taxes		526,922		375,672
Notes and other accounts receivable		290,845		719,940
Sundry debtors		1,134,415		1,333,841
	Ps	6,481,056	Ps	6,671,791

(1) Revised for fair value adjustments due to business combination in 2015.

At December 31, 2016 and 2015, none of the clients of AC represent individually or as a whole more than 10% of its revenues.

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

	At December 31, 2016			
	90 TO 180 DAYS		MORE THAN 180 DAYS	
Customers	Ps	105,787	Ps	217,202

	At December 31, 2015			
	90 TO 180 DAYS		MORE THAN 180 DAYS	
Customers	Ps	89,282	Ps	20,179

At December 31, 2016, there are trade accounts receivable impaired of Ps417,767 (Ps281,687 in 2015), which have been fully reserved (as in 2015). Trade accounts receivable balances impaired separately related mainly to traditional channel retailers that unexpectedly encounter economic difficulties.

Accounts receivable are expressed in the following currencies:

	At December 31,			
	2016		2015 (1)	
Mexican pesos	**Ps**	**2,770,052**	Ps	3,055,795
Peruvian soles		**1,320,927**		1,425,819
Argentinian pesos		**597,094**		440,897
US dollars		**1,792,983**		1,749,280
	Ps	**6,481,056**	Ps	6,671,791

(1) Revised for fair value adjustments due to business combination in 2015.

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

	At December 31,			
	2016		2015	
Opening balance	**Ps**	**281,687**	Ps	92,892
Provision for impairment in customers		**155,708**		73,329
Accounts receivable written off during the year		**(19,628)**		(6,603)
Increase from business combination		**-**		122,069
Closing balance	**Ps**	**417,767**	Ps	281,687

The changes in income of the impairment provision of clients are recognized in selling expenses. The fair value of trade and other accounts receivable at December 31, 2016 and 2015 approximate their carrying value (see Note 21 iii.).

The other non-current account receivable balance shown at December 31, 2016 is composed mainly of the asset from guarantees received on the acquisition of the Famaillá sugar mill of Ps272,920, as described in Note 2, and of other long-term account receivable.

Note 9 - Inventories:

The inventories consist of the following:

	At December 31,			
	2016		2015	
Raw materials	**Ps**	**1,848,426**	Ps	1,772,832
Finished goods		**1,930,433**		1,437,489
Materials and spare parts		**1,278,457**		1,067,953
Production in process		**68,769**		59,034
	Ps	**5,126,085**	Ps	4,337,308

For the years ended December 31, 2016 and 2015, Ps41,449,758 and Ps33,093,714, respectively, were recorded in income in relation to used-up inventories.

In the years ended on December 31, 2016 and 2015, the Company recorded Ps7,546 and Ps7,800, respectively, in income for damaged, slow-moving and obsolete inventories.

Note 10 - Investment in shares of associates:

The investment in shares of associates is comprised as follows:

	At December 31,			
	2016		2015	
Opening balance	**Ps**	**4,490,533**	Ps	3,925,662
Additions		**507,730**		366,565
Disposals		**-**		(1,656)
Dividends collected		**(14,450)**		(21,080)
Share in income of associates		**224,443**		220,510
Share in other comprehensive income of associates		**(34,775)**		532
Other movements		**37,266**		-
Closing balance	**Ps**	**5,210,747**	Ps	4,490,533

Following are the associates of the Company at December 31, 2016 and 2015, which in the opinion of Management, are material for the Company. The entities listed below have a capital stock consisting only of ordinary shares with voting rights, and in the case of Jugos del Valle, S.A.P.I. also with no voting rights, which are directly owned by AC. The incorporation and registration country is also its main place of business and the ratio of stock ownership is the same as the ratio of owned votes.

	December 31, 2016							
NAME OF THE ASSOCIATE	COUNTRY OF INCORPORATION	NATURE	VALUATION METHOD	BALANCE		GAIN (LOSS)		STOCK OWNERSHIP
Promotora Industrial Azucarera, S. A. de C. V. (PIASA) (1)	Mexico	Associate	Equity method	Ps	2,256,281	Ps	130,303	49.18%
Jugos del Valle, S. A. P. I. (JDV) (2)	Mexico	Associate	Equity method		984,519		28,146	16.45%
Petstar, S. A. P. I. de C. V. (PETSTAR) (3)	Mexico	Associate	Equity method		493,395		27,631	49.90%

	December 31, 2015							
NAME OF THE ASSOCIATE	COUNTRY OF INCORPORATION	NATURE	VALUATION METHOD	BALANCE		GAIN (LOSS)		STOCK OWNERSHIP
Promotora Industrial Azucarera, S. A. de C. V. (PIASA) (1)	Mexico	Associate	Equity method	Ps	1,655,508	Ps	144,970	49.18%
Jugos del Valle, S. A. P. I. (JDV) (2)	Mexico	Associate	Equity method		958,464		37,449	16.45%
Petstar, S. A. P. I. de C. V. (PETSTAR) (3)	Mexico	Associate	Equity method		465,764		(12,128)	49.90%

(1) PIASA is a company whose main activity is to trade between its stockholders and third parties, sugar and honey that it produces and acquires, and as a by-product the electric energy it generates. This investment allows the Company to supply sugar for the production process and at the same time to reduce its price risk exposure for such raw materials.
(2) JDV is a strategic investment whose main activity is the production, packaging, purchase, sale, distribution and marketing of juices, nectars and fruit beverages. JDV also markets products of third parties.
(3) PETSTAR is engaged in the collection and recycling of PET waste (Terephthalate Polyethylene) and its conversion into food grade resin and subsequent sale, mainly but not exclusively to its stockholders.

On December 28, 2015 PIASA concluded the offer settlement for Ps1,653,000, including VAT, to the Administration and Sale of Goods Service for the acquisition of fixed assets and labor obligations of the sugar plantation Plan de San Luis. At December 31, 2016, PIASA has concluded the process of determining the fair value of the acquired business. In 2015, PIASA obtained a short-term bank loan for this acquisition, whereby the Company is the guarantor of 49.18% of the loan amount. At December 31, 2016, PIASA has settled the full amount of that loan.

On February 26, 2016, the Company increased its investment in PIASA through a cash payment of Ps507,730. The increase did not change its shareholding, since capital was increased proportionally by all PIASA shareholders.

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

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

SUMMARIZED STATEMENT OF FINANCIAL POSITION	PIASA		JDV		PETSTAR	
	2016	2015	2016	2015	2016	2015
Current assets	**Ps 1,589,851**	Ps 1,244,868	**Ps 3,341,226**	Ps 3,012,865	**Ps 254,486**	Ps 259,394
Non-current assets	**4,968,228**	4,354,036	**5,513,700**	4,538,647	**894,887**	903,199
Current liabilities	**904,319**	2,001,659	**1,844,816**	1,614,557	**98,636**	181,576
Non-current liabilities	**1,065,780**	230,893	**1,024,209**	109,469	**61,970**	47,623
Net assets	**Ps 4,587,980**	Ps 3,366,352	**Ps 5,985,901**	Ps 5,827,486	**Ps 988,767**	Ps 933,394
Reconciliation of book balances	**Ps 3,366,352**	Ps 3,084,529	**Ps 5,827,486**	Ps 5,599,794	**Ps 933,394**	Ps 957,699
Capital increase (decrease)	**1,032,431**	(15,000)	**-**	-	**-**	-
Income for the year	**264,961**	295,742	**171,126**	227,692	**54,880**	(24,305)
Other comprehensive income	**(75,764)**	1,081	**(12,711)**	-	**493**	-
Dividends paid	**-**	-	**-**	-	**-**	-
Closing balance	**4,587,980**	3,366,352	**5,985,901**	5,827,486	**988,767**	933,394
% of ownership	**49.18%**	49.18%	**16.45%**	16.45%	**49.90%**	49.90%
Book balance	**Ps 2,256,281**	Ps 1,655,508	**Ps 984,519**	Ps 958,464	**Ps 493,395**	Ps 465,764

SUMMARIZED STATEMENT OF COMPREHENSIVE INCOME	PIASA		JDV		PETSTAR	
	2016	2015	2016	2015	2016	2015
Revenues	**Ps 6,230,007**	Ps 4,287,940	**Ps 11,592,333**	Ps 9,749,589	**Ps 1,218,756**	Ps 1,142,664
Profit for the year	**Ps 264,961**	Ps 295,742	**Ps 171,126**	Ps 227,692	**Ps 54,880**	(Ps 24,305)
Other comprehensive income	**(75,764)**	1,081	**(12,711)**	-	**493**	-
Total comprehensive income	**Ps 189,197**	Ps 296,823	**Ps 158,415**	Ps 227,692	**Ps 55,373**	(Ps 24,305)

During the years ended December 31, 2016 and 2015, the Company has not received dividends from its material associates.

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

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

	At December 31,	
	2016	2015
Aggregate balance of individually immaterial entities	**Ps 1,476,552**	Ps 1,410,797
Aggregate amounts of equity of AC in: Income of continuous operations	**Ps 38,363**	Ps 50,219
Total comprehensive income	**Ps 38,363**	Ps 50,219

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

Note 11 - Property, plant and equipment:

The changes in property, plant and equipment for the years ended December 31, 2016 and 2015 are analyzed as follows:

	ASSETS SUBJECT TO DEPRECIATION								NON-DEPRECIABLE ASSETS		TOTAL
	BUILDINGS	MACHINERY AND EQUIPMENT	TRANSPORTA-TION EQUIPMENT	REFRIGERA-TORS AND SALES EQUIPMENT	BOTTLES AND DISTRIBUTION BOXES	COMPUTER EQUIPMENT	FURNITURE AND OTHERS	SUBTOTAL	LAND	INVESTMENTS IN PROCESS	
For the year ended at December 31, 2015											
Net value in books	Ps 5,449,510	Ps 5,007,518	Ps 1,575,051	Ps 3,785,581	Ps 1,498,317	Ps 115,503	Ps 745,892	Ps 18,177,372	Ps 4,923,095	Ps 2,220,878	Ps 25,321,345
Acquisitions due to business combina-tion (Note 2)(1)	2,084,926	2,161,025	157,347	380,759	792,403	32,090	288,538	5,897,088	6,326,662	3,457,053	15,680,803
Transfers	1,564,159	1,512,547	52,524	162,878	-	8,085	7,634	3,307,827	10,877	(3,318,704)	-
Translation effects	(8,058)	17,978	32,052	57,082	9,512	1,216	(36,198)	73,584	56,324	(22,264)	107,644
Additions	256,623	1,118,915	225,768	945,829	1,549,419	138,959	143,960	4,379,473	50,892	1,297,865	5,728,230
Disposals	-	(106,368)	(94,579)	(137,028)	(348,876)	(9,175)	(3,852)	(699,878)	(9,345)	-	(709,223)
Depreciation charges recorded in the year	(315,226)	(815,208)	(413,822)	(698,232)	(759,802)	(129,669)	(83,734)	(3,215,693)	-	-	(3,215,693)
Closing balance	Ps 9,031,934	Ps 8,896,407	Ps 1,534,341	Ps 4,496,869	Ps 2,740,973	Ps 157,009	Ps 1,062,240	Ps 27,919,773	Ps 11,358,505	Ps 3,634,828	Ps 42,913,106
At December 31, 2015											
Cost	Ps 13,121,408	Ps 19,080,260	Ps 6,643,346	Ps 9,101,141	Ps 6,021,988	Ps 986,821	Ps 1,971,560	Ps 56,926,524	Ps 11,358,505	Ps 3,634,828	Ps 71,919,857
Accumulated depreciation	(4,089,474)	(10,183,853)	(5,109,005)	(4,604,272)	(3,281,015)	(829,812)	(909,320)	(29,006,751)	-	-	(29,006,751)
Closing balance	Ps 9,031,934	Ps 8,896,407	Ps 1,534,341	Ps 4,496,869	Ps 2,740,973	Ps 157,009	Ps 1,062,240	Ps 27,919,773	Ps 11,358,505	Ps 3,634,828	Ps 42,913,106
For the year ended at December 31, 2016											
Net value in books	Ps 9,031,934	Ps 8,896,407	Ps 1,534,341	Ps 4,496,869	Ps 2,740,973	Ps 157,009	Ps 1,062,240	Ps 27,919,773	Ps 11,358,505	Ps 3,634,828	Ps 42,913,106
Acquisitions due to business combina-tion (Note 2)	67,011	563,263	23,187	174,522	-	27,577	67,641	923,201	19,959	-	943,160
Translation effects	882,201	1,206,983	56,462	362,964	163,735	4,387	75,631	2,752,363	1,508,815	398,222	4,659,400
Additions	314,768	625,661	439,119	1,054,352	1,948,787	139,338	60,796	4,582,821	83,590	2,712,527	7,378,938
Disposals	(387,278)	(19,118)	(52,033)	(31,164)	(376,546)	(6,227)	(89,004)	(961,370)	(1,357,452)	(12,540)	(2,331,362)
Depreciation charges recorded in the year	(360,024)	(1,234,923)	(465,989)	(973,621)	(1,058,452)	(157,706)	(79,030)	(4,329,745)	-	-	(4,329,745)
Closing balance	Ps 9,548,612	Ps 10,038,273	Ps 1,535,087	Ps 5,083,922	Ps 3,418,497	Ps 164,378	Ps 1,098,274	Ps 30,887,043	Ps 11,613,417	Ps 6,733,037	Ps 49,233,497
At December 31, 2016											
Cost	Ps 13,998,110	Ps 21,457,049	Ps 7,110,081	Ps 10,661,815	Ps 7,757,964	Ps 1,151,896	Ps 2,086,624	Ps 64,223,539	Ps 11,613,417	Ps 6,733,037	Ps 82,569,993
Accumulated depreciation	(4,449,498)	(11,418,776)	(5,574,994)	(5,577,893)	(4,339,467)	(987,518)	(988,350)	(33,336,496)	-	-	(33,336,496)
Closing balance	Ps 9,548,612	Ps 10,038,273	Ps 1,535,087	Ps 5,083,922	Ps 3,418,497	Ps 164,378	Ps 1,098,274	Ps 30,887,043	Ps 11,613,417	Ps 6,733,037	Ps 49,233,497

(1) Revised for fair value adjustments due to business combination in 2015

From depreciation expenses in 2016 of Ps4,329,745 (Ps3,215,693 in 2015), Ps1,493,893 (Ps943,372 in 2015) was recorded in the cost of sales, Ps2,496,297 (Ps2,014,018 in 2015) in selling expenses and Ps339,555 (Ps258,303 in 2015) in administrative expenses.

Investments in process at December 31, 2016 correspond mainly to building constructions in progress, investments in production and distribution equipment and improvements.

At December 31, 2016 and 2015, due to its operations in Peru the Company had financial lease agreements in place for the following amounts:

	2016					
	COST		DEPRECIATION		NET BOOK VALUE	
Buildings (1)	Ps	75,356	Ps	-	Ps	75,356
Refrigerators and sales equipment		37,346		(30,298)		7,048
Transportation equipment		10,535		(4,177)		6,358
	Ps	123,237	(Ps	34,475)	Ps	88,762

(1) In December 2016, through its Peru subsidiary, AC acquired certain administrative offices under a financial leasing operation.

	2015					
	COST		DEPRECIATION		NET BOOK VALUE	
Refrigerators and sales equipment	Ps	31,623	(Ps	24,010)	Ps	7,613
Transportation equipment		24,797		(5,068)		19,729
	Ps	56,420	(Ps	29,078)	Ps	27,342

Note 12 - Goodwill and intangible assets, net:

The changes in intangible assets for the years ended December 31, 2016 and 2015 are analyzed as follows:

	INTANGIBLE ASSETS ACQUIRED					
	GOODWILL	BOTTLER AGREEMENTS	BRANDS	LICENCES FOR THE USE OF SOFTWARE	OTHER	TOTAL
Opening balance at January 1, 2015	Ps 19,114,489	Ps 9,707,959	Ps 3,423,817	Ps 564,828	Ps 794,172	Ps 33,605,265
Translation effect	1,150,435	197,629	360,938	(31,700)	117,612	1,794,914
Additions	1,613	8,531		172,743	14,177	197,064
Acquisitions due to business combination (Note 2) (1)	8,408,405	12,038,055			607,941	21,054,401
Disposals				(10,359)		(10,359)
Amortization charges recorded in the year			(1,000)	(91,366)	(228,062)	(320,428)
Closing balance at December 31, 2015	Ps 28,674,942	Ps 21,952,174	Ps 3,783,755	Ps 604,146	Ps 1,305,840	Ps 56,320,857

(1) Revised for fair value adjustments due to business combination in 2015.

At December 31, 2015						
Attributed cost	Ps 28,674,942	Ps 21,952,174	Ps 3,819,829	Ps 847,582	Ps 1,572,399	Ps 56,866,926
Accumulated amortization	-	-	(36,074)	(243,436)	(266,559)	(546,069)
Net value in books	Ps 28,674,942	Ps 21,952,174	Ps 3,783,755	Ps 604,146	Ps 1,305,840	Ps 56,320,857
Opening balance at January 1, 2016	Ps 28,674,942	Ps 21,952,174	Ps 3,783,755	Ps 604,146	Ps 1,305,840	Ps 56,320,857
Translation effect	4,020,092	3,142,998	468,025	4,222	311,842	7,947,179
Additions				74,922	45,522	120,444
Acquisitions due to business combination (Note 2)	1,042,607					1,042,607
Disposals					(4,674)	(4,674)
Amortization charges recorded in the year			(54,616)	(28,451)	(233,450)	(316,517)
Closing balance at December 31, 2016	Ps 33,737,641	Ps 25,095,172	Ps 4,197,164	Ps 654,839	Ps 1,425,080	Ps 65,109,896

At December 31, 2016						
Attributed cost	Ps 33,737,641	Ps 25,095,172	Ps 4,287,854	Ps 926,726	Ps 1,925,089	Ps 65,972,482
Accumulated amortization	-		(90,690)	(271,887)	(500,009)	(862,586)
Net value in books	Ps 33,737,641	Ps 25,095,172	Ps 4,197,164	Ps 654,839	Ps 1,425,080	Ps 65,109,896

The total amortization expense of Ps316,517 (Ps320,428 in 2015) was included in the cost of sales Ps7,276 (Ps5,355 in 2015), in selling expenses Ps12,492 (Ps12,419 in 2015), in administrative expenses Ps241,896 (Ps302,654 in 2015) and in other expenses Ps54,853 (Ps0 in 2015).

Goodwill acquired in business combinations is allocated at the acquisition date to the cash generating units (CGUs) expected to benefit from the synergies of such combinations.

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

	Cash generating unit			
	2016		2015 (1)	
Beverages Mexico	**Ps**	**7,835,007**	Ps	7,835,007
Beverages Peru		**10,112,196**		8,212,609
Beverages Ecuador		**8,760,250**		7,350,996
Beverages Argentina		**1,105,702**		1,138,487
Wise Foods		**2,172,301**		1,727,456
Inalecsa		**1,017,225**		853,584
Toni		**1,549,257**		1,300,030
Norco		**928,930**		-
NAYHSA		**256,773**		256,773
	Ps	**33,737,641**	Ps	28,674,942

(1) Revised for fair value adjusments dueto business combination in 2015.

At December 31, 2016 and 2015, the recovery value estimate of the identified CGUs was performed through the value in use, using the income approach. The value in use was determined by discounting the future cash flows generated by the continuous use of the CGUs, using, among others, the following key assumptions:

	Range among CGU's			
	2016		2015	
Growth rate in volume	**1.0%**	**9.5%**	1.0%	9.4%
Growth rate in income	**4.4%**	**9.8%**	(3.0%)	10.6%
Operating margin (as a % of income)	**6.4%**	**19.8%**	6.6%	20.2%
Other operating costs	**3.6%**	**10.2%**	20%	48.8%
Annual Capex (as a % of income)	**4%**	**9%**	4%	11%
Long-term growth rate	**3.6%**		3.4%	
Discount rate before taxes	**7.6%**	**16.5%**	7.1%	20.1%

At December 31, 2016 and 2015:

- The determination of cash flows is based on financial projections approved by Management for a period of 5 years considering a multiple of operational outflow and they depend on the expected growth rates of volume, which are based on historical performance and the expectation of growth of the industry in which AC operates.
- The discount rate was calculated based on the weighted average of capital (at market value) of the cost of all the financing sources that are part of the capital structure of the CGUs (liabilities with cost and share capital) and reflect the specific risks related to the operating segments relevant to AC.
- Sales volume is the average annual growth rate over the five-year forecast period. It is based on past performance and management's expectations of market development.
- Sales price is the average annual growth rate over the five-year forecast period. It is based on current industry trends and includes long term inflation forecasts for each territory.
- Operating margin is the average margin as a percentage of revenue over the five-year forecast period. It is based on the current sales margin levels and product mix. Due to the nature of the operations, significant increases to the costs of raw materials that could not be transferred to the customers requiring adjustment to the computation of future gross margins are not expected for the future.
- Other operating costs are the fixed costs of the CGUs, which do not vary significantly from sales volumes or prices. Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases and these do not reflect any future restructurings or cost saving measures. The percentages disclosed above are the average operating costs for the five-year forecast period with respect to revenue.
- Annual Capex represents the percentage of revenue to invest in plant and equipment to keep operations at current levels. This is based on the historical experience of Management and the planned replacing programs for machinery and equipment as it is required by the Coca-Cola System. No incremental revenue or cost savings are assumed in the value-in-use model as a result of these investments.

The values in use resulting from the impairment calculations in all CGUs of the Company, prepared based on the above exceed the value in books of each CGU, as shown below:

	% of value in use in excess over value in books	
CASH GENERATING UNIT	2016	2015
Beverages Mexico	**142%**	118%
Beverages Ecuador	**7%**	27%
Beverages Peru	**59%**	-
Beverages Argentina	**616%**	292%
Wise Foods	**23%**	31%
Inalecsa	**9%**	77%
Toni	**8%**	50%
NAYHSA	**146%**	102%

Management considers that a possible change in the key assumptions used, within a reasonable range, will not result in the value in books of the CGUs to materially exceeding the value in use.

As a result of the annual impairment tests, the Company did not recognize impairment losses in the years ended December 31, 2016 and 2015 (see Note 5a.).

Note 13 - Debt:

The debt is analyzed as follows:

	At December 31,			
	2016		2015 (1)	
Stock certificates and bonds	**Ps**	**16,460,715**	Ps	19,844,973
HSBC		**2,104,679**		6,754,813
Santander		**5,252,988**		5,198,516
Scotiabank		**616,060**		4,678,987
Rabobank International		**1,723,815**		1,394,987
Banamex		**3,100,000**		1,040,388
International Finance Corp.		**688,795**		371,571
BBVA Francés		**106,664**		170,761
Banco de Guayaquil		**136,382**		88,579
Banco Macro		**425,687**		61,373
Citibank Ecuador		**61,992**		18,810
Finance leases		**196,849**		51,922
Other		**309,598**		238,599
Total debt		**31,184,224**		39,914,279
Current portion of debt		**(4,368,363)**		(6,997,783)
Non-current debt	**Ps**	**26,815,861**	Ps	32,916,496

(1) Revised for fair value adjustments due to business combination in 2015.

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

	COUNTRY	CURRENCY	INTEREST RATE		MATURITY DATE	PERIODICITY OF PAYMENT	AT DECEMBER 31,	
			CONTRACTUAL	EFFECTIVE			2016	2015 (1)
CEBUR ARCA 10	Mexico	MXN	7.74%	7.88%	13/11/2020	Semi-anually	Ps 2,500,000	Ps 2,500,000
CEBUR ARCA 11-2	Mexico	MXN	7.63%	7.75%	01/10/2021	Semi-anually	2,000,000	2,000,000
CEBUR ARCA 13	Mexico	MXN	TIIE 28 + 0.13%	4.23%	16/03/2018	Monthly	1,000,000	1,000,000
CEBUR ARCA 13-2	Mexico	MXN	5.88%	5.99%	10/03/2023	Semi-anually	1,700,000	1,700,000
Corporate bonds 144A	Peru	USD	6.75%	6.86%	23/11/2021	Semi-anually	5,411,671	5,916,324
Corporate bonds 144A	Peru	USD	4.63%	4.68%	12/04/2023	Semi-anually	2,890,812	4,807,014
Private bond	Peru	SOL	7.50%	7.64%	09/12/2026	Semi-anually	924,090	-
Obligations	Ecuador	USD	Sundry	Sundry	2017 a 2019	Quarterly	10,562	21,824
Stock certificates and bonds							16,437,135	17,945,162
HSBC Spain	Spain	USD	LIBOR + 2.50%	4.43%	19/03/2021	Semi-anually	-	1,733,980
HSBC Spain	Mexico	USD	LIBOR + 2.50%	4.43%	19/03/2021	Semi-anually	2,066,400	-
HSBC Spain	Spain	USD	LIBOR + 2.50%	2.75%	19/03/2021	Semi-anually	-	1,300,485
HSBC Spain	Spain	USD	LIBOR + 2.50%	2.64%	19/03/2021	Semi-anually	-	173,398
Santander	Ecuador	USD	LIBOR + 2.75%	3.58%	1/03/2017	Quarterly	-	693,592
Santander	Mexico	USD	2.99%	2.72%	16/03/2020	Semi-anually	371,952	-
Santander	Ecuador	USD	2.99%	2.72%	16/03/2020	Semi-anually	-	416,155
Santander	Mexico	USD	LIBOR + 0.65%	2.06%	08/09/2020	Monthly	2,275,597	2,252,846
Santander	Mexico	USD	LIBOR + 0.65%	2.06%	08/09/2020	Monthly	1,750,267	1,731,884
Scotiabank Inverlat	Mexico	USD	LIBOR + 0.45%	1.45%	08/09/2020	Monthly	-	4,678,987
Banco de Guayaquil	Ecuador	USD	7.00%	7.23%	10/12/2017	Monthly	-	13,823
Rabobank International	Ecuador	USD	3.10%	3.43%	18/07/2019	Semi-anually	619,920	520,194
Rabobank International	Ecuador	USD	2.29%	2.15%	18/07/2019	Semi-anually	619,920	520,194
Rabobank International	Ecuador	USD	2.52%	6.85%	17/12/2019	Semi-anually	123,984	104,039
Rabobank International	Ecuador	USD	3.05%	9.92%	27/10/2021	Semi-anually	61,396	-
Rabobank International	Ecuador	USD	3.19%	3.34%	29/05/2020	Semi-anually	149,297	125,280
Rabobank International	Ecuador	USD	2.79%	2.80%	29/05/2020	Semi-anually	149,297	125,280
International Finance Corp.	Ecuador	USD	LIBOR + 3.75	5.05%	15/12/2023	Semi-anually	688,795	370,926
Banco Bolivariano	Ecuador	USD	8.00%	8.36%	23/09/2019	Quarterly	87,111	-
Banco Guayaquil	Ecuador	USD	7.25%	7.25%	20/11/2020	Quarterly	136,382	-
Banco Internacional	Ecuador	USD	7.35%	7.60%	15/11/2020	Monthly	92,988	-
Banco Bolivariano	Ecuador	USD	8.83%	9.33%	23/05/2018	Monthly	6,457	-
Scotiabank Inverlat	Peru	SOL	6.78%	6.95%	29/12/2023	Quarterly	616,060	-
BBVA Francés	Argentina	ARG	15.25%	17.82%	18/10/2017	Monthly	-	17,496
HSBC Argentina	Argentina	ARG	15.25%	17.70%	15/01/2017	Semi-anually	-	1,117
Banco Macro	Argentina	ARG	15.25%	17.75%	29/08/2017	Monthly	-	302
Banco Macro	Argentina	ARG	15.25%	17.48%	28/01/2018	Monthly	426	4,340
Banco Macro	Argentina	ARG	23.50%	27.86%	28/03/2018	Monthly	1,283	5,900
Banco Macro	Argentina	ARG	28.45%	35.23%	28/06/2020	Monthly	343,962	-
Banco Macro	Argentina	ARG	21.88%	25.88%	10/08/2018	Monthly	12,832	29,363
BBVA Francés	Argentina	ARG	27.35%	31.49%	18/06/2018	Monthly	30,148	90,296
HSBC Argentina	Argentina	ARG	27.35%	33.38%	03/09/2018	Monthly	18,597	38,297
Total banks loans							10,223,071	14,948,174
Financial leases and other							155,655	23,160
Total							Ps 26,815,861	Ps 32,916,496

(1) Revised for fair value adjustments due to business combination in 2015.

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

	2018		2019		2020		2021 ONWARDS		TOTAL	
Stock certificates and bonds	Ps	1,024,143	Ps	6,604	Ps	2,495,991	Ps	12,910,396	Ps	16,437,134
Bank loans		69,743		1,450,935		5,269,743		3,432,651		10,223,072
Financial leases and other		11,271		23,884		30,119		90,381		155,655
	Ps	1,105,157	Ps	1,481,423	Ps	7,795,853	Ps	16,433,428	Ps	26,815,861

At December 31, 2015, the annual maturities of non-current debt are as follows:

	2017		2018		2019		2020 ONWARDS		TOTAL	
Stock certificates and bonds	Ps	-	Ps	1,000,000	Ps	-	Ps	16,946,654	Ps	17,946,654
Bank loans		726,330		168,196		1,144,427		12,909,221		14,948,174
Financial leases and other		-		21,668		-		-		21,668
	Ps	726,330	Ps	1,189,864	Ps	1,144,427	Ps	29,855,875	Ps	32,916,496

The Company’s debt has no guarantee or collateral, except for the guarantee granted by Arca Ecuador to owners of the Obligations related to the table above, on the collection right to clients in the city of Quito, Ecuador.

The debt of the subsidiaries of Tonicorp (see Note 30) with Banco de Guayaquil, Citibank Ecuador and the International Finance Corp. is guaranteed by certain fixed assets of such subsidiaries, the net value in books of which at December 31, 2016 in the proportion corresponding to AC is of Ps767,683. These guarantees were granted prior to the acquisition of Arca Ecuador and the investment in joint operation in Tonicorp, respectively, and are within the permissible terms in the restrictions of debt indicated below.

Dated November 23, 2011, CL carried out the international issuance of corporate bonds under rule 144A/Regulation S of the Securities Exchange Act of the United States of America in the amount of US$320,000 at the rate of 6.75%, maturing on November 23, 2021. Likewise, on April 9, 2013 there was another issuance of international bonds, under the same Regulation, in the amount of US$260,000 at the rate of 4.63%, maturing on April 9, 2023 (Bond 23). Corporate bonds 144 A have no guarantees.

On April 29, 2016, CL repurchased US$70,000 of Bond 21 and US$130,000 of Bond 23. The amount paid in cash at that date, which was equivalent to the fair value, for the repurchase of shares was US$81,200 and US$137,150, respectively, for bonds 21 and 23. The Company conducted and assessment of the operation and concluded that it resulted in no substantial changes to Bonds 21 and 23. The amount of cash involved in the operation was paid with cash surpluses and financing from domestic banks in pesos. On December 9, 2016, CL carried out a domestic issue of corporate bonds for a total of 150,000,000 Peruvian soles, subject to the 7.5% annual rate, maturing on December 9, 2026. The resources obtained were used to pay short-term loans contracted with domestic banks.

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

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

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

- Change or modify the main business activities of the Company and its subsidiaries.
- Incur or assume any guaranteed debt due to a lien, including its subsidiaries, except that: i) simultaneously to the creation of any lien, the issuer (in this case the Company) guarantees its obligations in accordance with stock certificates, or ii) liens allowed in accordance with those described in the dual stock certificate revolving program are involved.
- In the case of mergers in which the Company is merged, the surviving company must expressly assume the Company’s obligations as the company issuing the debt.

Additionally, some bank loan agreements contain certain obligations similar to the above and obligations to comply with interest coverage financial ratios and maximum coverage ratios over cash flows, whereby any event of default must be pardoned by the respective bank.

The fair value of the non-current debt is disclosed in Note 21. The fair value of the current debt equals its carrying value, since the discount impact is not significant. The fair values at December 31, 2016 and 2015 are based on several discount rates, which are within level 2 of the fair value hierarchy (see Note 21).

At December 31, 2016 and the date of issuance of these financial statements, the Company and its subsidiaries complied with such covenants and restrictions.

Note 14 - Factoring:

At December 31, 2016 and 2015, the Company has agreements with financial institutions in Peru for the financing of their current accounts payable to suppliers. The periods of the obligations with suppliers are extended 100 days on average and are not subject to guarantees. This item is made up as follows:

	At December 31,			
	2016		2015	
Banco Continental (BBVA)	**Ps**	**1,005,022**	Ps	684,291
Banco de Crédito del Perú (BCP)		**104,785**		42,866
Compass Group		**-**		324,910
Scotiabank		**429,824**		388,866
	Ps	**1,539,631**	Ps	1,440,933

Note 15 - Suppliers:

The suppliers item is comprised as follows:

	At December 31,			
	2016		2015	
Suppliers	**Ps**	**5,513,619**	Ps	4,732,998

Note 16 - Other liabilities:

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

	At December 31,			
	2016		2015	
CURRENT				
Sundry creditors	**Ps**	**684,707**	Ps	470,766
Federal and state taxes payable		**1,899,933**		1,685,828
Accumulated expenses payable		**1,447,414**		1,311,388
Employees' profit sharing payable		**845,325**		719,296
Bonuses		**64,707**		93,613
Provision for trials		**156,861**		112,393
Dividends payable		**57,975**		61,579
Other		**50,197**		15,855
Total other current liabilities	**Ps**	**5,207,119**	Ps	4,470,718
NON-CURRENT				
Guarantee deposits for bottles	**Ps**	**98,572**	Ps	50,153
Provision for trials		**91,711**		87,404
Famaillá mortgage guarantee (Note 2)		**272,920**		-
Other		**445**		1,453
Total other non-current liabilities	**Ps**	**463,648**	Ps	139,010

Sales in Mexico and Ecuador of drinks that contain added sugars and of snacks with certain caloric density set by law are subject to special tax. This is an indirect tax whereby the Company collects the tax from the final consumer and pays it over to the tax authorities on a monthly basis. Outstanding tax balances at December 31, 2016 and 2015 are included under federal and state taxes payable.

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

	2016		2015	
Opening balance	**Ps**	**199,797**	Ps	273,545
Business combinations (Note 28)		**-**		116,852
Charge (credit) to income:				
Additional provisions		**29,925**		42,593
Provisions used		**(4,859)**		(219,473)
Exchange differences		**23,709**		(13,720)
Closing balance	**Ps**	**248,572**	Ps	199,797

Note 17 - Employee benefits:

The valuation of employee benefits for formal retirement plans (covering a significant amount of workers in 2016 and 2015) and informal plans covers all the employees and is based mainly on their years of service, their present age and their estimated remuneration at retirement date.

Certain subsidiaries of the Company have defined contribution programs.

The main subsidiaries of the Company in Mexico have established funds destined for the payment of retirement benefits and medical expenses through irrevocable trusts. During 2016 and 2015, there were no net contributions.

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

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

	At December 31,			
	2016		2015	
Obligations in the statement of financial position:				
Pension benefits	**(Ps**	**1,432,226)**	(Ps	1,175,181)
Seniority premiums		**(260,097)**		(234,122)
Major medical expenses		**(236,932)**		(188,638)
Labor termination indemnities		**(104,096)**		(65,496)
Bonus for dismissal (severance)		**(164,508)**		(103,806)
Liabilities in the statement of financial position	**(Ps**	**2,197,859)**	(Ps	1,767,243)

	At December 31,			
	2016		2015	
Charge to the statement of income (Notes 22, 24 and 25) for:				
Pension benefits	**Ps**	**227,180**	Ps	171,438
Seniority premium		**40,481**		34,870
Major medical expenses		**18,058**		16,416
Labor termination indemnities		**35,249**		25,772
Bonus for dismissal (severance)		**20,838**		29,410
	Ps	**341,806**	Ps	277,906
Remeasurements recognized in other comprehensive income for the period	Ps	74,659	Ps	227,609

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

	2016		2015	
Cost of sales	**Ps**	**55,703**	Ps	52,831
Selling expenses		**118,114**		83,661
Administrative expenses		**91,096**		73,428
Financial result		**76,893**		67,986
Total	**Ps**	**341,806**	Ps	277,906

I. PENSION BENEFITS

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

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

	At December 31,			
	2016		2015	
Present value of defined benefit obligations	**(Ps**	**4,086,387)**	(Ps	3,841,120)
Fair value of plan assets		**2,654,161**		2,665,939
Liabilities in the statement of financial position	**(Ps**	**1,432,226)**	(Ps	1,175,181)

The movements in the defined benefit obligation during the year were as follows:

	2016		2015	
At January 1	**(Ps**	**3,841,120)**	(Ps	3,511,715)
Labor cost		**(126,407)**		(129,438)
Interest cost		**(240,537)**		(223,823)
Remeasurement – Gains (losses) for changes in assumptions		**104,605**		(143,965)
Exchange differences		**(208,114)**		(145,869)
Past service cost		**-**		4,670
Benefits paid		**231,008**		297,465
Labor cost of past services		**(21,138)**		-
Reductions		**15,316**		11,555
At December 31	**(Ps**	**4,086,387)**	(Ps	3,841,120)

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

	2016		2015	
At January 1	**Ps**	**2,665,939**	Ps	2,718,603
Return on plan assets		**93,344**		200,612
Gains (losses) for changes in assumptions		**12,337**		(27,274)
Exchange differences		**91,257**		70,994
Utilization		**(8,050)**		(7,790)
Benefits paid		**(200,666)**		(284,735)
Reductions		**-**		(4,471)
At December 31	**Ps**	**2,654,161**	Ps	2,665,939

Plan assets include the following:

	2016			2015		
Equity instruments	Ps	**452,986**	**17%**	Ps	403,333	15%
Debt instruments		**2,152,033**	**81%**		2,233,291	84%
Property		**49,142**	**2%**		29,315	1%
Total	Ps	**2,654,161**		Ps	2,665,939	

Amounts recorded in the statement of income are as follows:

	2016		2015	
Labor cost	Ps	**172,117**	Ps	137,234
Net interest cost		**83,919**		51,970
Reductions and other		**(28,856)**		(17,766)
Total included in costs of personnel	Ps	**227,180**	Ps	171,438

The total expenses recognized were prorated as follows:

	2016		2015	
Cost of sales	Ps	**41,863**	Ps	32,083
Selling expenses		**64,399**		44,005
Administrative expenses		**71,715**		55,027
Financial result		**49,203**		40,323
Total	Ps	**227,180**	Ps	171,438

The principal actuarial assumptions were as follows:

	2016	2015
Discount rate	**5.11%**	5.84%
Inflation rate	**3.50%**	3.50%
Salary increase rate	**3.50%**	3.75%
Future pension increase	**2.83%**	2.20%
Expected life	**22.84 years**	19.98 years

The sensibility of pension benefit plans to changes in the main assumptions at December 31, 2016 is as follows:

		Percentage impact on the plan	
	CHANGE IN THE ASSUMPTION	INCREASE IN THE ASSUMPTION	DECREASE IN THE ASSUMPTION
Discount rate	1.00%	(3.04%)	3.90%
Salary increase rate	1.00%	1.92%	(1.72%)
Future pensions increase	1.00%	0.86%	(0.68%)

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

II. SENIORITY PREMIUM

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

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

	At December 31,			
		2016		2015
Present value of defined benefit obligations	**(Ps**	**347,209)**	(Ps	344,689)
Fair value of plan assets		**87,112**		110,567
Liabilities in the statement of financial position	**(Ps**	**260,097)**	(Ps	234,122)

The movements in the defined benefit obligation for seniority premiums during the year were as follows:

	2016		2015	
At January 1	**(Ps**	**344,689)**	(Ps	314,105)
Labor cost		**(24,161)**		(22,099)
Net interest cost		**(22,855)**		(20,848)
Remeasurement – Gains (losses) for changes in assumptions		**23,516**		(14,383)
Liability acquired in business combination		**(666)**		-
Benefits paid		**21,646**		26,746
At December 31	**(Ps**	**347,209)**	(Ps	344,689)

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

	2016		2015	
At January 1	**Ps**	**110,567**	Ps	134,579
Return on plan assets		**(2,915)**		1,616
Contributions		**-**		99
Benefits paid		**(20,540)**		(25,727)
At December 31	**Ps**	**87,112**	Ps	110,567

Plan assets include the following:

	2016			2015		
Equity instruments	**Ps**	**7,104**	**8%**	Ps	9,017	8%
Debt instruments		**80,008**	**92%**		101,550	92%
Total	**Ps**	**87,112**		Ps	110,567	

Amounts recorded in the statement of income are as follows:

	2016		2015	
Labor cost	**Ps**	**24,160**	Ps	22,350
Net interest cost		**16,321**		12,520
Total included in costs of personnel	**Ps**	**40,481**	Ps	34,870

The total expenses recognized were prorated as follows:

	2016		2015	
Cost of sales	**Ps**	**4,378**	Ps	4,292
Selling expenses		**16,121**		14,888
Administrative expenses		**3,661**		3,170
Financial result		**16,321**		12,520
Total	**Ps**	**40,481**	Ps	34,870

III. MAJOR MEDICAL EXPENSES

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

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

	At December 31,			
	2016		2015	
Present value of funded obligations	**(Ps**	**468,550)**	(Ps	435,281)
Fair value of plan assets		**231,618**		246,643
Liabilities in the statement of financial position	**(Ps**	**236,932)**	(Ps	188,638)

The movements in the defined benefit obligation for major medical expenses during the year were as follows:

	2016		2015	
At January 1	**(Ps**	**435,281)**	(Ps	389,697)
Current service cost		**(3,201)**		(2,633)
Net interest cost		**(28,530)**		(25,535)
Remeasurement-losses for changes in assumptions		**(29,190)**		(43,089)
Exchange differences		**(4,711)**		(4,096)
Benefits paid		**32,363**		29,769
At December 31	**(Ps**	**468,550)**	(Ps	435,281)

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

	2016		2015	
At January 1	**Ps**	**246,643**	Ps	255,236
Return on plan assets		**10,195**		15,142
Contributions		**7,143**		6,033
Benefits paid		**(32,363)**		(29,768)
At December 31	**Ps**	**231,618**	Ps	246,643

Plan assets include the following:

	2016			2015		
Equity instruments	**Ps**	**23,385**	**10%**	Ps	24,848	10%
Debt instruments		**208,233**	**90%**		221,795	90%
Total	**Ps**	**231,618**		Ps	246,643	

Amounts recorded in the statement of income are as follows:

	2016		2015	
Current service cost	**Ps**	**6,689**	Ps	8,625
Net interest cost		**11,369**		7,791
Total included in costs of personnel	**Ps**	**18,058**	Ps	16,416

The total expenses recognized were prorated as follows:

		2016		2015
Cost of sales	**Ps**	**3,390**	Ps	5,620
Selling expenses		**2,469**		1,976
Administrative expenses		**830**		1,029
Financial result		**11,369**		7,791
Total	**Ps**	**18,058**	Ps	16,416

IV. LABOR TERMINATION INDEMNITIES

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

	At December 31,			
	2016		2015	
Present value of unfunded obligations	**(Ps**	**104,096)**	(Ps	65,496)
Liabilities in the statement of financial position	**(Ps**	**104,096)**	(Ps	65,496)

The movements in the defined benefit obligation during the year were as follows:

	2016		2015	
At January 1	**(Ps**	**65,496)**	(Ps	48,710)
Current service cost		**(1,619)**		(5,844)
Net interest cost		**(4,470)**		(3,461)
Remeasurement – (Losses) gains for changes in assumptions		**(17,550)**		1,758
Exchange differences		**(14,961)**		(9,239)
At December 31	**(Ps**	**104,096)**	(Ps	65,496)

Amounts recorded in the statement of income are as follows:

	2016		2015	
Current service cost	**Ps**	**35,249**	Ps	22,023
Net interest cost		**-**		3,749
Total included in costs of personnel	**Ps**	**35,249**	Ps	25,772

The total expenses recognized were prorated as follows:

	2016		2015	
Cost of sales	**Ps**	**2,340**	Ps	7,112
Selling expenses		**21,673**		13,264
Administrative expenses		**11,236**		1,647
Financial result		**-**		3,749
Total	**Ps**	**35,249**	Ps	25,772

V. BONUS FOR SEVERANCE

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

	At December 31,			
	2016		2015	
Present value of unfunded obligations	**(Ps**	**164,508)**	(Ps	103,806)
Liability in the statement of financial position	**(Ps**	**164,508)**	(Ps	103,806

The movements in defined benefit obligations during the year were as follows:

	2016		2015	
At January 1	**(Ps**	**103,806)**	(Ps	68,894)
Current service cost		**(9,480)**		(10,725)
Net interest cost		**(4,874)**		(4,807)
Remeasurement – Losses for changes in assumptions		**(33,571)**		(28,026)
Exchange differences		**(27,434)**		8,207
Past service cost		**-**		(11,180)
Benefits paid		**13,997**		11,619
Reductions and other		**660**		-
At December 31	**(Ps**	**164,508)**	(Ps	103,806)

Amounts recorded in the statement of income are as follows:

		2016		2015
Current service cost	**Ps**	**21,703**	Ps	11,615
Past service cost		**-**		12,108
Reductions and other		**(9,539)**		481
Net interest cost		**8,674**		5,206
Total included in costs of personnel	**Ps**	**20,838**	Ps	29,410

The total expenses recognized were prorated as follows:

	2016		2015	
Cost of sales	**Ps**	**3,732**	Ps	3,724
Selling expenses		**13,452**		9,528
Administrative expenses		**3,654**		12,555
Financial result		**-**		3,603
Total	**Ps**	**20,838**	Ps	29,410

VI. ASSOCIATED RISKS

In relation to the Company's defined benefit pension plan and major medical expense plans, the Company is exposed to several risks, the most significant of which are listed below:

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

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

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

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

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

Note 18 - Deferred income tax:

DEFERRED INCOME TAX

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

	At December 31,			
	2016		2015 (1)	
Deferred tax asset:				
- To be recovered in more than 12 months	**Ps**	**762,714**	Ps	67,028
- To be recovered within 12 months		**483,531**		798,022
		1,246,245		865,050
Deferred tax liability:				
- To be covered in more than 12 months		**(10,619,144)**		(8,895,792)
- To be covered within 12 months		**(100,402)**		(85,390)
		(10,719,546)		(8,981,182)
Deferred tax liabilities, net	**(Ps**	**9,473,301)**	(Ps	8,116,132)

(1) Revised due to fair value adjustments due to business combination (see Note 2).

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

	2016		2015 (1)	
At January 1	**(Ps**	**8,116,132)**	(Ps	3,817,883)
Charge (credit) to income statement		**(146,408)**		158,221
Business combination		**-**		(4,520,504)
Tax (payable) creditable related to components of other comprehensive income		**(248,957)**		64,034
Tax arising from translation of foreign subsidiaries		**(961,804)**		-
At December 31	**(Ps**	**9,473,301)**	(Ps	8,116,132)

The movements in deferred income tax liabilities in the year were as follows:

	Assets (Liabilities)			
	AT DECEMBER 31, 2016		AT DECEMBER 31, 2015 (1)	
Employee benefits	**Ps**	**322,514**	Ps	310,114
Tax loss carryforwards		**331,120**		650,972
Employees' profit sharing		**152,411**		147,050
Provisions and others		**456,255**		908,487
Deferred tax assets		**1,262,300**		2,016,623
Property, plant and equipment, net		**(3,352,059)**		(4,492,499)
Intangible assets		**(7,283,141)**		(5,831,645)
Advance payments		**(54,368)**		191,389
Other		**(46,033)**		-
Deferred tax liabilities		**(10,735,601)**		(10,132,755)
Deferred tax liabilities, net	**(Ps**	**9,473,301)**	(Ps	8,116,132)

(1) Revised for fair value adjustments due to business combination in 2015 (see Note 2).

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

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

	BALANCE AT DECEMBER 31, 2014	RECORDED IN INCOME	INCREASE FOR BUSINESS COMBINATION (1)	RECORDED IN OTHER COMPREHENSIVE INCOME	TRANSLATION OF FOREIGN SUBSIDIARIES	BALANCE AT DECEMBER 31, 2015
Employee benefits	Ps 237,234	(Ps 23,936)	Ps 29,451	Ps 67,365	Ps -	Ps 310,114
Tax loss carryforwards	125,412	393,324	132,236			650,972
Employees' profit sharing	131,565	15,485	-			147,050
Provisions and other	259,726	48,532	603,560	(3,331)		908,487
	753,937	433,405	765,247	64,034	-	2,016,623
Property, plant and equipment, net	(3,188,880)	(933,127)	(370,492)			(4,492,499)
Intangible assets	(1,323,292)	401,655	(4,910,008)			(5,831,645)
Prepaid expenses	(59,648)	256,288	(5,251)			191,389
	(4,571,820)	(275,184)	(5,285,751)	-	-	(10,132,755)
Deferred tax liabilities	(Ps 3,817,883)	Ps 158,221	(Ps 4,520,504)	Ps 64,034	Ps -	(Ps 8,116,132)

(1) Revised for fair value adjustments due to business combination in 2015 (see Note 2).

Deferred income tax asset arising from tax loss carryforwards is recognized when future taxable profits are probable and the related tax benefit realization is allowed. The Company recognized a deferred tax asset of Ps331,120 in 2016 and Ps650,972 in 2015, with respect to tax loss carryforwards for a remaining and incurred amount of Ps1,055,955 in 2016 and Ps2,135,173 para 2015, which may be amortized against future tax profits.

At December 31, 2016, accumulated tax loss carryforwards of the Mexican entities for a total of Ps760,057 expire from 2021 to 2026 and those of foreign entities for a total of Ps295,898 expire between 2019 and 2032.

The Company has not recorded estimated deferred tax liabilities for approximately Ps3,973 million derived from the difference between the fiscal cost of shares of its subsidiaries and the values of net consolidated assets, due mainly to undistributed income and exchange gains (losses), among others, since in conformity with the exception applicable, the Company considers that it will not sell its investments in subsidiaries in the near future and it has the policy of distributing dividends of its subsidiaries only up to the amounts on which tax has previously been paid, or else distribute them in the future for up to the maximum benefits generated annually by certain subsidiaries.

Note 19 - Stockholders' equity:

At the Ordinary General Meeting held on April 14, 2016 (April 15, 2015 in 2015), the stockholders declared a dividend in cash from the CUFIN equal to 1.85 pesos per share (1.75 pesos in 2015) for the total shares issued at that date, for a total of Ps3,101,215, which was paid as of April 26, 2016 (Ps2,819,711 in 2015).

The number of shares of the Company at December 31, 2016 and 2015 is comprised as follows:

	Paid-in capital stock		
	Number of shares (a)		
	FIXED	VARIABLE	TOTAL
Total shares at January 1 and December 31, 2015	902,816,289	708,447,285	1,611,263,574
Share increase on February 22, 2016		65,068,758	65,068,758
Share increase on November 1, 2016		29,052,596	29,052,596
Total shares at December 31, 2016	902,816,289	802,568,639	1,705,384,928

(a) The Company's capital stock is represented by a single series of ordinary, nominative shares without par value and without restrictions over their ownership and they confer the same ownership rights.
(b) The profit for the period is subject to the legal provision requiring at least 5% of the profit for each period to be set aside to increase the legal reserve until it reaches an amount equivalent to one fifth of the amount of the capital stock paid. At December 31, 2016, the legal reserve amounted to Ps1,723,966, which is included in retained earnings.
(c) At December 31, 2016 there are 944,678 own shares in the repurchase fund.

At the General Ordinary Meeting held on December 29, 2015, the stockholders approved an increase in the variable portion of the capital stock in the amount of up to US$535,000 through the issuance of shares that were offered to the shareholders that wished to exercise their preferred right to the subscription and payment. Once the preferred subscription period had expired, 64,530,425 unsubscribed shares would be offered to the Lindley family members, in accordance with the agreements made with the family.

On the basis of the foregoing, on February 22, 2016, certain AC shareholders exercised their preferential subscription right and subscribed and paid at that date 538,333 common, nominative shares with no par value, comprising the variable portion of AC capital stock, at the price of Ps112.46 per share. Additionally, in complying with the decisions reached at that meeting, of the 85,771,200 shares of AC that were not subscribed and paid in by the shareholders who held the right to do so, 64,530,425 AC shares were offered on sale to different members of the Lindley family. On February 22, 2016, the members of the Lindley family subscribed and paid in 64,530,425 common, nominative shares with no par value, comprising the variable portion of AC capital stock, at the price of US$6.19862 per share. As a result of the foregoing, further to the capital increase approved at that meeting, a total of 65,068,758 AC shares were subscribed and paid in.

As mentioned in Note 30, effective as of October 3, 2016, subsidiary Arca Ecuador, S. A. changed its corporate address to Mexico and adopted the legal status of Sociedad Anónima Promotora de Inversión de Capital Variable, and on the other hand, the merger of Arca Ecuador into AC took effect on November 1, 2016 with AC as the surviving company, for which purpose 29,052,596 new AC shares were issued.

The law imposes 10% tax payable on profits generated as of 2014 from dividends paid to parties resident abroad and to Mexican individuals, which the Company will withhold on a definitive basis. Nevertheless, Company profits withheld until December 31, 2013 are covered with the CUFIN balance and will therefore not be subject to said withholding.

Dividends paid are not subject to income tax if paid from the Net Tax Profit Account (CUFIN). Any dividends paid in excess of this account are subject to tax equivalent to 42.86% if paid in 2017. Tax incurred is payable by the Company and may be credited against the ISR of the year or the two immediately following years. Dividends paid from profits which have previously paid income tax are not subject to tax withholding or to any additional tax payment.

In the event of a capital reduction, the Income Tax Law provides that any excess of stockholders' equity over adjusted capital contribution will receive the same tax treatment as dividends, provided the Company does not have enough CUFIN balances to compensate the alleged dividend amount.

At December 31, 2016, the tax value of the consolidated CUFIN and the CUCA value amounted to Ps22,328,298 and Ps21,112,269, respectively.

Note 20 - Other accumulated comprehensive income:

	EFFECT OF TRANSLATION OF FOREIGN ENTITIES	REMEASUREMENT OF DEFINED BENEFIT OBLIGATIONS	EFFECTS FROM CASH FLOW HEDGES	TOTAL
Balance at January 1, 2015	(Ps 967,315)	(Ps 568,435)	Ps -	(Ps 1,535,750)
Effect of remeasurement of defined benefit liabilities		(228,438)		(228,438)
Effect of deferred tax		67,365		67,365
Effect of remeasurement of defined benefit liabilities of non-controlling interest		914		914
Effect of deferred tax		(201)		(201)
Effect of cash flow hedging			11,184	11,184
Effect of deferred tax			(3,331)	(3,331)
Effect of hedging cash flows of non-controlling interest			(528)	(528)
Effect of deferred taxes			137	137
Effect of translation of foreign entities	639,516			639,516
Effect of translation of foreign entities of non-controlling Interest	38,361			38,361
Balance at December 31, 2015	(289,438)	(728,795)	7,462	(1,010,771)
Effect of remeasurement of defined benefit liabilities		(124,338)		(124,338)
Effect of deferred tax		(125,828)		(125,828)
Effect of remeasurement of defined benefit obligations of non-controlling interest		39,787		39,787
Effect of deferred tax		-		-
Effect of cash flow hedges			435,788	435,788
Effect of deferred tax			(123,129)	(123,129)
Effect of cash flow hedges of non-controlling interest			(148,401)	(148,401)
Effect of deferred tax			41,648	41,648
Effect of translation of foreign entities	7,097,623			7,097,623
Effect of translation of foreign entities of non-controlling interest	(2,220,011)			(2,220,011)
Balance at December 31, 2016	Ps 4,588,174	(Ps 939,174)	Ps 213,368	Ps 3,862,368

Note 21 - Financial instruments:

I. FINANCIAL INSTRUMENTS BY CATEGORY

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

At December 31, 2016

	ACCOUNTS RECEIVABLE AND PAYABLE AT AMORTIZED COST	HEDGE DERIVATIVES	TOTAL CATEGORIES
Financial assets:			
Cash and cash equivalents	Ps 5,546,220		Ps 5,546,220
Clients and other accounts receivable, net	5,954,134		5,954,134
Related parties	105,310		105,310
Derivative financial instruments	-	Ps 178,601	178,601
Total financial assets	Ps 11,605,664	Ps 178,601	Ps 11,784,265
Financial liabilities:			
Current debt	Ps 4,368,363		Ps 4,368,363
Suppliers, related parties and sundry creditors	7,198,991		7,198,991
Non-current debt	26,815,861		26,815,861
Derivative financial instruments	-	Ps 12,092	12,092
Total financial liabilities	Ps 38,383,215	Ps 12,092	Ps 38,395,307

At December 31, 2015 (revised)

	ACCOUNTS RECEIVABLE AND PAYABLE AT AMORTIZED COST	HEDGE DERIVATIVES	TOTAL CATEGORIES
Financial assets:			
Cash and cash equivalents	Ps 8,295,334		Ps 8,295,334
Clients and other accounts receivable, net	6,296,119		6,296,119
Related parties	100,389		100,389
Derivative financial instruments	-	Ps 572,408	572,408
Total financial assets	Ps 14,691,842	Ps 572,408	Ps 15,264,250
Financial liabilities:			
Current debt	Ps 6,997,783		Ps 6,997,783
Suppliers, related parties and sundry creditors	6,216,820		6,216,820
Non-current debt	32,916,496		32,916,496
Derivative financial instruments	-	Ps 117,612	117,612
Total financial liabilities	Ps 46,131,099	Ps 117,612	Ps 46,248,711

II. CREDIT QUALITY OF FINANCIAL ASSETS

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

At December 31,

	2016	2015
Customers and other accounts receivable		
Counterparties without external credit rating		
Type of clients X	**Ps 2,784,470**	Ps 2,101,332
Type of clients Y	**1,421,417**	2,031,545
	Ps 4,205,887	Ps 4,132,877

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

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

III. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

At December 31, 2016

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

At December 31, 2015

	BOOK VALUE		FAIR VALUE	
Assets:				
Derivative financial instruments	Ps	572,408	Ps	572,408
Liabilities:				
Derivative financial instruments	Ps	117,612	Ps	117,612
Non-current debt	Ps	32,916,496	Ps	34,588,330

The fair values of the current debt approximate their fair value due to its short-term maturity since the effects of its discount are not significant. Fair values of the non-current debt were determined based on discounted cash flows using the average discount rate of 10.55% (average of 8.99% in 2015) under category Level 2 of the fair value hierarchy.

IV. DERIVATIVE FINANCIAL INSTRUMENTS

The effectiveness of derivative financial instruments designated as hedges is measured periodically. At December 31, 2016 and 2015, the Company only has cash flow hedging financial instruments corresponding to forwards and exchange rate swaps; therefore, their effectiveness was assessed and it was determined that they were highly effective.

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

The fair value of hedges is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months. For the year ended December 31, 2016, the Company had no ineffective portions arising from cash flow hedging.

Positions in derivative financial instruments for futures and swaps of sugar are summarized as follows:

At December 31, 2016

		VALUE OF UNDERLYING ASSET						
					MATURITIES PER YEAR			
CONTRACT	TONS COVERED	UNITS	PRICE US$	FAIR VALUE	2017	2018	2019+	COLLATERAL/ GUARANTEE
BNP Paribas	500	Dollar / Ton	482.9	US$1	US$ 1	US$ -	US$ -	US$ -
JP Morgan	1100	Dollar / Ton	482.8-492.8	4	4	-	-	
				US$ 5	US$ 5	US$ -	US$ -	US$ -

At December 31, 2015

CONTRACT	TONS COVERED	VALUE OF UNDERLYING ASSET UNITS	PRICE US$	FAIR VALUE	MATURITIES PER YEAR 2016	2017	2018+	COLLATERAL/ GUARANTEE
BNP Paribas	27,500	Dollar / Ton	410.28 - 497.30	(US$ 1,032)	(US$ 1,032)	US$ -	US$ -	US$ -
Cargill Risk Mgmt.	37,550	Dollar / Ton	411.90 - 501.79	(2,263)	(2,263)	-	-	-
Macquarie Bank Ltd	19,700	Dollar / Ton	478.60 – 540.15	(2,452)	(2,452)	-	-	-
Scotiabank	9,250	Dollar / Ton	488.90 – 494.70	(1,136)	(1,136)	-	-	-
Other	1,400	Dollar / Ton	400.90	30	30	-	-	18
				(US$ 6,853)	(US$ 6,853)	US$ -	US$ -	US$18

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

At December 31, 2016

CONTRACT	NOTIONAL AMOUNT	VALUE OF UNDERLYING ASSET UNITS	RANGE OF REFERENCE	FAIR VALUE	MATURITIES PER YEAR 2017	2018	2019+	COLLATERAL/ GUARANTEE
Cross Currency Bonds	230,000	Soles / Dollar	S. 2.55–S. 3.507	US$ 6,114	US$ -	US$ -	US$ 6,114	US$ -
Cross Currency Leasing	4,659	Soles / Dollar	S3.09	(585)	(30)	(33)	(522)	-
Banco Santander	7,105	Pesos / Dollar	18.35-18.61	741	741	-	-	-
Bank of América	8,764	Pesos / Dollar	18.50-18.75	920	920	-	-	-
HSBC Mexico	8,659	Pesos / Dollar	18.43-Ps18.67	919	919	-	-	-
				US$ 8,109	US$ 2,550	(US$ 33)	US$ 5,592	US$ -

At December 31, 2015

CONTRACT	NOTIONAL AMOUNT	VALUE OF UNDERLYING ASSET UNITS	RANGE OF REFERENCE	FAIR VALUE	MATURITIES PER YEAR 2016	2017	2018+	COLLATERAL/ GUARANTEE
Forward	US$ 14,500	Pesos / Dollar	Ps16.49-Ps16.68	US$ 611	US$ 611	US$ -	US$ -	US$ -
Cross Currency Principal Only Swap	100,000	Soles / Dollar	S.2.55-S.2.60	31,763	-	-	31,763	-
				US$ 32,374	US$ 611	US$ -	US$ 31,763	US$ -

Effects of valuation that could represent gains and losses that were recognized under "Other accumulated comprehensive income" in Equity (see Note 20) and that derived from interest rate swap contracts at December 31, 2016 are reclassified to the statement of income at the maturity date of contracts.

V. FAIR VALUE HIERARCHY

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

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

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

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

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

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

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

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

A. DETERMINATION OF FAIR VALUE

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

B. MEASUREMENT

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

	Level 2			
	AT DECEMBER 31, 2016		AT DECEMBER 31, 2015	
Assets:				
Short-term derivative financial instruments	**Ps**	**53,424**	Ps	22,687
Long-term derivative financial instruments		**125,177**		549,721
	Ps	**178,601**	Ps	572,408
Liabilities:				
Short-term Derivative financial instruments	**Ps**	**614**	Ps	117,612
Long-term Derivative financial instruments		**11,478**		-
	Ps	**12,092**	Ps	117,612

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

Note 22 - Expenses classified by nature:

The total cost of sales and selling and administrative expenses, classified by the nature of the expense for the years ended December 31, 2016 and 2015, are as follows:

	2016		2015	
Raw materials and other supplies	**Ps**	**41,449,758**	Ps	33,093,714
Personnel expenses		**14,608,646**		12,254,550
Employee benefit expenses		**264,913**		209,920
Variable selling expenses (1)		**5,914,134**		4,398,897
Depreciation		**4,329,745**		3,215,693
Transportation		**2,719,619**		2,703,813
Advertising, marketing and public relations		**2,479,313**		2,253,609
Maintenance and conservation		**2,016,450**		1,641,572
Professional fees		**1,255,691**		933,694
Supplies (electricity, gas, telephone, etc.)		**336,116**		290,727
Taxes (other than income tax and value added tax)		**515,835**		516,673
Spills, breakages and missing items		**484,723**		329,597
Leases		**569,762**		370,501
Travel expenses		**241,275**		204,828
Provision for impairment in customers		**155,708**		73,329
Amortization		**316,517**		320,428
Consumption of materials and raw materials		**90,409**		56,489
Other expenses		**1,143,075**		994,012
	Ps	**78,891,689**	Ps	63,862,046

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

Note 23 - Other income (expenses), net:

Other income and expenses for the years ended December 31, 2016 and 2015 are comprised as follows:

	2016		2015	
Expenses due to business combination (Note 2)	**(Ps**	**178,840)**	(Ps	324,150)
Sale of brands and rights (1)		**1,488,176**		-
Indemnities		**(277,389)**		(110,757)
Taxes from prior years		**1,007**		(25,514)
Income from different sources		**401,974**		529,011
Profit (loss) from disposal or sale of fixed assets		**183,974**		12,022
Other		**(152,585)**		18,017
Total	**Ps**	**1,466,317**	Ps	98,629

(1) On July 22, 2016, AC, through its subsidiary Compañía Topo Chico, S. de R. L. de C. V., the Company signed an agreement with TCCC to sell the entirety of rights, titles, interest, and intellectual property (including the Topo Chico formulas) in the territories of Mexico, Ecuador, Peru and Argentina. As a result of that sale, AC received Ps1,488,176 US$80,000,000 in cash and it signed an agreement (enclosed to the current bottler agreement) that allows it to distribute the Topo Chico brand products in the regions currently authorized and in other additional regions in Mexico, where sales of Topo Chico products were not allowed (basically in western Mexico). An agreement was also signed to supply mineral water to TCCC and its bottlers.

Note 24 - Employee benefit expenses:

Employee benefit expenses for the years ended December 31, 2016 and 2015 are comprised as follows:

	2016		2015	
Salaries, wages and benefits	**Ps**	**12,994,267**	Ps	10,782,661
Labor termination benefits		**61,440**		110,788
Contributions to social security		**1,552,939**		1,361,101
Employee benefits (Note 17)		**264,913**		209,920
Total	**Ps**	**14,873,559**	Ps	12,464,470

Note 25 - Financial income and costs:

Financial income and costs for the years ended December 31, 2016 and 2015 are comprised as follows:

	2016		2015	
Financial income:				
Interest income on short-term bank deposits	**Ps**	**301,258**	Ps	358,642
Other financial income		**29,708**		120,344
Financial income, excluding foreign exchange gain		**330,966**		478,986
Foreign exchange gain		**1,211,007**		706,172
Total financial income		**1,541,973**		1,185,158
Financial expenses:				
Interest from stock certificates		**(619,493)**		(637,047)
Interest from bank loans		**(1,552,170)**		(594,958)
Financial cost of employee benefits		**(76,893)**		(67,986)
Payments to suppliers		**(6,921)**		(3,426)
Taxes related to financial activities		**(125,230)**		(138,053)
Other financial expenses		**(87,155)**		(78,295)
Financial expense, excluding foreign exchange loss		**(2,467,862)**		(1,519,765)
Foreign exchange loss		**(1,539,993)**		(1,483,612)
Total financial expenses		**(4,007,855)**		(3,003,377)
	(Ps	**2,465,882)**	(Ps	1,818,219)

Note 26 - Income tax:

I. INCOME TAX UNDER TAX CONSOLIDATION REGIME IN MEXICO

With the new IT Law in Mexico, the tax consolidation regime is eliminated. Derived from this elimination, the Company had to deconsolidate for tax purposes at December 31, 2013.

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

AMOUNT	PAYMENT DATE
Ps 34,314	By the last day of April 2017
35,508	By the last day of April 2018
Ps 69,822	

In 2016, the Company determined a standalone tax profit of Ps653,278 against which the Company offset prior years' tax losses (tax loss of Ps1,412,172 in 2015). The tax result differs from the accounting result, mainly due to the items accumulated in time and deducted differently for accounting and tax purposes, to the recognition of the effects of inflation for tax purposes, as well as for the items that only affect the accounting or tax income.

II. PROFIT BEFORE TAXES

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

	For the year ended December 31,	
	2016	2015
Domestic	**Ps 10,343,083**	Ps 8,231,509
Foreign	**3,656,008**	2,861,206
	Ps 13,999,091	Ps 11,092,715

III. COMPONENTS OF THE INCOME TAX EXPENSE

Components of the income tax expense include:

	For the year ended December 31,	
	2016	2015
Tax currently payable:		
Income tax on profits of the period	**(Ps 4,141,975)**	(Ps 3,591,896)
Deferred tax:		
Origin and reversal of temporary differences	**(146,408)**	158,221
Income tax expense	**(Ps 4,288,383)**	(Ps 3,433,675)

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

	For the year ended December 31,	
	2016	2015
Payable:		
Domestic	**(Ps 3,002,195)**	(Ps 2,549,540)
Foreign	**(1,139,780)**	(1,042,356)
	(4,141,975)	(3,591,896)
Deferred:		
Domestic	**(215,898)**	140,275
Foreign	**69,490**	17,946
	(146,408)	158,221
Total	**(Ps 4,288,383)**	(Ps 3,433,675)

IV. RECONCILIATION BETWEEN ACCOUNTING AND TAX INCOME

For the years ended December 31, 2016 and 2015, the reconciliation between the statutory and effective income tax rate amounts is shown as follows:

	For the year ended December 31,			
	2016		2015	
Income tax at statutory rate (30% for 2016 and 2015)	**(Ps**	**4,199,727)**	(Ps	3,327,814)
Tax effects from inflation		**(133,574)**		(52,360)
Differences from tax rates of foreign subsidiaries		**(37,458)**		(20,446)
Non-deductible expenses		**(114,647)**		(143,903)
Share of net income of associates		**67,333**		66,153
Other non-cumulative income		**211,345**		159,072
Other		**(81,655)**		(114,377)
Tax at effective rate (30.63% and 30.95% % for 2016 and 2015, respectively)	**(Ps**	**4,288,383)**	(Ps	3,433,675)

V. TAX RELATED TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

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

	2016			2015		
	BEFORE TAXES	TAX (PAYABLE) RECEIVABLE	AFTER TAXES	BEFORE TAXES	TAX (PAYABLE) RECEIVABLE	AFTER TAXES
Effects of cash flow hedges	Ps 435,788	(Ps 123,129)	Ps 312,659	Ps 11,184	(Ps 3,331)	Ps 7,853
Effects of translation of foreign subsidiaries	7,097,623	-	7,097,623	639,516	-	639,516
Remeasurement of labor liabilities	(124,338)	(125,828)	(250,166)	(228,438)	67,365	(161,073)
Other comprehensive income	Ps 7,409,073	(Ps 248,957)	Ps 7,160,116	Ps 422,262	Ps 64,034	Ps 486,296
Translation of foreign subsidiaries tax		(961,804)			-	
Deferred taxes		(Ps 1,210,761)			Ps 64,034	

Note 27 - Commitments:

a. The Company has leased equipment under non-cancellable operating lease agreements. These leases are effective for a period of between 1 and 5 years, and most of them are renewable at the end of the lease period at market conditions. The lease expense charged to income is shown in Note 22.

The minimum total future payments of non-cancellable operating leases are as follows:

	2016	
Less than one year	**Ps**	**144,763**
Between 1 and 5 years		**320,793**
Total	**Ps**	**465,556**

Note 28 - Contingencies:

BOTTLING AGREEMENT

Current bottling agreements and authorizations for AC to bottle and distribute Coca-Cola products in the regions mentioned herein are as follows:

REGION	SUBSCRIPTION / RENEWAL DATE	MATURITY DATE
Mexico (North)	September 23, 2014	September 22, 2024
Mexico (West)	August 1, 2014	July 31, 2024
Northeastern Argentina (1)	January 1, 2012	January 1, 2017
Northwestern Argentina (1)	January 1, 2012	January 1, 2017
Ecuador (2)	January 1, 2013	December 31, 2017
Peru	January 31, 2016	April 30, 2020

(1) In the case of Northeastern and Northwestern Argentina, on January 1, 2017 the Company was granted an extension to March 31, 2017, which provides sufficient time to formalize the new agreements.
(2) They may be extended for an additional five years, as from their maturity date.

In the more than 90 years of business relations with TCCC, AC has never been denied the renewal of bottling agreements or the subscription of new agreements to substitute the predecessors. As a result of the foregoing, indefinite useful lives were assigned to these intangibles (see Note 5). Management considers that TCCC will continue to renew the agreements or extend bottling authorizations at the dates of maturity, or allow new agreements to be subscribed or new authorizations to be granted to substitute the current ones, but there is no certainty that this will actually happen. If it does not happen, the business and the operating income of AC would be adversely affected.

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

Additionally, the bottling agreements in place with TCCC establish that AC may not bottle any beverages different from those of the Coca-Cola brand, except when otherwise expressly authorized in the agreements. Up until the sale of the brand specified in Note 23, AC bottled and distributed some products of its former Topo Chico brand in Mexico with the authorization of TCCC. It is worth mentioning that AC retains ownership of its Topo Chico brand in the US and continues to bottle and distribute products under that brand with the authorization of TCCC.

CONTINGENCIES IN PERU

At December 31, 2016, there are claims filed before tax authorities and other judicial and labor proceedings followed by the Company for approximately Ps311,153 (approximately Ps206,885 in 2015), that are pending a final sentence. According to Management and its legal advisors, these proceedings might result in an unfavorable ruling for the Company of approximately Ps156,861 (Ps112,393 in 2015); additionally, they estimate that the claims classified as remote or possible will be favorably resolved for the Company (see Note 16).

Note 29 - Related parties and associates:

The Company is controlled by Fideicomiso de Control, which holds 47% of the total outstanding shares of the Company (51% in 2015). The remaining 53% (49% in 2015) of shares are widely distributed. The ultimate controlling party of the group is composed of the Barragán, Grossman, Fernández and Arizpe families, who also hold shares outside of the control trust.

Operations with related parties were conducted at market value.

A. REMUNERATIONS TO KEY MANAGEMENT PERSONNEL

The key personnel include key management personnel or key directors relevant to the entity. Remuneration paid to key personnel for their services is shown below:

	2016		2015	
Salaries and other short term benefits	**Ps**	**188,204**	Ps	176,112
Pension plans		**222,619**		186,640
Seniority premium		**210**		134
Medical expenses after retirement		**6,191**		1,617
Total	**Ps**	**417,224**	Ps	364,503

B. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Balances receivable from related parties of Ps105,310 and Ps100,389 presented in the consolidated statements of financial position at December 31, 2016 and 2015, respectively, relate mainly to Criotec in 2016 and PIASA in 2015.

Balances payable in the short term to related parties are as follows:

	At December 31,			
	2016		2015	
Other related parties:				
Coca-Cola Mexico (CCM)	**Ps**	**275,293**	Ps	68,458
Coca-Cola de Chile		**200,296**		210,254
Corporación Inca Kola Perú, S. A.		**225,335**		54,636
Coca-Cola Servicios de Perú, S. A.		**79,760**		20,786
GRE Huachipa, S.A.C.		**-**		74,001
Servicios Integrados de Administración y Alta Gerencia		**-**		15,701
GRE Portada del Sol, S.A.C.		**8,522**		302
Associates:				
JDV		**114,350**		121,620
Promotora Mexicana de Embotelladoras, S. A. de C. V.		**47,529**		27,665
Industria Envasadora de Querétaro, S. A. de C. V. (IEQSA)		**40,335**		51,863
Other associates		**8,635**		15,331
Total payable in the short term	**Ps**	**1,000,055**	Ps	660,617

The Ps352,439 long-term payable balance shown in the statement of financial position at December 31, 2015 relates to GRE Huachipa, S. A. C. for the purchase of a piece of land for the construction of a warehouse located in Huachipa, Perú. The corresponding contract dated back to October 2014 and established its settlement in 2023, bearing 6.1104% interest. The balance was settled in 2016.

Unsecured balances payable to related parties at December 31, 2016 and 2015 arise primarily from purchases made and services received, maturing in 2016 and 2015, respectively, and bearing no interest.

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

	Year ended December 31,			
	2016		2015	
Other related parties (see Notes 1 and 28):				
Purchases of concentrate	**Ps**	**11,083,767**	Ps	8,244,249
Advertising and fees		**(239,931)**		93,694
Purchase of refrigerators		**440,040**		327,712
Air transportation		**63,107**		61,081
Purchase of bottles		**413,953**		386,372
Associates (see Note 10):				
Purchase of juices and nectars from JDV		**2,043,648**		1,714,709
Purchase of Santa Clara products from JDV		**220,820**		125,432
Purchase of sugar from PIASA		**2,239,482**		1,557,532
Purchase of canned goods from IEQSA		**977,895**		951,639
Purchase of cans and bottles		**370,997**		624,131
Purchase of resin from PETSTAR		**565,561**		543,851
Freight		**63,619**		61,286
Pallets		**38,128**		31,145
Income from the sale of real property		**(168,071)**		-
Purchase of spare parts and others		**88,678**		223,934
	Ps	**18,201,693**	Ps	14,946,767

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

I. INTEREST IN SUBSIDIARIES

At December 31, 2016 and 2015, the main subsidiaries of the Company are as follows. Except otherwise indicated, the subsidiaries maintain a capital stock consisting only of ordinary shares or equity participation units owned directly by the Company, and the proportion of interest maintained therein is equal to the voting rights held by the Company. The country of incorporation or registration is also the main location of the business.

			CONTROLLING INTEREST PERCENTAGE		NON-CONTROLLING INTEREST PERCENTAGE		
	COUNTRY	ACTIVITIES	2016	2015	2016	2015	FUNCTIONAL CURRENCY
Arca Continental, S. A. B. de C. V. (Holding)	Mexico	B / E					Mexican peso
Bebidas Mundiales, S. de R. L. de C. V.	Mexico	A	99.99	99.99	0.01	0.01	Mexican peso
Distribuidora Arca Continental, S. de R. L. de C. V.	Mexico	A	99.99	99.99	0.01	0.01	Mexican peso
Productora y Comercializadora de Bebidas Arca, S. A. de C. V.	Mexico	A / B	99.99	99.99	0.01	0.01	Mexican peso
Nacional de Alimentos y Helados, S. A. de C. V.	Mexico	C	99.99	99.99	0.01	0.01	Mexican peso
Compañía Topo Chico, S. de R. L. de C. V.	Mexico	A	99.99	99.99	0.01	0.01	Mexican peso
Industrial de Plásticos Arma, S. A. de C. V.	Mexico	D	99.99	99.99	0.01	0.01	Mexican peso
Procesos Estandarizados Administrativos, S. A. de C. V.	Mexico	E	99.99	99.99	0.01	0.01	Mexican peso
Fomento de Aguascalientes, S. A. de C. V.	Mexico	F	99.99	99.99	0.01	0.01	Mexican peso
Fomento Durango, S. A. de C. V.	Mexico	F	99.99	99.99	0.01	0.01	Mexican peso
Fomento Mayrán, S. A. de C. V.	Mexico	F	99.99	99.99	0.01	0.01	Mexican peso
Fomento Potosino, S. A. de C. V.	Mexico	F	99.99	99.99	0.01	0.01	Mexican peso
Fomento Rio Nazas, S. A. de C. V.	Mexico	F	99.99	99.99	0.01	0.01	Mexican peso
Fomento San Luis, S. A. de C. V.	Mexico	F	99.99	99.99	0.01	0.01	Mexican peso
Fomento Zacatecano, S. A. de C. V.	Mexico	F	99.99	99.99	0.01	0.01	Mexican peso
Promotora ArcaContal del Noreste, S. A. de C. V.	Mexico	F	99.99	99.99	0.01	0.01	Mexican peso
Inmobiliaria Favorita, S. A. de C. V.	Mexico	F	99.99	99.99	0.01	0.01	Mexican peso
Desarrolladora Arca Continental, S. de R. L. de C. V.	Mexico	B / F	99.99	99.99	0.01	0.01	Mexican peso
Arca Continental Corporativo, S. de R. L. de C. V.	Mexico	E / F	99.99	99.99	0.01	0.01	Mexican peso
Bbox Vending, S. de R. L. de C. V.	Mexico	A / C	99.99	99.99	0.01	0.01	Mexican peso
AC Negocios Complementarios, S. A. de C. V.	Mexico	B	99.99	99.99	0.01	0.01	Mexican peso
AC Bebidas, S. de R. L. de C. V. (AC Bebidas) (Nota 31)	Mexico	B	99.99	-	0.01	-	Mexican peso
Interex, Corp	USA	A / C	100.00	100.00	0.00	0.00	US Dollar
Arca Continental USA, L.L.C.	USA	B	100.00	100.00	0.00	0.00	US Dollar
AC Snacks Foods, Inc.	USA	B	100.00	100.00	0.00	0.00	US Dollar
Wise Foods, Inc.	USA	C	100.00	100.00	0.00	0.00	US Dollar
Arca Continental Argentina, S. L. (Arca Argentina) (a)	Spain	B	75.00	75.00	25.00	25.00	Argentinian peso
Salta Refrescos S.A. (c)	Argentina	A	100.00	99.23	0.00	0.77	Argentinian peso
Envases Plásticos S. A. I. C. (c)	Argentina	F	100.00	99.50	0.00	0.50	Argentinian peso
Arca Ecuador, S. A. (Arca Ecuador) (a)	Spain	A / B	-	75.00	-	25.00	US Dollar
Industrias Alimenticias Ecuatorianas, S. A.	Ecuador	C	99.99	99.99	0.01	0.01	US Dollar
Industrial de Gaseosas, S. A.	Ecuador	E	99.99	99.99	0.01	0.01	US Dollar
Bebidas Arca Continental Ecuador ARCADOR, S. A.	Ecuador	A	100.00	100.00	0.00	0.00	US Dollar
Corporación Lindley, S. A. (b)	Peru	A / B	54.73	47.52	45.27	52.48	Peruvian Sol
Embotelladora La Selva, S. A.	Peru	A	93.16	93.16	6.84	6.84	Peruvian Sol
Empresa Comercializadora de Bebidas, S. A. C.	Peru	A	99.99	99.99	0.01	0.01	Peruvian Sol
Norco	Peru	B	100.00	-	0.00	-	Peruvian Sol
Vendsac	Peru	A / C	100.00	-	0.00	-	Peruvian Sol
Vendtech	Peru	A / C	100.00	-	0.00	-	Peruvian Sol

(a) On April 8, 2016, AC signed a reorganization agreement to acquire the non-controlling interest in subsidiaries Arca Ecuador and Arca Argentina, Spaniard companies, through the merger of both entities. Effective as of October 3, 2016, subsidiary Arca Ecuador, S. A. changed its corporate address to Mexico and adopted the legal status of Sociedad Anónima Promotora de Inversión de Capital Variable or "S. A. P. I. de C. V.", and on the other hand, the merger of Arca Ecuador into AC took effect on November 1, 2016 with AC as the surviving company, for which purpose 29,052,596 new AC shares were issued. The merger with Arca Ecuador gave rise to an increase in the controlling interest at December 31, 2016 of Ps1,975 in the capital stock, Ps3,156,623 in the share premium and Ps205,791 in retained earnings, and a decrease in the non-controlling interest of Ps3,364,389, the effects of which are shown in the consolidated statement of changes in stockholders' equity for the year ended on December 31, 2016.

On December 14, 2016, the shareholders approved the merge of AC and Carismed XXI, S. de R.L. de C.V. (Carismed), effective as of January 2, 2017. Carismed used to hold 25% of the equity participation units of Arca Argentina. As a result of the merger, 58,898,228 new shares were issued on January 2, 2017.

(b) On January 4, 2016, AC concluded the acquisition of 38.4 million shares with voting rights issued by CL, that were previously owned by different members of the Arredondo Lindley family and that comprised 6.6% of the capital stock. The transaction price was US$1.57 per share. As a result of the acquisition, AC managed to hold 60% of the voting shares of CL, while TCCC holds close to 38.5% of the common voting shares. Additionally, with regard to the investment shares, which do not form part of the capital stock and do not confer any voting rights whatsoever, AC signed an agreement with the Lindley family to acquire 1.28 million investment shares issued by CL, which comprise 1.78% of the total investment shares issued, at the purchase price of US$0.89 per share, which were paid in on January 29, 2016. Embotelladora La Selva, S. A. and Empresa Comercializadora de Bebidas, S. A. C. are direct subsidiaries of CL. Investment shares have not corporate rights, such as the right to vote or participate at Stockholders' meetings, nor do they give their holders the right to appoint members of the Board of Directors. The shareholding percentage of voting shares at December 31, 2016 and 2015 is 61.25% and 53.40%, respectively.

(c) Under the reorganization agreement signed on April 8, 2016 mentioned above, on December 14, 2016, the Company acquired 0.77% and 0.50% of the non-controlling interest remaining in Salta Refrescos, S.A. and Envases Plásticos, S.A.I.C., respectively, for a total of US$2,537, which was paid in cash through one of its subsidiaries. The effects of the acquisition are included in the consolidated statement of changes in stockholders' equity for the year ended on December 31, 2016.

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

II. SUMMARIZED FINANCIAL INFORMATION OF SUBSIDIARIES WITH SIGNIFICANT NON-CONTROLLING INTEREST BEFORE ELIMINATIONS DUE TO CONSOLIDATION

SUMMARIZED CONSOLIDATED BALANCE SHEET	ARCA ECUADOR	ARCA ARGENTINA		CL	
	2015	2016	2015	2016	2015 (1)
Current assets	Ps 2,402,051	Ps 2,151,418	Ps 2,240,346	Ps 3,224,980	Ps 4,835,379
Non-current assets	19,274,198	3,999,789	2,828,289	43,507,166	37,523,888
Current liabilities	2,466,453	1,628,311	1,455,052	4,570,433	4,377,822
Non-current liabilities	7,394,068	900,240	419,727	14,997,527	15,020,394
Net assets	Ps 11,815,728	Ps 3,622,656	Ps 3,193,856	Ps 27,164,186	Ps 22,961,051

(1) Revised for fair value adjustments due to business combination in 2015.

SUMMARIZED CONSOLDIATED STATEMENT OF COMPREHENSIVE INCOME	ARCA ECUADOR	ARCA ARGENTINA		CL	
	2015	2016	2015	2016	2015 (1)
Income	Ps 11,327,117	Ps 9,318,233	Ps 10,519,965	Ps 14,634,105	Ps 4,361,544
Total comprehensive income	Ps 635,640	Ps 744,356	Ps 1,043,749	Ps 571,210	(Ps 682,715)
SUMMARIZED CONSOLIDATED CASH FLOWS					
Operating activity net cash flow	Ps 1,323,861	Ps 829,145	Ps 1,720,409	Ps 2,463,183	Ps 366,864
Investment activity net cash flow	(1,329,993)	(1,333,165)	(712,786)	243,170	(422,151)
Financing activity net cash flow	(108,741)	33,639	(138,370)	(4,134,975)	796,420
Increase (decrease) in cash	(114,873)	(470,381)	869,253	(1,428,622)	741,133
Cash Exchange (loss) gain	90,893	(22,513)	(303,165)	307,183	(52,384)
Cash at beginning of year	555,837	1,225,736	659,648	1,441,401	752,652
Cash at end of year	Ps 531,857	Ps 732,842	Ps 1,225,736	Ps 319,962	Ps 1,441,401

III. TRANSACTIONS WITH NON-CONTROLLING INTEREST

Except for acquisitions by the non-controlling interest described in point i. above, in the years ended on December 31, 2016 and 2015 there were no transactions with non-controlling interest or conflicts of interest to disclose.

IV. INTEREST IN JOINT OPERATIONS

At December 31, 2016 and 2015, the Company has an investment of 50% in JV Toni, S. L., a company incorporated in Spain to jointly operate its investment in Holding Tonicorp, S. A. and its subsidiaries as shown below:

			Ownership Percentage		
ENTITY	COUNTRY	ACTIVITIES	2016	2015	FUNCTIONAL CURRENCY
Holding Tonicorp, S. A.	Ecuador	A	89.36	89.36	US dollar
Industrias Lácteas Toni, S. A	Ecuador	B / C	100.00	100.00	US dollar
Plásticos Ecuatorianos, S. A.	Ecuador	D	100.00	100.00	US dollar
Distribuidora Importadora Dipor, S. A.	Ecuador	E	100.00	100.00	US dollar

A - Shareholding
B - Production and/or distribution of high value-added dairy products
C - Production and/or distribution of ice cream and related products
D - Production and/or distribution of all kinds of plastic packaging
E - Distribution and marketing of high value-added dairy products and other products

In accordance with the assessment of this joint agreement performed by AC, the design and purpose thereof requires that the AC beverages business in Ecuador acquires, distributes and markets the production of Tonicorp, transferring the rights to the benefits and obligations of the liabilities of Tonicorp and its subsidiaries to the two shareholders that jointly control the agreement. Consequently, the agreement has been classified as a joint operation (see Notes 3c. and 5b.). AC has incorporated in its consolidated financial statements its equity percentage in assets and liabilities in this joint operation as of the acquisition date.

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

Note 31 - Subsequent events:

In preparing the financial statements the Company has evaluated events and transactions for recognition or disclosure subsequent to December 31, 2016 and up to March 1, 2017 (date of issuance of the financial statements). It has concluded that there are no subsequent events affecting the financial statements, except for the following relevant subsequent events that did not affect the book entries in the financial statements at December 31, 2016:

On February 8, 2017, Arca Continental and Coca-Cola Refreshments USA, Inc. (CCR) signed a Transaction Agreement (the Master Agreement), which is governed by US laws. The Master Agreement mainly establishes that:

1. Arca Continental is to transfer to AC Bebidas its interest in the capital stock of all its subsidiaries and associates engaged in the beverages business. The accounting treatment of the transaction will be that for a transaction under common control;
2. CCR will contribute to its newly-created subsidiary Coca-Coca Southwest Beverages LLC. (CCSWB) (i) the exclusive right to bottle, distribute and sell TCCC beverages in the southwest region of the US, which covers the State of Texas and certain areas of Oklahoma, Nuevo Mexico and Arkansas (the Territory), (ii) ownership over certain assets related to operations in the Territory, and (iii) certain liabilities related to operations in the Territory and the transfer of said assets, and
3. CCR will transfer to AC Bebidas its entire interest in 100% of the capital stock of CCSWB, in exchange for CCR's 20% interest in AC Bebidas.

Once the operation is settled, which is expected to occur in the second semester of 2017, AC will hold 80% interest in the capital stock of AC Bebidas and CCR will hold the remaining interest. The percentage will reflect a non-controlling interest. As from the date that the Company acquires control over CCSWB, it will recognize the transaction as a business acquisition, applying the provisions of IFRS 3.

Francisco Garza Egloff
Chief Executive Officer

Emilio Marcos Charur
Chief Financial Officer

Glossary

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

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

CCSWB
Coca-Cola Southwest Beverages.

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

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

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

ISR
Income tax.

MUC
Million Unit Cases.

PET Bottle
Non-returnable plastic container.

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

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

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

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

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

REF-PET Bottle
Returnable plastic container.

RTM
Route To Market, a market service model.

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

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

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