



ARCACONTINENTAL



RISING TO THE CHALLENGE

CONSOLIDATED FINANCIAL STATEMENTS 2020

CONSOLIDATED FINANCIAL STATEMENTS

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

DECEMBER 31, 2020 AND 2019

WITH INDEPENDENT AUDITOR'S REPORT

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Management's Discussion and Analysis of Financial Results

SALES

In 2020, total revenues reached Ps. 171,586 million, increasing 4.0% when compared to 2019. Net sales, which corresponds to product sold within our territories, decreased 1.8%.

Total Volume sold within our territory reached 1,924 MUC (excluding jug water), decreasing 4.3% when compared to 2019, driven by the impact of the pandemic mainly in the flavors and water categories that fell 10.2% and 11.6%, respectively. Mexico reached 1,016 MUC, excluding jug water, which represents a 2.4% decrease compared to 2019, mainly due to mobility restrictions imposed in the states in which we operate. For the U.S. operations, volume reached 431 MUC, representing a 2.2% drop compared to last year.

In South America, volume declined 9.6% to 477 MUC, excluding jug water. This decrease is mainly due to operations in Peru and Ecuador, which were impacted by mobility restrictions.

COST OF SALES

In 2020, cost of sales increased 3.2%, mainly due to the higher concentrate prices in Mexico and an exchange rate effect on our US dollar operations, which was partially offset by lower PET prices. As a result, gross profit reached Ps. 76,705 million, up 5.0%, to reach a gross margin of 45.3%, an expansion of 40 basis points compared to 2019 mainly driven by our price-pack initiatives.

OPERATING EXPENSES

Selling and administrative expenses increased 4.1% (-0.5% currency neutral), to Ps. 54,447 million; 32.2% with respect to net sales as a result of efficiencies and savings plans implemented in operations.

OPERATING INCOME AND EBITDA

Consolidated operating income reached Ps. 21,472 million, an increase of 6.3% when compared to 2019, and representing an operating margin of 12.7%. Consolidated EBITDA increased 5.7% from Ps. 30,404 million to Ps. 32,147 million and a margin of 18.7% with respect to total revenues. EBITDA for Mexico rose 8.6%, for a margin of 25.2%. While in the beverage operations in the United States, EBITDA increased 20.7% and the margin was 14.1% (excluding NPSG income) and the beverage business in South America decreased 10.6% for a margin of 19.8% (see Note 6).

COMPREHENSIVE FINANCING RESULTS

The comprehensive financing result in 2020 was Ps. 3,476 million, down 3.2% mainly due to a higher exchange rate gain and lower interest expense when compared to the previous year (see Note 24).

INCOME TAXES

Income taxes went from Ps. 5,031 million to Ps. 5,427 million in 2020. The effective tax rate for 2020 was 30%.

MAJORITY NET INCOME

In 2020, majority net income increased 7.2% to Ps. 10,276 million or Ps. 5.83 per share, with a net margin of 6.1% with respect to net sales.

CASH POSITION AND NET DEBT

In 2020, the company registered a cash balance of Ps. 27,336 million and debt of Ps. 50,577 million, resulting in a net debt position of Ps. 23,241 million. The Net Debt/ EBITDA ratio was 0.7x.

CAPEX

CAPEX reached Ps. 6,723 million in 2020, around 41.9% lower than 2019 and mainly allocated towards market execution, distribution, and production capabilities.

Consolidated Statements of Financial Position

For the years ended December 31
(Thousands of Mexican pesos)

DECEMBER 31,	2020	2019	2018	2017 ⁽¹⁾	2016	2015 ⁽¹⁾	2014
ASSETS							
CURRENT ASSETS:							
Cash and cash equivalents	27,336	22,051	15,941	23,842	5,546	8,295	9,039
Clients and other accounts receivable, net, include related parties	10,191	10,686	13,332	11,428	6,586	6,772	4,312
Inventories and advance payments	8,701	8,510	8,291	8,428	5,464	4,705	3,102
Derivative financial instruments	871	110	4	83	53	23	0
Total current assets	47,099	41,357	37,568	43,781	17,650	19,795	16,453
Investment in shares of associates	8,308	8,168	6,970	6,770	5,211	4,491	3,926
Property, plant and equipment, net	69,659	71,937	74,079	71,664	49,233	42,913	25,321
Right-of-use assets	1,190	1,177	0	-	-	-	-
Goodwill and intangible assets, net	116,424	113,418	117,090	116,406	65,110	56,321	33,605
Deferred Income taxes	2,591	1,691	1,124	933	1,246	865	1,022
Derivative financial instruments	0	30	98	165	125	550	0
Other assets	702	668	950	566	349	-	0
Total assets	245,973	238,447	237,879	240,285	138,924	124,934	80,327
LIABILITIES AND STOCKHOLDERS' EQUITY							
CURRENT LIABILITIES:							
Suppliers, include related parties	10,678	10,271	10,024	8,311	6,514	5,394	2,952
Derivative financial instruments	335	125	111	5	1	118	0
Current debt	7,132	6,761	2,672	1,785	4,368	6,998	1,699
Lease liabilities	358	248	0	-	-	-	-
Other accounts payable and taxes	12,276	10,346	11,020	13,216	7,477	6,575	5,937
Total current liabilities	30,779	27,751	23,827	23,318	18,359	19,084	10,588
Non-current debt	43,445	46,500	53,155	53,338	26,816	32,916	14,078
Lease liabilities	853	935	-	-	-	-	-
Derivative financial instruments	357	226	6	444	11	0	0
Employee benefits	5,249	4,390	3,122	2,724	2,198	1,767	1,225
Other liabilities	830	699	757	939	464	491	108
Deferred income taxes	17,040	16,559	17,483	17,945	10,755	9,043	4,944
Total liabilities	98,553	97,060	98,350	98,708	58,603	63,302	30,943
STOCKHOLDERS' EQUITY:							
Capital stock	982	982	982	982	978	972	972
Share premium	45,086	45,089	45,115	45,121	38,674	28,141	28,121
Retained earnings	69,883	68,392	63,053	60,524	27,911	22,942	18,508
Other reserves	903	(1,567)	2,652	3,847	3,862	(1,011)	(1,536)
Total controlling interest	116,854	112,896	111,802	110,474	71,425	51,044	46,064
Non-controlling interest	30,566	28,491	27,727	31,103	8,896	10,588	3,320
Total liabilities and stockholders' equity	245,973	238,447	237,879	240,285	138,924	124,934	80,327

(1) Revised to include fair value adjustments due to bussiness combination.


ARTURO GUTIÉRREZ HERNÁNDEZ
 CHIEF EXECUTIVE OFFICER


EMILIO MARCOS CHARUR
 CHIEF FINANCE OFFICER

Consolidated Statements of Income

For the years ended December 31
(Thousands of Mexican pesos)

DECEMBER 31,	2020 ⁽¹⁾	2019 ⁽¹⁾	2018 ⁽¹⁾	2017 ⁽¹⁾	2016 ⁽¹⁾	2015 ⁽¹⁾	2014 ⁽¹⁾
Sales volume excluding jug (MUC)	1,924.3	2,009.7	2,004.8	1,874.8	1,534.1	1,290.2	1,152.9
Net sales	169,314	162,728	155,653	137,156	93,666	76,454	61,957
Income related NPSG	2,272	2,313	3,299	2,331	-	-	-
Cost of sales	(94,881)	(91,968)	(89,712)	(77,025)	(49,654)	(39,363)	(31,569)
Gross profit	76,705	73,073	69,240	62,462	44,012	37,090	30,388
Selling expenses	(45,807)	(43,919)	(42,531)	(36,825)	(24,143)	(20,218)	(16,193)
Administrative expenses	(8,641)	(8,364)	(8,281)	(7,302)	(5,095)	(4,281)	(3,631)
Other income, net ⁽²⁾	266	676	1,096	1,006	671	579	425
Non-recurring expenses ⁽³⁾	(1,051)	(1,266)	(954)	3,065	855	(417)	(216)
Operating profit	21,472	20,200	18,570	22,407	16,300	12,754	10,774
Comprehensive financing income (cost):							
Financial expenses, net	(3,218)	(3,348)	(3,672)	(3,036)	(2,137)	(1,041)	(943)
Money exchange (loss) profit, net	(186)	(278)	(683)	500	(329)	(777)	(31)
Monetary position (loss) profit, net	(72)	34	242	-	-	-	-
	(3,476)	(3,592)	(4,113)	(2,536)	(2,466)	(1,818)	(974)
Equity in the results of associates	4	167	223	178	165	157	54
Profit before income tax	18,001	16,776	14,680	20,048	13,999	11,093	9,854
Income tax	(5,427)	(5,031)	(3,860)	(3,259)	(4,288)	(3,434)	(3,089)
Net consolidated profit	12,574	11,744	10,820	16,789	9,711	7,659	6,765
Non-controlling Interest	(2,297)	(2,156)	(2,118)	(3,699)	(677)	(413)	(260)
Equity holders of the parent	10,276	9,588	8,702	13,090	9,034	7,246	6,505
Weighted average of outstanding shares (thousands)	1,764,283	1,764,283	1,764,283	1,764,283	1,678,753	1,611,264	1,611,264
Depreciation and amortization	9,624	8,937	7,942	6,651	4,646	3,536	2,655
EBITDA (excluding non-recurring expenses)	32,147	30,404	27,466	25,993	20,092	16,707	13,644
	19.0%	18.7%	17.6%	19.0%	21.5%	21.9%	22.0%
CAPEX	6,723	11,568	11,061	10,880	7,379	5,728	4,032

(1) Figures presented prepared in accordance with International Financial Reporting Standards (IFRS)

(2) Includes the equity in the results of strategic associates

(3) Non-recurring expenses that the administration considers at the operational level



ARTURO GUTIÉRREZ HERNÁNDEZ
CHIEF EXECUTIVE OFFICER



EMILIO MARCOS CHARUR
CHIEF FINANCE OFFICER

Management's Responsibility 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 International Financial Reporting Standards (IFRS).

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 Mancera, S.C., a firm of independent public accountants. Their audit was carried out in accordance with International Standards on Auditing 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.



ARTURO GUTIÉRREZ HERNÁNDEZ
CHIEF EXECUTIVE OFFICER



EMILIO MARCOS CHARUR
CHIEF FINANCE OFFICER

Independent Auditor's Report



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

OPINION

We have audited the consolidated financial statements of Arca Continental, S.A.B. de C.V. and its subsidiaries (the Company), which comprise the consolidated statement of financial position as of December 31, 2020, and the consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Mexico according with the "Código de Ética Profesional del Instituto Mexicano de Contadores Públicos" ("IMCP Code"), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER MATTERS

The consolidated financial statements for the year ended December 31, 2019 were audited by other auditors whose report dated March 5, 2020, expressed an unqualified opinion on those statements.

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.

THE RECOVERY VALUE ESTIMATION OF INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

DESCRIPTION AND WHY IT WAS CONSIDERED A KEY AUDIT MATTER

We have determined the recovery value estimation of intangible assets with indefinite useful lives to be a key audit matter. Given the significant judgments and estimations involved in determining the approaches, assumptions and premises used by management to calculate the recovery value of those indefinite life intangible assets, we also focused in this area because of the significance of the balances of those assets as of December 31, 2020, which are mainly comprised of goodwill, bottler's agreements and brands of \$55,929,169, \$50,109,908 and \$3,442,448, respectively.

In Note 5 "Accounting estimations and judgments" and Note 12 "Goodwill and intangible assets, net" to the consolidated financial statements describes with more detail the impairment testing analysis of indefinite life intangible assets performed by the Company. This analysis includes an annual recovery value estimation of the cash-generating units (CGU) which those assets are assigned in order to identify and record any potential impairment. The impairment testing valuation involves the application of significant judgments due to the analysis of assumptions and premises such as profitability and economic conditions, discount rates, operation margin, weighted average cost of capital, and others. Those assumptions are sensitive and are affected by economic and technology changes, market conditions and other factors.

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We evaluated management assumptions and premises used to identify and assign a group of long-lived assets to each CGU. With regard to the recovery value of indefinite life intangible assets, we evaluated the future cash flow projections prepared by management, and reviewed the information used to prepare them, verifying that future cash flow projections are in line with historical trends and long-term business plans approved by the Board of Directors for 2021 to 2025.

For each CGU, we compared the actual results for the past four years with the figures budgeted for each of those years, to consider the adequacy of the assumptions included in the projections.

With respect to the assumptions and premises used by the Company's management, we involved our internal valuation specialist to support us in evaluating the reasonableness of the approach used by the Company to determine the recoverable value of all CGUs (revenue approach, using discounted future cash flows to determined the value in use).

We compared the results of the calculation of the aforementioned recovery values against the book values of the CGUs; we discussed with management the differences between the methodologies used for calculation of the recovery value and we verified that they were applied consistently with prior years.

We analyzed the impairment testing calculation of the long-lived assets prepared by management, and evaluated the competences, technical capabilities and objectivity of the Company internal valuation specialists.

Furthermore, we assessed the adequacy of related disclosures with respect to the identification and determination of the recoverable value of long-lived assets made in the consolidated financial statements as of December 31, 2020.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the Annual Report corresponding to the year ended December 31, 2020, that will be presented to the Comisión Nacional Bancaria y de Valores (CNBV) and the Annual Information presented to the Bolsa Mexicana de Valores, but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report is 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 type 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 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the accompanying 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 of the Company are responsible for overseeing the Company's financial reporting process.

AUDITOR'S 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 ISAs 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 ISAs, 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, actions taken to eliminate threats or safeguards applied.

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 partner in charge of the audit resulting in this independent auditor's report is stated below.

Mancera, S.C.
A Member Practice of
Ernst & Young Global Limited



C.P.C. Aldo A. Villarreal Robledo

Monterrey, N. L.,
February 26, 2021.

Consolidated Statements of Financial Position

For the years ended December 31, 2020 and 2019
(Thousands of Mexican pesos)

	NOTE	2020	2019
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	7	\$ 27,335,702	\$ 22,051,280
Account receivables from clients and others, net	8a	9,212,914	10,455,167
Related parties	27	977,695	230,941
Inventories	9	8,250,619	7,948,144
Derivative financial instruments	20	871,339	110,232
Prepayments		451,010	561,072
Total current assets		47,099,279	41,356,836
NON-CURRENT ASSETS:			
Investment in shares of associates	10	8,308,209	8,168,311
Property, plant and equipment, net	11	69,658,796	71,937,106
Goodwill and intangible assets, net	12	116,424,326	113,417,537
Right-of-use assets	13	1,189,996	1,177,018
Deferred income taxes	17	2,590,689	1,691,427
Derivative financial instruments	20	-	30,092
Other assets		702,344	668,491
Total non-current assets		198,874,360	197,089,982
Total assets		\$ 245,973,639	\$ 238,446,818
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Current debt	14	\$ 7,132,136	\$ 6,761,038
Suppliers		8,028,352	7,544,940
Related parties	27	2,649,481	2,725,735
Derivative financial instruments	20	334,987	125,219
Income tax payable	25	1,328,360	1,015,863
Lease liabilities	13	358,034	247,892
Other liabilities	15	10,947,623	9,330,432
Total current liabilities		30,778,973	27,751,119
NON-CURRENT LIABILITIES:			
Non-current debt	14	43,444,973	46,500,428
Lease liabilities	13	853,223	934,736
Employee benefits	16	5,249,179	4,390,019
Derivative financial instruments	20	357,150	225,843
Deferred income taxes	17	17,039,846	16,559,266
Other liabilities	15	830,106	698,730
Total non-current liabilities		67,774,477	69,309,022
Total liabilities		98,553,450	97,060,141
STOCKHOLDERS' EQUITY:			
CONTROLLING INTEREST:			
Capital stock		981,959	981,959
Share premium		45,086,473	45,089,220
Retained earnings		69,882,571	68,391,858
Other comprehensive income	19	902,854	(1,567,051)
Total controlling interest		116,853,857	112,895,986
Non - controlling interest		30,566,332	28,490,691
Total stockholders' equity		147,420,189	141,386,677
Total liabilities and stockholders' equity		\$ 245,973,639	\$ 238,446,818

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



ARTURO GUTIÉRREZ HERNÁNDEZ
CHIEF EXECUTIVE OFFICER



EMILIO MARCOS CHARUR
CHIEF FINANCE OFFICER

Consolidated Statements of Income

For the years ended December 31, 2020 and 2019
(Thousands of Mexican pesos)

	NOTE	2020	2019
Net sales	6	\$ 169,313,779	\$ 162,727,943
Income related NPSG	6 and 27	2,272,068	2,312,925
Cost of sales	21	(94,881,270)	(91,967,632)
Gross profit		76,704,577	73,073,236
OPERATING EXPENSES:			
Selling expenses	21	(45,806,543)	(43,919,425)
Administrative expenses	21	(8,640,656)	(8,364,134)
Equity in the results of strategic associates	10	61,961	58,287
Other expenses, net	22	(846,934)	(647,791)
Operating profit		21,472,405	20,200,173
Financial income	24	6,501,092	2,757,709
Financial expenses	24	(9,977,006)	(6,349,459)
Financial costs, net		(3,475,914)	(3,591,750)
Equity in the results of associates	10	4,247	167,260
Profit before income tax		18,000,738	16,775,683
Income tax	25	(5,427,150)	(5,031,224)
Net consolidated profit		12,573,588	11,744,459
NET CONSOLIDATED PROFIT ATTRIBUTABLE TO:			
Equity holders of the parent		10,276,089	9,588,282
Non-controlling interest		2,297,499	2,156,177
		\$ 12,573,588	\$ 11,744,459
Basic earnings per share, in pesos		5.83	5.43
Diluted earnings per share, in pesos		5.83	5.43
Weighted average of outstanding shares (thousands)		1,764,283	1,764,283

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



ARTURO GUTIÉRREZ HERNÁNDEZ
CHIEF EXECUTIVE OFFICER



EMILIO MARCOS CHARUR
CHIEF FINANCE OFFICER

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2020 and 2019
(Thousands of Mexican pesos)

	NOTE	2020	2019
Net consolidated profit		\$ 12,573,588	\$ 11,744,459
Other consolidated comprehensive income items, net of tax:			
Items that will not be reclassified to profit or loss:			
Remeasurement loss of defined benefit plans, net	19	(391,626)	(795,306)
Equity in other comprehensive income of associated companies accounted for using equity method, net	19	(171,837)	(139,059)
		(563,463)	(934,365)
Items that may be reclassified to profit or loss:			
Effect of derivative financial instruments contracted as cash flow hedges, net	19	(6,046)	(121,191)
Exchange differences on translation of foreign operations	19	3,639,072	(4,528,103)
		3,633,026	(4,649,294)
Total other comprehensive income for the year		3,069,563	(5,583,659)
Total consolidated comprehensive income		\$ 15,643,151	\$ 6,160,800
Attributable to:			
Equity holders of the parent		\$ 12,745,994	\$ 5,369,162
Non-controlling interest		2,897,157	791,638
Total consolidated comprehensive income		\$ 15,643,151	\$ 6,160,800

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



ARTURO GUTIÉRREZ HERNÁNDEZ
CHIEF EXECUTIVE OFFICER



EMILIO MARCOS CHARUR
CHIEF FINANCE OFFICER

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2020 and 2019
(Thousands of Mexican pesos)

	CONTROLLING INTEREST							TOTAL STOCKHOLDERS' EQUITY
	NOTE	CAPITAL STOCK	SHARE PREMIUM	RETAINED EARNINGS	OTHER COMPREHENSIVE INCOME	TOTAL CONTROLLING INTEREST	NON-CONTROLLING INTEREST	
Balances at December 31, 2018		\$ 981,959	\$ 45,114,583	\$ 63,053,562	\$ 2,652,069	\$ 111,802,173	\$ 27,727,343	\$ 139,529,516
Changes in accounting policies due to adoption of IFRIC 23	3b	-	-	(132,840)	-	(132,840)	(28,290)	(161,130)
Balances at January 1, 2019 after adoption of accounting policies		981,959	45,114,583	62,920,722	2,652,069	111,669,333	27,699,053	139,368,386
Transactions with stockholders:								
Dividends declared in cash	18	-	-	(4,057,851)	-	(4,057,851)	-	(4,057,851)
Repurchase of own shares	3w	-	(25,363)	(59,295)	-	(84,658)	-	(84,658)
		-	(25,363)	(4,117,146)	-	(4,142,509)	-	(4,142,509)
Net profit		-	-	9,588,282	-	9,588,282	2,156,177	11,744,459
Total other comprehensive income for the year	19	-	-	-	(4,219,120)	(4,219,120)	(1,364,539)	(5,583,659)
Comprehensive income		-	-	9,588,282	(4,219,120)	5,369,162	791,638	6,160,800
Balances at December 31, 2019		981,959	45,089,220	68,391,858	(1,567,051)	112,895,986	28,490,691	141,386,677
Balances at January 1, 2020		981,959	45,089,220	68,391,858	(1,567,051)	112,895,986	28,490,691	141,386,677
Transactions with stockholders:								
Dividends declared in cash	18	-	-	(8,680,273)	-	(8,680,273)	(821,516)	(9,501,789)
Repurchase of own shares	3w	-	(2,747)	(105,103)	-	(107,850)	-	(107,850)
		-	(2,747)	(8,785,376)	-	(8,788,123)	(821,516)	(9,609,639)
Net profit		-	-	10,276,089	-	10,276,089	2,297,499	12,573,588
Total other comprehensive income for the year	19	-	-	-	2,469,905	2,469,905	599,658	3,069,563
Comprehensive income		-	-	10,276,089	2,469,905	12,745,994	2,897,157	15,643,151
Balances at December 31, 2020		\$ 981,959	\$ 45,086,473	\$ 69,882,571	\$ 902,854	\$ 116,853,857	\$ 30,566,332	\$ 147,420,189

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



ARTURO GUTIÉRREZ HERNÁNDEZ
CHIEF EXECUTIVE OFFICER



EMILIO MARCOS CHARUR
CHIEF FINANCE OFFICER

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019
(Thousands of Mexican pesos)

	NOTE	2020	2019
Profit before income tax		\$ 18,000,738	\$ 16,775,683
Adjustments arising from:			
Depreciation and amortization	21	9,623,648	8,937,393
Disposals of property, plant and equipment		1,384,241	1,168,405
Increase in the provision for impairment of clients	8 and 21	90,700	102,350
Gain on disposal on property, plant and equipment	22	(119,723)	(87,261)
Costs related to employee benefits	16	644,872	496,344
Equity in the results of associates	10	(66,208)	(225,547)
Financial result, net	24	3,214,678	3,393,080
		32,772,946	30,560,447
Changes in working capital:			
Clients and other accounts receivable, net		190,342	196,894
Inventories		(365,762)	(671,153)
Suppliers and related parties		433,923	(110,996)
Derivative financial instruments		(420,033)	196,531
Employee benefits		978,132	244,327
Other liabilities		975,081	127,086
		1,791,683	(17,311)
Income taxes paid		(5,533,277)	(2,884,467)
Net cash flows provided by operating activities		29,031,352	27,658,669
Investing activities			
Acquisition of property, plant and equipment	11	(6,723,110)	(11,568,233)
Disposal of property, plant and equipment		376,698	1,813,017
Purchase of intangible assets	12	(172,550)	(453,505)
Additions to investment of shares of associates	10	(316,665)	(1,146,591)
Dividends received from associates	10	34,216	47,938
Interest received and other financial income	24	977,794	909,364
Net cash flows used in investing activities		(5,823,617)	(10,398,010)
Financing activities			
Current and non-current debt obtained	14	4,089,303	1,398,729
Payment of current and non-current debt	14	(8,329,158)	(2,803,364)
Factoring operations		-	(811,501)
Interest paid and other financial expense	24	(3,856,613)	(3,982,796)
Repurchase of own shares	3w	(107,850)	(84,658)
Payment of principal portion of lease liabilities	13	(616,055)	(517,189)
Dividends paid to non-controlling interest		(821,516)	-
Dividends paid to equity holders	18	(8,680,273)	(4,057,851)
Net cash flows used in financing activities		(18,322,162)	(10,858,630)
Net increase in cash and cash equivalents		4,885,573	6,402,029
Effects of exchange rate changes on cash and cash equivalents		398,849	(291,616)
Cash and cash equivalents at beginning of year		22,051,280	15,940,867
Cash and cash equivalents at end of year		\$ 27,335,702	\$ 22,051,280
Investing activities not requiring use of cash flows:			
Additions of right-of-use assets	13	\$ 875,097	\$ 1,630,743

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


ARTURO GUTIÉRREZ HERNÁNDEZ
 CHIEF EXECUTIVE OFFICER


EMILIO MARCOS CHARUR
 CHIEF FINANCE OFFICER

Notes to the Consolidated Financial Statements

At December 31, 2020 and 2019

(Figures expressed in thousands of Mexican pesos, unless otherwise specified)

NOTE 1 - THE ENTITY AND ITS OPERATIONS

Arca Continental, S.A.B. de C.V. and subsidiaries (AC or the Company) is mainly engaged in the production, distribution and sale of soft drinks pertaining to the brands owned by or licensed from The Coca-Cola Company (TCCC). AC shares are registered at the National Securities Registry of the National Banking and Securities Commission (NBSC) and are quoted on the Mexican Stock Exchange.

According to the bottler's agreement signed between AC and the bottler, authorization is granted by TCCC to the latter, AC holds the exclusive right to conduct this type of activity with Coca-Cola products in different territories in Mexico, Argentina, Ecuador, Peru and the United States (US). The Company's portfolio of beverages includes cola and flavored soft drinks, purified and flavored water, and other carbonated and non-carbonated beverages in sundry presentations (see Note 26).

Additionally, the Company produces, distributes and sells food and snacks through its own brands such as Bokados, Wise, Deep River and other brands used by its subsidiaries Nacional de Alimentos y Helados, S. A. de C. V., Bbox Vending, S. de R. L. de C. V., Industrias Alimenticias Ecuatorianas, S. A. (Inalecsa), Vending del Ecuador, S. A., Wise Foods, Inc. (Wise Foods) and Old Lyme Gourmet, Co. (Deep River) as well as dairy products of high added value under the Industrias Lácteas Toni, S.A. (Toni) brand in Ecuador.

AC conducts its activities through subsidiary companies of which it is the owner or of which it controls, either directly or indirectly, most of the common shares representing their capital stock (see Note 28).

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

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

NOTE 2 - RELEVANT EVENTS

COVID-19

In late 2019, the disease known as "COVID-19" began to spread in the Wuhan region of the People's Republic of China. On January 30, 2020, the Emergency Committee of the International Health Regulations of the World Health Organization declared an international health emergency due to the outbreak and spread of COVID-19. Because of COVID-19, cases spread to several countries, causing thousands of deaths, the World Health Organization declared the disease a global pandemic in March 2020. The spread of COVID-19 around the world, the declaration of the disease as a pandemic and the actions taken by governments, companies and individuals over the world, have generated high volatility in global financial markets, as well as significant economic impacts worldwide. As of the date of these consolidated financial statements, it is impossible to predict how long the COVID-19 pandemic will last, or the measures that will be taken to prevent its spread.

The spread of COVID-19 and other adverse events related to public health in Mexico, the United States, Argentina, Ecuador and Peru, could have a significant adverse effect on AC's business, financial position, operations and prospective results. However, AC has modified its strategy and objectives, to mitigate the effects and uncertainty caused by the COVID-19 disease.

OPERATIONS IN HOUSTON, TEXAS

In March 2020, the new plant and distribution center in Houston, Texas started operations with an investment of \$5,151,176 (US\$ 261.5 million). As of December 31, 2020, the entire investment had been incurred and at December 31, 2019, the investment to date was \$4,169,174 (US\$ 216.1 million).

As of February 26, 2021, issuance date of the consolidated financial statements, the new plant is operating 5 production lines. As a result of this project, the Company restructured its production, storage and distribution capacity in the territory of the US, managing to consolidate the activities of three plants, four warehouses and distribution centers.

MODIFICATIONS TO LABELING SPECIFICATIONS “NOM 051”

In March 2020, the Ministry of Economy in Mexico published in the Official Gazette of the Federation modifications to the Official Mexican Standard 051-SCFI / SSA1-201 “General labeling specifications for prepackaged food and non-alcoholic beverages - Commercial and health information (“NOM-051”)” in which the mandatory inclusion of certain labels (complementary nutritional information) and legends (precautionary / caffeine and sweeteners) is highlighted.

These modifications to NOM-051 generated a change in AC’s business, mainly on the requirement to develop and apply new labels that contain nutritional information to food and beverage products as of December 1, 2020. The impacts of the application of the modifications to NOM-051 were \$281,400 related to shrinkage and decrease in containers. This impact is included in other expenses, net (see Note 22).

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements and notes thereto were authorized for issuance on February 26, 2021 by the undersigned officers. The consolidated financial statements and their notes will be presented to the Board of Directors for approval of issuance and will then be submitted to the consideration of the General Assembly of Shareholders which will be held within the period established by law. The Company considers that the consolidated financial statements for the year ended December 31, 2020, will be approved by the stockholders without modifications.

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

A) BASES FOR PREPARATION

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

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

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

B) CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**i. New standards and changes adopted by the Company**

The Company has applied the following standards and modifications for the first time for the annual reporting period beginning on January 1, 2020:

• Amendments to IFRS 3: Definition of a business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Company but may impact future periods should the Company enter into any business combinations.

• Amendments to IFRS 7, IFRS 9 and IAS 39 Reform of the reference interest rate

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide several reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Company as it does not have any interest rate hedge relationships.

• **Amendments to IAS 1 and IAS 8: Definition of material**

The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the consolidated financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Company.

• **Conceptual framework for financial information issued on March 29, 2018**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Company.

• **Modifications to IFRS 16 Covid-19-Related Rent Concessions**

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Early application is permitted. This amendment had no impact on the consolidated financial statements of the Company.

• **IFRIC 23 - Uncertainty over income tax treatments**

The Company applied IFRIC 23 as of January 1, 2019, recognizing a consolidated liability of \$161,130 against retained earnings at that date, without modifying the comparative periods presented. To determine this consolidated liability, Management applied its professional judgment and considered the prevailing conditions of the tax positions that it has taken at the date of adoption in its different subsidiaries and the faculties of the corresponding authorities to evaluate the tax positions held, using the most likely amount method, which predicts the best resolution of uncertainty when the possible results are concentrated in a single value.

ii. New standards and interpretations not yet adopted

The Company has identified no other standards that have not yet gone into effect and which could have a significant impact on the entity in current and future reporting periods and in foreseeable future transactions.

C) CONSOLIDATION

i. Subsidiaries

Subsidiaries are entities over which the Company exercises control in accordance with IFRS 3. The Company controls an entity when it is exposed or is entitled to variable yields arising from an interest in the entity and is capable of affecting yields through its power over the entity. Subsidiaries consolidate as from the date on which control is transferred to the Company. They cease consolidating as from the date on which said control ceases (see Notes 28).

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

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

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

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

Unrealized balances and profits on transactions between entities belonging to the Company are eliminated in consolidation. Unrealized losses are also eliminated. The subsidiaries' accounting policies have been amended.

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

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

iii. Sale or disposal of subsidiaries

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

iv. Associated companies

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

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

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

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

On each reporting date, the Company determines whether there is any objective evidence of impairment of the investment in the associate. If so, the Company calculates impairment as the difference between the recoverable value of the associate and its book value and records that figure in "Equity in the results of associates" by the equity method in the consolidated statement of income.

Unrealized gains on transactions between the Company and its associates are eliminated according to the interest the Company has in each. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. In order to ensure consistency with Company policies, the accounting policies of associates

have been modified as appropriate. When the Company no longer exercises significant influence over an associate, any difference between the fair value of the investment retained, including any consideration received from disposal of a portion of the interest, and the book value of the investment is recognized in income for the year.

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

v. Joint agreements

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

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

D) FOREIGN CURRENCY CONVERSION

i. Functional and reporting currency

The amounts included in each of the financial statements of the Company's entities must be measured in the currency of the primary economic environment in which the entity operates (functional currency). AC, as ultimate holding entity, chose as its method to determine its functional currency, the Mexican peso, the primary economic environment where it operates as an independent legal entity. Therefore, the consolidated financial statements are presented in Mexican pesos. Note 28 provides descriptions of the functional currency of the Company and its subsidiaries.

ii. Transactions and balances

Foreign currency transactions are converted to the functional currency using the exchange rate in effect on the transaction or valuation dates, when items are re-measured. Exchange gains and losses from settlement of those transactions and from conversion of monetary assets and liabilities denominated in foreign currency at the closing exchange rates are recognized as gain or loss on exchange fluctuations in the consolidated statement of income, except when deferred to other comprehensive income because they qualify as cash flow coverage.

iii. Conversion of foreign subsidiaries

Results of operations and the financial position of all Company entities whose functional currency differs from the Company's reporting currency are translated to the reporting currency as follows, depending on whether the subsidiary's functional currency is in a hyperinflationary economy:

Non-hyperinflationary economy

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

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

Hyperinflationary economy

- Assets, liabilities (including goodwill and fair value adjustments arising at the acquisition date) and stockholders' equity of the financial position, as well as the income and expenses shown in the statement of income, are translated to the exchange rate prevailing at the close of the statement of financial position, after being restated to their functional currency; and

- assets, liabilities, capital, income and expenses for the comparative period are maintained according to the amounts obtained from the translation of the year in question, which are, the financial statements of the preceding period. Such amounts are not adjusted to subsequent exchange rates, as the Company presents its financial information in Mexican pesos, which correspond to a currency of a non-hyperinflationary economy.

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

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

	2020	2019
Pesos to the US dollar	19.94	18.87
Pesos to the Peruvian sol	5.51	5.70
Pesos to the Argentine peso	0.24	0.32

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

	2020	2019
Pesos to the US dollar	21.63	19.29
Pesos to the Peruvian sol	6.17	5.78
Pesos to the Argentine peso	0.31	0.40

Translation of consolidated financial statements

Prior to its translation to pesos, the reporting currency of the consolidated financial statements, the financial statements of foreign subsidiaries whose functional currency is that of a hyperinflationary economy are adjusted for inflation to reflect changes in the purchasing power of the functional currency. In order to determine whether an economy is hyperinflationary, the Company evaluates the qualitative features of the economic environment, as well as the quantitative features established by IFRS, when an inflation rate accrued over the most recent three-year period is equal to 100%.

Inflation in Argentina

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

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

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

YEAR	INDEX
2020	385.8619
2019	283.4442
2018	184.2552

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

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

c. the components of capital of each statement of financial position are restated:

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

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

e. Gains and losses in purchasing power arising from the net monetary position are recognized in the statement of income as part of the financial costs (see Note 24).

Initial recognition of hyperinflation in the consolidated financial statements where the reporting currency does not pertain to a hyperinflationary economy does not require changing the comparative balances; therefore, the hyperinflation and foreign currency conversion effects for the Company's subsidiaries in Argentina for the years ended December 31, 2020 and 2019 of \$(176,629) and \$(432,447), respectively. This effect is presented in the Effect of translation of foreign entities within other comprehensive income.

E) CURRENT CLASSIFICATION - NON-CURRENT

The Company presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle.
- Held primarily for the purpose of trading.
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle.
- It is held primarily for the purpose of trading.
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

F) CASH AND CASH EQUIVALENTS

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

G) CLIENTS AND OTHER ACCOUNTS RECEIVABLE

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

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

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

H) FINANCIAL INSTRUMENTS

Financial assets

i. Classification

The Company classifies its financial assets in the following measurement categories:

- Those subsequently measured at fair value (either through other comprehensive income, or through profit or loss), and
- those measured at amortized cost.

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

For assets measured at fair value, gains and losses are applied to the year's gain or loss.

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

ii. Recognition and disposal

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

iii. Measurement

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

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

Debt instruments

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

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

- Fair value through Other Comprehensive Income (FV-OCI): Assets held for collection of contractual cash flows and for the sale of financial assets, when the cash flows of assets represent solely payments of principal and interest, are measured at FV-OCI. Movements in book value are recognized through other comprehensive income (OCI), except as concerns recognition of impairment gains or losses, interest income and exchange rate gains and losses applied to income. When financial assets are disposed of, the accumulated gain or loss previously recognized in the OCI is reclassified from capital to income and recognized in other income (expenses). Interest income from said financial assets are included in the financial income, using the effective interest rate method. Exchange gains and losses are shown in financial income and expenses, and impairment expenses are shown as a separate item in the consolidated statement of income.
- FVPL: Assets failing to meet the amortized cost or FV-OCI criteria are measured at FVPL. A gain or loss in a debt instruments subsequently measured at FVPL is applied to income and shown in net terms in other (expenses, net in the period in which it arises).

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

Equity instruments

The Company subsequently measures all equity investments at fair value.

Changes in the fair value of financial assets are recognizes in financial income in the consolidated statement of income as applicable.

iv. Impairment

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

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

v. Offsetting of financial instruments

Financial assets and liabilities were offset and the net amount is shown in the consolidated statement of financial position when the right to offset amounts recognized is legally binding and there is the intention to settle them on net bases or to simultaneously realize the asset and pay the liability. The legal right should not be contingent upon future events and must be executable in the regular course of business operations as well as in the event of non-compliance, insolvency or bankruptcy of the Company or the counterparty.

I) DERIVATIVES AND HEDGING ACTIVITIES

Derivatives are initially recognized at fair value on the date on which the contract is entered into and are subsequently re-measured at fair value at the end of each reporting period. Recognition of changes in fair value depends on whether the derivative is designated as a hedging instrument and, if so, on the nature of the item hedged. The Company designates certain derivatives as:

- Fair value coverage of recognized assets and liabilities or of a firm commitment (fair value hedges).
- Hedging of a particular risk related to the cash flows of assets and liabilities recognized.

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

The fair values of derivative financial instruments designated in hedge relationships are described in Note 20. Movements in the hedge reserve in net capital stock is shown in Note 19. The complete fair value of derivative hedging instruments is classified as a non-current asset or liability, when maturity of the remaining hedge item exceeds 12 months, and as a current asset or liability when maturity of the remaining hedge amount is under 12 months.

i. Cash flow hedging qualifying for hedge accounting

The effective portion of changes in the fair value of derivatives designated and qualified as cash flow hedging is recognized in the cash flow hedge reserve in other comprehensive income (OCI). The gain or loss related to the non-effective portion is immediately applied to income under financial income and expense.

When options contracts are used to hedge forecasted transactions, the Company designates only the intrinsic value of options as a hedge instrument.

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

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

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

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

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

ii. Derivatives no qualifying for hedge accounting

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

J) INVENTORIES

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

K) PREPAYMENTS

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

L) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost, except for the assets in Argentina which is considered a hyperinflationary economy, that are expressed in terms of the current unit of measure at the closing date of the period reported, less accumulated depreciation and any accumulated impairment losses. The cost includes expenses directly attributable to acquisition of the asset.

Subsequent costs are included in the book value of the asset or recorded as a separate asset, as appropriate, only when the Company is likely to receive future economic benefits attributable from the same and the cost of the property, plant and equipment can be reliably determined. The carrying amount of replaced parts is capitalized. Repair and maintenance expenses are recognized in the consolidated statement of income in the year in which they are incurred. Significant improvements are depreciated over the remaining useful life of the asset in question.

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

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

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

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

The costs pertaining to general and specific loans directly related to the acquisition, construction or production of qualifying assets, which require a substantial period (12 months or more), are capitalized to form part of the acquisition cost of said qualifying assets until the moment they are ready to be used for their intended purpose. At December 31, 2020 and 2019, the determination of said costs is based on specific and general financing.

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

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

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

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

Returnable and non-returnable containers (bottles)

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

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

Non-returnable containers are expensed, as part of cost of sales, at the time of sale.

M) LEASES

The Company adopted IFRS-16 "Leases" as of January 1, 2019, when application of this standard became mandatory, using the modified retrospective method.

The Company leases various offices, warehouses, machinery, equipment and vehicles. Rental contracts are typically made for fixed periods but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as guarantee for borrowing purposes.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate and transportation equipment for which the Company is a lessee, the Company has chosen, as allowed by the practical expedient of IFRS 16, to not separate lease and non-lease components and instead accounts for these as a single lease component.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability, and
- any lease payments made at or before the commencement date.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

IFRS 16 offers practical expedients, therefore, payments associated with short-term leases and leases of insignificant value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise computer and telecommunication equipment and small items of office furniture.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments and
- variable lease payments that are based on an index or a rate

Lease payments to be made under reasonably certain extension options to be exercised are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease, if readily determined, or the incremental interest rate of the Company, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, guarantee and conditions.

To determine the incremental borrowing rate, the Company:

- Where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- Uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by those subsidiaries, which does not have recent third-party financing, and
- Adjusts specific to the lease, i.e. term, country, currency and security.

The Company is exposed to possible future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and is adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

In determining the lease term, Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease terms if there is a reasonable certainty that the leases will be extended (or not terminated).

N) INTANGIBLE ASSETS

Goodwill represents the acquisition cost of a business in excess of the Company's interest in the fair value of the identifiable net assets acquired, determined at the acquisition date. Goodwill is shown separately in the consolidated statement of financial position under "Goodwill and intangible assets, net" and is recorded at cost, except for those assets in Argentina considered an hyperinflationary economy that are expressed in terms of the current unit of measure at the closing date of the period reported, less accumulated impairment losses, which are not reversed. Gains or losses on the disposal of an entity include the book value of goodwill related to the entity sold.

For impairment testing purposes, goodwill is assigned to the cash-generating units (CGU). The assignment is made to CGUs or groups of CGUs expected to benefit from the business combination from which the goodwill arises, identified in accordance with the respective operating segment.

Intangible assets are recorded when they are identifiable, they provide future economic benefits and there is control over such benefits.

Intangible assets are classified as follows:

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

Indefinite life intangible assets consist mainly of: a) bottler agreements entered into by the Company with TCCC, which grant rights to product, bottle and distribute TCCC brands products in the territories in which the Company operates, b) brands with which Nacional de Alimentos y Helados, S. A. de C. V. (Nayhsa), Wise Foods, Deep River, Tonicorp and Inalecsa market their products, which are considered of high value and positioning in the market and c) Tonicorp, Monster Energy and Ades distribution rights. The aforementioned bottler agreements have specific expiration dates and do not guarantee they are perpetual; however, based on Company experience and market evidence, the Company considers it will continue to renew these agreements and has thus assigned them as indefinite life intangible assets (see Notes 5, 12, and 26). Brands and distribution rights have no expiration and are those used by the Company to operate its snack and dairy product segments. Those indefinite life intangible assets are assigned to the CGU for impairment-testing purposes.

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

The estimated useful lives of definite-life and indefinite life intangible assets are reviewed annually.

O) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

P) SUPPLIERS AND OTHER LIABILITIES

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

The carrying amounts of trade and other liabilities are considered to be the same as their fair values, due to their short-term nature.

Q) DEBT

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

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

R) INCOME TAXES

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

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

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

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

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

S) EMPLOYEE BENEFITS

The Company provides the following employee plans:

i. Pension plans

Defined contribution plans:

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

Defined benefit plans:

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

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

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

The cost of past services is recognized immediately in income.

ii. Termination benefits

Termination benefits are paid when the Company terminates employment prior to the regular retirement date or when an employee accepts termination of employment in exchange for those benefits. The Company recognizes termination benefits when there is a verifiable commitment to conclude the work relationship of certain employees and a formal detailed plan providing so and that cannot be surrendered. In the event there is an offer that encourages employee resignation, the related termination benefits are valued based on the number of employees expected to accept the offer. The benefits payable over the long-term are discounted at present value.

iii. Short-term benefits

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

T) PROVISIONS

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

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

U) CAPITAL STOCK

The Company's capital stock is classified as capital. Incremental costs attributable directly to the issuance of new shares are included in equity as a deduction of the consideration received, net of taxes, although the Company has not yet incurred such costs.

V) COMPREHENSIVE INCOME

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

W) FUND FOR REPURCHASE OF OWN SHARES

The stockholders periodically authorize disbursement of a maximum amount for the acquisition of Company shares. Company shares acquired are shown as a decrease in the fund for repurchase of Company shares included in the consolidated statements of financial position under retained earnings and are valued at their acquisition cost. These amounts are stated at their historical cost. Dividends received are recognized by decreasing their historical cost.

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

X) SEGMENT INFORMATION

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

Y) REVENUE RECOGNITION

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

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

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

Sales discounts are considered variable consideration and are reflected in the client's invoices; therefore, discounts are recorded at the time of sale, that is, sales are recorded net of discounts. In the list price is already discounted and therefore, making a discount estimate is not needed.

Z) EARNINGS PER SHARE

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

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

AA) BOTTLER INCENTIVE AGREEMENT

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

NOTE 4 - RISK AND CAPITAL MANAGEMENT

I. RISK MANAGEMENT

The Company's operations are exposed to different financial risks: market risk (including exchange rate risk, interest rate risk and risk for price of production materials and other production materials), credit risk and liquidity risk. It is Company policy to contract derivative financial instruments held only for hedging, in order to reduce the risks related to its financial liabilities, and to cover certain purchases, projected operations and firm commitments set in foreign currencies.

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

The Company's main exposure to financial risk is mainly related to the security liabilities at variable interest rates and to present or future currency commitments, all related to its line of business or certain forecasted operations, such as prices of raw material and other production materials, accounts receivable from customers and liquidity.

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

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

The Company's derivative financial instrument operations are contracted and managed by the corporate office, which contracts any necessary transactions for its subsidiary companies which do not contract this type of operations individually. Corporacion Lindley (CL) and Coca Cola Southwest Beverages (CCSWB) subsidiaries are exceptions to that rule, i.e., they handle their own operations. The Company operates that type of agreement with recognized banking and financial entities with a robust operating and financial structure.

Market risk

a. Foreign currency risk (exchange rate)

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

It is Company policy to operate mainly in the markets in which its subsidiaries reside. Accordingly, debt is contracted in said markets' local currency, except Mexico and Peru (see Note 14).

Net sales are expressed in Mexican pesos, Argentine pesos, US dollars and Peruvian soles. During 2020 and 2019, 41.45% and 41.81% of sales were generated in Mexican pesos, 3.34% and 3.43% in Argentine pesos, 46.49% and 44.17% in US dollars, and 8.73% and 10.59% in Peruvian soles. Those are the functional currencies of each of the consolidating entities (see Note 28).

Following is the Company's exposure to exchange risk at December 31, 2020 and 2019, respectively. The following tables show the book value of the Company's monetary assets and liabilities denominated in foreign currency.

	FIGURES IN THOUSANDS OF MEXICAN PESOS					
	2020			2019		
	US DOLLAR	ARGENTINE PESO	PERUVIAN SOL	US DOLLAR	ARGENTINE PESO	PERUVIAN SOL
Monetary assets	\$ 35,913,084	\$ 1,975,225	\$ 3,340,142	\$ 27,635,024	\$ 1,393,766	\$ 3,967,996
Monetary liabilities	(14,663,069)	(951,978)	(6,049,176)	(19,826,008)	(647,819)	(3,429,770)
Non-current monetary liabilities	(20,108,554)	(28,246)	(3,382,820)	(24,208,777)	(100,446)	(1,670,940)
Net position	\$ 1,141,461	\$ 995,001	\$ (6,091,854)	\$ 16,399,761	\$ 645,501	\$ (1,132,714)

The following is a sensitivity analysis related to the adverse impact on the comprehensive income the Company would have due to its exposure to the net foreign currency position at December 31, 2020 and 2019, respectively:

	HYPOTHETICAL VARIATION MAINTAINING ALL OTHER VARIABLES CONSTANT	
	2020	2019
One peso increase/(decrease) to the US dollar	\$ 57,259	\$ (868,967)
A 50-cent (decrease) with respect to the Argentine peso	(2,097,388)	(1,024,039)
A 50-cent increase with respect to the Peruvian sol	552,950	99,392

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

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

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

See Note 20 for further information on foreign currency risk hedging instruments.

b. Interest rate risk

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

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

The derivative financial instruments occasionally contracted by the Company are interest rate swaps on security liabilities subject to variable interest rates. At December 31, 2020 and 2019, the Company maintains an interest rate swap to hedge \$1,000,000 from variable rate to a fixed rate at 7.369% (see Note 14). Additionally, at December 31, 2020 and 2019, the Company maintains two interest rate swaps to hedge \$2,450,000 from variable rate to a fixed rate at 7.225%.

At December 31, 2020 and 2019, a large part of the debt, considering its value in pesos, was referred to a fixed interest rate. At December 31, 2020 and 2019, \$34,078 and \$38,282 million representing 67% and 72% of the overall debt, respectively.

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

The terms and conditions of the Company's obligations at December 31, 2020 and 2019, including exchange rates, interest rates, maturities and effective interest rates, are described in detail in Note 14.

At December 31, 2020 and 2019, if the TIE or the LIBOR has risen by more than 100 base points (1.00%), all other risk factors remaining constant, the detrimental impact on comprehensive income would have been \$146,450 and \$13,509 (\$134,336 and \$10,460 in 2019), respectively.

See Note 20 for further information on foreign currency risk hedging instruments.

c. Risk of price of raw materials

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

Additionally, the Company is exposed to the risk of exchange fluctuations related to the prices of sweeteners, diesel, aluminum for cans and plastic containers, in US dollars mainly, which, in the aggregate, represent approximately 21% of the cost of sales at December 31, 2020 (22% in 2019). The Company contracts hedges for the purchase of these raw materials and other production materials with a view to offset the effect of variations in exchange rates (see Note 20).

At December 31, 2020 and 2019, the appreciation of 1 Mexican peso and 1 Peruvian sol value compared to the US dollar, with all other variables remaining constant, would have had a positive (negative) impact on valuation of derivative financial instruments in stockholders' equity of (\$14,843) and \$1,124 in 2020 and ((\$556) and \$611 in 2019), respectively. The impact on net income for the period is not material because the instruments exposing the Company to those risks are accounted for in accordance with highly effective cash flow hedging.

See Note 20 for further information on instruments for hedging against the risk of raw and other production materials.

Credit risk

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

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

The risk exposure related to accounts receivable is limited, given the large number of customers located in different parts of Mexico, Peru, Argentina, Ecuador and the US; however, the Company maintains certain reserves for impairment losses of accounts receivable from customers. Risk control includes determining the credit standing of the customer, considering its financial situation, past experience and other factors.

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

For the year ended December 31, 2020 and 2019, 47.26% and 44.90%, respectively, of the Company's sales corresponded to cash transactions and 37.23% and 48.32% of net sales in 2020 and 2019, respectively, were made to institutional customers.

See Note 8 for further information on credit risk.

Liquidity risk

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

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

The Company does not invest in capital markets or investment companies and repurchase operations are entered into only with federal Mexican and US government paper. Those operations are conducted with the largest and most prestigious banks in Mexico. The foreign banks in which investments can be made are those with the greatest international coverage. Investments are made in federal government and bank debt securities. AC does not invest in private and/or corporate paper.

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

The Company's remaining contractual maturities of financial liabilities, which include basically principal and interest payable in the future up to the date of maturity at December 31, 2020 and 2019, are:

	UNDER 1 YEAR	1 TO 3 YEARS	3 TO 5 YEARS	OVER 5 YEARS	TOTAL
AT DECEMBER 31, 2020					
Current non-current debt	\$ 9,623,891	\$ 22,400,784	\$ 6,214,838	\$ 25,268,687	\$ 63,508,200
Suppliers, related parties, derivative financial instruments and sundry creditors	12,068,523	-	357,150	-	12,425,673
Lease liabilities current and non-current	447,142	509,681	272,829	220,409	1,450,061
	\$ 22,139,556	\$ 22,910,465	\$ 6,844,817	\$ 25,489,096	\$ 77,383,934
AT DECEMBER 31, 2019					
Current non-current debt	\$ 9,932,223	\$ 24,852,723	\$ 7,443,360	\$ 27,759,719	\$ 69,988,025
Suppliers, related parties, derivative financial instruments and sundry creditors	11,589,415	-	225,843	-	11,815,258
Lease liabilities current and non-current	406,898	470,026	273,734	446,533	1,597,191
	\$ 21,928,536	\$ 25,322,749	\$ 7,942,937	\$ 28,206,252	\$ 83,400,474

ii. Capital management

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

The Company manages its capital structure and adjusts it when changes arise in economic conditions and in the risk features of the underlying assets. The Company monitors its capital based on the net debt to consolidated EBITDA ratio.

That ratio is calculated by dividing the net debt by the EBITDA, which is the way in which the Company measures its operating cash flow. The net debt is calculated by subtracting the cash and cash equivalents balance from the total debt (including the current and non-current portions, as shown in the consolidated statements of financial position).

The net debt to EBITDA ratio at December 31, 2020 and 2019 was as follows:

	NOTE	2020	2019
Total debt	14	\$ 50,577,109	\$ 53,261,466
Less: Cash and cash equivalents	7	(27,335,702)	(22,051,280)
Net debt		23,241,407	31,210,186
EBITDA	6	32,147,387	30,403,868
		0.72	1.03

The index resulting from the calculation of these financial ratios is within the compliance parameters of the Company which has a maximum of 3.

NOTE 5 - ACCOUNTING ESTIMATIONS AND JUDGMENTS

The Company has identified certain key accounting estimations on which its financial condition and results of operations depend. Those accounting estimations normally involve an analysis or are based on subjective judgments or decisions that require Management to make estimations and assumptions affecting the figures reported in these consolidated financial statements. The Company's estimates are based on historical information when applicable, and other assumptions considered reasonable in the circumstances.

Current results can differ from those estimated under different assumptions or conditions. Furthermore, estimations normally require adjustments based on changing circumstances and on securing more recent or more accurate information.

When preparing these consolidated financial statements, the most critical accounting estimations under IFRS are those requiring Management to prepare estimations and assumptions affecting the reported figures involved in determining the value in use for identification of impairment of indefinite life intangible assets, fair value accounting for financial instruments, goodwill and other indefinite life intangible assets such as the result of business acquisitions and pension benefits.

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

i. Estimated impairment of indefinite life intangible assets.

The identification and measurement of impairment in indefinite life intangible assets, including goodwill, involves the estimation of fair value (value in use or fair value). Those estimations and assumptions could have a significant impact on the decision as to whether to recognize a charge for impairment and on the magnitude of that charge

The Company analyzes valuation considering relevant internal information as well as public market information. Fair value estimations are mainly determined based on discounted cash flows and market comparisons. Those approaches use significant estimations and assumptions, including projected future cash flows (including terms), discount rates reflecting the risk inherent in future cash flows, multiples of exit cash flows, perpetual growth rates, determination of appropriate market comparable and determination of whether a premium or discount should be applied to comparable.

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

ii. Pension benefits

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

The Company determines the proper discount rate at each year end. That rate is the interest rate used to determine the present value of estimated future cash outflows expected to be required to settle pension plan obligations. To determine the proper discount rate, the Company considers the discount interest rate as per IAS 19 "Employee benefits", expressed in the currency in which the benefits are to be paid, at maturity dates approximating the dates pertaining to the pension obligation (see Note 16).

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

i. Investments in associates

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

ii. Interest in joint operation

Management has evaluated the terms and conditions contained in the stockholders' agreement for joint agreement of JV Toni, S.L. in Holding Tonicorp, S.A. (Tonicorp) and has concluded that it should be classified as a Joint Operation because it considers that the design and purpose require AC's beverage business in Ecuador to acquire, distribute and market the Tonicorp production, thus transferring to the two stockholders jointly controlling the agreement substantially the rights to the benefits and liability obligations of Tonicorp and its subsidiaries, which according to IFRS 11, "Joint Agreements", requires the agreement to be classified as such (see Note 28).

iii. Useful lives of intangible assets

The Company's indefinite life intangible assets include the aforementioned bottler agreements entered into between AC and TCCC, which have specific expiration dates and do not guarantee they are perpetual; however, based on Company experience, during the business relationship of over 90 years with TCCC, and to the market evidence, the Company considers it will continue to renew these agreements and has thus assigned them as indefinite life intangible assets (see Note 26).

NOTE 6 - SEGMENT REPORTING

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

The Company controls and evaluates its continuous operations from both a geographic and product perspective. Management considers performance in Mexico, the US, Ecuador, Argentina and Peru. From the perspective of the product, Management considers beverages and other products in those geographic areas separately.

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

- Beverages (including carbonated, non-carbonated, dairy beverages and carboy and individual format purified water): This segment produces, distributes and sells TCCC brand beverages in different territories in Mexico, US, Argentina, Ecuador and Peru as well as Santa Clara dairy beverages in Mexico and Toni in Ecuador. The Company's portfolio of beverages and dairy products includes cola and flavored soft drinks, individual purified and flavored water, dairy beverages and other carbonated and non-carbonated beverages in sundry presentations.
- Other segments - complementary businesses: This section represents operating segments that are not considered reportable segments on an individual basis, as they do not meet the quantitative limits, as established by the IFRS 8 to any of the years reported on. In accordance with this standard, the operating segments whose total net sales is equal to or under 10% of the Company's total net sales need not be reported individually and can be grouped with other operating segments that do not meet the 10% limit, provided the sum of these grouped operating segments does not exceed 25% of total net sales. These segments comprise the following complementary businesses:
 - a. Beverages in the individual format that are marketed in vending machines (Mexico and Peru).
 - b. Snack food (Mexico, Ecuador, Peru and US).

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

The Company has defined the EBITDA or operating flow as a consolidated operating profit (loss) after adding or subtracting the following, as the case may be: (1) depreciation, amortization, and (2) non-recurring expenses incurred (such as severance, business combination expenses among others, classified in the other expenses, net in the consolidated statement of income). Operations between operating segments are carried out at market value and accounting policies used in preparing information per segment are consistent with those described in Note 3.

Following is condensed financial information on the operating segments to be reported on:

	YEAR ENDED DECEMBER 31, 2020								
	BEVERAGES					OTHERS			TOTAL
	MEXICO	ARGENTINA	ECUADOR	PERU	US	MEXICO AND OTHERS	ELIMINATIONS		
STATEMENT OF INCOME:									
Sales per segment	\$ 67,162,281	\$ 5,647,112	\$ 11,422,423	\$ 14,485,587	\$ 63,770,928	\$ 10,582,086	\$ (1,484,570)	\$ 171,585,847	
Inter-segment sales	\$ (934,415)	\$ -	\$ (6,004)	\$ (144,238)	\$ -	\$ (399,913)	\$ 1,484,570	\$ -	
Sales to external customers	\$ 66,227,866	\$ 5,647,112	\$ 11,416,419	\$ 14,341,349	\$ 63,770,928	\$ 10,182,173	\$ -	\$ 171,585,847	
Operating profit	\$ 13,422,785	\$ 291,273	\$ 910,772	\$ 1,723,372	\$ 5,485,365	\$ (361,162)	\$ -	\$ 21,472,405	
Operating cash flow ⁽¹⁾	\$ 16,657,319	\$ 812,946	\$ 2,099,143	\$ 3,336,859	\$ 8,676,649	\$ 564,471	\$ -	\$ 32,147,387	
Non-recurring expenses	\$ 281,138	\$ 12,766	\$ 100,899	\$ 171,399	\$ 431,440	\$ 53,692	\$ -	\$ 1,051,334	
Depreciation and amortization	\$ 2,953,396	\$ 508,907	\$ 1,087,472	\$ 1,442,088	\$ 2,759,844	\$ 871,941	\$ -	\$ 9,623,648	
Financial income	\$ 4,871,194	\$ 41,698	\$ 47,848	\$ 1,442,622	\$ 32,974	\$ 64,756	\$ -	\$ 6,501,092	
Financial expenses	\$ 6,532,915	\$ 115,652	\$ 231,357	\$ 2,259,341	\$ 731,242	\$ 106,499	\$ -	\$ 9,977,006	
Equity in the results of associates	\$ (10,708)	\$ -	\$ -	\$ -	\$ 14,955	\$ -	\$ -	\$ 4,247	
Profit (loss) before taxes	\$ 11,750,356	\$ 217,319	\$ 727,262	\$ 906,653	\$ 4,802,052	\$ (402,904)	\$ -	\$ 18,000,738	
STATEMENT OF FINANCIAL POSITION:									
Total assets	\$ 69,758,460	\$ 8,132,676	\$ 22,293,566	\$ 40,771,094	\$ 101,271,081	\$ 12,110,099	\$ (8,363,337)	\$ 245,973,639	
Investment in shares of associates ⁽²⁾	\$ 7,380,576	\$ 339,813	\$ -	\$ -	\$ 587,820	\$ -	\$ -	\$ 8,308,209	
Total liabilities	\$ 43,492,611	\$ 1,335,643	\$ 5,612,425	\$ 14,004,605	\$ 35,803,677	\$ 2,932,084	\$ (4,627,595)	\$ 98,553,450	
Investment in fixed assets (Capex) ⁽³⁾	\$ 3,428,172	\$ 243,354	\$ 434,215	\$ 312,650	\$ 1,998,783	\$ 305,936	\$ -	\$ 6,723,110	

(1) Corresponds to how AC measures its operating cash flow.

(2) In addition to the Mexico segment, there are investments in associates in other geographic segments (see Note 10).

(3) Indicates the additions for the year presented in the consolidated statements of cash flow.

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YEAR ENDED DECEMBER 31, 2019

	BEVERAGES					OTHERS		TOTAL
	MEXICO	ARGENTINA	ECUADOR	PERU	US	MEXICO AND OTHERS	ELIMINATIONS	
STATEMENT OF INCOME:								
Sales per segment	\$ 65,172,100	\$ 5,581,584	\$ 12,038,129	\$ 16,512,667	\$ 56,777,173	\$ 10,686,202	\$ (1,726,987)	\$ 165,040,868
Inter-segment sales	\$ (1,076,004)	\$ -	\$ -	\$ (149,675)	\$ -	\$ (501,308)	\$ 1,726,987	\$ -
Sales to external customers	\$ 64,096,096	\$ 5,581,584	\$ 12,038,129	\$ 16,362,992	\$ 56,777,173	\$ 10,184,894	\$ -	\$ 165,040,868
Operating profit	\$ 12,422,185	\$ 446,168	\$ 1,171,647	\$ 2,141,665	\$ 4,093,864	\$ (75,356)	\$ -	\$ 20,200,173
Operating cash flow ⁽¹⁾	\$ 15,332,814	\$ 964,045	\$ 2,230,966	\$ 3,793,530	\$ 7,188,117	\$ 894,396	\$ -	\$ 30,403,868
Non-recurring expenses	\$ 78,477	\$ 7,035	\$ 95,034	\$ 179,233	\$ 681,354	\$ 225,169	\$ -	\$ 1,266,302
Depreciation and amortization	\$ 2,832,150	\$ 510,842	\$ 964,285	\$ 1,472,632	\$ 2,412,899	\$ 744,585	\$ -	\$ 8,937,393
Financial income	\$ 2,228,866	\$ 117,033	\$ 19,169	\$ 223,810	\$ 129,065	\$ 39,766	\$ -	\$ 2,757,709
Financial expenses	\$ 4,504,263	\$ 129,486	\$ 182,957	\$ 834,993	\$ 618,183	\$ 79,577	\$ -	\$ 6,349,459
Equity in the results of associates	\$ 123,502	\$ -	\$ -	\$ -	\$ 43,758	\$ -	\$ -	\$ 167,260
Profit (loss) before taxes	\$ 10,269,324	\$ 433,716	\$ 1,007,859	\$ 1,530,483	\$ 3,648,505	\$ (114,204)	\$ -	\$ 16,775,683
STATEMENT OF FINANCIAL POSITION:								
Total assets	\$ 74,510,529	\$ 7,730,374	\$ 14,589,220	\$ 43,846,711	\$ 94,450,280	\$ 12,195,842	\$ (8,876,138)	\$ 238,446,818
Investment in shares of associates ⁽²⁾	\$ 7,315,763	\$ 321,500	\$ -	\$ -	\$ 531,048	\$ -	\$ -	\$ 8,168,311
Total liabilities	\$ 42,414,377	\$ 1,334,029	\$ 5,471,996	\$ 16,997,181	\$ 32,511,294	\$ 3,585,658	\$ (5,254,394)	\$ 97,060,141
Investment in fixed assets (Capex) ⁽³⁾	\$ 3,600,004	\$ 552,051	\$ 907,560	\$ 956,170	\$ 5,125,441	\$ 427,007	\$ -	\$ 11,568,233

(1) Corresponds to how AC measures its operating cash flow.

(2) In addition to the Mexico segment, there are investments in associates in other geographic segments (see Note 10).

(3) Indicates the additions for the year presented in the consolidated statements of cash flow.

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

YEAR ENDED DECEMBER 31, 2020

	SALES TO EXTERNAL CUSTOMERS	PROPERTY PLANT AND EQUIPMENT	GOODWILL	INTANGIBLE ASSETS
Mexico	\$ 70,174,497	\$ 23,217,601	\$ 8,235,073	\$ 11,726,159
Peru	14,770,490	15,277,730	10,363,895	12,431,548
US	68,651,772	21,699,814	23,319,531	31,622,043
Argentina	5,647,112	2,737,463	2,462,682	584,779
Ecuador	12,341,976	6,726,188	11,547,988	4,130,628
Total	\$ 171,585,847	\$ 69,658,796	\$ 55,929,169	\$ 60,495,157

YEAR ENDED DECEMBER 31, 2019

	SALES TO EXTERNAL CUSTOMERS	PROPERTY PLANT AND EQUIPMENT	GOODWILL	INTANGIBLE ASSETS
Mexico	\$ 68,036,319	\$ 23,379,681	\$ 8,235,073	\$ 14,088,079
Peru	17,222,555	16,946,280	10,720,804	12,987,618
US	61,351,336	21,857,420	21,449,712	30,149,375
Argentina	5,581,584	2,963,576	2,416,785	582,441
Ecuador	12,849,074	6,790,149	10,932,507	1,855,143
Total	\$ 165,040,868	\$ 71,937,106	\$ 53,754,881	\$ 59,662,656

For the years ended December 31, 2020 and 2019, none of AC's customers contributes individually or in the aggregate more than 10% of their net sales.

Company customers are commercial establishments classified as institutional customers and general customers, including supermarkets, convenience stores, institutions, businesses and particularly small to large grocery stores.

NOTE 7 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents are composed as follows:

	2020	2019
Cash on hand	\$ 109,249	\$ 94,016
Short-term bank deposits	11,141,599	14,771,677
Short-term investments (under three months)	16,084,854	7,185,587
Total cash and cash equivalents	\$ 27,335,702	\$ 22,051,280

NOTE 8 - ACCOUNT RECEIVABLES FROM CLIENTS AND OTHERS, NET

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

	2020	2019
Clients	\$ 7,942,298	\$ 8,932,610
Provision for impairment of clients	(352,798)	(342,141)
Clients, net	7,589,500	8,590,469
Income tax and other taxes recoverable	602,253	92,639
Notes and other account receivable ⁽¹⁾	445,245	947,816
Sundry debtors	575,916	824,243
	\$ 9,212,914	\$ 10,455,167

(1) Net of expected losses.

Accounts receivable are denominated in the following currencies:

	2020	2019
Mexican pesos	\$ 3,213,553	\$ 3,424,548
Peruvian soles	471,274	679,884
Argentine pesos	419,107	403,113
US dollars	5,108,980	5,947,622
	\$ 9,212,914	\$ 10,455,167

Impairment of clients

Clients are subject to the expected credit losses model.

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

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

The expected loss rates are based on the profiles for payment of sales in a 24-month period prior to December 31, 2020 or December 31, 2019, respectively, and on historical credit losses experienced within that period. Historical loss rates are adjusted to reflect current and prospective information on macroeconomic factors affecting client capacity to settle the accounts receivable.

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On that basis, the provision for impairment of clients at December 31, 2020 and 2019 was determined as follows for accounts receivable from customers:

DECEMBER 31, 2020	OTHER CURRENT	CURRENT	1 TO 30 DAYS PAST DUE	31 TO 60 DAYS PAST DUE	61 TO 90 DAYS PAST DUE	91 TO 180 DAYS PAST DUE	MORE THAN 180 DAYS PAST DUE	TOTAL
Average rate of expected loss	-	1.81%	1.39%	1.39%	1.39%	1.00%	86.77%	-
Gross book amount of accounts receivable	\$ 51,678	\$ 6,876,977	\$ 671,849	\$ 54,370	\$ 57,362	\$ 47,368	\$ 182,694	\$ 7,942,298
Provision for impairment of clients	-	\$ (172,020)	\$ (10,019)	\$ (1,349)	\$ (2,262)	\$ (403)	\$ (166,745)	\$ (352,798)

DECEMBER 31, 2019	OTHER CURRENT	CURRENT	1 TO 30 DAYS PAST DUE	31 TO 60 DAYS PAST DUE	61 TO 90 DAYS PAST DUE	91 TO 180 DAYS PAST DUE	MORE THAN 180 DAYS PAST DUE	TOTAL
Average rate of expected loss	-	1.30%	1.30%	1.30%	1.30%	1.30%	81.51%	-
Gross book amount of accounts receivable	\$ 160,929	\$ 7,286,627	\$ 836,236	\$ 111,532	\$ 67,661	\$ 124,706	\$ 344,919	\$ 8,932,610
Provision for impairment of clients	-	\$ (91,355)	\$ (14,358)	\$ (1,273)	\$ (785)	\$ (5,652)	\$ (228,718)	\$ (342,141)

The final balances of the provisions for impairment of clients at December 31, 2020 and 2019 are adjusted to the provision for initial losses as follows:

	2020	2019
Opening loss allowance at January 1	\$ 342,141	\$ 402,922
Increase in the provision for impairment of clients applied to income for the year	90,700	102,350
Accounts receivable canceled during the year as uncollectible	(75,264)	(158,336)
Unused reversed amount	(4,779)	(4,795)
Ending loss allowance at December 31	\$ 352,798	\$ 342,141

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

Impairment losses from clients is shown as provision for impairment of clients under operating profit. Subsequent recovery of amounts previously canceled are credited to the same line.

B) FINANCIAL ASSETS AT AMORTIZED COST

Other assets at amortized cost, which includes accounts receivable from related parties, are also subject to impairment requirements under IFRS 9. As of December 31, 2020 and 2019, no impairment loss has been identified.

NOTE 9 - INVENTORIES

Inventories are analyzed as follows:

	2020	2019
Raw materials	\$ 3,057,228	\$ 2,875,662
Finished products	3,440,712	3,410,774
Materials and spare parts	1,679,427	1,597,794
Products in process	73,252	63,914
	\$ 8,250,619	\$ 7,948,144

For the years ended December 31, 2020 and 2019, \$82,434,501 and \$79,791,283 was applied to income, respectively, corresponding to inventories consumed (including \$49,280 and \$23,811, respectively, corresponding to damaged, slow-moving and obsolete inventories).

NOTE 10 - INVESTMENT IN SHARES OF ASSOCIATES

Investments in the shares of associates are comprised as follows:

	2020	2019
Opening balance	\$ 8,168,311	\$ 6,969,589
Additions ⁽¹⁾	316,665	1,146,591
IAS 29 (hyperinflationary economies) effect	86,447	109,332
Disposals and/or transfers	(123,369)	(95,751)
Dividends received	(34,216)	(47,938)
Share in the results of associated companies	66,208	225,547
Share in other comprehensive income of associated companies	(171,837)	(139,059)
Ending balance	\$ 8,308,209	\$ 8,168,311

(1) On October 21, 2019, the Company through its subsidiary AC Alimentos y Botanas, S.A. de C.V., acquired 23.88% of the capital stock of Tiendas Tambo, S.A.C., an entity located in Lima, Peru, whose main activity is the management of convenience stores and minimarkets. This acquisition was made with a price of \$670,222 (US\$35 million). The acquisition was recognized in accordance with IAS 28 - Investment in Associates and Joint Ventures. As of December 31, 2020 and 2019, the net income and assets of Tiendas Tambo, S. A. C. amounted to a total of \$447 and \$446 (\$480 and \$471 million Peruvian soles in 2019).

Following are the Company's associated companies at December 31, 2020 and 2019, which, in Management's opinion, are material to the Company. The capital stock of the following entities consists exclusively of ordinary voting shares held directly by the Company, and in the case of Jugos del Valle, S.A.P.I. de C.V., also includes non-voting shares. The country in which an associate is incorporated and registered is also its main place of business and the percentage of shareholding is the same as the percentage of votes held.

Participation movements per share for the years ended December 31, 2020 and 2019, are analyzed as follows:

DECEMBER 31, 2020						
	COUNTRY OF INCORPORATION	NATURE	VALUATION METHOD	BALANCE	GAIN (LOSS)	SHAREHOLDING INTEREST
Promotora Industrial Azucarera, S. A. de C. V. (PIASA) ⁽¹⁾	Mexico	Associated	Equity method	\$ 3,310,952	\$ 70,572	49.1849%
Jugos del Valle, S. A. P. I. (JDV) ⁽²⁾	Mexico	Associated	Equity method	981,517	10,082	14.4600%
PetStar, S. A. P. I. de C. V. (PETSTAR) ⁽³⁾	Mexico	Associated	Equity method	500,903	(22,652)	49.9000%

DECEMBER 31, 2019						
	COUNTRY OF INCORPORATION	NATURE	VALUATION METHOD	BALANCE	GAIN (LOSS)	SHAREHOLDING INTEREST
Promotora Industrial Azucarera, S. A. de C. V. (PIASA) ⁽¹⁾	Mexico	Associated	Equity method	\$ 3,278,814	\$ 166,665	49.1849%
Jugos del Valle, S. A. P. I. (JDV) ⁽²⁾	Mexico	Associated	Equity method	1,113,000	12,423	16.4473%
PetStar, S. A. P. I. de C. V. (PETSTAR) ⁽³⁾	Mexico	Associated	Equity method	523,530	(53,105)	49.9000%

(1) PIASA is a company mainly engaged in marketing the sugar it produces or acquires, among its stockholders and to third parties, and the electric power it generates, as a byproduct. That investment allows the Company to supply itself with sugar for production while at the same time reducing its exposure to the risk of sugar prices.

(2) JDV is a strategic investment mainly engaged in the production, bottling, purchase, sale, distribution and marketing of juices, nectars, fruit drinks, other drinks and dairy products sold under the Santa Clara brand name. JDV also markets products of third parties.

(3) PETSTAR is engaged in collecting and recycling PET (Polyethylene Terephthalate) waste and its conversion to food grade resin and sale, mainly but not exclusively to its stockholders.

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

These amounts have been modified to reflect the adjustments made by AC in applying the equity method, including fair value adjustments, when applicable, and changes arising from differences in accounting policies.

There are no contingent liabilities relating to Company interest in its associates.

	PIASA		JDV		PETSTAR	
	2020	2019	2020	2019	2020	2019
SUMMARY STATEMENT OF FINANCIAL POSITION						
Current assets	\$ 2,558,739	\$ 5,947,763	\$ 5,947,763	\$ 6,025,750	\$ 329,792	\$ 227,375
Non-current assets	8,113,764	7,650,133	7,259,703	7,122,834	1,110,081	1,009,666
Current liabilities	2,259,960	1,195,795	5,817,814	4,573,289	362,755	114,743
Non-current liabilities	1,680,900	1,745,918	601,845	1,808,229	73,304	73,140
Stockholders' equity	\$ 6,731,643	\$ 6,666,303	\$ 6,787,807	\$ 6,767,066	\$ 1,003,814	\$ 1,049,158
RECONCILIATION OF BOOK BALANCES						
Beginning balance	\$ 6,666,303	\$ 6,320,729	\$ 6,767,066	\$ 5,983,864	\$ 1,049,158	\$ 1,152,307
Capital increase	-	-	99,503	727,446	-	-
Income for the year	143,484	338,854	69,727	75,535	(45,395)	(106,423)
Other comprehensive income	(78,144)	6,720	(148,489)	(19,779)	51	3,274
Ending balance	6,731,643	6,666,303	6,787,807	6,767,066	1,003,814	1,049,158
Shareholding %	49.1849%	49.1849%	14.4600%	16.4473%	49.9000%	49.9000%
Book balance	\$ 3,310,952	\$ 3,278,814	\$ 981,517	\$ 1,113,000	\$ 500,903	\$ 523,530
SUMMARY STATEMENT OF COMPREHENSIVE						
Income	\$ 7,931,992	\$ 8,380,338	\$ 21,062,361	\$ 18,387,494	\$ 1,441,372	\$ 1,422,699
Income for the year	\$ 143,484	\$ 338,854	\$ 69,727	\$ 75,535	\$ (45,395)	\$ (106,423)
Other comprehensive income	(78,144)	6,720	(148,489)	(19,779)	51	3,274
Total comprehensive income	\$ 75,311	\$ 345,574	\$ (78,762)	\$ 55,756	\$ (45,344)	\$ (103,149)

During the years ended December 31, 2020 and 2019, the Company has not received material and strategic dividends from its associates.

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

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

	2020	2019
Aggregate balance of individual immaterial entities	\$ 3,514,837	\$ 3,252,967
Aggregated amounts of AC's share in:		
Profit from continuing operations	\$ 8,206	\$ 99,564
Total comprehensive income	\$ 8,206	\$ 99,564

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment for the years ended December 31, 2020 and 2019 are analyzed as follows:

	ASSETS SUBJECT TO DEPRECIATION							ASSETS NOT SUBJECT TO DEPRECIATION			TOTAL
	BUILDINGS	MACHINERY AND EQUIPMENT	TRANSPORTATION EQUIPMENT	REFRIGERATORS AND SALES EQUIPMENT	BOTTLES AND DISTRIBUTION CRATES	COMPUTER EQUIPMENT	FURNITURE AND OTHER	SUBTOTAL	LAND	INVESTMENTS IN PROCESS	
FOR THE PERIOD ENDED DECEMBER 31, 2020											
Beginning balances as of December 31, 2019	\$ 14,577,218	\$ 15,183,574	\$ 5,467,783	\$ 10,974,164	\$ 3,053,740	\$ 849,322	\$ 549,919	\$ 50,655,720	\$ 17,366,733	\$ 3,914,653	\$ 71,937,106
Reclassifications	949,600	638,873	(928,798)	94,450	17,060	(69,961)	132,110	833,334	(675,775)	(157,559)	-
Reclassified balances as of January 1, 2020	\$ 15,526,818	\$ 15,822,447	\$ 4,538,985	\$ 11,068,614	\$ 3,070,800	\$ 779,361	\$ 682,029	\$ 51,489,054	\$ 16,690,958	\$ 3,757,094	\$ 71,937,106
Effect of IAS 29 (hyperinflationary economy)	126,279	255,795	5,003	27,439	17,661	2,268	1,663	436,108	55,308	4	491,420
Effects of conversion	(62,072)	(189,777)	117,943	259,437	351,367	18,353	(29,656)	465,595	99,110	39,735	604,440
Additions / transfers	836,052	3,105,542	1,140,078	1,002,057	1,707,757	298,681	180,810	8,270,977	195,468	(1,743,335)	6,723,110
Disposals	(93,202)	(284,243)	(44,161)	(158,871)	(732,670)	(30,903)	(80,680)	(1,424,730)	(218,722)	(106,560)	(1,750,012)
Depreciation charges recognized in the year	(550,419)	(1,938,965)	(1,071,271)	(2,537,899)	(1,763,788)	(355,254)	(129,672)	(8,347,268)	-	-	(8,347,268)
Ending balance	\$ 15,783,456	\$ 16,770,799	\$ 4,686,577	\$ 9,660,777	\$ 2,651,127	\$ 712,506	\$ 624,494	\$ 50,889,736	\$ 16,822,122	\$ 1,946,938	\$ 69,658,796
DECEMBER 31, 2020											
Cost	\$ 22,474,996	\$ 33,300,827	\$ 11,852,503	\$ 21,374,708	\$ 6,428,360	\$ 2,626,914	\$ 1,764,660	\$ 99,822,968	\$ 16,822,122	\$ 1,946,938	\$ 118,592,028
Accumulated depreciation	(6,691,540)	(16,530,028)	(7,165,926)	(11,713,931)	(3,777,233)	(1,914,408)	(1,140,166)	(48,933,232)	-	-	(48,933,232)
Ending balance	\$ 15,783,456	\$ 16,770,799	\$ 4,686,577	\$ 9,660,777	\$ 2,651,127	\$ 712,506	\$ 624,494	\$ 50,889,736	\$ 16,822,122	\$ 1,946,938	\$ 69,658,796
FOR THE PERIOD ENDED DECEMBER 31, 2019											
Beginning balance as of January 1, 2019	\$ 14,487,754	\$ 16,689,428	\$ 5,738,657	\$ 11,383,427	\$ 3,026,115	\$ 868,557	\$ 677,888	\$ 52,071,026	\$ 17,820,277	\$ 3,386,507	\$ 74,078,610
Effect of IAS 29 (hyperinflationary economy)	210,105	397,630	4,592	70,068	39,070	9,183	9,796	740,444	74,789	1,531	816,764
Effects of conversion	(707,231)	(609,820)	(149,689)	(416,233)	(131,130)	(29,415)	(19,912)	(2,063,430)	(537,898)	(176,507)	(2,777,835)
Additions / transfers	2,543,681	1,865,177	1,142,312	2,220,809	1,941,060	413,372	198,727	10,325,138	317,420	925,675	11,568,233
Disposals	(1,359,279)	(933,138)	(197,236)	(186,101)	(484,158)	(27,816)	(176,219)	(3,363,947)	(307,855)	(222,553)	(3,894,355)
Depreciation charges recognized in the year	(597,812)	(2,225,703)	(1,070,853)	(2,097,806)	(1,337,217)	(384,559)	(140,361)	(7,854,311)	-	-	(7,854,311)
Ending balance	\$ 14,577,218	\$ 15,183,574	\$ 5,467,783	\$ 10,974,164	\$ 3,053,740	\$ 849,322	\$ 549,919	\$ 50,655,720	\$ 17,366,733	\$ 3,914,653	\$ 71,937,106
DECEMBER 31, 2019											
Cost	\$ 20,108,453	\$ 30,404,596	\$ 12,209,427	\$ 21,516,216	\$ 10,605,389	\$ 2,720,510	\$ 1,819,131	\$ 99,383,722	\$ 17,366,733	\$ 3,914,653	\$ 120,665,108
Accumulated depreciation	(5,531,235)	(15,221,022)	(6,741,644)	(10,542,052)	(7,551,649)	(1,871,188)	(1,269,212)	(48,728,002)	-	-	(48,728,002)
Ending balance	\$ 14,577,218	\$ 15,183,574	\$ 5,467,783	\$ 10,974,164	\$ 3,053,740	\$ 849,322	\$ 549,919	\$ 50,655,720	\$ 17,366,733	\$ 3,914,653	\$ 71,937,106

Of the depreciation expense for 2020 of \$8,347,268 (\$7,854,311 in 2019), \$2,768,003 (\$2,574,198 in 2019) was recorded in cost of sales, \$4,911,841 (\$4,629,107 in 2019) in selling expenses and \$667,424 (\$651,006 in 2019) in administration expenses, respectively.

Investments in process at December 31, 2020 and 2019 correspond mainly to the construction of buildings and investments in production equipment, distribution and improvements.

NOTE 12 - GOODWILL AND INTANGIBLE ASSETS, NET

Movements in intangible assets for the years ended December 31, 2020 and 2019, are as follows:

	INTANGIBLE ASSETS ACQUIRED					TOTAL
	GOODWILL	BOTTLING CONTRACTS	TRADEMARKS	SOFTWARE LICENSES	OTHER	
BEGINNING BALANCES AS OF DECEMBER 31, 2019	\$ 54,349,606	\$ 50,499,021	\$ 3,928,376	\$ 1,189,483	\$ 3,451,051	\$ 113,417,537
Reclassifications	(594,725)	(1,487,279)	(643,026)	(514,004)	3,239,034	-
Reclassified balances as of January 1, 2020	\$ 53,754,881	\$ 49,011,742	\$ 3,285,350	\$ 675,479	\$ 6,690,085	\$ 113,417,537
Effect of translation	1,530,329	947,940	163,931	63,964	97,427	2,803,591
Additions	-	-	-	2,434	170,116	172,550
IAS 29 (hyperinflationary economy) effect	643,959	150,226	-	-	(1,355)	792,830
Disposals	-	-	-	-	(63,405)	(63,405)
Amortization charges	-	-	(6,833)	(138,741)	(553,203)	(698,777)
	\$ 55,929,169	\$ 50,109,908	\$ 3,442,448	\$ 603,136	\$ 6,339,665	\$ 116,424,326
DECEMBER 31, 2020						
Attributed cost	\$ 55,929,169	\$ 50,109,908	\$ 3,511,038	\$ 948,472	\$ 9,323,050	\$ 119,821,637
Accumulated amortization	-	-	(68,590)	(345,336)	-	(3,397,311)
Net book value	\$ 55,929,169	\$ 50,109,908	\$ 3,442,448	\$ 603,136	\$ 6,339,665	\$ 116,424,326
BEGINNING BALANCES AS OF DECEMBER 31, 2019	\$ 56,305,640	\$ 52,124,584	\$ 4,183,037	\$ 1,334,650	\$ 3,142,197	\$ 117,090,108
Effect of translation	(2,856,801)	(1,868,946)	(116,003)	(5,377)	(32,931)	(4,880,058)
Additions	-	-	329	2,102	673,627	676,058
IAS 29 (hyperinflationary economy) effect	813,263	243,383	-	221	-	1,056,867
Acquisitions resulting from business combinations	87,504	-	-	-	74,003	161,507
Disposals	-	-	(16,042)	-	(67,567)	(83,609)
Amortization charges	-	-	(122,945)	(142,113)	(338,278)	(603,336)
Ending balance at December 31, 2019	\$ 54,349,606	\$ 50,499,021	\$ 3,928,376	\$ 1,189,483	\$ 3,451,051	\$ 113,417,537
DECEMBER 31, 2019						
Attributed cost	\$ 54,349,606	\$ 50,506,195	\$ 4,485,263	\$ 1,858,383	\$ 4,666,768	\$ 115,866,215
Accumulated amortization	-	(7,174)	(556,887)	(668,900)	(1,215,717)	(2,448,678)
Net book value	\$ 54,349,606	\$ 50,499,021	\$ 3,928,376	\$ 1,189,483	\$ 3,451,051	\$ 113,417,537

Of the amortization expense for 2020 of \$698,777 (\$603,336 in 2019), \$17,622 (\$21,822 in 2019) was recorded in cost of sales, \$30,981 (\$35,881 in 2019) in selling expenses and \$650,174 (\$545,633 in 2019) in administration expenses, respectively.

Goodwill acquired from business combinations is assigned at the acquisition date to CGUs expected to benefit from the synergies arising from said combinations.

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

CASH GENERATING UNIT:	2020		2019	
Beverages Mexico	\$	7,835,007	\$	7,835,007
Beverages US		20,657,832		18,929,876
Beverages Peru		10,020,660		10,365,749
Beverages Ecuador		9,218,749		8,727,411
Beverages Argentina		2,462,682		2,416,785
Wise Foods		2,661,699		2,519,836
Inalecsa		654,279		619,408
Toni		1,674,960		1,585,688
Vend		343,235		355,055
Nayhsa		256,773		256,773
Other		143,293		143,293
	\$	55,929,169	\$	53,754,881

At December 31, 2020 and 2019, except for Beverages Ecuador and Toni CGUs, the estimation of the recovery value of the CGUs identified was conducted through the value in use, using the revenue approach. The value in use was determined by discounting future cash flows generated by the continuous use of the CGUs, using the following key assumptions, among others:

	RANGE AMONG CGUS			
	2020		2019	
Rate of growth in volume	0.8%	6.4%	0.5%	3.3%
Rate of growth in sales ⁽¹⁾	3.4%	34.8%	3.7%	35.1%
Operating margin (as a % of sales)	2.8%	18.8%	5.0%	22.5%
Other operating costs	1.4%	19.2%	5.1%	24.6%
Annual CAPEX (as a % of sales)	2.2%	7.0%	1.8%	7.6%
Discount rate	5.2%	13.3%	5.8%	15.5%

(1) Including the hyperinflation effects.

At December 31, 2020 and 2019:

- The determination of cash flows is based on the financial projections approved by Management for a five-year period and considering a multiple of operating cash flow to perpetuity and are dependent on the expected growth rates of the volume, which are based in historical performances and the expectation of growth of the industry in which AC operates.
- The discount rate was calculated based on the weighted average of the capital (at market value) of the cost of all sources of financing that form part of the capital structure of CGUs (liabilities with cost and shareholding capital) and reflect the specific risks related to AC's relevant operating segments.
- The volume of sales is the average growth rate over the five year projection period. It is based on past performance and Management expectations for market development.
- The sales price is the average growth rate over the five years projection period. It is based on actual industry trends and includes long-term inflation forecasts for each territory.
- The operating margin corresponds to the average margin as a percentage of sales over the five-year projection period. It is based on actual sales margin levels and product mixture. Given the nature of the operation, no increases are expected in the cost of raw materials that cannot be passed on to customers, which may have required an adjustment in the determination of future margins.
- Other operating costs are fixed costs of CGUs, as a percentage of sales, which do not differ significantly from sales volumes and prices. Management projected those costs based on the current business structure, and adjusted increases for inflation. They do not reflect any future restructuring or cost reduction measures. The percentages disclosed above are the average of other operating costs for the five-year projected period with respect to sales.

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

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

UNIDAD GENERADORA DE EFECTIVO	% OF VALUE IN USE OVER BOOK VALUE	
	2020	2019
Beverages Mexico	589%	596%
Beverages US	64%	60%
Beverages Peru	37%	48%
Beverages Argentina ⁽¹⁾	856%	353%
Bebidas Ecuador ⁽²⁾	37%	-
Toni ⁽²⁾	14%	-
Wise Foods	6%	10%
Inalecsa	25%	33%
Nayhsa	235%	21%

(1) Including the hyperinflation effects.

(2) In 2020, the Company elected to use a single valuation model based on discounted future cash flows to be consistent in its assessments in accordance with the established in the accounting standard.

In 2019, the valuation method used was the fair value less cost of disposal (FVLCOD) of the underlying assets. In the case of Bebidas Ecuador and Toni, the excess of FVLCOD over the book value was 72% and 8%, respectively.

As a result of the macroeconomic, political and social factors which occurred in Ecuador in 2018, the cash flow projections of the businesses in this country were affected, therefore the Company, in 2019, analyzed the impairment with FVLCOD, different from the value of use, prepared using more conservative bases for the Bebidas Ecuador and Toni CGU. The additional calculation was made by evaluating the FVLCOD of the underlying assets. The valuation is considered Level 3 in the fair value hierarchy due to non-observable data used in the valuation.

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

Management considers that a possible change in the key assumptions used, within a reasonable range, would not cause the book value of the CGUs to materially exceed their value in use.

As a result of annual testing for impairment, the Company recognized no impairment losses in the years ended December 31, 2020 and 2019 (see Note 5).

NOTE 13 - LEASES

This note provides information for leases where the Company is a lessee.

I. AMOUNTS RECOGNIZED IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The consolidated statements of financial position present the following amounts relating to leases:

	2020		2019	
RIGHT-OF-USE ASSETS				
Buildings	\$	1,223,275	\$	1,077,844
Transportation equipment		414,818		371,646
Machinery and equipment		236,549		168,295
Land		13,447		12,958
	\$	1,888,089	\$	1,630,743
Accumulated depreciation of right-of-use assets		(698,093)		(453,725)
Right-of-use assets	\$	\$1,189,996	\$	\$1,177,018

Additions to the right-of-use assets during the 2020 and 2019 financial years were \$875,097 and \$377,182, respectively.

	2020		2019
LEASE LIABILITIES			
Current	\$ 358,034	\$	247,892
Non-current	853,223		934,736
	\$ 1,211,257	\$	1,182,628

II. AMOUNTS RECOGNIZED IN THE CONSOLIDATED STATEMENT OF INCOME

The consolidated statement of income shows the following amounts relating to leases:

	NOTE	2020	2019
DEPRECIATION CHARGE OF RIGHT-OF-USE ASSETS:			
Buildings		\$ 281,568	\$ 224,377
Transportation equipment		193,539	153,891
Machinery and equipment		98,899	94,254
Land		3,597	7,224
		\$ 577,603	\$ 479,746
Interest expense (included in financial expenses)	24	\$ 78,355	\$ 85,439
Expense relating to short-term leases, insignificant value assets and variable lease payments (included in cost of goods sold and administrative expenses)	21	\$ 191,910	\$ 292,839

The total cash outflow for leases in 2020 and 2019 was \$616,055 and \$517,189, respectively.

NOTE 14 - DEBT

A) AS OF DECEMBER 31, 2020 AND 2019 THE DEBT IS ANALYZED AS FOLLOWS:

	2020	2019
Debt instruments and bonds	\$ 32,609,184	\$ 36,482,393
Scotiabank	4,614,527	4,997,827
Bancomext	4,189,019	4,235,192
Banamex	2,696,391	1,596,467
Santander	1,448,125	1,560,075
Banco JP Morgan	1,491,123	1,410,168
Bank of America, N.A.	1,173,856	1,109,937
BBVA	699,069	698,446
International Finance Corp.	472,855	596,946
Banco Interamericano de Finanzas	444,804	-
Banco Rabobank	347,308	329,117
Banco Internacional	338,898	149,356
Banco Bolivariano	49,838	70,773
Citibank Ecuador	-	10,784
Financial leases and other	2,112	13,985
Total debt	50,577,109	53,261,466
Current portion of debt	(7,132,136)	(6,761,038)
Non-current debt	\$ 43,444,973	\$ 46,500,428

B) THE TERMS, CONDITIONS AND BOOK VALUE OF NON-CURRENT DEBT ARE AS FOLLOWS:

	COUNTRY	CURRENCY	INTEREST RATE		MATURITY DATE	FREQUENCY INTEREST PAYMENT	AT DECEMBER 31,	
			CONTRACTUAL	EFFECTIVE			2020	2019
CEBUR ARCA 11-2	Mexico	MXN	7.63%	7.75%	01/10/2021	Biyearly	\$ -	\$ 2,000,000
CEBUR ARCA 13-2	Mexico	MXN	5.88%	5.99%	10/03/2023	Biyearly	1,700,000	1,700,000
CEBUR ACBE 17	Mexico	MXN	7.84%	7.95%	03/09/2027	Biyearly	6,000,000	6,000,000
CEBUR ACBE 17-2 ^(2a)	Mexico	MXN	TIIE 28 plus 0.20%	4.49%	09/09/2022	Monthly	1,000,000	1,000,000
Bonos Corporativos 144A	Peru	US	6.75%	6.86%	23/11/2021	Biyearly	-	2,446,915
Bonos Corporativos 144A	Peru	US	4.63%	4.68%	12/04/2023	Biyearly	2,006,325	2,529,259
Bono Privado	Peru	SOL	7.50%	7.64%	09/12/2026	Biyearly	826,275	854,730
Private bond at 12 years	USA	US	3.49%	3.52%	28/12/2029	Biyearly	7,950,075	7,524,564
Private bond at 15 years	USA	US	3.64%	3.66%	28/12/2032	Biyearly	7,950,075	7,524,564
Debt instruments and bonds							\$ 27,432,750	\$ 31,580,032
Bancomext	Mexico	MXN	TIIE 91 plus 0.80%	5.41%	22/06/2027	Quarterly	\$ 4,130,186	\$ 4,173,333
Banamex	Mexico	MXN	TIIE 91 plus 1.50%	6.15%	18/05/2022	Quarterly	1,098,396	-
Banamex	Mexico	MXN	TIIE 91 plus 0.90%	5.49%	15/06/2024	Quarterly	1,597,995	1,596,467
Santander ^(2b)	Mexico	MXN	TIIE 91 plus 0.90%	5.49%	20/06/2024	Quarterly	1,448,125	1,446,839
Banco JP Morgan	Mexico	MXN	3.84%	3.95%	25/04/2025	Biyearly	1,305,508	1,410,168
Scotiabank	Mexico	US	TIIE 91 plus 1.45%	6.11%	06/05/2022	Quarterly	1,248,060	-
Scotiabank	Mexico	MXN	TIIE 28 plus 0.60%	5.09%	19/01/2022	Monthly	273,738	1,368,688
Scotiabank ^(2b)	Mexico	MXN	TIIE 91 plus 0.50%	5.07%	20/06/2024	Quarterly	999,033	998,374
Scotiabank	Mexico	MXN	TIIE 91 plus 0.50%	5.08%	15/06/2024	Quarterly	998,747	997,792
BBVA	Mexico	MXN	TIIE 91 plus 0.90%	5.50%	21/06/2024	Quarterly	699,069	698,446
Bank of America	Ecuador	US	1.10%	0.96%	16/07/2024	Biyearly	704,724	666,145
International Finance Corp.	Ecuador	US	3.50%	3.50%	15/12/2023	Biyearly	314,473	447,006
Bank of America	Ecuador	US	2.75%	2.87%	16/07/2024	Biyearly	469,132	443,792
Banco Internacional	Ecuador	US	7.40%	7.61%	12/04/2022	Quarterly	47,052	84,927
Banco Internacional	Ecuador	US	8.75%	9.11%	07/04/2025	Monthly	249,190	-
Banco Bolivariano	Ecuador	US	8.25%	8.25%	09/03/2021	Biyearly	-	70,773
Banco Bolivariano	Ecuador	US	8.83%	9.15%	25/09/2025	Biyearly	43,200	-
Banco Rabobank	Ecuador	US	3.05%	3.31%	27/10/2021	Biyearly	-	56,406
Scotiabank	Peru	SOL	4.25%	4.25%	29/12/2023	Quarterly	-	459,057
Banco Interamericano de Finanzas	Peru	SOL	1.94%	1.94%	30/12/2023	Quarterly	385,595	-
Financial bank loans							\$ 16,012,223	\$ 14,918,213
Financial leases and other							-	2,183
Total							\$ 43,444,973	\$ 46,500,428

(1) Short-term stock certificate derived at its expiration date.

(2) The Company has contracted swaps for these loans in order to fix the interest rate at 7.369%(2a), in 7.225% (2b) and 7.225% (2c). Considering for the payment the agreed spreads.

C) AT DECEMBER 31, 2020, ANNUAL MATURITIES OF THE NON-CURRENT DEBT ARE COMPRISED AS FOLLOWS:

	2022	2023	2024	2025 ONWARD	TOTAL
Debt instruments and bonds	\$ 2,295,450	\$ 2,407,369	\$ -	\$ 22,729,931	\$ 27,432,750
Bank loans	5,761,135	3,516,862	3,451,756	3,282,470	16,012,223
	\$ 8,056,585	\$ 5,924,231	\$ 3,451,756	\$ 26,012,401	\$ 43,444,973

At December 31, 2019, annual maturities of the non-current debt are comprised as follows:

	2021	2022	2023	2024 ONWARD	TOTAL
Debt instruments and bonds	\$ 5,060,001	\$ 2,225,377	\$ 2,384,472	\$ 21,910,182	\$ 31,580,032
Bank loans	1,698,628	3,378,128	3,444,757	6,396,700	14,918,213
Financial lease and other	2,183	-	-	-	2,183
	\$ 6,760,812	\$ 5,603,505	\$ 5,829,229	\$ 28,306,882	\$ 46,500,428

D) FOLLOWING IS AN ANALYSIS AND MOVEMENTS OF NET DEBT DURING THE YEARS ENDED DECEMBER 31, 2020 AND 2019:

	2020	2019
Cash and cash equivalents	\$ 27,335,702	\$ 22,051,280
Current debt	(7,132,136)	(6,761,038)
Non-current debt	(43,444,973)	(46,500,428)
Net debt	\$ (23,241,407)	\$ (31,210,186)
Cash and cash equivalents	\$27,335,702	\$22,051,280
Debt at fixed rate	(34,078,189)	(38,282,468)
Debt at variable rate	(16,498,920)	(14,978,998)
Net debt	\$ (23,241,407)	\$ (31,210,186)

FINANCIAL LIABILITIES

	CASH AND CASH EQUIVALENTS	SHORT TERM		LONG TERM	
		BONDS	FINANCIAL DEBT	BONDS	FINANCIAL DEBT
Net debt at January 1, 2020	\$ 22,051,280	\$ (4,916,812)	\$ (1,844,226)	\$ (31,580,031)	\$ (14,920,397)
Cash inflow	94,198,208	-	(887,773)	-	(3,201,530)
Cash outflow	(89,294,634)	5,206,499	2,462,692	12,486	647,481
Exchange rate effects	139,701	182,205	(27,785)	(988,172)	(189,987)
Other movements not requiring cash flows	241,147	(5,659,152)	(1,647,784)	5,122,967	1,652,210
Net debt at December 31, 2020	\$ 27,335,702	\$ (5,187,260)	\$ (1,944,876)	\$ (27,432,750)	\$ (16,012,223)

FINANCIAL LIABILITIES

	CASH AND CASH EQUIVALENTS	SHORT TERM		LONG TERM	
		BONDS	FINANCIAL DEBT	BONDS	FINANCIAL DEBT
Net debt at January 1, 2019	\$ 15,940,867	\$ (2,544)	\$ (2,669,410)	\$ (37,486,469)	\$ (15,668,385)
Cash inflow	96,097,961	-	(101,287)	-	(1,297,442)
Cash outflow	(89,647,830)	2,497	2,789,866	-	11,001
Exchange rate effects	(492,976)	34,502	47,705	790,937	72,890
Other movements not requiring cash flows	153,258	(4,951,267)	(1,911,100)	5,115,501	1,961,539
Net debt at December 31, 2019	\$ 22,051,280	\$ (4,916,812)	\$ (1,844,226)	\$ (31,580,031)	\$ (14,920,397)

E) MAIN FEATURES OF THE DEBT:

The debt of the Tonicorp subsidiaries owed to International Finance Corp. is secured with certain fixed assets belonging to those subsidiaries, whose net book value at December 31, 2020, in the percentage corresponding to AC is \$1,049,029 (\$993,119 in 2019). These guarantees were granted as a result of the investment in Tonicorp joint operation. Those guarantees fall within the parameters permitted by the debt restrictions specified later herein.

Distribuidora Importadora Dipor, S.A., subsidiary in Ecuador of AC Bebidas, S. de R.L. C.V. in Mexico, signed a new loan contract on September 29, 2020 with Banco Bolivariano CA for \$111,799 (USD \$ 5,000) with a term of 5 years at a nominal rate of 8.83% per year.

Industrias Lácteas Toni, S.A., a subsidiary in Ecuador of AC Bebidas, S. de R.L. C.V. in Mexico signed a new loan agreement on September 28, 2020 with Banco Internacional S.A. for \$558,995 (USD \$ 25,000) with a term of 55 months at a nominal rate of 8.75% per year.

Arca Continental, S.A.B. de C.V. (Holding) in Mexico signed a new loan agreement on May 18, 2020 with Banco Nacional de Mexico, S.A. for \$1,100,000 with a term of 2 years at a nominal rate of TIE 91 days + 1.50 percentage points.

Arca Continental, S.A.B. de C.V. (Holding) in Mexico signed a new loan agreement on May 6, 2020 with Scotiabank Inverlat, S.A. for \$1,250,000 with a term of 2 years at a nominal rate of TIE 91 days + 1.45 percentage points.

The cash flows obtained from the new loans mentioned in the previous paragraphs were used to make the payment for 25,000,000 Stock Certificates issued by Embotelladoras Arca, S.A.B. de C.V., with ticker symbol "ARCA 10" for a total amount of \$2,500,000 in addition to \$ 97,825 corresponding to financial expenses accrued during the term of the issuance. The payment of interest and principal was made on November 13, 2020.

On July 11, 2019, AC Bebidas, S. de R.L. de C.V., in Ecuador signed a new loan agreement with Bank of America for \$1,176,777 (US\$59,000), with a maturity of 5 years. The loan comprised the following amounts: \$470,471 (US\$23,600) and \$705,706 (US\$35,400) at a rate of 2.75% and 1.10%, respectively. Likewise, AC Bebidas signed, in Ecuador, a loan agreement with Bank of America for \$ 1,113,489 (US \$ 59,000), with a term of 5 years. The loan is made up of the following amounts: \$445,396 (US \$ 23,600) and \$ 668,093 (US \$ 35,400) at a rate of 2.75% and 2.98% respectively

On December 28, 2017, CCSWB in the US issued the first block of new debt with syndicated creditors through a private placement through two 12- and 15-year bond issuances for \$ 5,980,560 (US \$ 300 million) each. A second block of debt was issued on March 1, 2018 for \$ 1,993,520 (US \$ 100 million) for 12 and 15 years each.

On April 29, 2016, CL repurchased \$395,464 (US\$70,000) of Bond 21 and \$2,591,576 (US\$130,000) of Bond 23. Cash paid at that date for the repurchase, equivalent to fair value, was \$1,618,738 (US\$81,200) and \$2,743,113 (US\$137,150), respectively, for Bonds 21 and 23. The Company evaluated that transaction and concluded that it represented no substantial modification to Bonds 21 and 23. The cash involved in this operation was paid from cash surpluses and local bank financing in local currency. On December 9, 2016, CL issued local corporate bonds in the amount of \$826,275 (150 thousand Peruvian soles) at a rate of 7.5% per annum, maturing on December 9, 2026. The resources received have been used to pay off local short-term bank loans.

On November 23, 2011, Corporación Lindley, S.A. (CL) conducted the international issuance of corporate bonds under rule 144A / Regulation S of the Securities Market Law of the US for an amount of \$6,379,264 (US \$320,000) at a rate of 6.75% and maturing on 23 November 2021 (Bonus 21). Likewise, on April 12, 2013, another international bond issuance was conducted, under the same Regulation, for an amount of \$5,183,152 (US \$260,000) at a rate of 4.63% and maturing on April 12, 2023 (Bond 23). 144 A corporate bonds do not require collateral.

Financial leasing is secured with items related to the contracts.

AC Bebidas, Distribuidora Arca Continental, S.A. de C.V. and Bebidas Mundiales, S.A. de C.V. act as guarantors of the debt in Mexico, and AC Bebidas is guarantor of the private bonds by its subsidiary CCSWB in the US.

Debt restrictions:

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

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

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

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

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

The fair value of the non-current debt is disclosed in Note 20. The fair value of current debt is equivalent to book value, as the discount impact is not significant. Fair values at December 31, 2020 and 2019 are based on several different discount rates, which fall within level 2 of the fair value hierarchy (see Note 20).

At December 31, 2020 and 2019, and at the date of issuance of these consolidated financial statements, the Company and its subsidiaries had duly complied with the obligations set down in the loan agreements.

NOTE 15 - OTHER LIABILITIES

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

	2020	2019
CURRENT:		
Sundry creditors	\$ 1,055,702	\$ 1,193,521
Federal and state taxes payables ⁽¹⁾	2,418,195	2,593,209
Accrued expenses payable	6,179,929	4,296,160
Employees' statutory profit sharing payable	866,193	1,020,571
Bonuses	41,859	48,214
Contingent liabilities	299,207	99,296
Dividends payable	77,989	64,638
Other	8,549	14,823
Total current liabilities	\$ 10,947,623	\$ 9,330,432
NON-CURRENT:		
Guarantee deposits per bottle	\$252,997	\$ 251,954
Contingent liabilities	20,446	21,257
Other provisions	-	66,076
Other	556,663	359,443
Total other non-current liabilities	\$ 830,106	\$ 698,730

(1) Sales in Mexico, Peru and Ecuador of beverages containing added sugar, as well as snack food with a certain caloric density defined by law are subject to special taxes. These are indirect taxes where the Company acts as a collection agent by charging the amount in question to the end consumer. That tax is paid to the authorities on a monthly basis.

Movements in the contingent liabilities are as follows.

	2020	2019
Beginning balance:	\$ 120,553	\$ 191,094
Debit (credit) to income:		
Additional provisions	290,384	3,939
Provisions used	(64,535)	(57,989)
Exchange rate differences	(26,749)	(16,491)
Ending balance	\$ 319,653	\$ 120,553

NOTE 16 - EMPLOYEE BENEFITS

The Company has several labor liabilities for employee benefits related to pensions, seniority premiums, major medical expenses and severance indemnities.

The Company operates defined benefit pension plans based on compensation at retirement and length of service. Most plans have been funded by the Company. Plan assets are held in trust and governed by local regulations and practices, such as the nature of the relationship between the Company and the trust beneficiaries (or equivalents) and the composition thereof. The recording method, assumptions and frequency of valuation are similar to those used for pension benefit plans. The major medical expense plan for a group of employees complying with certain requirements, mainly related to previous defined obligation plans; The recording method, assumptions and frequency of valuation are similar to those used in long-term employee benefit plans. Certain Company subsidiaries have defined contribution plans.

The following table shows the payments or contributions of the plans expect to make in the next few years:

	PENSION BENEFITS	SENIORITY PREMIUM	MAJOR MEDICAL EXPENSES	TERMINATION BENEFITS	TOTAL
2021	\$ 242,923	\$ 83,966	\$ 40,484	\$ 11,896	\$ 379,269
2022	233,186	83,689	43,011	13,557	373,443
2023	267,927	89,299	45,639	15,117	417,982
2024	313,075	95,688	48,750	17,028	474,541
2025	365,633	99,712	52,260	18,825	536,430
2026-2030	2,649,982	581,180	327,438	106,625	3,665,225

The Company's main subsidiaries in Mexico have set up funds for the payment of pensions, seniority premiums and medical expenses, which are handled through irrevocable trusts. In 2020 and 2019, no contributions were made.

In Argentina and Peru, there is no obligation to provide long-term employee benefits, which are covered by the government of each country. In Ecuador, there are pension plans in place for retirement and dismissal (benefits upon termination of employment). In a termination of employment, whether voluntary or involuntary, the employer pays the employee 25% of the equivalent of the most recent monthly remuneration for each year worked.

A) BALANCES OF PENSION PLAN LIABILITIES:

	2020	2019
PENSION BENEFITS:		
Present value of defined benefit obligations	\$ (5,295,329)	\$ (4,852,877)
Fair value of plan assets	1,988,060	2,011,347
Liabilities in the consolidated statement of financial position	(3,307,269)	(2,841,530)
SENIORITY PREMIUM:		
Present value of defined benefit obligations	(882,857)	(738,498)
Fair value of plan assets	6,434	5,883
Liabilities in the consolidated statement of financial position	(876,423)	(732,615)
MAJOR MEDICAL EXPENSES:		
Present value of defined benefit obligations	(1,105,824)	(865,735)
Fair value of plan assets	260,309	241,897
Liabilities in the consolidated statement of financial position	(845,515)	(623,838)
TERMINATION BENEFITS:		
Present value of defined benefit obligations	(219,972)	(192,036)
Liabilities in the consolidated statement of financial position	(219,972)	(192,036)
Employee benefits	\$ (5,249,179)	\$ (4,390,019)

B) MOVEMENT IN THE EMPLOYEE BENEFIT OBLIGATION:

	2020	2019
PENSION BENEFITS:		
As of January 1	\$ (4,852,877)	\$ (4,725,524)
Labor cost	(216,362)	(186,133)
Interest cost	(288,682)	(310,604)
Remeasurement - actuarial gains	(212,533)	(449,434)
Exchange differences	(25,070)	50,480
Benefits paid	287,444	751,991
Labor cost for past services	12,751	-
Reductions	-	16,347
As of December 31	\$ (5,295,329)	\$ (4,852,877)
SENIORITY PREMIUM:		
As of January 1	\$ (738,498)	\$ (389,889)
Labor cost	(50,310)	(26,818)
Interest cost	(52,625)	(33,843)
Remediation - for changes in assumptions	(90,667)	(356,423)
Benefits paid	49,243	68,475
As of December 31	\$ (882,857)	\$ (738,498)
MAJOR MEDICAL EXPENSES:		
As of January 1	\$ (865,735)	\$ (569,320)
Current service cost	(6,045)	(9,507)
Interest cost, net	(61,826)	(49,031)
Remediation - losses due to changes in assumptions	(174,955)	(275,923)
Exchange differences	-	990
Benefits paid	2,737	37,056
As of December 31	\$ (1,105,824)	\$ (865,735)
TERMINATION BENEFITS:		
As of January 1	\$ (192,036)	\$ (209,276)
Current service cost	(26,204)	(24,059)
Interest cost, net	(7,016)	(7,407)
Remediation - gains from changes in assumptions	(6,958)	10,396
Exchange differences	(10,552)	8,147
Benefits paid	22,794	29,253
Reductions	-	910
As of December 31	\$ (219,972)	\$ (192,036)

C) CHANGES IN THE FAIR VALUE OF PLAN ASSETS:

	2020	2019
As of January 1	\$ 2,259,127	\$ 2,772,352
Return on plan assets	135,419	128,805
Gains (losses) from changes in assumptions	-	67,911
Exchange differences	-	(22,821)
Benefits paid	(142,388)	(642,449)
Reductions	2,645	(44,671)
As of December 31	\$ 2,254,803	\$ 2,259,127

Plan assets include the following:

	2020		2019	
Equity instruments	\$ 316,749	14%	\$ 317,140	14%
Debt instruments	1,853,670	82%	1,857,598	82%
Real estate	66,300	3%	66,305	3%
Others	18,084	1%	18,084	1%
Total	\$ 2,254,803		\$ 2,259,127	

D) AMOUNTS RECOGNIZED IN THE CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME:

	2020		2019	
PENSION BENEFITS:				
Labor cost	\$ 216,362		\$ 186,133	
Interest cost, net	184,803		152,862	
Reductions and other	(2,900)		(4,763)	
Total included in personnel costs	\$ 398,265		\$ 334,232	
SENIORITY PREMIUM:				
Labor cost	\$ 50,310		\$ 26,818	
Interest cost, net	52,340		32,684	
Total included in personnel costs	\$ 102,650		\$ 59,502	
MAJOR MEDICAL EXPENSES:				
Current cost of service	\$ 6,045		\$ 9,507	
Interest cost, net	51,378		28,899	
Total included in personnel costs	\$ 57,423		\$ 38,406	
TERMINATION BENEFITS:				
Current cost of service	\$ 26,204		\$ 24,059	
Interest cost, net	7,342		7,408	
Reductions and other	52,988		32,737	
Total included in personnel costs	86,534		64,204	
	\$ 644,872		\$ 496,344	

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

	NOTE	2020		2019	
Cost of sales		\$ 82,548		\$ 59,436	
Sales expenses		183,235		110,440	
Administrative expenses		117,853		127,798	
Financial result	24	261,236		198,670	
Total		\$ 644,872		\$ 496,344	

	2020		2019	
Actuarial losses - Financial assumptions	\$ 129,788		\$ 709,363	
Actuarial losses - Adjustments to the minimum wage	-		232,287	
Actuarial losses - Experience adjustments	164,806		179,886	
Actuarial losses - Demographic assumptions and past services	160,258		54,719	
Remeasurements recognized in other comprehensive income for the period	\$ 454,852		\$ 1,176,255	

E) ACTUARIAL ASSUMPTIONS AND ASSOCIATED RISKS:

The main actuarial assumptions were as follows:

	2020	2019
Discount rate Mexican pesos	7.25%	7.50%
Discount rate U.S. dollars	3.16%	3.41%
Inflation rate	3.50%	3.50%
Wage growth rate	4.50%	4.50%
Future pension increase	4.50%	4.50%
Expected return on plan assets	7.25%	7.50%
Life expectancy	26.37 years	23.38 years

The sensitivity of the pension benefit plans to change in key assumptions at December 31, 2020 is as follows:

	CHANGE IN THE ASSUMPTION	PERCENTAGE IMPACT ON THE PLAN	
		INCREASE IN THE ASSUMPTION	DECREASE IN THE ASSUMPTION
Discount rate	1.00%	(8.76%)	10.53%
Wage growth rate	1.00%	4.84%	(4.13%)
Future pension increase	1.00%	4.50%	4.50%

The above sensitivity analyses are based on a change in one assumption with all other assumptions remaining constant. In practice, these are very unlikely to occur, and there could be changes in other related assumptions. When calculating the sensitivity of pension benefit plans based on the main actuarial assumptions, the same method has been used as for calculating pension benefit plan liabilities recorded in the consolidated statement of financial position. The methods and type of assumptions used in preparing the sensitivity analysis was consistent with respect to the prior period.

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

Asset volatility - Labor liability obligations are calculated at a discount rate determined as per IAS 19. If plan assets show returns below that rate, the difference is recorded as a deficit. The Company intends to reduce the risk level to a minimum, through investment in assets with a profile similar to the liabilities in question, and considers that due to the long-term nature of the labor obligations and to AC strength, the level of investment in capital instruments is a relevant element that forms part of the Company's long-term strategy, with a view to managing the plans efficiently.

Changes in the discount rate - A decrease in the discount rate would result in an increase in plan obligations. However, that would be partially offset by the increase in value of bonds held by those plans.

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

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

The Company has not modified the processes and activities involved in managing the aforementioned risks in relation to prior years. Investments are diversified, and therefore, circumstances relating to any investment would have no significant impact on the value of plan assets.

NOTE 17 - DEFERRED TAXES ON INCOME

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

	2020	2019
Deferred tax asset	\$ 2,590,689	\$ 1,691,427
Deferred tax liability	(17,039,846)	(16,559,266)
Deferred tax liability, net	\$ (14,449,157)	\$ (14,867,839)

Gross movement in the deferred taxes is as follows:

	2020	2019
At January 1	\$ (14,867,839)	\$ (16,358,938)
Credit to the consolidated statement of income	400,468	744,925
Favorable tax pertaining to components on other comprehensive income items	105,060	312,919
Effect of translation	(86,846)	433,255
At December 31	\$ (14,449,157)	\$ (14,867,839)

Deferred tax liability movements over the year are explained below:

	ASSET (LIABILITY) AT DECEMBER 31,	
	2020	2019
Employee benefits	\$ 857,773	\$ 665,302
Unamortized tax losses	120,877	331,983
Employees' statutory profit sharing	318,716	177,818
Provisions and others	1,473,299	1,003,325
Deferred tax asset	2,770,665	2,178,428
Property, plant and equipment - net	(4,783,548)	(5,133,849)
Intangible assets	(12,296,742)	(11,777,376)
Prepayments	(230,784)	(67,526)
Other	91,252	(67,516)
Deferred tax liability	(17,219,822)	(17,046,267)
Deferred tax liability - net	\$ (14,449,157)	\$ (14,867,839)

Following are movements in temporary differences over the year:

	BALANCE AT DECEMBER 31, 2019	APPLIED TO INCOME	APPLIED TO OTHER COMPREHENSIVE INCOME	CONVERSION OF FOREIGN SUBSIDIARIES	BALANCE AT DECEMBER 31, 2020
Employee benefits	\$ 665,302	\$ 129,245	\$ 63,226	\$ -	\$ 857,773
Unamortized tax losses	331,983	(211,106)	-	-	120,877
Employees' statutory profit sharing	177,818	140,898	-	-	318,716
Provisions and other	1,003,325	469,974	-	-	1,473,299
	2,178,428	529,011	63,226	-	2,770,665
Property, plant and equipment, net	(5,133,849)	357,660	-	(7,359)	(4,783,548)
Intangible assets	(11,777,376)	(439,879)	-	(79,487)	(12,296,742)
Prepaid expenses	(67,526)	(163,258)	-	-	(230,784)
Other	(67,516)	116,934	41,834	-	91,252
	(17,046,267)	(128,543)	41,834	(86,846)	(17,219,822)
Deferred tax liability	\$ (14,867,839)	\$ 400,468	\$ 105,060	\$ (86,846)	\$ (14,449,157)

	BALANCE AT DECEMBER 31, 2018	APPLIED TO INCOME	APPLIED TO OTHER COMPREHENSIVE INCOME	CONVERSION OF FOREIGN SUBSIDIARIES	BALANCE AT DECEMBER 31, 2019
Employee benefits	\$ 340,137	\$ (55,784)	\$ 380,949	\$ -	\$ 665,302
Unamortized tax losses	225,080	106,903	-	-	331,983
Employees' statutory profit sharing	169,368	8,450	-	-	177,818
Provisions and other	942,999	60,326	-	-	1,003,325
	1,677,584	119,895	380,949	-	2,178,428
Property, plant and equipment, net	(6,063,053)	512,701	-	416,503	(5,133,849)
Intangible assets	(11,936,531)	142,403	-	16,752	(11,777,376)
Prepaid expenses	(101,511)	33,985	-	-	(67,526)
Other	64,573	(64,059)	(68,030)	-	(67,516)
	(18,036,522)	625,030	(68,030)	433,255	(17,046,267)
Deferred tax liability	\$ (16,358,938)	\$ 744,925	\$ 312,919	\$ 433,255	\$ (14,867,839)

The deferred income tax asset arising from unamortized tax losses is recorded when the respective tax benefit to be realized via future tax profits becomes likely. The Company recorded a deferred tax asset of \$120,877 and \$331,983 for 2020 and 2019, respectively, with respect to remaining tax losses of \$561,588 for 2020 and \$1,412,760 for 2019, which can be amortized against future tax profits.

At December 31, 2020, accrued unamortized tax losses of the Mexican entities totaling \$1,587 expire in 2030 and those of the entities in US a totaling \$560,001 do not have an expiration date.

At December 31, 2020, the Company has not recorded estimated deferred tax liabilities of approximately \$5,938 million (\$6,387 million in 2019) arising from the difference between the tax cost of the shares of subsidiaries and the value of net consolidated assets, mainly due to undistributed profits and exchange effect, among others, because based on the exception applicable to the Company, it considers that it will not sell its investments in subsidiaries any time in the near future and has the policy of paying dividends to its subsidiaries only up to the amounts on which tax has been paid.

NOTE 18 - STOCKHOLDERS' EQUITY

In the Ordinary General Shareholders' Meetings, it was agreed to paid cash dividends from CUFIN as shown below:

ASSEMBLY DATE	DIVIDENDS PER SHARE	AMOUNT
November 19, 2020	\$ 1.00	\$ 1,764,283
September 14, 2020	\$ 1.50	\$ 2,646,425
April 2, 2020	\$ 2.42	\$ 4,269,565
April 16, 2019	\$ 2.30	\$ 4,057,851

Such dividends were paid to their holders immediately after their declaration.

The Company's capital stock at December 31, 2020 and 2019 was comprised as follows:

	SUBSCRIBED CAPITAL STOCK		
	NUMBER OF SHARES		
	FIXED	VARIABLE	TOTAL
Total shares at December 31, 2020 and 2019	902,816,289	861,466,867	1,764,283,156

The Company's capital stock consists of a single series of ordinary, nominative shares with no par value and no restrictions on holding. They confer the same rights to their holders.

In accordance with the Mexican Corporations Law, the net profit for the year is subject to the legal provision that requires that at least 5% of the net profit of each year be allocated to increase the legal reserve until it is equal to one fifth of the social capital paid. As of December 31, 2020 and 2019, the legal reserve amounts to \$23,982,012 and is included in retained earnings.

At December 31, 2020, 7,136,460 Company shares are retained in the repurchasing fund.

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

Dividends are not subject to income tax if paid from the aforementioned CUFIN. Dividends in excess of that account they will be subject to the payment of corporate income tax at the rate in force at the time of their distribution; will cause a tax equivalent of 42.86% if they are paid in 2021. Tax is payable by the Company and may be credited against income tax for the current period or in the following two periods.

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

At December 31, 2020, the tax values of CUFIN and CUCA are \$26,935,021 (*) and \$32,988,894, respectively.

(*) Stemming from earnings in 2013 of \$14,279 and rest from subsequent years \$26,920,742.

NOTE 19 - OTHER COMPREHENSIVE INCOME (OCI)

As of December 31, 2020 and 2019, the OCI is composed as follows

	EFFECT OF CONVERSION OF FOREIGN ENTITIES	REMEASUREMENT OF DEFINED BENEFIT PLANS	EFFECT OF CASH FLOW HEDGING	TOTAL
Remeasurement loss of defined benefit plans	-	(454,852)	-	(454,852)
Effect of deferred taxes	-	63,226	-	63,226
Equity in other comprehensive income of associated companies accounted for using equity method	(71,000)	(100,837)	-	(171,837)
Effect of derivative financial instruments contracted as cash flow hedges	-	-	(47,880)	(47,880)
Effect of deferred taxes	-	-	41,834	41,834
Exchange differences on translation of foreign operations	3,639,072	-	-	3,639,072
Effect of conversion of foreign entities of non-controlling interest	(599,658)	-	-	(599,658)
Balances at December 31, 2019	\$ 3,699,242	\$ (2,718,904)	\$ (77,484)	\$ 902,854
Balance at December 31, 2018	\$ 4,032,959	\$ (1,430,643)	\$ 49,753	\$ 2,652,069
Remeasurement loss of defined benefit plans	-	(1,176,255)	-	(1,176,255)
Effect of deferred taxes	-	380,949	-	380,949
Equity in other comprehensive income of associated companies accounted for using equity method	(138,567)	(492)	-	(139,059)
Effect of derivative financial instruments contracted as cash flow hedges	-	-	(53,161)	(53,161)
Effect of deferred taxes	-	-	(68,030)	(68,030)
Exchange differences on translation of foreign operations	(4,528,103)	-	-	(4,528,103)
Effect of conversion of foreign entities of non-controlling interest	1,364,539	-	-	1,364,539
Balance at December 31, 2019	\$ 730,828	\$ (2,226,441)	\$ (71,438)	\$ (1,567,051)

NOTE 20 - FINANCIAL INSTRUMENTS

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

The Company holds the following financial instruments:

	DECEMBER 31, 2020		
	CURRENT	NON-CURRENT	TOTAL
FINANCIAL ASSETS			
Financial assets at amortized cost:			
Cash and cash equivalents	\$ 27,335,702	\$ -	\$ 27,335,702
Clients and other accounts receivable	8,610,661	-	8,610,661
Related parties	977,695	-	977,695
Financial assets at fair value with changes in OCI:			
Derivative hedging instruments ⁽¹⁾	871,339	-	871,339
	\$ 37,795,397	\$ -	\$ 37,795,397
FINANCIAL LIABILITIES			
Financial liabilities at amortized cost:			
Debt	\$ 7,132,136	\$ 43,444,973	\$ 50,577,109
Suppliers, related parties, sundry creditors	11,733,535	-	11,733,535
Lease liabilities	358,034	853,223	1,211,257
Financial liabilities at fair value with changes in OCI:			
Derivative hedging instruments ⁽¹⁾	334,987	357,150	692,137
	\$ 19,558,692	\$ 44,655,346	\$ 64,214,038
DECEMBER 31, 2019			
	CURRENT	NON-CURRENT	TOTAL
FINANCIAL ASSETS			
Financial assets at amortized cost:			
Cash and cash equivalents	\$ 22,051,280	\$ -	\$ 22,051,280
Clients and other accounts receivable	10,362,528	-	10,362,528
Related parties	230,941	-	230,941
Financial assets at fair value with changes in OCI:			
Derivative hedging instruments ⁽¹⁾	110,232	30,092	140,324
	\$ 32,754,981	\$ 30,092	\$ 32,785,073
FINANCIAL LIABILITIES			
Financial liabilities at amortized cost:			
Debt	\$ 6,761,038	\$ 46,500,428	\$ 53,261,466
Suppliers, related parties, sundry creditors	11,464,196	-	11,464,196
Lease liabilities	247,892	934,736	1,182,628
Financial liabilities at fair value with changes in OCI:			
Derivative hedging instruments ⁽¹⁾	125,219	225,843	351,062
	\$ 18,598,345	\$ 47,661,007	\$ 66,259,352

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

The additional information related to the loan with related parties is detailed in Note 27.

i. Fair value of financial assets and liabilities

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

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

	DECEMBER 31, 2020	
	BOOK VALUE	FAIR VALUE
ASSETS:		
Derivative financial instruments	\$ 871,339	\$ 871,339
LIABILITIES:		
Derivative financial instruments	\$ 692,137	\$ 692,137
Non-current debt	43,444,973	43,867,364

	DECEMBER 31, 2019	
	BOOK VALUE	FAIR VALUE
ASSETS:		
Derivative financial instruments	\$ 140,324	\$ 140,324
LIABILITIES:		
Derivative financial instruments	\$ 351,062	\$ 351,062
Non-current debt	46,500,428	46,575,090

ii. Impairment and exposure to risks

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

iii. Fair value hierarchy

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

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

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

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

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

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

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

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

iv. Determination of fair value and measurement

The Company generally uses quotations of market prices (when available) to determine fair value and classifies said data as Level 1. If market quotations are not available, fair value is determined using standard valuation models.

When applicable, those models project future cash flows and discount future figures at observable data set at present value, including interest rates, exchange rates, volatility, etc. Items valued using said data are classified according to the lowest level of data that is significant for the valuation. Therefore, an item can be classified as Level 3, even when some of the significant data are observable. Additionally, the Company considers assumptions for its own credit risk, as well as for the risk of its counterparty.

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

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

v. Derivative financial instruments

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

At December 31, 2020 and 2019, the following derivative financial instruments exist in Mexico: foreign currency forwards and interest rate swaps; and in Peru, currency call spread, sugar hedge futures and coverage cross currency swap and in the US were held, currency forwards, aluminum and diesel hedges.

CLASSIFICATION OF DERIVATIVES

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

The Company holds the following derivative financial instruments:

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

DECEMBER 31, 2020								
CONTRACT	TONS HEDGED	VALUE OF UNDERLYING		FAIR VALUE US	MATURITIES PER YEAR (US)			COLLATERAL /GUARANTEE
		UNITS	PRICE US\$		2021	2022	2023+	
Cargill ⁽¹⁾	33,000	US Dollar/Ton.	303-347	\$ 2,464	\$ 2,464	\$ -	\$ -	\$ -
MacQuaire ⁽¹⁾	2,900	US Dollar/Ton.	348	134	134	-	-	-
JPMorgan ⁽¹⁾	20,500	US Dollar/Ton.	342-349	1,093	1,093	-	-	-
Rabobank UA ⁽²⁾	40,984	US Dollar/Tm.	1522-1865	12,864	12,864	-	-	-
Rabobank UA ⁽²⁾	38,475	US Dollar/Tm.	227-327	34	34	-	-	-
Rabobank UA ⁽³⁾	6,295,422	US Dollar/Gal.	1.0322-1.1921	1,945	1,945	-	-	-
				\$ 18,534	\$ 18,534	\$ -	\$ -	\$ -
Fair value in Mexican pesos				\$ 369,479	\$ 369,479	\$ -	\$ -	\$ -

DECEMBER 31, 2019								
CONTRACT	TONS HEDGED	VALUE OF UNDERLYING		FAIR VALUE US	MATURITIES PER YEAR (US)			COLLATERAL /GUARANTEE
		UNITS	PRICE US\$		2020	2021	2022+	
Cargill ⁽¹⁾	3,000	US Dollar/Ton.	350	\$ 68	\$ 68	\$ -	\$ -	\$ -
MacQuaire ⁽¹⁾	22,950	US Dollar/Ton.	344.40-353.45	385	385	-	-	-
BNP Paribas ⁽¹⁾	3,800	US Dollar/Ton.	348.8	12	12	-	-	-
Bank of America ⁽¹⁾	5,000	US Dollar/Ton.	345-350	116	116	-	-	-
JPMorgan ⁽¹⁾	11,050	US Dollar/Ton.	340-361.50	206	206	-	-	-
Rabobank UA ⁽²⁾	29,030	US Dollar/Ton.	1,752 - 1,840	723	723	-	-	-
Rabobank UA ⁽²⁾	21,350	US Dollar/Ton.	366 - 374	(862)	(862)	-	-	-
Rabobank UA ⁽³⁾	4,512,929	US Dollar/Gallon	1.7000 - 1.8425	569	569	-	-	-
				\$ 1,217	\$ 1,217	\$ -	\$ -	\$ -
Fair value in Mexican pesos				\$ 22,989	\$ 22,989	\$ -	\$ -	\$ -

(1) Sugar.

(2) Aluminum.

(3) Diesel

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

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

DECEMBER 31, 2020								
CONTRACT	NOTIONAL AMOUNT	VALUE OF UNDERLYING ASSET			MATURITIES PRIOR YEAR (US)			COLLATERAL /GUARANTEE
		UNITS	RANGE OF REFERENCE	FAIR VALUE US	2021	2022	2023+	
Cross Currency Swaps	135,000	Soles/US Dollar	3.62	\$ 16,155	\$ 19,434	\$ -	\$ (3,279)	\$ -
Cross Currency Swaps	12,500	Soles/US Dollar	3.62	3,403	3,403	-	-	-
Cross Currency Swaps	65,000	Soles/US Dollar	3.62	(3,183)	-	-	(3,183)	-
Banbif	9,143	Soles/US Dollar	3.62	269	269	-	-	-
Banco Santander	8,177	Soles/US Dollar	3.62	237	237	-	-	-
BBVA Continental	8,078	Soles/US Dollar	3.62	236	236	-	-	-
Scotiabank	4,517	Soles/US Dollar	3.62	139	139	-	-	-
Call Spread	15,000	Soles/US Dollar	3.62	1,457	1,457	-	-	-
Cross Currency Leasing	4,659	Soles/US Dollar	3.62	(393)	-	-	(393)	-
Rabobank UA	44,063	Pesos/US Dollar	19.9352	(4,430)	(4,430)	-	-	-
BBVA Bancomer	47,335	Pesos/US Dollar	19.9352	(4,26)	(4,269)	-	-	-
Banco Nacional de México	45,525	Pesos/US Dollar	19.9352	(4,136)	(4,136)	-	-	-
Scotiabank	39,982	Pesos/US Dollar	19.9352	(3,968)	(3,968)	-	-	-
				\$ 1,517	\$ 8,372	\$ -	\$ (6,855)	\$ -
Fair value in Mexican pesos				\$ 30,235	\$ 166,891	\$ -	\$ (136,656)	\$ -
Scotiabank	1,000,000	Interest rate		\$ (53,327)	\$ -	\$ (53,327)	-	\$ -
Rabobank UA	2,450,000	Interest rate		(167,178)	-	-	(167,178)	-
Fair value in Mexican pesos				\$ (220,505)	\$ -	\$ (53,327)	\$ (167,178)	\$ -

DECEMBER 31, 2019								
CONTRACT	NOTIONAL AMOUNT	VALUE OF UNDERLYING ASSET			MATURITIES PRIOR YEAR (US)			COLLATERAL /GUARANTEE
		UNITS	RANGE OF REFERENCE	FAIR VALUE US	2020	2021	2022+	
Cross Currency Swaps	135,000	Soles/US Dollar	3.3800	\$ 1,889	\$ -	\$ 14,880	\$ (12,990)	\$ -
Cross Currency Swaps	30,000	Soles/US Dollar	3.3800	6,329	3,751	2,577	-	-
Cross Currency Swaps	65,000	Soles/US Dollar	3.3800	(12,869)	-	-	(12,869)	-
Call Spread	50,000	Soles/US Dollar	3.3800	1,595	-	1,595	-	-
Cross Currency Leasing	4,659	Soles/US Dollar	3.3800	(126)	-	-	(126)	-
Rabobank UA	43,612	Pesos/US Dollar	18.8727	(954)	(954)	-	-	-
BBVA Bancomer	45,073	Pesos/US Dollar	18.8727	(1,776)	(1,776)	-	-	-
Banco Nacional de Mexico	49,524	Pesos/US Dollar	18.8727	(1,961)	(1,961)	-	-	-
Scotiabank	52,465	Pesos/US Dollar	18.8727	(1,082)	(1,082)	-	-	-
				\$ (8,955)	\$ (2,022)	\$ 19,052	\$ (25,985)	\$ -
Fair value in Mexican pesos				\$ (168,994)	\$ (38,147)	\$ 359,513	\$ (490,360)	\$ -
Scotiabank	1,000,000	Interest rate		\$ (18,827)	\$ -	\$ -	\$ (18,827)	\$ -
Rabobank UA	2,450,000	Interest rate		(45,712)	\$ -	\$ -	(45,712)	-
Fair value in Mexican pesos				\$ (64,539)	\$ -	\$ -	\$ (64,539)	\$ -

INEFFECTIVE HEDGING PORTION

Hedging effectiveness is determined at the beginning of the hedge relationship, through periodic prospective assessments of effectiveness to ensure that is an economic relationship between the hedged item and the hedging instrument. At December 31, 2020 and 2019, the Company held cash flow hedging financial instruments corresponding to forwards and swaps, as well as sugar futures for hedging, aluminum and diesel swaps, which were determined to be highly effective.

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

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

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

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

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

NOTE 21 - COSTS AND EXPENSES BY NATURE

There was no ineffectiveness during 2020 or 2019 regarding the derivative financial instruments contracted by the Company.

	NOTE	2020	2019
Raw materials and other production materials ⁽¹⁾		\$ 82,434,501	\$ 79,791,283
Personnel expenses		30,393,089	28,906,969
Employee benefit expenses	16	383,636	297,674
Variable selling expenses		9,141,646	8,786,103
Depreciation	11 y 13	8,924,871	8,334,057
Transportation		3,334,764	3,455,092
Advertising, promotion and public relations		3,049,972	3,017,171
Maintenance and conservation		3,307,269	3,050,877
Professional fees		3,052,137	2,800,171
Suppliers (electricity, gas, telephone, etc.)		526,797	535,272
Taxes ⁽²⁾		959,599	798,510
Spillage, breakage and shortages		870,605	829,552
Leases	13	191,910	292,839
Travel expenses		344,765	537,921
Provision for impairment of clients	8	90,700	102,350
Amortization	12	698,777	603,336
Insurance premiums		651,299	704,713
Consumption of materials and production materials		162,325	114,097
Revaluation of operating expenses		341,851	37,575
Other expenses		467,956	1,255,629
Total		\$ 149,328,469	\$ 144,251,191

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

(2) Taxes other than income tax, value added tax and excise tax.

NOTE 22 - OTHER EXPENSES, NET

Other income/expenses for the years ended December 31, 2020 and 2019 are comprised as follows:

	2020	2019
Expenses related to new projects	\$ (140,853)	\$ (185,852)
Indemnities	(213,295)	(250,576)
Covid-19 expenses	(293,948)	-
Income from secondary taxes, rights and dues	801,950	820,221
Write-off of fixed assets and disposals	(956,393)	(935,034)
Gain on disposal of property, plant and equipment	119,723	87,261
Other	(164,118)	(183,811)
Total	\$ (846,934)	\$ (647,791)

NOTE 23 - EMPLOYEE BENEFIT EXPENSES

Employee benefit expenses incurred in the years ended December 31, 2020 and 2019 are as follows:

	NOTE	2020	2019
Salaries, wages and benefits		\$ 27,162,473	\$ 25,812,670
Termination benefits		170,343	173,977
Social security costs		3,060,273	2,920,322
Employee benefits	16	383,636	297,674
Total		\$ 30,776,725	\$ 29,204,643

NOTE 24 - FINANCIAL INCOME AND EXPENSES

Financial income and expenses for the years ended December 31, 2020 and 2019 are as follows:

	NOTE	2020	2019
FINANCIAL INCOME:			
Interest income from short-term bank deposits		\$ 689,999	\$ 738,846
Other financial income		287,795	170,518
Financial income, excluding exchange gains		977,794	909,364
Gain from exchange fluctuations		5,595,432	1,814,588
Gain (loss) on monetary position		(72,134)	33,757
Total financial income		6,501,092	2,757,709
FINANCIAL EXPENSES:			
Interest on debt instruments		(970,687)	(1,023,442)
Interest on bank loans		(2,421,334)	(2,533,438)
Interest on leases due to adoption of IFRS 16		(78,355)	(85,439)
Financial cost (employee benefits)	16	(261,236)	(198,670)
Taxes pertaining to financial operations		(78,046)	(75,411)
Other financial expenses		(386,237)	(340,477)
Financial expenses, excluding exchange losses		(4,195,895)	(4,256,877)
Losses on exchange fluctuations		(5,781,111)	(2,092,582)
Total financial expenses		(9,977,006)	(6,349,459)
		\$ (3,475,914)	\$ (3,591,750)

NOTE 25 - INCOME TAXES

I. TAX REFORM 2020 IN MEXICO

On October 30, 2019, the Mexican Congress approved the 2020 Tax Reform applicable for the whole country, which became effective on January 1, 2020. Among other changes, the reform establishes a net interest expense deduction limitation equal to 30% of an entity's adjusted tax profit. This limitation is only applicable when the amount of the aggregate interest payments of the members of a corporate group in Mexico exceeds 20 million Mexican pesos. The Company did not identify significant accounting impacts of the 2020 Tax Reform on the consolidated financial statements.

In 2020, the Company determined an individual tax profit of \$538,127 (tax loss of \$306,600 in 2019). The tax result differs from the book result mainly due to items accrued over time and deducted differently for book and tax purposes, to recognition of the effects of inflation for tax purposes and to items only affecting the book or tax result.

II. PROFIT BEFORE TAXES ON INCOME

Following are the domestic and foreign components of pretax profits:

	2020	2019
Domestic	\$ 11,608,344	\$ 10,350,037
Foreign	6,392,394	6,425,646
	\$ 18,000,738	\$ 16,775,683

III. COMPONENTS OF INCOME TAX EXPENSE

Components of income tax expense include:

	2020	2019
CURRENT TAX:		
Current tax incurred on taxable profits for the year	\$ (5,827,618)	\$ (5,776,149)
DEFERRED TAX:		
Origin and reversal of temporary differences	400,468	744,925
Total income tax	\$ (5,427,150)	\$ (5,031,224)

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

	2020	2019
CURRENT TAX:		
Domestic	\$ (4,447,044)	\$ (3,667,243)
Foreign	(1,380,574)	(2,108,906)
	(5,827,618)	(5,776,149)
DEFERRED TAX:		
Domestic	561,301	271,386
Foreign	(160,833)	473,539
	400,468	744,925
Total	\$ (5,427,150)	\$ (5,031,224)

IV. BOOK / TAX RECONCILIATION

For the years ending December 31, 2020 and 2019, the reconciliation between the statutory tax rate and the effective income tax rate is as follows:

	2020	2019
Tax at the statutory rate (30%)	\$ (5,400,221)	\$ (5,032,705)
Tax effects of inflation	(24,610)	(11,228)
Differences due to the tax rate of foreign subsidiaries	454,161	371,625
Non-deductible expenses	(370,197)	(446,739)
Other tax deductions	51,528	84,459
Other non-taxable income	168,722	100,125
Other	(306,533)	(96,761)
Tax at the effective rate (30.1% and 30.8% for 2020 and 2019, respectively)	\$ (5,427,150)	\$ (5,031,224)

V. TAX PERTAINING TO THE COMPONENTS OF OTHER COMPREHENSIVE INCOME

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

	2020			2019		
	BEFORE TAXES	TAX PAYABLE (RECEIVABLE)	AFTER TAXES	BEFORE TAXES	TAX PAYABLE (RECEIVABLE)	AFTER TAXES
EFFECT OF DERIVATIVE FINANCIAL INSTRUMENTS						
Contracted as cash flow hedging	\$ (47,880)	\$ 41,834	\$ (6,046)	\$ (53,161)	\$ (68,030)	\$ (121,191)
Remeasurement of defined benefit plans	(454,852)	63,226	(391,626)	(1,176,255)	380,949	(795,306)
Other comprehensive income	\$ (502,732)	\$ 105,060	\$ (397,672)	\$ (1,229,416)	\$ 312,919	\$ (916,497)
EFFECT OF TRANSLATION OF INITIAL BALANCES						
With respect to the ending balances from conversion of foreign subsidiaries	-	(86,846)	-	-	433,255	-
Deferred tax	-	\$18,214	-	-	\$746,174	-

NOTE 26 - COMMITMENTS AND CONTINGENCIES

COMMITMENTS

Bottling agreements

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

REGION	DATE OF SIGNING / RENEWAL	MATURITY DATE
Mexico (North)	July 1, 2017	June 30, 2027
Mexico (West) ⁽¹⁾	July 1, 2017	June 30, 2027
Northeast Argentina	June 30, 2017	January 1, 2022
Northwest of Argentina	June 30, 2017	January, 2022
Ecuador ⁽³⁾	December 31, 2017	December 31, 2022
Peru	May 1, 2020	April 30, 2025
Southwest US ⁽²⁾	April 1, 2017	April 1, 2027
Oklahoma US ⁽²⁾	August 25, 2017	April 1, 2027

(1) Correspond to the agreements held by AC to which AC Bebidas has access through a specific agreement contemplating the payment of royalties with respect to the total net sales generated in the western territory of Mexico.

(2) In the US there are two agreements for bottling, selling and marketing products in the Southwest US, including Oklahoma City and Tulsa. These contracts are called "Comprehensive Beverage Agreement" and "Regional Manufacturing Agreement" and have a term of 10 years with the possibility of renewing for another 10 years.

(3) Corresponds to the agreement owned by AC, which grants AC Bebidas the benefit to carry out the sales generated by the Branch in Ecuador and the operation performed by the subsidiary Bebidas Arca Continental Ecuador Arcador, S. A. in this country. AC Bebidas pays royalties to AC for the use of this agreement.

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

Additionally, bottling agreements signed with TCCC establish that AC may bottle no beverages other than those of the Coca-Cola brand, except for those specifically authorized in the aforementioned agreements.

CONCENTRATE SUPPLY

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

CONTINGENCIES

Contingencies in Peru

At December 31, 2020, a number of claims have been filed at the tax office and other judicial and labor processes have been brought by the Company for a total of approximately \$436,321 (approximately \$423,744 at December 31, 2019). Management and the Company's legal advisors consider that those processes could have an unfavorable result for the Company in the amount of approximately \$85,071 (approximately \$99,296 at December 31, 2019); they also estimate that lawsuits classified as remote or possible will be resolved favorably for the Company, which is why no provision has been created at December 31, 2020.

Contingencies in Ecuador

At December 31, 2020, the Company has filed a number of claims at the tax office for a total of approximately \$796,424 (approximately \$603,917 at December 31, 2019). Management and the Company's legal advisors consider that those processes could have an unfavorable result for the Company in the amount of approximately \$132,474 (\$106,873 at December 31, 2019), a provision has been established as of December 31, 2020 for \$132,474 (approximately \$75,370 as of December 31, 2019). Likewise, they also estimate that lawsuits classified as remote or possible will be resolved favorably for the Company, therefore, no provision has been made as of December 31, 2020.

Contingencies in Argentina

At December 31, 2020, a number of claims have been filed at the tax office and other judicial, labor and administrative processes have been brought by the Company for a total of approximately \$94,740 (approximately \$103,317 at December 31, 2019), which are pending definitive sentences. Management and the Company's legal advisors consider that those processes could have an unfavorable result for the Company in the amount of approximately \$20,448 (approximately \$21,257 at December 31, 2019); they also estimate that lawsuits classified as remote or possible will be resolved favorably for the Company, which is why no provision has been created at December 31, 2020.

NOTE 27 - RELATED PARTIES AND ASSOCIATES

The Company is controlled by Fideicomiso de Control (Controlling Trust), which holds 47% at December 31, 2020 and 2019 of the Company's outstanding shares. The remaining 53% of the shares is widely distributed. The parties ultimately controlling the group are the Barragán, Grossman, Fernández and Arizpe families, who also hold shares outside the controlling trust.

Operations with related parties were carried out at market value.

A) REMUNERATION OF KEY MANAGEMENT PERSONNEL

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

	2020	2019
Salaries and other short-term benefits	\$ 353,580	\$ 245,684
Pension plans	\$ 266,308	\$ 161,882
Seniority premium	\$ 475	\$ 350
Post-retirement medical expenses	\$ 21,520	\$ 10,690

B) RELATED PARTY BALANCES AND TRANSACTIONS

Current related parties balances:

	2020	2019
OTHER RELATED PARTIES:		
The Coca Cola Company (TCCC)	\$ 466,809	\$ 47,355
Coca Cola North America (CCNA)	197,357	-
NPSG bottlers and others	172,111	101,347
Coca-Cola Refreshments (CCR)	31,739	-
The Coca Cola Export Corporation	11,439	-
Coca-Cola Servicios del Perú, S.A.	-	32,988
Criotec, S.A. de C.V.	-	1,300
ASSOCIATES:		
Promotora Industrial Azucarera	44,226	-
Jugos del Valle, S.A.P.I. de C.V.	27,315	-
Tiendas Tambo, S.A.C.	20,452	33,882
Other associates	6,247	4,571
Santa Clara Mercantil de Pachuca, S.A. de C.V.	-	9,498
Total current related parties balances	\$ 977,695	\$ 230,941

Current related party liability balances:

	2020	2019
OTHER RELATED PARTIES:		
Coca-Cola North America (TCCNA)	\$ 716,231	\$ 957,351
The Coca-Cola Export Corporation (TCCEC)	494,773	513,269
The Coca-Cola Company (TCCC)	230,420	-
Coca Cola Industrias	197,250	-
Corporación Inca Kola Perú, S. R. L.	173,139	202,096
Coca Cola Servicios del Perú	71,980	-
CONA Services LLC	55,556	36,139
Otras partes relacionadas	27,446	34,814
Coca-Cola de Chile, S. A. (CCCH)	27,275	458,208
Coca-Cola Business Services North América (BSNA)	25,314	-
Monster Energy Mexico, S. de R. L. de C. V.	24,695	28,993
Coca-Cola Refreshments	-	31,102
Coca Cola del Ecuador, S. A.	-	12,415
ASSOCIATES:		
Petstar, S. A. P. I. de C. V. (PETSTAR)	301,021	138,792
Jugos del Valle, S. A. P. I. de C. V. (JDV)	110,238	32,738
Industria Envasadora de Querétaro, S. A. de C. V. (IEQSA)	61,317	41,022
Western Container, Co.	50,104	56,103
Fevisa Industrial, S. A. de C. V. (FEVISA)	46,461	64,441
JDV Markco, S. A. P. I. de C. V.	36,261	37,272
Servicios y Productos para Bebidas Refrescantes S. R. L.	-	62,028
Promotora de Marcas Nacionales, S. de R. L. de C. V.	-	13,349
Promotora Industrial Azucarera, S. A. de C. V. (PIASA)	-	2,949
Alimentos de Soja, S. A. U.	-	2,654
Current related parties balances	\$ 2,649,481	\$ 2,725,735

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

	2020	2019
OTHER RELATED PARTIES:		
Sale of products and services to CCNA	\$ 2,678,925	\$ 1,971,472
Sales to NPSG ⁽¹⁾	2,272,068	2,312,925
Sale of products called Nostalgia	1,145,018	1,257,615
ASSOCIATES:		
Sale of products to Tambo	133,979	166,032
Other income	89,023	68,875
	\$ 6,319,013	\$ 5,776,919

	2020	2019
OTHER RELATED PARTIES:		
Purchase of concentrate (CCNA, TCCC, TCCEC, CCCH and CCI)	\$ 33,944,805	\$ 32,514,153
Royalties (TCCC y TCCEC)	589,457	570,619
Purchase of containers (FEVISA)	566,457	639,781
Management services and others	539,826	537,439
Purchase of refrigerators (CRIOTEC)	391,480	585,808
NPSG purchases	273,157	233,951
Purchase of Monster products	240,913	206,094
Air taxi	67,676	68,916
ASSOCIATES:		
Purchase of juice and nectar (JDV)	2,505,144	2,933,871
Purchase of sugar (PIASA)	2,317,636	2,551,920
Purchase of containers (Western Container)	1,403,641	1,320,770
Purchase of canned goods (IEQSA)	871,441	847,562
Purchase of Kolact and Santa Clara products	616,043	368,961
Purchase of resin (PETSTAR)	610,481	761,696
Management services and others	331,695	335,788
Others	250,938	177,721
	\$ 45,520,790	\$ 44,655,050

(1) National Product Supply Group (NPSG) in the US -

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

The NPSG Agreements require the Company to comply with a product supply schedule to other RPBs, based on the needs of the US system, where the Company does not unilaterally decide on respective volumes. This can give rise to sales volatility in NPSG income.

NOTE 28 - SUBSIDIARIES, JOINT OPERATIONS AND TRANSACTIONS WITH NON-CONTROLLING PARTIES

I. INTEREST IN SUBSIDIARIES

The Company's main subsidiaries at December 31, 2020 and 2019 are as follows unless otherwise indicated, the subsidiaries hold capital stock consisting exclusively of ordinary shares or equity units, which are the direct property of the Company, and the ownership interest held in each is equal to the voting shares held by the Company.

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

COMPANY	COUNTRY	ACTIVITIES	SHAREHOLDING OF CONTROLLING COMPANY ⁽¹⁾		SHAREHOLDING NON-CONTROLLING INTEREST		FUNCTIONAL CURRENCY
			2020	2019	2020	2019	
Arca Continental, S. A. B. de C. V. (Tenedora)	Mexico	B / E					Mexican peso
Desarrolladora Arca Continental, S. de R. L. de C. V.	Mexico	B / F	100.00	100.00	-	-	Mexican peso
Servicios Ejecutivos Arca Continental, S. A. de C. V.	Mexico	E	100.00	100.00	-	-	Mexican peso
AC Bebidas Ecuador, S. de R. L. de C. V.	Mexico	B	100.00	100.00	-	-	Mexican peso
Vending del Ecuador, S. A.	Ecuador	A / C	100.00	100.00	-	-	US dollar
AC Bebidas, S. de R. L. de C. V. (AC Bebidas)	Mexico	B	80.00	80.00	20.00	20.00	Mexican peso
Bebidas Mundiales, S. de R. L. de C. V.	Mexico	A	80.00	80.00	20.00	20.00	Mexican peso
Distribuidora Arca Continental, S. de R. L. de C. V.	Mexico	A	80.00	80.00	20.00	20.00	Mexican peso
Productora y Comercializadora Bebidas Arca, S. A. de C. V.	Mexico	A / B	80.00	80.00	20.00	20.00	Mexican peso
Compañía Topo Chico, S. de R. L. de C. V.	Mexico	A	80.00	80.00	20.00	20.00	Mexican peso
Procesos Estandarizados Administrativos, S. A. de C. V.	Mexico	E	80.00	80.00	20.00	20.00	Mexican peso
Fomento de Aguascalientes, S. A. de C. V.	Mexico	F	80.00	80.00	20.00	20.00	Mexican peso
Fomento Durango, S. A. de C. V.	Mexico	F	80.00	80.00	20.00	20.00	Mexican peso
Fomento Mayrán, S. A. de C. V.	Mexico	F	80.00	80.00	20.00	20.00	Mexican peso
Fomento Potosino, S. A. de C. V.	Mexico	F	80.00	80.00	20.00	20.00	Mexican peso
Fomento Río Nazas, S. A. de C. V.	Mexico	F	80.00	80.00	20.00	20.00	Mexican peso
Fomento San Luis, S. A. de C. V.	Mexico	F	80.00	80.00	20.00	20.00	Mexican peso
Fomento Zacatecano, S. A. de C. V.	Mexico	F	80.00	80.00	20.00	20.00	Mexican peso
Inmobiliaria Favorita, S. A. de C. V.	Mexico	F	80.00	80.00	20.00	20.00	Mexican peso
Servicios AC Bebidas México, S. de R. L. de C. V.	Mexico	E	-	80.00	-	20.00	Mexican peso
Holding AC Lacteos, S. A. P.I. de C.V.	Mexico	A / C	79.18	-	20.82	-	Mexican pesos
Comercializadora AC Lacteos, S.A.P.I. de C.V.	Mexico	A / C	76.29	-	23.71	-	Mexican pesos
Coca Cola Southwest Beverages, L.L.C.	US	A	80.00	80.00	20.00	20.00	US dollar
Great Plains Coca-Cola Botting Company	US	A	80.00	80.00	20.00	20.00	US dollar
Texas-Coca Leasing, Corp.	US	F	80.00	80.00	20.00	20.00	US dollar
AC Bebidas Argentina, S. de R. L. de C. V.	Mexico	B	80.00	80.00	20.00	20.00	Argentine peso
Salta Refrescos, S. A.	Argentina	A	80.00	80.00	20.00	20.00	Argentine peso
Envases Plásticos S. A. I. C.	Argentina	F	79.82	80.00	20.18	20.00	Argentine peso
Corporación Lindley, S. A. ^(a)	Peru	A / B	79.82	79.82	20.18	20.18	Peruvian sol
Embotelladora La Selva, S. A.	Peru	A	79.82	79.82	20.18	20.18	Peruvian sol
Empresa Comercializadora de Bebidas, S. A. C.	Peru	A	79.82	79.82	20.00	20.18	Peruvian sol
AC Comercial del Perú, S.A.C.	Peru	A	79.82	-	20.18	-	Peruvian sol
AC Logística del Perú, S.A.C.	Peru	A	79.82	-	20.18	-	Peruvian sol
Industrial de Gaseosas, S. A.	Ecuador	E	80.00	80.00	20.00	20.00	US dollar
Bebidas Arca Continental Ecuador ARCADOR, S. A.	Ecuador	A	100.00	80.00	-	20.00	US dollar
AC Alimentos y Botanas, S. A. de C. V.	Mexico	B	100.00	100.00	-	-	Mexican peso
Nacional de Alimentos y Helados, S. A. de C.V.	Mexico	C	100.00	100.00	-	-	Mexican peso

COMPANY	COUNTRY	ACTIVITIES	SHAREHOLDING OF CONTROLLING COMPANY ⁽¹⁾		SHAREHOLDING NON-CONTROLLING INTEREST		FUNCTIONAL CURRENCY
			2020	2019	2020	2019	
Industrial de Plásticos Arma, S. A. de C. V.	Mexico	D	100.00	100.00	-	-	Mexican peso
Bbox Vending, S. de R. L. de C. V.	Mexico	A / C	80.00	100.00	20.00	-	Mexican peso
Interex, Corp.	US	A / C	80.00	80.00	20.00	20.00	US dollar
Bbox Vending USA, L.L.C	US	A / C	100.00	-	-	-	US dollar
Arca Continental USA, L.L.C.	US	B	100.00	100.00	-	-	US dollar
AC Foods LLC	US	B	100.00	100.00	-	-	US dollar
Old Lyme Gourmet Co. (Deep River Snacks)	US	C	100.00	100.00	-	-	US dollar
AC Snacks Foods, Inc.	US	B	100.00	100.00	-	-	US dollar
Wise Foods, Inc.	US	C	100.00	100.00	-	-	US dollar
Industrias Alimenticias Ecuatorianas, S. A.	Ecuador	C	100.00	100.00	-	-	US dollar
Vend, S. A. C.	Peru	A / C	100.00	100.00	-	-	Peruvian sol
Vendtech, S. A. C.	Peru	A / C	100.00	100.00	-	-	Peruvian sol
Soluciones Brio, S.A.P.I. de C. V.	Mexico	E	100.00	100.00	-	-	Mexican peso
Abastecedora de Bebidas y Snacks, S. de R. L. de C. V.	Mexico	C	100.00	100.00	-	-	Mexican peso

(1) The controlling interest is determined according to the shares that confer corporate rights to AC, such as voting rights, the right to attend stockholders meetings, and the right to appoint members to the Board of Directors.

(a) The percentage of voting shares at December 31, 2020 and 2019 is 72.96%.

(b) On October 1, 2020, Servicios AC Bebidas Mexico, S. de R.L. de C.V. merged with Bebidas Mundiales, S. de R.L. de C.V.

Operations per group:

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

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

	AC BEVERAGES AND SUBSIDIARIES	
	2020	2019
CONSOLIDATED STATEMENT OF FINANCIAL POSITION - SUMMARY		
Current asset	\$ 45,106,731	\$ 38,518,398
Non-current assets	172,296,201	170,762,130
Current liabilities	(27,224,840)	(24,911,186)
Non-current liabilities	(61,276,284)	(65,910,272)
Net assets	\$ 128,901,808	\$ 118,459,070

	AC BEVERAGES AND SUBSIDIARIES	
	2020	2019
CONSOLIDATED STATEMENT OF INCOME - SUMMARY		
Net sales	\$ 160,214,293	\$ 153,687,879
Net profit	11,623,291	10,990,086
Total comprehensive income	14,550,317	6,128,825
CONSOLIDATED STATEMENT OF CASH FLOWS - SUMMARY		
Operating activities	\$ 26,332,258	\$ 25,893,568
Investment activities	(5,411,717)	(9,661,179)
Financing activities	(15,448,896)	(9,770,432)

III. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Except for the acquisition of non-controlling interests described in point i. above, in the years ended December 31, 2020 and 2019, there were no transactions with non-controlling interests and no conflicts of interest to be disclosed.

IV. INTEREST IN JOINT OPERATION

At December 31, 2020 and 2019, the Company holds a 50% investment in JV Toni, S.L., a Spanish company, for the purpose of joint operation of its investment in Holding Tonicorp, S. A. and its subsidiaries, as shown below:

ENTITY	COUNTRY	OPERATION	HOLDING PERCENTAGE		FUNCTIONAL CURRENCY
			2020	2019	
Holding Tonicorp, S. A.	Ecuador	A	89	89	Dólar americano
Industria Lácteas Toni, S. A.	Ecuador	B / C	100	100	Dólar americano
Plásticos Ecuatorianos, S. A.	Ecuador	D	100	100	Dólar americano
Distribuidora Importada Dipor, S. A.	Ecuador	E	100	100	Dólar americano

- A. Holding shares
- B. The production and/or distribution of high value-added dairy products
- C. The production and/or distribution of ice cream and related products
- D. The production and/or distribution of different types of plastic containers
- E. The distribution and marketing of high value-added dairy products and others

According to an evaluation conducted by AC, that joint agreement states that its design and purpose requires the AC beverage business in Ecuador to acquire, distribute and market the Tonicorp production. The rights to the benefits and the obligations for the liabilities of Tonicorp and its subsidiaries were therefore transferred to the two stockholders jointly and substantially controlling the agreement. Consequently, the agreement has been classified as a joint operation (see Notes 3 and 5). The AC consolidated financial statements therefore include its interest in the assets and liabilities of that joint operation as from the date of contribution.

The clauses of the joint partner agreement contemplate options for the purchase/sale of the portion pertaining to the other partner in the event of a change of control or change of business strategy of either of the two partners.

NOTE 29 - SUBSEQUENT EVENTS

When preparing these consolidated financial statements, the Company has evaluated events and transactions for subsequent recognition or disclosure at December 31, 2020 and up to February 26, 2021 (date of issuance of these consolidated financial statements) and has identified no significant subsequent events affecting them.



ARTURO GUTIÉRREZ HERNÁNDEZ
CHIEF EXECUTIVE OFFICER



EMILIO MARCOS CHARUR
CHIEF FINANCE OFFICER

SOCIAL RESPONSIBILITY

Arca Continental

Ruy Pérez de Francisco
Rosario Aguilar
Ave. San Jerónimo 813 Pte.
64640 Monterrey, Nuevo León, Mexico
Phone: 52 (81) 8151-1400
sustentabilidad@arcacontal.com

Public Affairs and Communications

Guillermo Garza
Fidel Salazar
Av. San Jerónimo 813 Pte.
64640 Monterrey, Nuevo León, México
Phone: 52 (81) 8151-1400
saladeprensa@arcacontal.com

www.arcacontal.com

Investor Relations

IN MONTERREY

Ulises Fernandez de Lara
Felipe Barquin
Av. San Jerónimo 813 Pte.
64640 Monterrey, Nuevo León, México
Phone: 52 (81) 8151-1400
ir@arcacontal.com

IN NEW YORK

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



THIS ANNUAL REPORT CONTAINS FORWARD-LOOKING STATEMENTS REGARDING ARCA CONTINENTAL AND ITS SUBSIDIARIES BASED ON MANAGEMENT'S EXPECTATIONS. THIS INFORMATION AS WELL AS STATEMENTS REGARDING FUTURE EVENTS AND EXPECTATIONS ARE SUBJECT TO RISKS AND UNCERTAINTIES, AS WELL AS FACTORS THAT COULD CAUSE THE RESULTS, PERFORMANCE AND ACHIEVEMENTS OF THE COMPANY TO COMPLETELY DIFFER AT ANY TIME. SUCH FACTORS INCLUDE CHANGES IN THE GENERAL ECONOMIC, POLITICAL, GOVERNMENTAL AND COMMERCIAL CONDITIONS AT THE NATIONAL AND GLOBAL LEVELS, AS WELL AS VARIATIONS IN INTEREST RATES, INFLATION RATES, EXCHANGE RATE VOLATILITY, TAX RATES, THE DEMAND FOR AND PRICE OF CARBONATED BEVERAGES AND WATER, TAXES AND THE PRICE OF SUGAR, THE PRICES OF RAW MATERIALS USED IN THE PRODUCTION OF SOFT DRINKS, WEATHER CONDITIONS AND VARIOUS OTHERS. AS A RESULT OF THESE RISKS AND FACTORS, ACTUAL RESULTS COULD BE MATERIALLY DIFFERENT FROM THE ESTIMATES DESCRIBED IN THIS DOCUMENT. THEREFORE, ARCA CONTINENTAL DOES NOT ACCEPT ANY RESPONSIBILITY FOR VARIATIONS ON THE INFORMATION PROVIDED BY OFFICIAL SOURCES.



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