ANNUAL REPORT 2012

DELIVERING RESULTS AIMING HIGH

ARCACONTINENTAL

Arca Continental

Arca Continental produces, distributes and sells non-alcoholic beverages under The Coca-Cola Company brand, as well as snacks under the brands of Bokados in Mexico, Inalecsa in Ecuador and Wise in the U.S. With an outstanding history spanning more than 85 years, Arca Continental is the second-largest Coca–Cola bottler in Latin America and one of the largest in the world. Within its Coca-Cola franchise territory, the Company serves over 53 million consumers in Northern and Western Mexico, Ecuador and Northern Argentina. The Company's shares trade on the Mexican Stock Exchange under the ticker symbol "AC".

ARCA CONTINENTAL NORTH AMERICA

1,071 VOLUME (MUC)
$42,843 SALES
(MILLIONS OF MEXICAN PESOS)

UNITED STATES

2 SNACKS PLANTS
1 SAUCES AND TOPPINGS PLANT
9 DISTRIBUTION CENTERS
90,000 POINTS OF SALE

MEXICO

22 BEVERAGES PLANTS
3 SNACKS PLANTS
115 BEVERAGES DISTRIBUTION CENTERS
41 SNACKS DISTRIBUTION CENTERS
550,000 POINTS OF SALE

ARCA CONTINENTAL SOUTH AMERICA

282.4 VOLUME (MUC)
$13,426 SALES
(MILLIONS OF MEXICAN PESOS)

ECUADOR

3 BEVERAGES PLANTS
2 SNACKS PLANTS
32 BEVERAGES DISTRIBUTION CENTERS
16 SNACKS DISTRIBUTION CENTERS
214,000 POINTS OF SALE

ARGENTINA

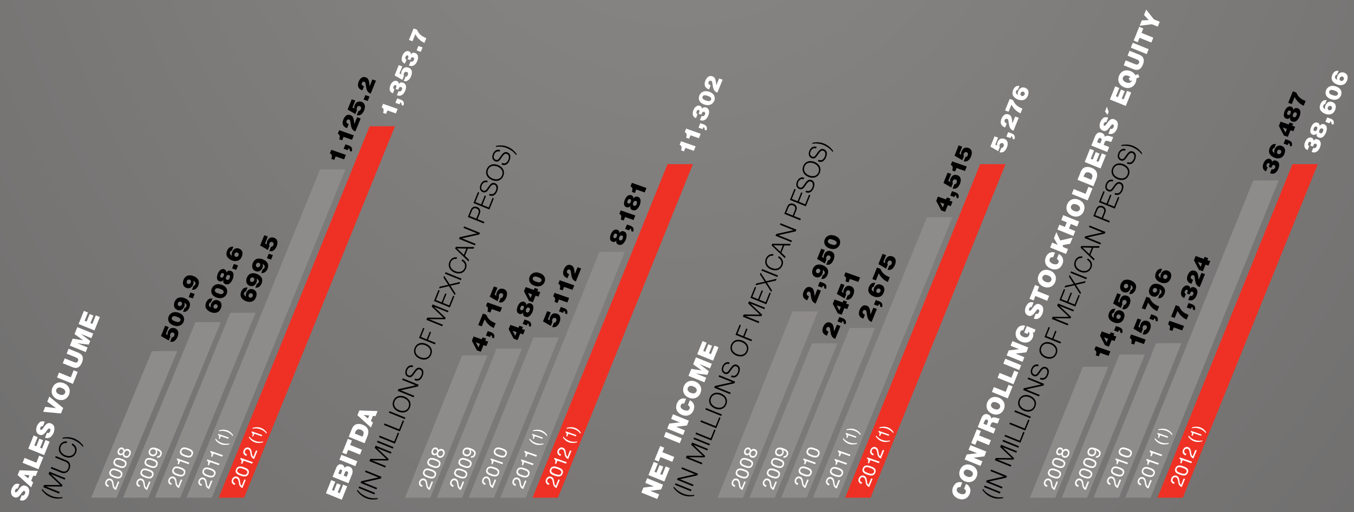
3 BEVERAGES PLANTS
24 BEVERAGES DISTRIBUTION CENTERS
94,000 POINTS OF SALE

CONTENTS

financial highlights

	2012	2011	CHANGE %
SALES VOLUME (MUC)	1,353.7	1,125.2	20.3
NET SALES	56,269	43,950	28.0
GROSS MARGIN	46.3%	45.0%	
OPERATING PROFIT	8,463	5,802	45.9
OPERATING MARGIN	15.0%	13.2%	
EBITDA[1]	11,302	8,181	38.2
EBITDA MARGIN	20.1%	18.6%	
NET INCOME	5,276	4,515	16.9
TOTAL ASSETS	64,451	60,311	6.9
CASH	2,676	3,298	-18.9
TOTAL DEBT	11,442	11,545	-0.9
CONTROLLING STOCKHOLDERS´ EQUITY	38,606	36,487	5.8
CAPITAL EXPENDITURES (CAPEX)	3,408	4,068	17.7
DATA PER SHARE:			
NET INCOME[2]	3.27	3.67	
BOOK VALUE	25.51	24.17	
DIVIDENDS PAID	1.50	15.00	
AVERAGE NUMBER OF SHARES OUTSTANDING (THOUSANDS)	1,611,263	1,230,149	

1. OPERATING INCOME PLUS DEPRECIATION AND AMORTIZATION, EXCLUDING NON-RECURRING EXPENSES
2. BASED ON AVERAGE NUMBER OF SHARES OUTSTANDING (THOUSANDS): 1,611,263 IN 2012; AND 1,230,149 IN 2011



(1) FIGURES CALCULATED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

to our shareholders

Driven by our associates' professionalism and outstanding operational performance, Arca Continental posted excellent results in 2012, as it has consistently over the past decade, and is now focusing on even higher goals.

Francisco Garza Egloff
CHIEF EXECUTIVE OFFICER

Manuel L. Barragán Morales
CHAIRMAN OF THE BOARD OF DIRECTORS

23%
GROWTH IN PRO-FORMA EBITDA

As a result of our continuous search to perfect our commercial execution, generate value via strategic acquisitions and capitalize on synergies higher than those promised, Arca Continental faces 2013 as a better company, much more prepared to continue advancing with its profitable growth strategy.

We are pleased to report that in Mexico, thanks to the efforts of our team, we have set a new standard of performance in the Mexican Coca-Cola System. In 2012, we won the Excellence in Execution Cup, achieving first place in five of its seven different categories, and receiving the award from the Chairman and CEO of The Coca-Cola Company, Mr. Muhtar Kent.

In South America, we successfully completed the expansion of the Tucumán plant in Argentina and the Guayaquil plant in Ecuador. These facilities are now operating with world-class technology, which will help to strengthen our capabilities and leadership in all the categories in which we participate in the region.

In accordance with the objective of profitably and sustainably growing our snacks businesses, at the end of the year we finalized the acquisition of two companies: Wise Foods in the United States and Inalecsa in Ecuador. Both have a solid presence in their markets, produce high-quality products with renowned brand names, and have great growth potential.

By year-end 2012, we had capitalized on synergies amounting to Ps.850 million, which are already reflected in the Company's Income Statement and exceed the goal we had set after the merger of the two companies that gave rise to Arca Continental. We also further increased the total amount of synergies to be capitalized from Ps.1,400 million to PS.1,550 million on an annualized basis, which will be progressively incorporated during 2013.

In 2012, we posted a pro-forma growth of 3.3% in sales volume and 12.4% in revenues, to a record figure of Ps. 56,269 million.

During the year, we were able to overcome the challenges of a volatile economic environment, with a consolidated pro-forma increase in EBITDA of 23.0%, to Ps.11,302 million, Ps.2,100 million more than the previous year. This growth reflects continuous actions to perfect every area of the organization.

Arca Continental's financial strength was recognized in October by Bloomberg, which qualified the Arca Continental share in its "Riskless Return" ranking as the one with the greatest return and lowest risk in the Americas. The value of Arca Continental shares increased 62% in 2012, almost four times the average rise in the Mexican Stock Exchange Price Index (IPC).

These results reflect the Company's ongoing focus on its Mission: to generate maximum value for customers, associates, communities and shareholders, satisfying consumers' expectations at all times with the highest quality products and services.

MEXICO BEVERAGES

In the Beverage Business's main market, 2012 was outstanding. We accumulated 11 consecutive quarters of volume growth and an annual increase of 3.1%, resulting in the greatest sales volume for any year in the Company's history.

Net sales reached Ps.41,400 million, 8.6% above the previous year, and EBITDA grew 17.4% year-over-year, to Ps.8,854 million, making our operations in Mexico among the most profitable in the Coca-Cola System.

During the year, we focused specifically on improving our customer and consumer service processes. Of particular note was the Siglo XXI Project, a collaborative effort that helps retailers to expand their potential with better store organization, advertising materials, displays and other support to increase the traffic in their stores.

The performance of non-carbonated beverages was equally robust in 2012. Arca Continental posted a 16.3% growth in this category, 43% of the total growth in Mexico, and led the Coca-Cola System in almost all segments.

To support our point-of-sale presence, during the year we significantly expanded cold drink equipment coverage, reaching 73% of the territories we serve and closing 2012 with 388 thousand coolers in the marketplace.

We also continued with the implementation of our service models initiative, Route To Market (RTM) which resulted in volume growth, a 3% improvement in the Quality in Execution Index and a 5% growth in Customer Satisfaction.

Additionally, we reinforced the Direct to the Home (DTH) delivery strategy to drive our portfolio, producing increases of 33% in volume and 46% in revenues in this channel.

SOUTH AMERICA BEVERAGES

Our business in South America posted solid growth in volume, revenues and market share, both in Argentina and in Ecuador.

In a high-inflation environment, the implementation of the right price strategy and an effective cost reduction program resulted in a 4.2% rise in sales volume in the region and a 24.7% increase in revenues, to Ps. 13,426 million. Meanwhile, EBITDA reached Ps. 2,267 million, a growth of 53.6% year-over-year.

To enhance consumers' preference for our products, we continued our investment plans in the different channels, but mainly in the traditional segment. Initiatives implemented included the placement of coolers, which in 2012 reached 100 thousand, with coverages of 40% in Argentina and 35% in Ecuador.

In Argentina, it is important to note that the country's President, Cristina Fernández de Kirchner, was present at the inauguration of the Tucumán plant expansion. This project involved the installation of two new production lines that, in conjunction with new infrastructure, will expand production capacity to over 120 million unit cases per year.

In Ecuador, two years after entering the country, 2012 results exceeded our original projections and reflect the great potential of our operations to continue growing. At the close of the year, the sales volume was 3.4% above that of the previous year, largely because of the robust performance of the flavors category, which grew 9.3%, and water, which expanded 95% year-over-year.

To serve the growing demand for Coca-Cola products in Ecuador, a new, modern production line was inaugurated at the Guayaquil plant by the Minister of Industry and Production.. In conjunction with other investments, this project will increase the region's production capacity by 35%.

COMPLEMENTARY BUSINESSES

In line with our strategy for profitable growth in product lines adjacent to our main beverage business, during 2012 we expanded the snacks business. As a result, we recently implemented the first phase of the integration of Bokados, Wise Foods, and Inalecsa, to generate additional synergies and expand our product offering in Mexico, Ecuador and the United States.

In Mexico, our snacks brand Bokados continued to progress, growing at a double-digit rate and reaching its expansion plans for the year. During 2012, the number of branches and routes in Jalisco, the Pacific region, Zacatecas and Durango grew significantly, as we capitalized on synergies where we have beverage operations.

As a result of these efforts, Arca Continental's snacks business has almost tripled over the past five years. Today, Bokados visits 150 thousand customers every week in 43 different Mexican cities and operates with one of the nation's largest food distribution networks.

With regard to exports to the United States, Topo Chico's sales volume grew 13% and its EBITDA increased 26% year-over-year, thanks to the great acceptance of this product among both Hispanic and Anglo segments. In fact, Topo Chico is now the number one imported brand of sparkling water in a number of U.S. cities.

The Nostalgia Project, which comprises the export of soft drinks in glass bottles through Coca-Cola's U.S. bottlers, continues to bear fruit, growing 17% year-over-year in 2012.

The vending machines channel is another source of revenue and brand-presence expansion, both for beverages and snacks. The sales volume through this channel reached 12 million unit cases in 2012 and revenues grew 13% compared to 2011.

SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Social responsibility and sustainability are essential parts of Arca Continental's values and organizational culture, and key elements in our business management model. These two concepts are included in all the Company's strategic decisions.

In 2012, in partnership with The Coca-Cola Company and a number of peer bottlers, we led an initiative to expand PetStar. The investment will duplicate the size of this company in 2013 and make it the continent's most important food-grade PET recycler.

In accordance with the objective of profitably and sustainably growing our snacks business, at the end of the year we finalized the acquisition of two companies: Wise Foods in the United States and Inalecsa in Ecuador. Both have a solid presence in their markets, produce high-quality products with renowned brand names, and have great growth potential.

Today, we can say with great satisfaction that, in a challenging and increasingly complex environment, we have become a better company, with a clear Vision, Mission and Values; excellent market service; the best standardized commercial and operating practices; and, most importantly, a committed team with common objectives, walking the same road to achieve the highest goals.

Also during 2012, different Mexican and international organizations recognized our associates' enthusiastic efforts to generate shared value for our communities and the environment. For example, the International Water Association awarded the Hermosillo plant the Global Grand Winner Award for its Rainmaker Project. We have implemented a series of initiatives to make water use in our operations more efficient, and this project uses different technologies to reduce the facility's water consumption by 35% and return the vital liquid to nature with quality and potability characteristics that surpass requirements.

In parallel with the multiple institutional initiatives for reforestation, the promotion of an active lifestyle, education and community development, our associates continued to show their generosity by actively participating in Arca Continental's different volunteer programs. On our Annual Volunteer Day, more than 6,000 associates, their families and members of the community carried out activities to maintain and rehabilitate 14 schools, 12 public areas and 11 parks, plant more than 8,000 trees and clean 7.5 kilometers of river banks and beaches, collecting more than 12 tons of garbage.

These actions, combined with many other environmental, social responsibility and corporate governance initiatives, were recognized by the Mexican Center for Philanthropy (CEMEFI), which honored Arca Continental as a Socially Responsible Company for the tenth consecutive year. Additionally, for the second year in a row, Arca Continental formed part of the Mexican Stock Exchange's Sustainability Index.

DELIVERING RESULTS, AIMING HIGH

The excellent performance of operations in 2012 adds to many years of solid results and continuous growth, setting the foundations for new and more ambitious goals for Arca Continental.

A robust financial position, as well as our trained, committed human capital, position us ideally to continue capitalizing on opportunities for profitable growth both in beverages and snacks.

Today, we can say with great satisfaction that, in a challenging and increasingly complex environment, we have become a better company, with a clear Vision, Mission and Values; excellent market service; the best standardized commercial and operating practices; and, most importantly, a committed team with common objectives, walking the same road to achieve the highest goals.

We would like to thank The Coca-Cola Company for its trust and support for the different initiatives we have implemented over the past years to strengthen the brand and perfect our operations. We would also like to reiterate the commitment of all of us who are part of this great company to continue collaborating in the different strategies to strengthen our leadership position and move forward towards the goals of our 2020 Vision.

We are truly grateful to our customers and suppliers for partnering with us, for making us an ally in the development of their businesses and at the same time being an integral part of the success of Arca Continental.

We would especially like to thank all our associates for their efforts, loyalty and dedication. These are the qualities that have allowed us to achieve the results that we are presenting for 2012 and it is just these qualities that will move us forward in our quest to achieve new objectives.

Our appreciation and gratitude must also go to the Board of Directors and our partners in Arca Continental South America for their trust and support in guiding the Company's activities in a framework of ethical behavior, commitment and competitiveness.

To our shareholders, we reiterate our commitment to continuous improvement in order to keep growing and developing into a more efficient, productive and valuable company.

As we go forward, we will continue to do what we have always done throughout our history, to exceed the expectations of consumers, customers, associates, shareholders and the community, surpassing projected results and aiming high, towards ever more, ever better goals.

Many thanks to you all!

Manuel L. Barragán M

Manuel L. Barragán Morales
Chairman of the Board of Directors

Francisco Garza Egloff
Chief Executive Officer

DELIVERING RESULTS, AIMING HIGH

In 2012, Arca Continental achieved yet another year of success to add to a track record of outstanding results in market execution, sales volumes, revenues, portfolio innovation and productivity. With a professional and dedicated human talent that has shown its capacity to rise to the greatest challenges, year after year we have aimed high and reached our goals.

outstanding performance

always on the move

comprehensive commitment

refreshing perspectives

17.4% GROWTH IN MEXICO BEVERAGES' PRO-FORMA EBITDA

62% GROWTH IN SHARE VALUE IN 2012

outstanding results,
a very reliable company

In 2008, when sales totaled Ps.20,255 million and volume 510 million unit cases, we committed to doubling the size of Arca Continental in five years. In fact, we reached this goal in 2011, and continue to exceed it. In 2012, we posted sales of Ps.56,269 million and a sales volume of 1,354 million unit cases.

The history of Arca Continental reflects a strategy of sustainable and profitable growth. Over the past years, every increase in operational size has given us new capabilities, increased the potential of our business units and incorporated business lines adjacent to our core business.

$1,550

MILLION PESOS
NEW GOAL IN SYNERGIES

The outstanding results of 2012 add to the track record of achievements dating back to the Company's origins, setting the foundations for a brilliant future. The perspectives are very favorable to continue consolidating Arca Continental as a vehicle for creating highly profitable value.

We have even been able to positively affect the Coca-Cola industry on a global level, in portfolio innovation and expansion, the strengthening of production operations and the perfecting of commercial practices in order to satisfy the increasingly sophisticated and demanding preferences of our customers and consumers.

It is precisely in this context of change that, without neglecting our efforts to continuously improve our customer service, productivity and operating quality, during 2012 we implemented a comprehensive plan to capitalize on the synergies resulting from the merger of Embotelladoras Arca and Grupo Continental. In fact, we increased the original objective of Ps.960 million over three years to a final goal of Ps.1,550 million. Of this total, by year-end 2012, we had already capitalized on Ps.850 million. The positive impact of the remaining synergies will be reflected in 2013.

The outstanding results of 2012 add to the track record of achievements dating back to the Company's origins, setting the foundations for a brilliant future. The perspectives are very favorable to continue consolidating Arca Continental as a vehicle for creating highly profitable value.

MEXICO BEVERAGES

At the close of 2012, pro-forma operating income in Mexico reached Ps.6,918 million, 21.8% above the previous year, and resulting in a margin of 16.1%. EBITDA margin was 21.1%.

These results reflect excellence in execution, efficient operations and a continuous optimization of costs and expenses. In addition, they allowed us to accumulate

2012 EXCELLENCE
IN EXECUTION CUP

11 consecutive quarters of volume growth and a 3.1% year-over-year rise in volume, one of the greatest in the Coca-Cola System.

With regard to market execution, we reached 45% coverage with our Route to Market model and posted a 2.4% increase in volume, exceeding the objective of 1.6%. We also grew cooler coverage to 73% across our territories in Mexico, reaching a total of 483,000 doors opening to offer our beverages to the public, 8.2% more than in 2011.

It is important to note the efforts and creativity of our sales force in 2012, which resulted in a significant improvement in the Quality in Execution Index. In 2012, Arca Continental was awarded the Excellence in Execution Cup, receiving the award from the President of The Coca-Cola Company, Muhtar Kent, at the end of the year.

Thanks to this constant market support, our outstanding customer service, and the timely identifying and satisfying of consumers' dynamic needs, in 2012 we led the Coca-Cola System in Mexico in the expansion of emerging beverages, such as Powerade, which grew 23% year-over-year and now heads the category in the traditional channel in our territories.

Other products that performed successfully during the year were Vallefrut, which grew 15.2%, compared to a national average of 9.2%; Ciel, which grew 6.1% compared to 3.2%; Fuzetea, 18.1% compared to 12.2%; and Del Valle, 16.4% compared to 9% nationally.

Our commitment to continuous improvement in all aspects of production was also reflected in The Coca-Cola Company's recognition of the Culiacan plant for Operational Excellence. This facility is now the national benchmark in this indicator.

With regard to the Product Quality Index, our production facilities in Parral, Chihuahua, and Ciudad Obregón and Hermosillo, Sonora, also reached levels of excellence, posting an index of 100%. This was the second consecutive year that the latter plant reached a perfect score. Nationwide, the average of this indicator was 97.99%.

SOUTH AMERICA BEVERAGES

Since we entered this region, which we believe to be strategic for our future development, we have strengthened Arca Continental's competitive position, installed capacity, operating efficiency and commercial practices.

In 2012, we successfully combined a wide product portfolio and selective price initiatives to mitigate the effects of the high level of inflation in the region. Consequently, we generated solid results, with a 4.2% increase in volume to 282.4 million unit cases, largely driven by colas, flavored beverages and water.

EBITDA for South America grew 53.6%, to Ps.2,267 million, resulting in a margin of 16.9%, 320 basis points above the previous year, while net income grew 72%, reflecting a margin of 5.7%.

In Argentina, despite the challenging economic environment, we posted double-digit growth, adjusting price points to inflation and reducing exposure to foreign exchange volatility with cost-reduction strategies, mainly for sugar and PET.

EBITDA GROWTH IN SOUTH AMERICA

54%

Since 2008, when we began operating in these territories, we have increased our market share from 49% to 60% in 2012, by strengthening our commercial and production infrastructure, improving point-of-sale execution and investing in the market.

4.2%

RISE IN SALES VOLUME IN SOUTH AMERICA

To increase cold-drink availability, at the right price and with the right packaging for our consumers, we continued investing in coolers, reaching a total of 50,000 in the nation, and we plan to install 6,000 more in 2013.

The positive results of this business unit over the past few years were recognized in 2012 by the South America Division of The Coca-Cola Company with prizes for sales volume and market share growth in two categories: “Non-alcoholic Beverages” and “Hydration.”

In Ecuador, we achieved an annual expansion in volume of 3.4%, largely driven by growths of 9.3% in the flavors segment and 95% in water.

In order to replicate the good results we have obtained in other territories in this territory, we began the rollout of our Route To Market strategy and at the same time continued driving the growth of presentations that are more accessible for our consumers, such as returnables.

To satisfy the increased demand for our products and strengthen our leadership position in the region, as well as expanding the Guayaquil plant, we continued implementing the SAP System, which will enhance our administrative efficiency.

16%

GROWTH IN
BOKADOS SALES

COMPLEMENTARY BUSINESSES

It is a little more than five years since we entered the snacks business as part of a strategy of profitable growth in adjacent businesses that are highly compatible with our core competencies. Since then, we have continued to grow this segment. 2012 was a particularly outstanding year, with the acquisition of Wise, in the United States, and Inalecsa, in Ecuador, to complement Bokados.

We are currently in the process of integrating these two companies, which will allow us to exchange best practices, leverage the individual strengths of each business, and capitalize on synergies and new growth opportunities for the three brands in the short and medium term. With these acquisitions, Arca Continental's snacks business almost tripled, to US 400 million in sales.

Bokados posted 2012 sales of Ps.1,355 million. Since entering this business in 2007, we have grown its presence from being a regional brand to being the third most important in the Mexican snacks industry.

2012 was a particularly outstanding year with regard to results for this segment, which posted a 16% year-over-year growth. The expansion reflects growth in Bokados operations in new territories in the central and western regions of Mexico.

We continue to create new occasions for consumption through our vending machines, both for our beverages and our snacks, by expanding and modernizing the channel. In 2012, we reached a total of 25,700 machines in Mexico.

Thanks to the modernization of equipment and installation of systems to give us real-time information on the supply at each dispensing machine, as well as other investments we have made in administration and distribution, we were able to increase productivity by 16.4% in beverages and 32.2% in snacks.

With regard to Interex, Arca Continental's business for exporting to the United States, where we have had a successful presence for 25 years, the sales volume of Topo Chico grew 13% and its EBITDA 26%, while the Nostalgia Project, selling soft drinks in glass bottles to the Hispanic market, posted a 17% year-over-year growth in sales.

These outstanding results have consolidated our Complementary Businesses as vehicles for highly-profitable value creation with great growth potential in areas where our market knowledge and commercial execution capabilities will drive increased growth on a global level.

The operating and financial strength we have gained over the years has made us a more competitive company and a more reliable option for investors. This is reflected in the rise in price of the Arca Continental share, which closed the year 62% above the previous year.

CUSTOMERS BENEFITTING FROM THE SIGLO XXI PROJECT

+5,000

45%

RTM COVERAGE IN MEXICO

always on the move, new value streams

The positive results Arca Continental has posted year after year reflect an organizational culture that drives a continuous search for new business opportunities and has the capacity to see them where others cannot. Our outstanding performance is also a consequence of a constant focus on developing better ways of doing things, perfecting our close ties and value dialogue with customers and consumers, and driving our human capital towards innovation, teamwork and comprehensive growth.

During 2012, we launched diverse initiatives to strengthen our competitive position, to enhance commercial practices and portfolio innovation, and to develop new value streams in our main beverages business, as well as in the snacks segment.

Our management model is a platform for positive, dynamic growth, excellent point-of-sale execution and continuous operational improvement, based on the identification, standardization and implementation of best practices in all our work centers throughout Mexico, Argentina, Ecuador and the United States.

Our clear-cut approach involves completing each and every activity as the best in the industry; boosting organic growth through modern service models and the enhancement of our portfolio and channels as a comprehensive beverage enterprise; and capitalizing on our financial strength to leverage growth opportunities in all the segments in which we participate.

In order to drive our Traditional Channel, which has a major economic impact on society and plays a significant role in our sales mix, in 2012 we mobilized the Siglo XXI Project, which seeks to help customers expand their potential.

MEXICO BEVERAGES

Driven by solid results and a continuous improvement that forms part of our DNA, we are always on the move in a quest to discover better ways of serving the market, growing customer loyalty and exceeding consumers' expectations.

As pioneers of Coca-Cola in Mexico, with over 85 years of experience and a philosophy of being our customers' best business partner, privileging long-term relationships, joint responsibility and mutual benefit, we have launched a series of direct market-support initiatives.

In order to drive our Traditional Channel, which has a major economic impact on society and plays a significant role in our sales mix, in 2012 we mobilized the Siglo XXI Project, which seeks to help customers expand their potential through on-shelf product presentation, promotional materials, paint, training and tools to increase the traffic through their businesses. In 2012, we supported more than 5,000 customers with this program and our target in 2013 is to continue increasing this project.

We have also continued to expand our implementation of Route to Market across all our Mexican territories, thus enabling us to enhance our diverse service models for each channel and beverage category and consolidate our market leadership position. Our goal for this year is to cover 60% of the territory with this methodology.

In our efforts to form closer ties with consumers, we continued to expand the Direct to the Home Delivery service by launching the website "Experiences Close to You" (www.experienciascoca-cola.com.mx), which allows consumers to order their Coca-Cola products online and have them delivered right to their homes. With new routes in Guadalajara, San Luis Potosí and Aguascalientes, we currently have 163 routes in Mexico.

In order to maintain our offering as a comprehensive beverage company, in 2012 our innovative product portfolio was complemented by constant launches to satisfy consumers' increasingly sophisticated demands.

Sidral Mundet, a time-honored beverage in Mexico incorporated into the Coca-Cola portfolio during the previous year, was introduced in Monterrey and Guadalajara with great success.

In non-carbonated beverages, the launch of our line of teas, FuzeTea, was of particular note, especially the introduction of new one-liter and 400ml. presentations. During the year, Arca Continental achieved an 18% growth in this category, compared to a national average of 12%, thus raising our market share by 3%.

SOUTH AMERICA BEVERAGES

Despite the volatile economic setting, we were able to enhance our growth in both Argentina and Ecuador, through investments in infrastructure, market support and an increase in capacities in both territories.

In Argentina, we continued to implement the Route to Market strategy and reached the goal of 48% coverage across the different territories. New service models were also launched during the year in this market, such as Televenta (telesales) through the Telephone Service Center "DIGA".

We also expanded our investment plans with the implementation of online blowing technology on 11 production lines and the extension of the Tucumán Plant, transforming it into one of the most modern in South America.

The Formosa, Tucumán and Salta plants in this country earned certification or recertification in quality (ISO 9001), environmental protection (ISO 18001), occupational safety (ISO

+150,000

CUSTOMERS VISITED
EVERY WEEK BY BOKADOS

14001) and food and beverage safety (FSSC 22000), as well as The Coca-Cola Company certifications E1 (environment), S1 (safety) and A1 (quality).

We also furthered operational excellence at our Argentinean production facilities through the implementation of training programs for the Best Practice Leaders Team, using Arca Continental World-Class Methodology (ACCM).

In order to satisfy the increased demand for our products and enhance our leadership position in Ecuador, we advanced with the implementation of our SAP system, which will have a positive impact on administrative and commercial efficiencies across all our operations and drive a greater integration of information within the global framework.

In both these countries, we continue to promote a strategy of growth in individual and returnable presentations, the development of innovative beverage products, and specific investments to increase cooler coverage to 40% of the territory.

COMPLEMENTARY BUSINESSES

One of the segments of Arca Continental with the fastest growth rate is undoubtedly our Complementary Businesses, in particular the snacks segment. Sales of this segment will reach an estimate of more than 400 million dollars by the end of 2013.

This growth reflects the territorial expansion of Bokados and the acquisition at the end of 2012 of the snacks production companies Wise, in the United States, and Inalecsa, in Ecuador. We are implementing a 100-day integration plan for these companies in order to accelerate their growth, capitalize on immediately realizable synergies, align strategies and identify best practices to enhance the capabilities of the three businesses.

We have been exporting Topo Chico mineral water to the United States for 25 years. During 2012, we enhanced this brand's positioning, going beyond the traditional niche of Hispanic consumers to lead the imported mineral-water segment in some cities.

In the vending machine business, we made progress with the implementation of new wireless information technologies in order to obtain real-time information on the supply needs of installed units and thus maximize their profitability and improve consumer service.

The progress achieved in the diverse segments of our organization indicates that we are on the right path. We are a dynamic company that responds rapidly to changes in the industry and the market, and are supported by a human capital that is open to change and will lead us to the accomplishment of new, higher goals.

42,000 VENDING MACHINES GOAL FOR 2015

COOLER DOORS GOAL FOR 2013 **+500,000**

refreshing perspectives, aiming high

As we promised at the beginning of 2012, Arca Continental is today a better company: stronger, more flexible, more efficient and more focused, with a new potential and new, higher goals.

Strengthened by the outstanding performance of 2012 and driven by the commitment and professionalism of our associates, in 2013 we will focus on consolidating our existing businesses as solid vehicles for generating value and identifying new opportunities for investment and profitable growth.
In our core beverages business, because of the robust international and domestic supply of sugar, our negotiation of fructose contracts and an expected stability in international PET prices, we are optimistic that main input costs will remain stable during 2013.
We will continue to invest in the market, in diverse areas such as coolers, vending machines, production capacity, logistics, operations and information technology. Combined with the adjustment of prices to inflation, this will produce solid operating margins and keep our beverage product offer accessible to the public.

We are confident that these strategic investments, combined with a more favorable economic environment, a competitive supply of our main raw materials and our continuous innovation in point-of-sale execution, will produce yet another year of good results.

In 2013, we will maintain our focus on identifying innovative ways to improve our leadership position in the regions and markets we serve, always providing excellent service and quality products in order to assure the loyalty of our customers and consumers.

We operate with a portfolio growth strategy that focuses on six key drivers: to protect and expand the Coca-Cola brand, to grow the zero-calorie beverage segment, to profitably develop flavored beverages, to enhance our leadership in the water category, to consolidate del Valle as a mega-brand, and to enhance the profitability of our non-carbonated beverages.

We will continue to develop Arca Continental's platform of service models, constantly adapting them to customer and consumer needs, and rolling out new service innovations, specifically for the Modern Channel. To this end, we will maintain our focus on innovating commercial technologies and leading in new ways to serve the consumer, such as our projects to provide delivery directly to the workplace, @Work, and to drive emerging beverages in current channels, RIBE (Emerging Beverage Inventory Replacement).

We will strengthen the Traditional Channel as a pillar for our business, through product/price/packaging segmentation strategies that maximize the channel's profitability and other programs to benefit our

DIRECT TO HOME ROUTES
GOAL FOR 2013

+270

The positive results we have posted over the past years and the goals we have set for the years to come are concrete proof of the joint efforts of our associates, the management team and the Board of Directors to achieve our Mission: To generate maximum value for our customers, associates, communities and stockholders, satisfying our consumers' expectations at all times with the highest quality products and services.

customers. These programs include the Siglo XXI initiative to improve and modernize our customers' stores, which by the end of 2013 will have impacted 10,000 businesses; the Mobile Classroom project, which seeks to train five thousand micro-businesses every year; and the loyalty programs, such as Distinguished Customer, which we offer.

We will continue to expand our cooler coverage as a key element of our market investment. Our goal is to have more than half a million doors offering cold products to consumers in Mexico by the end of 2013.

One of our most ambitious goals is to expand Arca Continental's vending machine coverage, which we plan to increase from 25,000 to 32,000 units in 2013 and to 42,000 in 2015. Additionally, we are fitting them out with wireless information systems to enhance their operating efficiency and create new consumption opportunities.

We will also maintain our focus on building a connection to our consumers' homes through the Direct to the Home model. We are already visiting more than 600,000 homes every week through this program, largely to deliver jug water, and plan to grow the number of routes in Mexico from 163 to 270, with sales in excess of 5.2 million unit cases. We will focus on capitalizing the opportunity that this attractive segment presents to grow the presence of our entire portfolio across the nation.

With regard to increasing our production and distribution capacities, we will roll out our operational excellence culture across six territories, which will add to the eleven activated in 2012. This methodology integrates into the value chain a way of working that prioritizes product quality, process efficiency and sustainability.

In Mexico, in conjunction with The Coca-Cola Company and our partner bottlers of del Valle, we will soon be incorporating the high value added milk products of Santa Clara, acquired mid-2012. This new beverage category offers the opportunity to leverage our excellent market execution capabilities in order to expand our product offering.

In South America, with the objective of continuing to drive the growth rate of our operations in Argentina and Ecuador, we are implementing diverse strategies to strengthen our market leadership position, enhance operating efficiency and improve commercial execution.

In particular, we will continue to expand the Route to Market initiative, with the goal of reaching 80% coverage in Argentina in 2013 and 50% in Ecuador, where we began implementation in 2012. During the year, we also plan to grow cooler coverage to 40% in both territories.

In the snacks business, after the incorporation of Wise in the United States and Inalecsa in Ecuador, we will consolidate this segment as a vehicle for creating increasing value for the company. We will capitalize on its new continental extension to launch products from the three brands in new markets and leverage the strengths of all the companies to drive their growth.

TREES PLANTED IN
OUR TERRITORIES
+6 million

10
CONSECUTIVE YEARS
AS A SOCIALLY RESPONSIBLE COMPANY

comprehensive commitment, shared value

GLOBAL GRAND WINNER PRIZE FROM
THE INTERNATIONAL WATER ASSOCIATION

Motivated by our organizational culture and values, we continue to implement sustainability and social responsibility strategies to generate shared value in all aspects of our operations, across ethical, economic, social and environmental issues.

2012 was an emblematic year for our company, not only because of the solid operating results we posted, but also for the progress we made with our sustainability and social responsibility strategies. Within the framework of the Arca Continental Total Quality and Improvement System, which integrates the concepts of sustainability and social responsibility into our organizational culture and business decisions, in 2012 we instituted a process to redefine and standardize indicators and best practices related to the environment, labor, social activities and ethics in all the territories we serve.

Thus, we have aligned the efforts of our beverage operations in Mexico, Argentina and Ecuador to the Arca Continental Sustainability and Social Responsibility Model. This model establishes an operating scheme that helps to institutionalize and focus all initiatives involving environmental management, social development and the communication of our product portfolio on common objectives.

Standing out among the main achievements of the year are the strengthening of our corporate governance and the management of Sustainability and Social Responsibility in our operations. To this end, we expanded the scope of the Board of Directors' Compensations Committee, instituting it as a Human Capital and Sustainability Committee. This has resulted in an increased integration of our business strategy into the sustainable development objectives of the organization, among other benefits.

With regard to environmental protection, we have made significant progress with our commitment to reduce water consumption in our production processes and return the vital liquid to nature in conditions that are more propitious to the preservation of local flora and fauna.

It is important to note our Rainmaker Pilot Project, which was implemented at the Hermosillo plant in conjunction with The Coca-Cola Company. This initiative involves the integration of leading-edge technology for water treatment and has reduced water consumption by 35%. The water produced is returned to nature with quality and potability characteristics that surpass those required by both domestic and foreign regulations. During 2012, the International Water Association recognized this project as its Global Grand Winner during the World Water Congress in Busan, South Korea.

In addition to these initiatives to reduce water consumption, we actively participated with Compañía Coca-Cola de México in the National Reforestation and Water Harvesting Program. In partnership with Pro-Natura, in 2012 we planted six million trees across 5,500 hectares of the territories we serve in Mexico.

Another clear example of Arca Continental's comprehensive commitment to the environment is the investment we have made in PetStar to double the current capacity of this food-grade PET recycling plant. To implement the expansion project, we led a group of Mexican bottlers and The Coca-Cola Company in a US$34 million dollar investment. By the second half of 2013, PetStar will be able to remove two billion PET bottles from the environment every year, process them, and convert them into high value added PET resin that can be used to produce new containers. In this way, we are significantly reducing the consumption of virgin resin and making PetStar, bottle for bottle, one of the world's most important integrated PET recyclers.

In combination with our institutional efforts, the commitment to generate value shared with the community is a long-ingrained characteristic of Arca Continental's

ARCA CONTINENTAL'S
COMMITMENT TO
PHYSICAL ACTIVITY

With the support of our Board of Directors, customers, associates and shareholders, we will continue conducting our business with a vision of comprehensive commitment to sustainability and shared value, to the development of our communities and to the promotion of an authentic culture of respect and caring for our natural resources. In this way, we will make a positive difference to the communities in which we work and live.

people. With their families and the community in general, they participated in record numbers in the Volunteer activities organized during the year.

The 2012 Annual Volunteer Day is of particular note, with more than 6,000 volunteers planting 8,000 trees, rehabilitating and maintaining 14 schools, 12 public areas and 11 parks, and collecting 12 tons of garbage along 7.5 kilometers of riverbanks and beaches across our different territories.

In order to assure compliance with Mexican and international standards in sustainability, we obtained certification under diverse external evaluation methodologies and indicators. For example, for the tenth consecutive year, the CEMEFI declared Arca Continental a Socially Responsible Company; Arca Continental was included in the Mexican Stock Exchange's Sustainability Index for the second year in a row; we signed the United Nations' Global Compact which focuses on human and labor rights; and we produced an Annual Social Responsibility Report according to the requirements of the Global Reporting Initiative (GRI).

Arca Continental is committed to continuing to partner with others to drive the sustainable development of our communities, in order to generate positive change in the world and assure a better life for future generations. We are also committed to solid Corporate Governance, totally ethical behavior and transparency.

board of directors

Manuel L. Barragán Morales (62) 1
Chairman of the Board of Directors of Arca Continental and of Embotelladoras Arca since 2005 and a member of the Board of Directors since 2001. Mr. Barragán Morales is Chairman of the Board of Directors of Grupo Index. He has also been a member of the Boards of Directors of Procor, Banco Regional del Norte and Papas y Fritos Monterrey, and an executive at a financial institution for 15 years.

Javier L. Barragán Villarreal † (88) 3
Honorary Chairman of the Board of Directors of Arca Continental and a member of Movimiento de Promoción Rural.

Estuardo Alveláis Destarac (30) 3, P
Member of the Board of Directors of Arca Continental since 2011.

Luis Arizpe Jiménez (51) 1, P
Vice President of the Board of Directors of Arca Continental since 2011. Mr. Arizpe Jiménez had been Vice President of the Board of Directors of Embotelladoras Arca since 2008. He is Chairman of the Boards of Directors of Saltillo Kapital and Hotel Camino Real Saltillo, a member of the Boards of Directors of Grupo Industrial Saltillo and Grupo Financiero Banorte, Chairman of the Mexican Red Cross in Saltillo, a member of the Board of Trustees of the Monterrey Tech, Campus Saltillo, and Chairman of Consejo Cívico y de las Instituciones de Coahuila. He is also President of the Offering Committee of the Saltillo Diocese and Vice President of COPARMEX, Southeast Coahuila.

Eduardo R. Arrocha Gío (70) 2
Member of the Board of Directors of Arca Continental since 2011. Mr. Arrocha Gío is also a Professor in the Law Schools of Universidad Nacional Autónoma de México and Universidad Anahuac. He was General Counsel of Laboratorio Syntex for seven years and Legal Vice President for Latin America of The Coca-Cola Company, retiring from the latter company after 25 years of service. He was President of the Mexican National Association of Corporate Lawyers and is a member of the Mexican Bar Association. Mr. Arrocha Gío is currently a member of the law firm Littler, De la Vega y Conde in Mexico City.

Juan M. Barragán Treviño (51) 1, C
Member of the Board of Directors of Arca Continental since 2011. Mr. Barragán Treviño had been a member of the Board of Directors of Embotelladoras Arca since 2009.

Fernando Barragán Villarreal (82) 1, P
Member of the Board of Directors of Arca Continental and of Embotelladoras Arca since 2001. Mr. Barragán Villarreal is also a member of the Board of Directors of Grupo Index and a member of the Civic Council of the Chipinque Ecological Park. He was a member of the Boards of Directors of Estructuras de Acero, Financiera General de Monterrey, Procor and Banco Regional de Monterrey, and was CEO of Procor. He has also occupied several positions in Bebidas Mundiales, including CEO and Production, Mainten ance and Quality Control Manager.

Alejandro M. Elizondo Barragán (59) 1, P
Member of the Board of Directors of Arca Continental and Embotelladoras Arca since 2004. Mr. Elizondo Barragán is Senior Vice President of Business Development of Alfa. He has occupied diverse positions in Alfa's corporate area and steel and petrochemical divisions for more than 37 years. He is a member of the Boards of Directors of Banco Regional de Monterrey, Nemak, Indelpro, Polioles and Alestra.

Carlos Enríquez Terrazas (64) 3, C
Member of the Board of Directors of Arca Continental since 2011. Mr. Enríquez Terrazas is a founding partner of Enríquez, González, Aguirre y Ochoa, a law firm affiliated with Baker Hostetler, and has been practicing law for more than 35 years, responsible for the area of mergers and acquisitions.

Tomas A. Fernández García (41) 3, P
Vice Chairman of the Board of Directors of Arca Continental and Embotelladoras Arca since 2007 and a member of the Board of Directors since 2005. Mr. Fernández García is CEO of Grupo Mercantil de Chihuahua.

Ulrich Guillermo Fiehn Rice (41) 2, A
Member of the Board of Directors of Arca Continental since 2011. Mr. Fiehn Rice is Chairman of the Board of Directors of Alto Espacio Residencial. He previously occupied diverse positions in Corporate Finance at Cemex and was a financial risk analyst at Vector Casa de Bolsa.

Luis Lauro González Barragán (59) 1, P
Member of the Board of Directors of Arca Continental and Embotelladoras Arca since 2001. Mr. González Barragán is Chairman of the Board of Directors of Grupo Logístico Intermodal Portuaria, and a member of the Boards of Directors of Grupo Index, Berel, CABAL and Universidad de Monterrey. He was CEO of Procor.

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

Bruce E. Grossman, (67) 1
Member of the Board of Directors of Arca Continental since 2011. Mr. Grossman had been a member of the Board of Directors of Grupo Continental since 1977. He is a consultant expert in trusts and planning for the transfer of family businesses and assets.

Ernesto López de Nigris (52) 2, C
Member of the Board of Directors of Arca Continental and Embotelladoras Arca since 2001. Mr. López de Nigris is a member of the Consulting Council of Telmex and of the Board of Directors of Grupo Industrial Saltillo. He was Co-Chairman of the Board of Directors and Vice President of Operations of Grupo Industrial Saltillo.

Fernando Olvera Escalona (80) 2, A
Member of the Board of Directors of Arca Continental and Embotelladoras Arca since 2001. Mr. Olvera Escalona is Chairman of the Audit and Corporate Practices Committee and President of Promocapital. He was CEO of Grupo Protexa, Chairman of the Board of Directors of Farmacias Benavides, a Director and Associate President of Banca Serfín, and a member of the Boards of Directors of diverse business and professional organizations, as well as of a number of banking, industrial, commercial, educational, sports and social service institutions.

Jorge Humberto Santos Reyna (38) 3, C
Vice Chairman of the Board of Directors of Arca Continental and Embotelladoras Arca since 2007 and a Director since 2001. Mr. Santos Reyna is Chief Executive Officer of Grupo San Barr and Treasurer of Asociación de Engordadores de Ganado Bovino del Noreste. He is also a member of the Boards of Directors of Banco Regional de Monterrey and of the Mexican Red Cross in Monterrey. He was a member of the Boards of Directors of Procor, CAINTRA Nuevo León and Papas y Fritos Monterrey. He was Vice President of Confederación USEM and Chairman of the Board of USEM Monterrey.

Armando Solbes Simón (57) 2, A
Member of the Board of Directors of Arca Continental since 2011. Mr. Solbes Simón was a member of the Board of Directors of Grupo Continental, Director of the Tampico Office of Banco Base and an Associate and Member of the Boards of Trustees of the Bene Hospital of the Centro Español in Tampico and of Universidad I.E.S.T. Anáhuac. He is a member of the Regional Advisory Boards of BBVA Bancomer and of the Monterrey Tech, Campus Tampico. He was Chairman of the Board of Directors and CEO of Central de Divisas Casa de Cambio for 23 years and served in the Auditing Department of Gossler, Navarro, Ceniceros y Cía. for three years and in the corporate finance area of Grupo Cydsa for eight years.

Miguel Ángel Rábago Vite (57) 3, P y C
Associate Chief Executive Officer and Vice Chairman of the Board of Directors of Arca Continental since 2011. Mr. Rábago Vite was previously CEO and a member of the Board of Directors of Grupo Continental and occupied diverse positions in that company for more than 35 years. He has a Bachelor's Degree in Public Accounting and Auditing from Universidad Autónoma de Tamaulipas.

Jesus Viejo González (38) 3, P
Member of the Board of Directors of Arca Continental and Embotelladoras Arca since 2007. Mr. Viejo González is Executive President of Grupo CONVEX. He is also a Member of the Boards of Directors of several institutions, including CAINTRA, UDEM, Filantrofilia, Pronatura Noreste and Club Harvard de Monterrey. He was Vice President of Economic Research for Emerging Markets at Goldman Sachs and Chief Economist of Alfa. He has a Bachelor's Degree in Economics from the Monterrey Tech, a Master's in Public Policy from Harvard and a PhD in Economics from Boston University.

Emilio Jose Arizpe Narro (64) 1, P
Member of the Board of Directors of Arca Continental since 2011. Mr. Arizpe Narro had previously been a member of the Board of Directors of Embotelladoras Arca since 2008.

Headings
1. Shareholding
2. Independent
3. Related

Committees
A. Audit and Corporate Practices
C. Compensation
P. Planning

senior management

Francisco Garza Egloff (58)
Chief Executive Officer of Arca Continental. Mr. Garza Egloff had previously been Chief Executive Officer of Embotelladoras Arca since 2003. He is a member of the Boards of Directors of Grupo Industrial Saltillo, Banco Banregio, Banco Holandés Rabobank and the Monterrey Tech School of Engineering and Architecture. He was Chief Executive Officer of Sigma Alimentos, Akra, Petrocel-Temex and Polioles, part of Alfa's petrochemical division, where he worked for 26 years. He has a Bachelor's Degree in Chemical Engineering and Management from the Monterrey Tech and has taken several post-graduate courses in management at IPADE.

Alejandro González Quiroga (51)
Vice President of Arca Continental South America. Mr. González Quiroga was previously Vice President of Arca's Argentina Division and Manager of the Nuevo León Region of Embotelladoras Arca. He has a Bachelor's Degree in Business Administration from Universidad Regiomontana and has taken several post-graduate courses at Monterrey Tech and IPADE.

Manuel Gutiérrez Espinoza (60)
Executive Director for Planning at Arca Continental, responsible for the areas of Planning, Information Technology and Strategic Projects. Mr. Gutierrez Espinoza previously worked for over 30 years at Alfa and Hylsa in the areas of Planning, Acquisitions, Divestment, Growth Projects, Control, IT and Supply. He has a Bachelor's Degree in Mechanical Engineering and Management from Monterrey Tech and an MBA from the Massachusetts Institute of Technology (MIT).

Arturo Gutiérrez Hernández (47)
Chief Operating Officer of Arca Continental and former Vice President of Mexico Operations. Mr. Gutiérrez Hernández was previously Secretary of the Board of Directors of Embotelladoras Arca from 2001 to 2009, as well as Director of the Mexico Beverages Division, Director of Human Resources, Director of Planning and General Counsel. He also was Alfa's General Counsel. Mr. Gutiérrez Hernandez has a Bachelor's Degree in Law from Escuela Libre de Derecho and a Master's Degree of Laws/J.D. from Harvard University.

Julián Guzmán Luna (58)
Commercial Executive Director of the Mexico Beverages Division of Arca Continental and former Director of the Western Beverages Division. Mr. Guzmán Luna previously served in various positions in Grupo Continental for more than 35 years. He has a Bachelor's Degree in Business Administration from Universidad Valle de Atemajac.

Miguel Ángel Rábago Vite (57)
Deputy Chief Executive Officer and Vice Chairman of the Board of Directors of Arca Continental. Mr. Rábago Vite is Chairman of the Boards of Directors of Grupo PIASA and PetStar. He was previously Chief Executive Officer and a member of the Board of Directors of Grupo Continental and occupied diverse positions in that company for over 35 years. He has a Bachelor's Degree in Public Accounting and Auditing from Universidad Autonoma de Tamaulipas.

Emilio Marcos Charur (48)
Chief Financial Officer of Arca Continental and former Director of Operations for the Mexico Beverages Division. Mr. Marcos Charur was previously at Embotelladoras Arca as Director of the Complementary Businesses Division and Head of Treasury and Purchasing and also held various positions in the Area of Administration and Finance. He has a Bachelor's Degree in Industrial and Systems Engineering from Monterrey Tech and an MBA from the University of Illinois.

Alejandro Molina Sánchez (45)
Technical Executive Director of Arca Continental. Mr. Molina Sánchez served for more than 15 years at The Coca-Cola Company's Mexico Business Unit in the areas of Quality, Environmental Sustainability and Supply Chain. He has a Bachelor's Degree in Chemical Engineering from Universidad La Salle and a Diploma in Supply Chain from Instituto Tecnológico Autónomo de México (ITAM).

Baldomero Ponce Cruz (58)
Executive Director of Human Capital of Arca Continental. Mr. Ponce Cruz was previously Deputy Chief Executive Officer and a member of the Board of Directors of Grupo Continental and served in various other positions in that company for more than 33 years. He has a Bachelor's Degree in Mechanical Engineering and Management from Tecnológico de Ciudad Madero.

Alejandro Rodríguez Sáenz (49)
Executive Director of the Complementary Businesses Division of Arca Continental. Mr. Rodriguez Saenz was previously at Embotelladoras Arca as Director of Bokados and General Manager of Compañia Topo Chico and held various other positions in the organization for 15 years. He previously worked at Orion and Akra. He has a Bachelor's Degree in Chemistry and Systems and an MBA from Monterrey Tech, and has taken several post-graduate courses at IPADE.

Jaime Sánchez Fernández (42)
General Counsel and Secretary of the Board of Directors of Arca Continental. Mr. Sánchez Fernández was previously General Counsel, Secretary of the Board of Directors and Corporate Legal Manager of Embotelladoras Arca. He worked for eight years at Alfa as Corporate Counsel and also practiced law independently. He has a Bachelor's Degree in Law from Universidad de Monterrey and a Master of Laws from Michigan University.

consolidated financial statements

ARCA CONTINENTAL, S. A. B. DE C. V. AND SUBSIDIARIES
DECEMBER 31, 2011 AND 2010

CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

Embotelladoras Arca and Grupo Continental merged on June 1, 2011. Consequently, the results for 2011 include seven months of Grupo Continental, S. A. B. (Contal).

SALES

Consolidated net sales grew 28.0%, from Ps.43,950 million in 2011 to Ps.56,269 million in 2012, reflecting increases of 29.3% in Mexico and 24.7% in South America. Total sales volume, excluding jug water, rose 18.2%, to 1,180.9 MUC. The sales volume, excluding jug water, in Mexico totaled 898.5 MUC, 23.5% above the previous year, while the equivalent volume corresponding to operations in South America (Argentina and Ecuador) was 282.4 MUC, an increase of 4.2% year-over-year. During 2012, the average price per unit case, excluding jug water, grew approximately 6% in Mexico, reflecting selective price increases made during the year and an efficient price structure.

COST OF SALES

In 2012, the cost of sales grew 25.1% compared to 2011, reaching Ps.30,234.1 million, largely because of the increase in price of inputs such as fructose and PET and the change in foreign exchange rate. The consolidated gross margin for 2012 was 46.3%, a growth of 130 basis points, reflecting a 32% rise in gross profit to Ps.26,034.6 million.

OPERATING EXPENSES

Consolidated operating expenses grew 27.6% in 2012, to Ps.17,366.9 million or 30.9% of sales, largely because of increases in market investment, fuel costs and depreciation, reflecting enhanced capital expenditures. In Mexico, operating expenses grew 31% year-over-year and represented 31.4% of sales. Operating expenses in South America grew 16.4% in 2012 and represented 29% of sales.

OPERATING INCOME AND EBITDA

The growth in the previous headings resulted in a 45.9% year-over-year increase in consolidated operating income, to Ps.8,463.1 million in 2012, with a margin of 15%, 180 basis points above the previous year. Consolidated operating cash flow (EBITDA) grew 38.2%, from Ps.8,181 million in 2011 to Ps.11,302 million in 2012, resulting in a margin of 20.1%, 150 basis points above the previous year.

COMPREHENSIVE FINANCING COST

In 2012, the comprehensive financing cost was Ps.880.5 million, largely due to financial expenses as a result of the company's local notes program (certificados bursátiles).

INCOME TAX PROVISION

Income taxes increased from Ps.801.8 million in 2011 to Ps.2,442.2 million in 2012. The effective rate for the income tax provision was 32.2% in 2012, compared to 15.4% in 2011.

NET INCOME

2012 net income was Ps.5,276 million, or Ps.3.27 per share, 17% above the net income of Ps.4,515 million posted in 2011.

CASH POSITION AND CASH FLOW

As of December 31, 2012, Arca Continental had a cash position of Ps.2,676 million, with a debt of Ps.11,442 million, resulting in a net debt of Ps.8,766 million. Net cash flow resulting from operations in 2012 totaled Ps.9,528 million.

CAPITAL EXPENDITURES

2012 capital expenditures reached Ps.3,408 million and were mainly used for acquiring sales, transportation and production equipment.

CONSOLIDATED BALANCE SHEETS

FOR THE YEARS ENDED AT DECEMBER 31

MILLIONS OF MEXICAN PESOS

DECEMBER 31	2012 (1)	2011 (1)	2010	2009	2008
CURRENT ASSETS:					
CASH AND TEMPORARY INVESTMENTS	2,676	3,298	3,628	4,421	959
TRADE ACCOUNTS RECEIVABLE	3,612	2,791	1,761	1,333	1,207
INVENTORIES	2,345	2,206	2,275	1,835	1,561
TOTAL CURRENT ASSETS	**8,633**	**8,296**	**7,665**	**7,589**	**3,727**
INVESTMENT IN SHARES	2,983	2,429	696	787	766
PROPERTY, PLANT AND EQUIPMENT, NET	22,524	22,070	12,315	10,869	10,929
GOODWILL, NET	29,140	26,608	8,033	4,612	4,521
DEFERRED INCOME TAX	1,171	909	0	0	0
EMPLOYEE BENEFITS	0	0	21	86	14
OTHER ASSETS	0	0	5,861	1,699	1,702
TOTAL ASSETS	**64,451**	**60,311**	**34,592**	**25,642**	**21,659**
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES :					
SUPPLIERS	2,938	2,555	1,413	910	1,116
DERIVATIVE INSTRUMENTS	0	3	1	20	0
CURRENT PORTION OF LONG-TERM DEBT	710	1,368	531	1,961	2,488
OTHER ACCOUNTS PAYABLE AND TAX	4,026	2,427	1,861	938	824
TOTAL CURRENT LIABILITIES	**7,675**	**6,353**	**3,806**	**3,829**	**4,428**
LONG-TERM DEBT	10,732	10,177	7,787	4,004	500
DERIVATIVE INSTRUMENTS	50	62	57	5	0
EMPLOYEE BENEFITS	1,225	1,058	0	0	0
OTHER DEFERRED LIABILITIES	188	119	343	246	289
DEFERRED INCOME TAX	3,478	3,596	2,929	1,762	1,783
TOTAL LIABILITIES	**23,348**	**21,365**	**14,922**	**9,846**	**7,000**
STOCKHOLDERS' EQUITY:					
CAPITAL STOCK	972	972	4,698	4,698	4,698
ADDITIONAL PAID IN CAPITAL	28,104	28,091	729	711	725
RETAINED EARNINGS	10,934	8,056	12,280	10,495	9,036
OTHER RESERVES	-1,404	-631	-382	-108	200
DEFICIT FROM RESTATEMENT	0	0	0	0	0
TOTAL STOCKHOLDERS' EQUITY (MAJORITY INTEREST)	**38,606**	**36,487**	**17,324**	**15,796**	**14,659**
MINORITY INTEREST	2,497	2,459	2,346	0	0
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**64,451**	**60,311**	**34,592**	**25,642**	**21,659**

Francisco Garza Egloff
Chief Executive Officer

Emilio Marcos Charur
Chief Financial Officer

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED AT DECEMBER 31

MILLIONS OF MEXICAN PESOS

DECEMBER 31	2012 (1)	2011 (1)	2010	2009	2008
SALES VOLUME EXCLUDING JUG (MUC)	1,180.9	998.7	644.1	608.6	509.9
NET SALES	56,269	43,950	27,060	24,234	20,255
COST OF SALES	-30,234	-24,162	-14,659	-13,068	-10,494
GROSS INCOME	26,035	19,788	12,401	11,166	9,761
SELLING EXPENSES	-13,775	-10,847	-6,708	-5,923	-4,755
ADMINISTRATIVE EXPENSES	-3,591	-2,760	-1,467	-1,419	-1,159
OTHER (EXPENSE) INCOME NET	231	-23	-331	-102	-1
NON-RECURRING EXPENSES (2)	-435	-356	-7	-51	
OPERATING INCOME	8,463	5,802	3,889	3,671	3,846
COMPREHENSIVE FINANCING INCOME (COST:)					
INTEREST (EXPENSE) INCOME, NET	-852	-581	-309	-285	-74
EXCHANGE (LOSS) GAIN, NET	-28	0	102	-1	97
	-881	-581	-207	-286	23
EQUITY IN INCOME (LOSS) OF ASSOCIATED COMPANIES	136	96	13	-2	18
INCOME BEFORE TAXES	7,718	5,317	3,695	3,383	3,887
PROVISION FOR INCOME TAX	-2,442	-802	-1,021	-932	-937
CONSOLIDATED NET INCOME	5,276	4,515	2,675	2,451	2,950
MINORITY INTEREST	-231	-152	-43	-	-
MAJORITY NET INCOME	5,045	4,362	2,632	2,451	2,950
NUMBER OF SHARES (THOUSANDS)	1,611,264	1,611,264	806,020	806,020	806,020
DEPRECIATION AND AMORTIZATION	2,403	2,023	1,216	1,118	869
EBITDA (EXCLUDING NON-RECURRING EXPENSES)	11,302	8,181	5,112	4,840	4,715
CAPEX	3,408	4,068	1,350	1,237	1,435

(1) FIGURES PRESENTED PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")
(2) NON-RECURRING EXPENSES THAT ADMINISTRATION CONSIDERS AT OPERATIVE LEVEL

Ing. Francisco Garza Egloff
Chief Excecutive Officer

Ing. Emilio Marcos Charur
Chief Financial Officer

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

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

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

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

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

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

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

Ing. Francisco Garza Egloff
Chief Executive Officer

Ing. Emilio Marcos Charur
Chief Financial Officer

REPORT OF INDEPENDENT AUDITORS

Monterrey, N.L., April 17, 2013

TO THE STOCKHOLDERS OF ARCA CONTINENTAL, S. A. B. DE C. V.

We have audited the accompanying consolidated financial statements of Arca Continental, S. A. B. de C. V. and subsidiaries, including the consolidated balance sheets as of December 31, 2012 and 2011 and January 1, 2011, and the related consolidated statements of income, of comprehensive income, of changes in stockholders' equity and of cash flows for the years ended December 31, 2012 and 2011, as well as a summary of significant accounting policies and other explanatory notes.

Management responsibility over the financial statements

The Company's Management and its subsidiaries is responsible for the preparation and reasonable presentation of the financial statements in conformity with International Financial Reporting Standards and the internal control considered necessary to allow for the preparation of the financial statements free of significant misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit consists of examining, on a test basis, evidence supporting the figures and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Arca Continental, S. A. B. de C. V. and subsidiaries as of December 31, 2012 and 2011, and January 1, 2011, and their financial performance and their cash flows for the years ended December 31, 2012 and 2011, in accordance with International Financial Reporting Standards (IFRS).

PricewaterhouseCoopers, S. C.

Alejandro Moreno Anaya
Audit Partner

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2012 AND 2011 AND JANUARY 1, 2011

(THOUSANDS OF MEXICAN PESOS)

	NOTE	AT DECEMBER 31, 2012	AT DECEMBER 31, 2011	AT JANUARY 1, 2011
ASSETS				
CURRENT:				
CASH AND CASH EQUIVALENTS	7	$ 2,676,198	$ 3,298,145	$ 3,628,418
TRADE AND OTHER RECEIVABLES, NET	8	3,612,217	2,791,443	1,866,915
INVENTORIES	9	2,344,816	2,206,339	1,357,583
TOTAL CURRENT ASSETS		8,633,231	8,295,927	6,852,916
NON-CURRENT:				
INVESTMENT IN ASSOCIATES	10	2,982,560	2,428,551	696,300
PROPERTY, PLANT AND EQUIPMENT, NET	11	22,523,844	22,069,917	13,127,135
GOODWILL AND INTANGIBLE ASSETS, NET	12	29,139,565	26,607,627	13,865,703
DEFERRED INCOME TAX	17	1,171,394	909,390	105,227
TOTAL NON-CURRENT ASSETS		55,817,363	52,015,485	27,794,365
TOTAL ASSETS		**$ 64,450,594**	**$ 60,311,412**	**$ 34,647,281**
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES				
CURRENT:				
CURRENT DEBT	13	$ 710,185	$ 1,367,679	$ 530,181
SUPPLIERS AND RELATED PARTIES	14	2,938,307	2,555,330	1,413,074
DERIVATIVE FINANCIAL INSTRUMENTS	19	-	3,490	1,080
INCOME TAX PAYABLE		1,526,165	662,805	455,368
OTHER CURRENT LIABILITIES	15	2,500,276	1,763,765	1,405,374
TOTAL CURRENT LIABILITIES		7,674,933	6,353,069	3,805,077
NON-CURRENT:				
NON-CURRENT DEBT	13	10,732,073	10,176,988	7,775,418
DERIVATIVE FINANCIAL INSTRUMENTS	19	50,127	62,155	57,382
EMPLOYEE BENEFIT LIABILITIES	16	1,224,836	1,058,129	152,038
DEFERRED INCOME TAX	17	3,477,860	3,595,809	3,048,432
FISCAL DEFERRED INCOME TAX FROM TAX CONSOLIDATION	17	94,453	-	-
OTHER NON-CURRENT LIABILITIES	15	93,273	119,289	152,576
TOTAL NON-CURRENT LIABILITIES		15,672,622	15,012,370	11,185,846
TOTAL LIABILITIES		**23,347,555**	**21,365,439**	**14,990,923**
STOCKHOLDERS' EQUITY				
OWNERS OF THE PARENT:				
CAPITAL STOCK	18	971,558	971,558	912,048
PREMIUM ON ISSUANCE OF SHARES		28,104,361	28,090,517	411,436
RETAINED EARNINGS		10,933,979	8,056,052	15,987,311
OTHER RESERVES		(1,404,079)	(631,126)	-
TOTAL OWNERS OF THE PARENT		38,605,819	36,487,001	17,310,795
NON-CONTROLLING INTEREST		2,497,220	2,458,972	2,345,563
TOTAL STOCKHOLDERS' EQUITY		41,103,039	38,945,973	19,656,358
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**$ 64,450,594**	**$ 60,311,412**	**$ 34,647,281**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

Francisco Garza Egloff
Chief Executive Officer

Emilio Marcos Charur
Chief Financial Officer

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(THOUSANDS OF MEXICAN PESOS)

	NOTE	2012	2011
NET SALES	6	$ 56,268,733	$ 43,950,010
COST OF SALES	20	(30,234,128)	(24,162,487)
GROSS PROFIT		**26,034,605**	**19,787,523**
SELLING EXPENSE	20	(13,775,481)	(10,847,151)
ADMINISTRATIVE EXPENSE	20	(3,591,447)	(2,759,542)
OTHER EXPENSE, NET	21	(204,571)	(379,251)
OPERATING INCOME		**8,463,106**	**5,801,579**
FINANCE INCOME	23	142,570	349,072
FINANCE COSTS	23	(1,023,090)	(930,560)
NET FINANCE COSTS		**(880,520)**	**(581,488)**
EQUITY IN NET INCOME OF ASSOCIATES	10	135,665	96,136
INCOME BEFORE TAXES		7,718,251	5,316,227
INCOME TAX	24	(2,442,236)	(801,787)
CONSOLIDATED NET INCOME		**$ 5,276,015**	**$ 4,514,440**
NET CONSOLIDATED INCOME ATTRIBUTABLE TO:			
OWNERS OF THE PARENT		$ 5,044,894	$ 4,362,058
NON-CONTROLLING INTEREST		231,121	152,382
		$ 5,276,015	**$ 4,514,440**
INCOME PER BASIC AND DILUTED SHARE, IN PESOS		$ 3.27	$ 3.67
WEIGHTED AVERAGE OF OUTSTANDING SHARES (THOUSANDS)		**1,611,263**	**1,230,149**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

Francisco Garza Egloff
Chief Executive Officer

Emilio Marcos Charur
Chief Financial Officer

CONSOLIDATED COMPREHENSIVE STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(THOUSANDS OF MEXICAN PESOS)

	NOTE	2012	2011
INCOME FOR THE YEAR		$ 5,276,015	$ 4,514,440
OTHER ITEMS OF COMPREHENSIVE INCOME FOR THE YEAR,			
NET OF TAXES:			
EFFECT OF DERIVATIVE FINANCIAL INSTRUMENTS			
CONTRACTED FOR CASH FLOW HEDGING	24	12,332	8,786
ACTUARIAL (LOSSES) GAINS OF LABOR LIABILITIES	24	(280,745)	103,900
TRANSLATION EFFECT OF FOREIGN ENTITIES		(504,540)	(743,812)
TOTAL OTHER ITEMS OF COMPREHENSIVE INCOME FOR THE YEAR		(772,953)	(631,126)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**$ 4,503,062**	**$ 3,883,314**
ATTRIBUTABLE TO:			
OWNERS OF THE PARENT		$ 4,271,941	$ 3,730,932
NON-CONTROLLING INTEREST		231,121	152,382
COMPREHENSIVE INCOME FOR THE YEAR		**$ 4,503,062**	**$ 3,883,314**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

Francisco Garza Egloff
Chief Executive Officer

Emilio Marcos Charur
Chief Financial Officer

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(THOUSANDS OF MEXICAN PESOS) (NOTE 18)

	NOTE	CAPITAL STOCK	PREMIUM IN ISSUANCE OF SHARES
BALANCES AT JANUARY 1, 2011		**$ 912,048**	**$ 411,436**
TRANSACTIONS WITH STOCKHOLDERS:			
DIVIDENDS DECLARED IN CASH ON APRIL 7	18		
INCREASE IN STOCKHOLDERS' EQUITY FROM MERGER	2 Y 18	15,000	20,610,000
DIVIDENDS DECLARED IN CASH AND/OR IN SHARES ON JULY 4	2 Y 18	44,510	7,043,229
REPURCHASE OF OWN SHARES	3.S.		25,852
DIVIDENDS TO NON-CONTROLLING INTEREST			
		59,510	**27,679,081**
NET INCOME			
OTHER ITEMS OF COMPREHENSIVE INCOME FOR THE YEAR			
COMPREHENSIVE INCOME			
BALANCES AT DECEMBER 31, 2011		**971,558**	**28,090,517**
TRANSACTIONS WITH STOCKHOLDERS:			
DIVIDENDS DECLARED IN CASH ON APRIL 19	18		
REPURCHASE OF OWN SHARES	3.S.		13,844
DIVIDENDS TO NON-CONTROLLING INTEREST			
			13,844
NET INCOME			
OTHER ITEMS OF COMPREHENSIVE INCOME FOR THE YEAR			
COMPREHENSIVE INCOME			
BALANCES AT DECEMBER 31, 2012		**$ 971,558**	**$ 28,104,361**

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

ATTRIBUTABLE TO OWNERS OF THE PARENT				
RETAINED EARNINGS	OTHERS RESERVES	TOTAL OWNER OF THE PARENT	NON-CONTROLLING INTEREST	TOTAL STOCKHOLDERS' EQUITY
$ 15,987,311	-	$ 17,310,795	$ 2,345,563	$ 19,656,358
(1,128,428)		(1,128,428)		(1,128,428)
		20,625,000		20,625,000
(10,979,332)		(3,891,593)		(3,891,593)
(185,557)		(159,705)		(159,705)
-			(38,973)	(38,973)
(12,293,317)		15,445,274	(38,973)	15,406,301
4,362,058		4,362,058	152,382	4,514,440
	(631,126)	(631,126)		(631,126)
4,362,058	(631,126)	3,730,932	152,382	3,883,314
8,056,052	(631,126)	36,487,001	2,458,972	38,945,973
(2,416,895)		(2,416,895)		(2,416,895)
249,928		263,772		263,772
			(192,873)	(192,873)
(2,166,967)		(2,153,123)	(192,873)	(2,345,996)
5,044,894		5,044,894	231,121	5,276,015
	(772,953)	(772,953)		(772,953)
5,044,894	(772,953)	4,271,941	231,121	4,503,062
$ 10,933,979	($ 1,404,079)	$ 38,605,819	$ 2,497,220	$ 41,103,039

Francisco Garza Egloff
Chief Executive Officer

Emilio Marcos Charur
Chief Financial Officer

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(THOUSANDS OF MEXICAN PESOS)

	NOTE	2012	2011
INCOME BEFORE TAXES		$ 7,718,251	$ 5,316,227
DEPRECIATION AND AMORTIZATION	11, 12 Y 20	2,403,097	2,022,884
WRITE OFF FROM REDUCTION IN PACKAGING		632,794	503,379
PROVISION FOR IMPAIRMENT OF TRADE ACCOUNTS	20	33,276	40,653
LOSS (INCOME) FROM SALE OF PROPERTY, PLANT AND EQUIPMENT	21	17,926	(31,340)
COSTS RELATED TO EMPLOYEE BENEFITS	20	128,179	133,912
EQUITY IN NET INCOME OF ASSOCIATES	10	(135,665)	(96,136)
FINANCIAL INCOME, NET	23	747,747	716,299
		11,545,605	8,605,878
TRADE AND OTHER RECEIVABLES, NET	8	(854,050)	(965,181)
INVENTORIES	9	(138,477)	(848,756)
SUPPLIERS AND RELATED PARTIES	14	382,977	1,142,256
DERIVATIVE FINANCIAL INSTRUMENTS	19	3,794	11,149
INCOME TAX PAID	24	(1,461,272)	(833,432)
EMPLOYEE BENEFITS (CONTRIBUTION OF CASH ON PLAN ASSETS)	16	(372,665)	(244,956)
OTHER CURRENT LIABILITIES	15	736,511	358,391
OTHER NON-CURRENT ASSETS AND LIABILITIES, NET		(314,399)	(189,197)
		(2,017,581)	(1,569,726)
NET FLOW OF CASH PROVIDED BY OPERATING ACTIVITIES		9,528,024	7,036,152
INVESTMENT ACTIVITIES:			
ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT	11	(4,490,915)	(4,684,403)
DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT	11	1,107,934	947,114
PURCHASE OF SHARES OF ASSOCIATED COMPANIES	10	(418,344)	(172,302)
INTEREST EARNED	23	142,570	214,641
BUSINESS COMBINATIONS	2	(3,035,705)	(891,112)
NET CASH FLOW USED IN INVESTMENT ACTIVITIES		(6,694,460)	(4,586,062)
FINANCING ACTIVITIES:			
OBTAINING CURRENT AND NON-CURRENT DEBT	13	1,391,666	7,500,000
PAYMENT OF CURRENT AND NON-CURRENT DEBT		(1,645,026)	(4,356,392)
INTEREST PAID	23	(827,715)	(789,240)
SALE (REPURCHASE) OF OWN SHARES	3.S.	263,772	(185,557)
DIVIDENDS PAID TO NON-CONTROLLING INTEREST		(192,873)	(38,973)
DIVIDENDS PAID TO OWNERS OF THE PARENT	18	(2,416,895)	(5,045,012)
NET CASH FLOW PROVIDED BY FINANCING ACTIVITIES		(3,427,071)	(2,915,174)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(593,507)	(465,084)
EXCHANGE GAIN (LOSS) OF CASH AND CASH EQUIVALENTS		(28,440)	134,811
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		3,298,145	3,628,418
CASH AND CASH EQUIVALENTS AT END OF YEAR		$ 2,676,198	$ 3,298,145

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONSOLIDATED FINANCIAL STATEMENTS.

Francisco Garza Egloff
Chief Executive Officer

Emilio Marcos Charur
Chief Financial Officer

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2012 AND 2011 AND JANUARY 1, 2011
(AMOUNTS IN THOUSANDS OF MEXICAN PESOS, EXCEPT WHERE OTHERWISE INDICATED)

NOTE 1
ENTITY AND OPERATIONS

Arca Continental, S. A. B. de C. V. and subsidiaries (AC or the Company) (formerly Embotelladoras Arca, S. A. B. de C. V. (Arca)) is a company engaged in the manufacturing, distribution and sale of soft drinks of the brand or licensed by The Coca-Cola Company (TCCC). The shares of AC are registered in the National Securities Registry of the National Banking and Securities Commission (CNBV) and quoted in the Mexican Stock Exchange. In accordance with bottling contracts between AC and TCCC and the bottling authorizations granted by the latter, AC has the exclusive right to carry out this type of activities with Coca-Cola products in Mexico, Argentina and the Republic of Ecuador (Ecuador). Its drinks portfolio includes: own brands, cola and flavored soft drinks, purified and flavored water, and other carbonated and non-carbonated drinks, in different presentations. Additionally, the company manufactures, distributes and sells fried food and snacks under the "Bokados" brand, and the brands handled by its recently acquired subsidiaries, Industrias Ecuatorianas, S. A. and Wise Foods, Inc. (see Note 2).

AC performs its activities through subsidiary companies owned by it or in which it has direct or indirect control over most of the common representative shares of their capital stock. The term "the Company" as used in this report, refers to AC jointly with its subsidiaries.

Arca Continental, S.A.B. de C.V. is a variable stock corporation incorporated in Mexico, with domicile in Ave. San Jerónimo 813 West, in Monterrey, Nuevo Leon, Mexico.

The following notes to the financial statements when referring to "Pesos" or "Ps", it means thousands of Mexican Pesos. When referring to "US$" or "Dollars", it means thousands of dollars from the United States of America. When referring to "US$" or "Dollars", it means thousands of dollars from the United States of America.

NOTE 2
BUSINESS ACQUISITIONS

To continue strengthening the Company's strategic position in the industry of snacks and carbonated drinks, AC carried out the following acquisitions and mergers during 2012 and 2011.

2012

A) ACQUISITION OF WISE FOODS, INC. (WISE FOODS)

On December 20, 2012, the Company acquired 100% of its representative shares of capital stock from Wise Foods, Inc., which is engaged in the manufacturing, marketing and distribution of salty snacks. This company markets its products under different brands owned by Wise Foods. The Company operates the manufacturing company, which is located in Berwick, Pennsylvania in the USA.

At December 31, 2012, the Company is in the process of determining the purchase price allocation of Wise Foods to fair values of assets acquired and liabilities assumed since it is reviewing assessments made by independent experts; consequently, determine goodwill (see Note 6), estimating that such analysis will be concluded in a maximum period of 12 months from the acquisition date. The financial statements of Wise Foods were consolidated by the Company, from December 20, 2012, date when the Company obtained effective control of its operations and temporarily include the assets and liabilities of Wise Foods, under the Company's best estimates based on the information available at the date of the financial statements.

B) ACQUISITION OF INDUSTRIAS ALIMENTICIAS ECUATORIANAS, S. A. (INALECSA)

On November 19, 2012, through its subsidiary, the Company acquired 100% of the shares representative of the capital stock of Industrias Alimenticias Ecuatorianas, S. A. the main activity of which is developing, manufacturing and marketing industrial bakery and salty snack products The company operates a manufacturing and plant and marketing company located in Ecuador.

At December 31, 2012, the Company is in the process of determining the purchase price allocation of Inalecsa to fair values of assets acquired and liabilities assumed since it is reviewing assessments made by independent experts;

consequently, determine goodwill (see Note 6), estimating that such analysis will be concluded in a maximum period of 12 months from the acquisition date. The financial statements of Inalecsa were consolidated by the Company, from November 19, 2012, date when the Company obtained effective control of its operations and temporarily include the assets and liabilities of Wise Foods, under the Company's best estimates based on the information available at the date of the financial statements.
Following is the preliminary incorporated condensed financial information for acquisitions of Wise Foods and Inalecsa expressed in thousands of pesos:

CURRENT ASSETS (1)	$ 458,796
PROPERTY, MACHINERY AND EQUIPMENT	263,559
INTANGIBLE ASSETS (2)	161,376
OTHER ASSETS (3)	258,769
CURRENT LIABILITIES (4)	(356,975)
EMPLOYEE BENEFIT LIABILITIES	(214,489)
NET ACQUIRED ASSETS	**$ 571,036**
TOTAL CONSIDERATION PAID	**$ 3,150,023**

(1) THE FAIR VALUE OF ACQUIRED ASSETS INCLUDES CASH AND CASH EQUIVALENTS FOR $114,318, ACCOUNTS RECEIVABLE $244,531 AND INVENTORIES FOR $87,496. THE CONTRACTUAL GROSS AMOUNT OF ACCOUNTS RECEIVABLE IS $255,609, OF WHICH $11,079 IS EXPECTED NOT TO BE RECOVERABLE.
(2) INTANGIBLE ASSETS MAINLY CONSIST IN BRANDS OF PRODUCTS MARKETED BY WISE FOODS AND INALECSA.
(3) OTHER ASSETS CONSIST IN DEFERRED TAXES FOR $251,272 AND GUARANTEE DEPOSITS FOR $4,635 AND OTHER ASSETS FOR $2,862.
(4) CURRENT LIABILITIES CONSIST IN SUPPLIERS AND ACCOUNTS PAYABLE FOR $229,426 AND TAXES PAYABLE FOR $19,967. THERE HAS BEEN NO CONTINGENT LIABILITY FROM THIS ACQUISITION THAT SHOULD BE RECORDED.

Expenses related to the acquisition of Wise Foods and Inalecsa amounted to $44,544 for purposes of fees and were recorded in the statement of income in the item of "Other expenses, net". Likewise, net proforma unaudited revenues of both companies as if acquired on January 1, 2012, amounted to $3,029,670.

2011

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

A) MERGER OF CONTAL

Up to June 1, 2011, Contal was a controlling company of bottling companies engaged in the manufacturing, purchase, distribution and sale of soft drinks, purified water and other non-carbonated drinks, all of which are trademarks owned by TCCC, in Western Mexico, through an agreement held for such purposes with TCCC.
The merger was approved in the Extraordinary Stockholders' Meetings of Arca and Contal, on May 20, 2011 effective as from June 1, 2011. Upon the merger, the Company remains as the merging company and Contal ceases to exist as the merged entity.
The merger was carried out through the exchange of new shares issued by the Company at a rate of 0.625 shares of Arca per each outstanding share of Contal. As a result of the above mentioned, the Company issued 468,750,000 new shares, which were exchanged for 100% of the shares representative of the capital stock of Contal. The accounting treatment of such merger was recorded by applying the purchase method.
The total purchase price determined was $21,637,690, based on the payment of shares issued at a price of $44 pesos per share published on May 31, 2012 ($20,625,000), plus a net payment in cash of $1,012,690, including a non-competition agreement and other concepts.

The allocation of the final purchase price was determined during 2011 in accordance with the fair values at the acquisition date. Such allocation is shown below:

	Net assets recorded at fair value on January 1, 2011
CURRENT ASSETS (1)	$ 2,466,102
INVESTMENT IN ASSOCIATES (2)	1,770,982
FIXED ASSETS	7,701,115
INTANGIBLE ASSETS	7,014,201
	$ 18,952,400
CURRENT LIABILITIES (3)	$1,132,796
DEFERRED INCOME TAX	1,241,414
EMPLOYEE BENEFITS	864,083
	$ 3,238,293
GOODWILL (4)	$ 5,497,143
TOTAL CONSIDERATION TRANSFERRED	$21,637,690

(1) THE FAIR VALUE OF ACQUIRED CURRENT ASSETS INCLUDES CASH AND CASH EQUIVALENTS FOR $1,126,414, ACCOUNTS RECEIVABLE FOR $318,031 AND INVENTORIES FOR $668,331. THE CONTRACTUAL GROSS AMOUNT OF ACCOUNTS RECEIVABLE IS $365,035, OF WHICH $45,004 IS EXPECTED NOT TO BE RECOVERABLE.
(2) INTANGIBLE ASSETS CONSIST OF THE RIGHT TO MANUFACTURE AND DISTRIBUTE PRODUCTS OF THE COCA-COLA BRAND IN THE TERRITORIES WHERE THE EXCLUSIVE RIGHTS WERE ACQUIRED.
(3) CURRENT LIABILITIES CONSIST IN SUPPLIERS AND ACCOUNTS PAYABLE FOR $867,012 AND TAXES PAYABLE FOR $170,582. THERE HAS BEEN NO CONTINGENT LIABILITY FROM THIS ACQUISITION THAT SHOULD BE RECORDED.
(4) GOODWILL IS NOT DEDUCTIBLE FOR TAX PURPOSES AND IS ATTRIBUTABLE TO THE LABOR FORCE OF THE BUSINESS ACQUIRED AND THE SYNERGIES EXPECTED TO ARISE FROM THE ACQUISITION OF CONTAL AND HAVE BEEN ASSIGNED TO THE OPERATING SEGMENT OF MEXICAN SOFT DRINKS. (SEE NOTE 6).

Expenses related to the Merger of AC and Contal amounted to approximately $178,916 for purposes of fees and services related to such transaction, which are recorded in the statement of income under the item “Other expenses, net”. The financial statements of the companies incorporated for purposes of the aforementioned merger, were consolidated as from June 1, 2011, date when the effective control of operations was obtained. The business acquired contributed to revenues of $9,444,567 and the net income of $1,225,018 of the Company for the period comprised from June 1 to December 31, 2011.
The consolidated proforma non-audited financial information presented below, for the period of twelve months concluded on December 31, 2011, makes the merger of Arca and Contal effective, as if it had occurred in January 1, 2011.

	Proforma information
CONCEPT:	
SALES	$50,927,167
NET INCOME	4,916,199

B) ACQUISITION OF PETSTAR, S. A. P. I. DE C. V.

In accordance with the TCCC strategy for sustainability purposes, on June 10, 2011 AC subscribed a sales agreement to acquire 100% of the shares representative of the capital stock of PetStar, S. A. P. I. de C. V. (PetStar), the main activity of which is to collect and recycle PET bottles and subsequent marketing of recycled PET resin.
The total price of the transaction was agreed at US$36,099 ($468,854), subject to adjustments and to a contribution to future increases of capital destined to the payment of the debt. The operation was performed during October 2011 and subsequently, in the same month, TCCC and some bottling companies in Mexico acquired 56% of the shares of PetStar; therefore, at December 31, 2011, AC only had 44% of the outstanding shares of such entity. See Note 3.b.

NOTE 3
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements and their notes were authorized for issuance on April 1, 2013, by the officials with the power of attorney who sign at the bottom of the basic financial statements and their notes.
Following are the most significant accounting policies followed by the Company and its subsidiaries, which have been applied consistently in the preparation of its financial information in the reporting years, unless otherwise specified:

A. BASIS OR PREPARATION

The consolidated financial statements of Arca Continental, S. A. B. de C. V. and subsidiaries, have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). IFRS also include all effective International Accounting Standards, as well as all related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) including those issued previously by the Standing Interpretations Committee (SIC).
In accordance with the amendments to the Rules for Public Companies and other Participants of the Mexican Stock Exchange, issued by the National Banking and Securities Commission on January 27, 2009, the Company is obliged to prepare its financial statements as from 2012, using IFRS as the accounting standard framework.
For comparative purposes, the consolidated financial statements at December 31, 2011 and the consolidated balance sheet at January 1, 2011 have been prepared in accordance with IFRS.
The Company changed its accounting policies from Mexican Financial Reporting Standards (MFRS) to comply with IFRS from January 1, 2012 onwards. The transition from MFRS to IFRS has been recorded in accordance with IFRS 1 establishing January 1, 2011 as the transition date. The reconciliation of the transition effects from MFRS to IFRS are disclosed in Note 28 to the consolidated financial statements.
The consolidated financial statements have been prepared under the historical cost, except for the exemptions applied by the Company disclosed in Note 28 and based on cash flow hedging instruments measured at fair value, as well as financial assets and liabilities at fair value with changes in income and available-for-sale financial assets.
The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires Management to pursue their judgment in the process of application of the Company's accounting policies. The areas that involve a high level of judgment or complexity, as well as the areas where judgments and assumptions are significant for the consolidated financial statements, are disclosed in Note 5.

B. CONSOLIDATION

i. Subsidiaries

The subsidiaries are all entities over which the Company has the power to control the financial and operating policies of the entity, generally with a stock ownership of more than half of the rights to vote. The existence and impact of potential rights of vote are considered upon assessment of whether the Company controls another entity. Additionally, the Company evaluates the existence of control in those cases in which it has no more than 50% of the rights of vote, but has the ability to direct financial and operating policies. Where the Company's ownership in subsidiaries is less than 100%, the equity attributed to external stockholders is shown as the non-controlling portion.
The subsidiaries are fully consolidated from the date the control is transferred to the Company and until the date it is terminated. The method of accounting used by the Company for the business combinations is the purchase method.
The consideration transferred in the acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and ownership in equity issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration agreement. Acquired identifiable assets, assumed liabilities and contingent liabilities in the business combination are measured initially at fair value at their acquisition date. The costs related to acquisitions are charged to income when incurred.
The Company recognizes any non-controlling equity in the entity acquired based on the proportional part of the non-controlling equity in net identifiable assets of the acquired entity. The costs related to the acquisition, are accounted for as incurred.

Goodwill is initially measured as the sum of the excess of the consideration transferred and the fair value of the non-controlling equity over net identifiable assets and acquired liabilities. If the consideration transferred is less than the fair value of the net assets of the acquired subsidiary, in the case of a bargain-price purchase, the difference is recorded directly in the consolidated statement of income.
Intercompany transactions and balances, as well as unrealized gains in intercompany transactions of the group are eliminated in the preparation of the consolidated financial statements. Unrealized losses are eliminated unless the transaction provides evidence of impairment in the transferred asset. In order to ensure consistency with the policies adopted by the Company, accounting policies of the subsidiaries have been modified where considered necessary.

At December 31, 2012 and 2011, the main subsidiaries of the Company are as follows:

	Country (a)	Ownership (%) percentage	Functional currency
ARCA CONTINENTAL, S. A. B. DE C. V. (PARENT COMPANY)			MEXICAN PESO
BEBIDAS MUNDIALES, S. DE R. L. DE C. V. (B)		99.99	MEXICAN PESO
DISTRIBUIDORA ARCA CONTINENTAL, S. DE R. L. DE C. V.			
(FORMERLY DISTRIBUIDORA DE JUGOS Y BEBIDAS DEL NORTE, S. A. DE C. V.)		99.99	MEXICAN PESO
PRODUCTORA Y COMERCIALIZADORA DE BEBIDAS ARCA, S. A. DE C. V.			
(ON NOVEMBER 1, 2012, IT MERGED JUGOS Y BEBIDAS CONTAL,			
S. A. P. I. DE C. V. AND BEBIDAS EMERGENTES DEL NORTE, S. A. P. I. DE C. V.)			
NACIONAL DE ALIMENTOS Y HELADOS, S. A. DE C. V. (NAYHSA)		99.99	MEXICAN PESO
COMPAÑÍA TOPO CHICO, S. DE R. L. DE C. V.		99.99	MEXICAN PESO
INDUSTRIAL DE PLÁSTICOS ARMA, S. A. DE C. V.		99.99	MEXICAN PESO
PROCESOS ESTANDARIZADOS ADMINISTRATIVOS, S. A. DE C. V.			
(ON JULY 1, 2012, IT MERGED CADENA COMERCIAL T3, S. A. DE C. V.)		99.99	MEXICAN PESO
EMBOTELLADORAS ARGOS, S. A.		99.99	MEXICAN PESO
FOMENTO DE AGUASCALIENTES, S. A. DE C. V. (C)		99.99	MEXICAN PESO
FOMENTO DURANGO, S. A. DE C. V. (C)		99.99	MEXICAN PESO
FOMENTO MAYRÁN, S. A. DE C. V. (C)		99.99	MEXICAN PESO
FOMENTO POTOSINO, S. A. DE C. V. (C)		99.99	MEXICAN PESO
FOMENTO RIO NAZAS, S. A. DE C. V. (C)		99.99	MEXICAN PESO
FOMENTO SAN LUIS, S. A. DE C. V. (C)		99.99	MEXICAN PESO
FOMENTO ZACATECANO, S. A. DE C. V. (C)		99.99	MEXICAN PESO
GROSSMAN Y ASOCIADOS, S. A. DE C. V. (C)		99.99	MEXICAN PESO
INMOBILIARIA FAVORITA, S. A. DE C. V. (C)		99.99	MEXICAN PESO
SERVICIOS EJECUTIVOS CONTINENTAL, S. A. (C) (D)		51.00	MEXICAN PESO
SOCIEDAD INDUSTRIAL, S. A. DE C. V. (C)		99.99	MEXICAN PESO
ALIANZAS Y SINERGIAS, S. A. DE C. V. (C)		99.99	MEXICAN PESO
DESARROLLADORA ARCA CONTINENTAL, S. DE R. L. DE C. V.			
(FORMERLY DESARROLLADORA ARCA, S. A. DE C. V.)		99.99	MEXICAN PESO
ARCA CONTINENTAL CORPORATIVO, S. DE R. L. DE C. V.			
(FORMERLY SERVICIOS CORPORATIVOS ARCA, S. A. DE C. V.)		99.99	MEXICAN PESO
INTEREX, CORP	UNITED STATES	100.00	US DOLLAR
ARCA CONTINENTAL USA, L. L. C.	UNITED STATES	100.00	US DOLLAR
AC SNACKS FOODS, INC.	UNITED STATES	100.00	US DOLLAR
WISE FOODS, INC. (NOTE 2)	UNITED STATES	100.00	US DOLLAR
MOORE'S QUALITY SNACK FOODS	UNITED STATES	100.00	US DOLLAR
WFI, INC.	UNITED STATES	100.00	US DOLLAR
EMBOTELLADORAS ARCA ARGENTINA S. A. (E)	ARGENTINA	75.00	ARGENTINE PESO
SALTA REFRESCOS S. A.	ARGENTINA	99.99	ARGENTINE PESO
ENVASES PLÁSTICOS S. A. I. C.	ARGENTINA	99.99	ARGENTINE PESO
FORMOSA REFRESCOS, S. A.	ARGENTINA	99.99	ARGENTINE PESO
DISTRIBUIDORA DICO, S. A.	ARGENTINA	99.99	ARGENTINE PESO

	Country (a)	Ownership (%) percentage	Functional currency
ARCA EUROPE COÖPERATIVE U. A. (F)	HOLANDA	100.00	US DOLLAR
ARCA ECUADOR, S. A.	SPAIN	75.00	US DOLLAR
INDUSTRIAS ALIMENTICIAS ECUATORIANAS, S. A. (NOTA 2)	ECUADOR	99.99	US DOLLAR
INDUSTRIAL DE GASEOSAS, S. A.	ECUADOR	99.99	US DOLLAR
CONGASEOSAS, S. A.	ECUADOR	99.99	US DOLLAR
EMBOTELLADORA Y PROCESADORA DE EL ORO, S. A.	ECUADOR	99.99	US DOLLAR
EMBOTELLADORA Y PROCESADORA DEL SUR, S. A.	ECUADOR	99.99	US DOLLAR
EMBOTELLADORA Y PROCESADORA CENTRAL, S. A.	ECUADOR	99.99	US DOLLAR
DIRECTCOM Y ASOCIADOS, S. A.	ECUADOR	99.99	US DOLLAR
BEBIDAS ARCA CONTINENTAL ECUADOR ARCADOR, S. A.	ECUADOR	100.00	US DOLLAR

(A) COMPANIES INCORPORATED IN MEXICO, EXCEPT THOSE INDICATED.
(B) AT APRIL 30, 2012 THE ENTITY MERGED THE FOLLOWING COMPANIES: EMBOTELLADORA AGUASCALIENTES, S. A. DE C. V., EMBOTELLADORA LA FAVORITA, S. A. DE C. V., EMBOTELLADORA ZAPOPAN, S. A. DE C. V., EMBOTELLADORA LOS ALTOS, S. A. DE C. V., EMBOTELLADORA GUADIANA, S. A. DE C. V., EMBOTELLADORA SAN LUIS, S. A. DE C. V., EMBOTELLADORA ZACATECAS, S. A. DE C. V. AND EMBOTELLADORA LAGUNERA, S. A. DE C. V.
(C) ENTITIES INCORPORATED IN THE MERGER BETWEEN ARCA AND CONTAL.
(D) AT DECEMBER 31, 2011 THE COMPANY OWNED 51% OF THE SHARES OF SUCH ENTITY, WHICH WERE SOLD IN JANUARY 2012.
(E) DURING 2012, ENTITIES IN ARGENTINA AND SPAIN WERE RESTRUCTURED AS FOLLOWS: 1) THE RE-DOMICILIATION OF EMBOTELLADORAS ARCA DE ARGENTINA, S. A. TO SPAIN CONCLUDED IN JUNE 2012, AND ITS CORPORATE NAME CHANGED TO ARCA CONTINENTAL ARGENTINA, S. A., 2) THE MERGER OF ROCKFALLS SPAIN, S. L. (ROCKFALLS) AND FRANKLINTON SPAIN, S. L. (FRANKLINTON), IN ARCA CONTINENTAL ARGENTINA, S. A. WAS APPROVED IN JUNE 2012. THIS MERGER BECAME EFFECTIVE IN NOVEMBER 2012. JOINTLY WITH THE ABOVE, ARCA CONTINENTAL ARGENTINA, S. A. BECOMES SOCIEDAD LIMITADA OR S. L.
(F) IN NOVEMBER 2012, THE LIQUIDATION OF ARCA EUROPE COÖPERATIVE U. A., A DUTCH COMPANY, WAS APPROVED. THIS LIQUIDATION IS ESTIMATED TO FULLY MATERIALIZE BY APRIL 2013.
(G) ON NOVEMBER 9, 2012, ARCA ECUADOR, S. A. INCORPORATED THE COMPANY BEBIDAS ARCA CONTINENTAL ARCADOR, S. A. COMPANY THAT AT DECEMBER 31, 2012 WAS INACTIVE.

ii. Absorption (dilution) of control in subsidiaries

The effect of absorption (dilution) of control in subsidiaries companies, reflecting an increase or decrease in the percentage of control, is recorded in stockholders' equity, directly in the retained earnings account, in the period in which the transactions that cause such effects occur. The effect of absorption (dilution) of control is determined by comparing the book value of the investment in shares based on the equity before the absorption (dilution) of control against the book value after the relevant event. In the event of a loss of control the related effect is included in income.

iii. Sale or disposal of subsidiaries

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

iv. Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. The Company's investment in associates includes goodwill identified on acquisition, net of any accrued impairment loss. The existence and impact of potential rights of vote that are currently exercisable or convertible are considered upon assessment of whether the Company controls another entity. Additionally, the Company evaluates the existence of control in those cases in which it has no more than 50% of the rights of vote, but has the ability to direct financial and operating policies. The costs related to acquisitions are charged to income when incurred.
Investments in associates are accounted for using the equity method. Under this method, investments are recorded initially at their acquisition cost. Subsequently those investments are recorded using the equity method, which consists in adjusting the investment value by the proportional part of profits or losses and the distribution of income from reimbursements of capital subsequent to the acquisition date.
If the equity in an associated company is reduced but significant influence is maintained, only a portion of the previously recognized amounts in comprehensive income will be reclassified to income for the year, when appropriate.

Equity in income of associated entities is recorded in the statement of income, and equity in the changes in other comprehensive income, subsequent to acquisition, is recorded in other comprehensive income. Cumulative changes subsequent to the acquisition are adjusted against the value in books of the investment. When the equity in losses of an associated company equals or exceeds the equity in associated company, including any other account receivable, the Company does not recognize additional losses, unless it has incurred in obligations or made payments on behalf of the associate. The Company evaluates at each reporting date whether there is objective evidence of impairment in the investment in associated company. If such impairment is present, the Company calculates the amount of impairment as the difference between the recoverable value of the associate and its value in books and records such amount in "equity in losses/ gains of associates" recorded through the equity method in the statement of income.

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

C. FOREIGN CURRENCY TRANSLATION

i. Functional and reporting currency

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

ii. Transactions and balances

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

iii. Conversion of overseas subsidiaries

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

- Assets and liabilities included in each balance sheet are translated at the exchange rate of the balance sheet closing date.
- Capital included in each balance sheet is translated at the historical exchange rate.
- Revenues and expenses included in each statement of income are translated at the average exchange rate (when the average exchange rate does not represent an reasonable approximation of the accumulated effect of transaction rates, the exchange rate at the transaction date is used); and
- All resulting exchange differences are recorded in comprehensive income (loss).

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

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

Before their conversion to pesos, the financial statements of foreign subsidiaries the functional currency of which is that of a hyperinflationary economy, is adjusted by inflation to reflect the changes in purchasing power of the local currency. Subsequently, assets, liabilities, revenues, costs and expenses are converted at the reporting currency using the exchange rate effective at year end. To determine the existence of hyperinflation, the Company evaluates the qualitative characteristics of the economic environment, as well as the quantitative characteristics established by IFRS of a cumulative inflation rate equal or greater than 100% in the most recent three-year period. At December 31, 2012 and 2011, the Company has had no foreign subsidiaries in hyperinflationary economies in accordance with IFRS.

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

	December 31, 2012	December 31, 2011	January 1, 2011
PESOS PER US DOLLAR	12.99	13.98	12.38
PESOS PER ARGENTINE PESO	2.64	3.25	3.11

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

	December 31, 2012	December 31, 2011	January 1, 2011
PESOS PER US DOLLAR	13.16	12.48	12.65
PESOS PER ARGENTINE PESO	2.88	3.01	3.23

D. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, all of these are subject to a low significant risk of changes in value or country risk.
These items are recorded at historical cost that does not significantly from its realization value.

E. FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Regular purchases and sales of financial assets are recognized on the settlement date.
Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership and the control of the financial asset.

i. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges.
Financial assets carried at fair value through profit or loss, are initially recognized at fair value, and transaction costs are expensed in the income statement. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement in the period in which they arise.

ii. Loans and trade receivables

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.
Loans and trade receivables are measured initially at fair value, plus directly attributable transaction costs, and subsequently at amortized cost. When circumstances occur that indicate that the amounts receivable will not be collected by the amounts originally agreed or will be in a different period, the trade receivables are impaired.

iii. Held to maturity investments

If the Company has demonstrable intention and ability to hold debt securities to maturity, they are classified as held to maturity. Assets in this category are classified as current assets if expected to be settled within the next 12 months, otherwise are classified as noncurrent. Initially, are recognized at fair value plus any directly attributable transaction costs, and subsequently are measured at amortized cost using the effective interest method.
Investments held to maturity are recognized or derecognized on the day they are transferred to, or from the Company. At December 31, 2012 and 2011 there is no investment balance held at maturity.

iv. Financial assets available for sale

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures in a period less than 12 months or Management intends to dispose of it within the following 12 months after the date of the balance sheet.
Available for sale financial assets are recognized initially at its fair value plus any directly attributable transaction costs. Subsequently, these assets are measured at its fair value (unless it cannot be measured by its price in an active market and the fair value cannot be measured reliably, in which case they are recognized at cost less impairment).
Changes in the fair value of monetary and non-monetary financial assets classified as available for sale are recognized in capital in the period they are incurred.
When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement.
At December 31, 2012 and 2011, there is no balance in financial assets available for sale.

FINANCIAL LIABILITIES

Financial liabilities that are not derivatives are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method. Liabilities in this category are classified as current liabilities if are expected to be settled within the next 12 months; otherwise, they are classified as non-current.
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Loans are initially recognized at fair value, net of transaction costs incurred. Loans are subsequently recognized at

amortized cost, any difference between the amounts received (net of transaction costs) and the settlement value is recognized in the income statement over the term of the loan using the effective interest method.

OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

IMPAIRMENT OF FINANCIAL INSTRUMENTS

a) Assets carried at amortized cost

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

Aspects to evaluate by the Company to determine whether there is objective evidence of impairment are:

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

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

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

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

b) Assets classified as available for sale

In the case of debt financial instruments, the Company also uses the previously listed criteria to identify whether there is objective evidence of impairment. In the case of equity financial instruments, a significant or prolonged decrease in its fair value below its cost is also considered objective evidence of impairment.

Subsequently, in the case of financial assets available for sale, an impairment loss determined by the difference between the acquisition cost and the current fair value of the asset, less any impairment loss previously recognized is reclassified from the accounts of other comprehensive income and is registered in the income statement. Impairment losses recognized in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

Impairment losses recognized in the income statement related to financial debt instruments could be reversed in subsequent years if the fair value of the asset is increased as a result of any subsequent events.

F. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

All derivative financial instruments entered into and identified are classified as fair value hedges or cash flow hedges, are included in the balance sheet as assets and/or liabilities at fair value and are measured subsequently at its fair value. The fair value is determined based on the prices in recognized markets; when no quoted market prices are available, it is determined based on valuation techniques accepted in the financial sector.

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

The changes in the fair value of derivative financial instruments are recognized in financing income or expense, except for changes in the fair value of derivative financial instruments associated to cash flow hedging, in such case, the changes are recognized in equity. These derivative financial instruments for hedging are entered to hedge against an existing risk and they comply with the related hedge accounting requirements, its designation as a hedge is documented at the inception of the transaction, specifying the related objective, initial position, risks to be hedged, type of hedge relationship, characteristics, accounting recognition and how their effectiveness will be assessed. Fair value hedges are stated at fair value and changes in valuation are recorded in income under the same caption as the hedged item. In the case of cash flow hedges, the effective portion is temporarily included in other comprehensive income in stockholders' equity and is reclassified to income when the hedged item affects income; the ineffective portion is recognized immediately in income. The Company suspends accounting for hedge transactions when the derivative instrument has expired, been cancelled or been exercised, when it has not reached a high degree of effectiveness to offset the changes in the fair value or cash flow of the hedged item, or when its designation as a hedge is cancelled.

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

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

The fair values of the financial derivative instruments reflected in the Company's financial statements represent a mathematical estimate of their fair values. The fair values are determined using models which belong to independent experts and involve the use of assumptions based on, past and current market conditions, and future expectations at the corresponding closing date.During the years ended December 31, 2012 and 2011, the Company has not contracted derivative financial instruments classified as fair value hedges.

G. INVENTORIES

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

H. ADVANCE PAYMENTS

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

I. PROPERTY, PLANT AND EQUIPMENT

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

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

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

BUILDINGS	30 – 70 years
MACHINERY AND EQUIPMENT	10 – 25 years
TRANSPORTATION EQUIPMENT	10 – 15 years
FURNITURE AND OTHER	3 - 10 years
PACKAGES AND DISTRIBUTION BOXES	2 - 7 years
REFRIGERATORS AND SALE EQUIPMENT	10 years

Land is valued at cost and not depreciated.
The spare parts or replacements to be used for more than one year and attributable to specific machinery are classified as property, plant and equipment in other fixed assets.
Borrowing costs related to financing of property, plant and equipment whose acquisition or construction requires a substantial period, are capitalized as part of the acquisition cost of such qualifying assets, until they are ready for the use to which they are intended or for its sale.
The residual value and useful lives of the assets are reviewed at least at the end of each reporting period and, if expectations differ from previous estimates, the changes are accounted as a change in accounting estimates.
Assets classified as property, plant and equipment are subject to impairment tests when facts or circumstances are present that indicate that the value in books of assets may not be recovered. An impairment loss is recognized for the amount in which the value in books of the asset exceeds its recovery value. The recovery value is the greatest between the fair value less sale costs and their value in use.
In the case that the book value is greater than the estimated recovery value, a decrease in value is recognized in the value in books of an asset and it is immediately recognized in its recovery value.
Gains and losses from disposal of assets are determined by comparing the sales value with the value in books and recorded in the item “Other expenses, net” in the statement of income.

J. LEASES

The classification as finance or operating leases depends on the substance of the transaction rather than the form of the contract. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.
Leases where the Company has substantially all the risks and rewards of the property are classified as finance leases. Finance leases are capitalized at the beginning of the lease at the lower of fair value of the leased property and the present value of the minimum lease payments. If its determination is practical, for discounting to present value the minimum lease payments, the implicit interest rate in the lease is used; otherwise, the incremental borrowing rate of the lessee should be used. Any initial direct cost of the lessee will be added to the original amount recognized as an asset. Each lease payment is allocated between the liability and finance charges until reach a constant rate in the actual amount. The corresponding rental obligations are included in long term debt, net of financial burdens. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

K. INTANGIBLE ASSETS

Goodwill represents the excess of the consideration transferred over the Company’s interest in net fair value of the net identifiable assets acquired determined at the acquisition date. Goodwill is presented in the caption of goodwill and intangible assets, and is recognized at its cost less accumulated impairment losses, which are not reversed. Gains or losses in the disposition of an entity include the carrying amount of the goodwill related to the entity disposed.
Goodwill is assigned to cash-generating units in order to carry out impairment tests. The assignment is made on cash-generating units or groups of units that are expected to benefit from the business combination from which the goodwill was derived, identified in accordance with the operating segment.
Intangible assets are recognized when complying with the following characteristics: the asset is identifiable, will generate future economic benefits and the Company has control over such benefits.
Intangible assets are classified as follows:

i) Indefinite useful life. - These intangible assets are not amortized and are subject to impairment tests annually. No circumstances that might affect their useful lives have been identified.
   Intangible assets of indefinite useful life consist in: a) bottling agreements (franchises agreements) that AC has entered into with TCCC, which grant rights to produce, bottle and distribute products owned by TCCC in the territories where the Company operates; b) brands marketed by NAYHSA and owned by Wise Foods and Inalecsa.
   The aforementioned agreements have certain maturity dates and do not guarantee their perpetual life; however, the Company considers, based on own experience and market evidence, that it will continue to renew these agreements; therefore, it has assigned these as intangible assets of indefinite useful life. Intangible assets of indefinite useful life are assigned to cash-generating units with the purpose of carrying out impairment tests.

ii) Finite useful life. - These intangible assets are recognized at cost less the accumulated amortization and the recognized impairment losses. These assets are amortized using the straight line method based on their estimated useful lives, determined in accordance with the expected generation of future economic benefits, and are also subject to impairment tests, if triggering events are identified. These intangible assets are represented mainly by licenses for the use of software acquired amortized in 5 years.

Estimated useful lives of intangible assets with finite and indefinite useful life, are reviewed annually.

L. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

M. INCOME TAXES

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

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

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

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

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

N. EMPLOYEE BENEFITS

In Mexico, the Company grants the following plans:

i. Pension plans

Defined contribution plans:

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

Defined contribution plans:

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

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates according to the IAS 19 that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. The discount rate reflects the value of money over time but not the actuarial or investment risk. Additionally, the discount rate does not reflect the credit risk of the entity, nor does it reflect the risk that future experience may differ from actuarial assumptions.

Actuarial gains and losses arising from employee benefits are recognized directly in the other comprehensive income.

Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time. In this case, the past service costs are amortized on a straight line basis over the vesting period.

In Ecuador, there are retirement pension plans, the provision of which is determined based on actuarial studies obtained from independent experts under the projected credit unit method.

In Argentina there are no pension plans, since such benefit is covered by the state of Argentina.

ii. Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

In the subsidiaries of Ecuador, there are dismissal plans (benefits upon termination of the labor relationship), the provision of which is determined based on actuarial studies obtained from independent experts under the projected credit unit method.

iii. Short term benefits

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

iv. Profit sharing and bonus plans

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

O. PROVISIONS

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

P. PREFERRED DIVIDENDS

The Company has 475 preferred shares of Arca Ecuador (without right to vote), that grant it the right to receive an annual preferred dividend. Cumulative preferred dividends of these shares are recorded as an account receivable until these are declared; however, at December 31, 2012, such dividends had not been recorded since at the date of issuance of these financial statements, the company does not have the audited financial statements in each jurisdiction yet. The estimated amount of these dividends at December 31, 2002 amounts to US$7 million ($8.75 million in 2011).

Q. COMMON STOCK

Common stock of the Company is classified as equity. Incremental costs directly attributable to the issuance of new common stock or options are shown in equity as a deduction, net of tax, from the proceeds.

R. COMPREHENSIVE INCOME

Comprehensive income is composed of net income plus other capital reserves, net of taxes, which are integrated by the effects of translation of foreign subsidiaries, the effects of derivative financial instruments for cash flow hedges, the actuarial gains or losses, the effects of the change in fair value of financial instruments available for sale, the participation in other comprehensive income items of associates and other items that for specific requirements are reflected in stockholders' equity and are not contributions, reductions and distribution of capital.

S. REPURCHASE FUND OF OWN SHARES

The Stockholders' Meeting periodically authorizes spending a maximum amount for the acquisition of own shares. Own shares acquired are presented as a decrease from the repurchase fund of own shares included in the balance sheet in the item of retained earnings and these are valued at acquisition cost. These amounts are expressed at historical cost. Dividends received are recognized by decreasing their historical cost.

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

T. INFORMATION BY SEGMENTS

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

U. REVENUE RECOGNITION

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

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

V. EARNINGS PER SHARE

Earnings (losses) per share are calculated by dividing the net profit (loss) attributed to the controlling portion by the weighted average of common shares outstanding during the year. To date, there are no dilution effects from financial instruments potentially convertible into shares.

W. INCENTIVE AGREEMENT FOR FRANCHISES

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

X. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New pronouncements and amendments issued but not yet effective for periods starting January 1, 2012 and have not been adopted by the Company.

IFRS 7, "Financial Instruments Disclosures":

In October 2010 the IASB amended IFRS 7, "Financial instruments: Disclosures". The standard amends the required disclosures to enable users of the financial statements to evaluate risk exposure related to transfers of financial assets and the effect of these risks on the financial position of the entity. For the Company, this amendment is effective on January 1, 2013.

IAS 1, "Presentation of Financial Statements"

In June 2011 the IASB amended IAS 1, "Presentation of financial statements". The main change resulting from this modification is the requirement to group items presented in other comprehensive income, on the basis of whether they are potentially reclassified to the income statement in later years. The amendments do not consider which items are presented in other comprehensive income. For the Company, this amendment is effective on January 1, 2013.

IFRS 9, "Financial Instruments"

IFRS 9, "Financial Instruments" was issued in November 2009 and contained requirements for classification and measurement of financial assets. Requirements for financial liabilities were included as part of IFRS 9 in October 2010. Most of the requirements for financial liabilities were taken from IAS 39 without making any changes. However, some amendments were made to the fair value option for financial liabilities to include own credit risk. In December 2011, the IASB made amendments to IFRS 9 to require its application for annual periods beginning on or after January 1, 2015.

IFRS 10, "Consolidated Financial Statements"

In May 2011 the IASB issued IFRS 10, "Consolidated Financial Statements". This standard outlines the principles for the presentation of consolidated financial statements when an entity controls one or more entities. IFRS 10 defines the principle of control and establishes control as the basis for determining the entities to be consolidated in the financial statements. The standard also includes the accounting requirements for the preparation of the consolidated financial statements, as well as the requirements for application of the principle of control. IFRS 10 replaces IAS 27, "Consolidated and separate financial statements" and SIC 12 "Consolidation Special purpose entities" and for the Company this amendment is effective on January 1, 2013.

IFRS 11, "Joint Arrangements"

In May 2011 the IASB issued IFRS 11 "Joint Arrangements". IFRS 11 classifies joint arrangements into two types: joint operations and joint ventures. The entity determines the type of joint arrangement in which it participates considering their rights and obligations. Under joint operations, assets, liabilities, revenues and expenses are recorded proportionally in accordance with the agreement. In a joint venture an investment is recognized and recorded using the equity method. The proportional consolidation of joint ventures is not permitted. For the Company, IFRS 11 is effective on January 1, 2013.

IFRS 12, "Disclosure of Interest in Other Entities"

The IASB issued IFRS 12, "Disclosure of Interests in Other Entities" in May 2011. IFRS 12 requires an entity to disclose information to evaluate the nature and risks associated with its interests in other entities, including joint arrangements, associates and special purpose entities. For the Company, IFRS 12 is effective on January 1, 2013.

IFRS 13, "Fair Value Measurement"
In May 2011 the IASB issued IFRS 13, "Fair Value Measurements". The objective of IFRS 13 is to provide a precise definition of fair value and be a single source for the measurement and disclosure requirements for fair value when it is required or permitted by other IFRSs. For the Company, IFRS 13 is effective on January 1, 2013.
IAS 19, "Employee Benefits"
In June 2011 the IASB amended IAS 19, "Employee Benefits". The amendments eliminate the corridor method and show the calculation of interest expense on a net basis. For the Company, this amendment is effective on January 1, 2013.
IAS 27, "Separate Financial Statements"
In May 2011 the IASB amended IAS 27 under a new title "Separate Financial Statements". This standard includes guidelines for separate financial statements that remained in place after the control provisions were included in IFRS 10. For the Company, this standard is effective on January 1, 2013.
IAS 28, "Investments in Associates and Joint Ventures"
In May 2011 the IASB amended IAS 28 under a new heading "Investments in Associates and Joint Ventures". The new standard includes requirements for joint ventures and associates for recognition in accordance with the equity method. For the Company, this standard is effective on January 1, 2013.

At the date of the financial statements, the Company's management is in the process of quantifying the effects of the adoption of the aforementioned new standards and amendments.

NOTE 4
FINANCIAL RISK MANAGEMENT

A) RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, interest rate risk on cash flows, and interest rate risk on fair values), credit risk and liquidity risk. The Company uses derivative financial instruments with hedging purposes, to reduce risks with respect to its financial liabilities, to hedge certain purchases, forecasted operations or commitments in foreign currency.
Management of exposure to credit, market and liquidity risk is carried out through the Company's Financial Risk Committee. The principal exposure to financial risks of the Company is mainly related to interest rate swaps over stock-market liabilities with variable interest rates, and forwards in US dollars for present or future commitments in foreign currency, provided these are related to its activity and industry, or certain forecasted operations, for example: prices for raw materials, trade accounts receivable and liquidity.
All operations with derivative financial instruments contracted by the Company are pre-analyzed, when applicable, approved and monitored periodically by the Financial Risk Committee. This committee presents the proposals to General Management, which in turn also periodically informs the Board of Directors. Both the Financial Risk Committee as well as General Management review the performance of these instruments on a quarterly basis, carrying out, when necessary, the anticipated cancellations, changes of instrument terms, etc.
Operations with derivative financial instruments are performed by the Company, contracted and administered in a corporate and central manner, contracting the necessary transactions for subsidiary companies, which do not perform this kind of operations individually. The Company operates this type of contracts with recognized financial and banking institutions and with a solid operating and financial structure.

Market risk

a) Foreign exchange risk (exchange rate
The foreign exchange risk is related to the risk that the fair value of future cash flows of a financial instrument changes due to exchange rate variations. The Company is exposed to exchange rate risks arising mainly from: a) its net exposure of foreign currency assets and liabilities, b) revenues from export sales, c) acquisition of raw materials, supplies and capital investments made in foreign currencies, and d) the net investment in subsidiaries held abroad. The greater exchange risk exposure of the Company is the variation of the Mexican peso with respect to the US dollar and the Argentine peso.
Net sales are denominated in Mexican pesos, Argentine pesos and US dollars. During 2012 and 2011, 76.50% and 75.68% of sales were generated in Mexican pesos, 13.57% and 13.11% in Argentine pesos and 9.93% and 11.21% in US dollars, respectively.
Following are the details of the Company's exposure to exchange rate risk at December 31, 2012 and 2011. The accompanying tables present the accounting value of the Company's financial instruments denominated in foreign currency:

						Thousands of Mexican pesos
				At December 31,		At January 1,
		2012		2011		2011
	US dollar	Argentine peso	US dollar	Argentine peso	US dollar	Argentine peso
MONETARY ASSETS:	$ 1,264,213	$ 1,234,448	$ 1,228,521	$ 1,022,889	$ 744,259	$ 775,087
MONETARY LIABILITIES	(1,672,344)	(1,234,243)	(1,341,787)	(1,100,643)	(1,272,756)	(882,804)
NET POSITION	($ 408,131)	$ 205	($ 113,266)	($ 77,754)	($ 528,497)	($ 107,717)

Based on the net monetary position of the Company at December 31, 2012, December 31, 2011 a hypothetical increase of one peso in the exchange rate with respect to the US dollar and all other variables constant will affect the Company's result in the amount of ($29,036), $62,454, and $23,747, respectively.

On the other hand, the Company is exposed to the changes in exchange rates related to the conversion from Argentine pesos to US dollars to Mexican pesos in income, assets and liabilities of its subsidiaries in Argentina and Ecuador. As detailed below in this Note, the Company contracts derivative financial instruments for hedging purposes in order to hedge certain commitments denominated in foreign currency for the acquisition of raw materials. The Company does not hedge risks related to the conversion of subsidiaries, the effects of which are recorded in stockholders' equity.

b) Interest rate risk

The interest rate risk arises mainly from the Company's financing sources. The main exposure is related to obligations with variable interest rates based on TIIE (Interbank Equilibrium Interest Rate).

The Company enters into derivative financial instrument agreements with the objective of minimizing the market risk and possible effects that could arise if faced by a significant increase in interest rates with respect to stock certificates issued through the Mexican Stock Exchange to maintain incremental effects in its costs and expenses at reasonable levels in the case of a relevant decrease of the peso vis-a-vis the US dollar, considering the foreign currency operation as a basis, as well as certain forecasted operations.

Derivative financial instruments contracted by the Company are interest rate swaps over stock liabilities with variable interest rates.

At December 31, 2012, December 31, 2011 and January 1, 2011, a big part of the debt, considering its value in pesos, was referenced to a fixed interest rate. At December 31, 2012, 6,400 million that, with respect to the total debt, represent 67%, at December 31, 2011, 6,900 million that represent 66% and at January 1, 2011, 4,900 million that represent 65%.

To manage interest rate risk, the Company follows an interest rate management policy that seeks to reduce the volatility of its interest expense and maintain an ideal percentage of its fixed rate instruments debt. The financial position is mainly fixed for the use of short term and long term debts as well as instruments derived such as interest rate swaps.

The terms and conditions of the Company's obligations at December 31, 2012, including exchange rates, interest rates, maturities and effective interest rates, are detailed in Note 13 below.

At December 2012 and 2011, considering the current hedging strategy of the Company in relation with the interest rate, if the TIIE at 28 days had increased 100 base points (1.oo%) with all other risk factors constant, it would favorably impact stockholders' equity in the amount of $17,910 and $25,511, respectively. The impact in net income (loss) of the year would not be very significant since the instruments exposing the Company to these risks are hedged by highly effective cash flows.

c) Risk in price of raw materials

The main exposure to the variation in prices of raw materials is related to the supply of concentrates, sweeteners and plastic packing used in the production of soft drinks.

The main raw materials used in the production are concentrates, acquired from TCCC, sweeteners and plastic packing. The Company is exposed to the risk of price fluctuation of these raw materials that represent as a whole 64.6% (69.1% in 2011) of the sales cost of drinks. The Company performs hedging activities over these purchases of raw materials corresponding to the variation in price, mainly of fructose.

At December 31, 2012, a depreciation of 1 Mexican peso vis-a-vis the US dollar with all other variables constant, would negatively affect the exchange rate forwards in stockholders' equity for an amount of $58,654. At December 31, 2011, the Company had no forwards portfolio effective at that date. The impact on the net gain (loss) of the year would not be significant since the instruments exposing the Company to these risks are under highly effective cash flow hedges.

Credit risk

The Company's normal operations expose it to potential non-compliance when its clients and considerations may not comply with its financial commitment or other commitments. The Company mitigates this risk upon holding transactions with a wide variety of counterparties. Further, it considers it may not be subject to unexpected financial problems from third parties that may affect its operations.

The Company has conservative policies to manage cash and temporary investments, which allows minimizing the risk in this type of financial assets, also considering that transactions are only carried out with financial institutions with high credit ratings.

The risk exposure related to accounts receivable is limited given the large number of clients located in different parts of Mexico, Argentina and Ecuador; however, the Company has reserves for impairment losses of accounts receivable from clients. For the risk control, the credit rating of the client is determined considering its financial position, past experience and other factors.

Given that part of the clients to which the Company is sold have no independent rating of their credit portfolio, management determines the maximum credit risk for each one of them, considering its financial positions and past experiences, among other factors. Credit limits are established in accordance with the policies established by management, which has controls to ensure their compliance.

During 2012 and 2011, approximately 78% of the Company's sales were in cash; therefore, there is no relevant credit risk associated to accounts receivable. Additionally, more than 5.77% and 6.56% of the net sales of 2012 and 2011 were made out to recognized supermarkets, which have had no default in the past; therefore, no impairment has been recognized thereof.

Liquidity risk

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

The Company has access to national and international credit institutions to face treasury needs. Furthermore, the Company has the highest rating for Mexican companies (AAA) granted by independent rating agencies, which allows to assess capital markets in case resources are needed.

Excess cash generated by the Company is invested in accordance with guidelines defined by the Board of Directors through the Committee of Planning and Finance, comprised mainly by Directors of the Administrative, Finance and Planning areas, who decide on a list of first rank in prestige and liquidity of "custodians" institutions. Investments in foreign currency for specific projects are only authorized in US$ or Euros.

The Company does not invest in capital markets or in investment companies. In the case of repurchase agreements, operations are only carried out with federal government notes of Mexico or the United States of America. Such operations are limited to the five biggest banks in Mexico. Foreign banks in which you can invest have the widest international coverage. Investment in private or corporate notes are limited to 15% of each issuance and to 5% of stock certificates, medium term promissory notes and/or commercial paper of qualified issuers by independent qualified agencies.

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

The remaining contractual maturities of financial liabilities of the company, wich initialy include the capital and interest viable in the future and until their maturity, at December 31, 2012, December 31, 2011 and January 1, 2011 are:

At December 31, 2012	Less than one year	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
CURRENT AND NON-CURRENT DEBT	$1,418,018	$7,943,659	$692,200	$5,285,771	$15,339,648
SUPPLIERS AND OTHER ACCOUNTS PAYABLE	3,613,209				3,613,209
DERIVATIVE FINANCIAL INSTRUMENTS			50,127		50,127
	$ 5,031,227	$ 7,943,659	$ 742,327	$ 5,285,771	$ 19,002,984

At December 31, 2011	Less than one year	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
CURRENT AND NON-CURRENT DEBT	$2,090,443	$5,674,130	$2,687,497	$5,631,871	$16,083,941
SUPPLIERS AND OTHER ACCOUNTS PAYABLE	2,633,715				2,633,715
DERIVATIVE FINANCIAL INSTRUMENTS	3,490	62,155			65,645
	$ 4,727,648	$5,736,285	$2,687,497	$5,631,871	$ 18,783,301

At January 1, 2011	Less than one year	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
CURRENT AND NON-CURRENT DEBT	$ 1,067,735	$4,659,642	$2,625,182	$3,251,425	$11,603,984
SUPPLIERS AND OTHER ACCOUNTS PAYABLE	1,756,777				1,756,777
DERIVATIVE FINANCIAL INSTRUMENTS	1,080	57,382			58,462
	$ 2,825,592	$ 4,717,024	$ 2,625,182	$ 3,251,425	$ 13,419,223

At December 31, 2012, 2011 and January 1, 2011, the Company have unused credit lines. .

B) CAPITAL MANAGEMENT

The Company's objectives for capital management (including capital stock, debt, working capital and cash and cash equivalents) have a flexible capital structure that reduces the capital cost to an acceptable risk level, to protect the Company's ability to continue as a going concern, as it takes advantage of strategic opportunities allowing for yields to stockholders. The Company manages its capital structure and makes adjustments thereof when there are changes in the economic conditions and the risk characteristics of underlying assets. The company holds effective framework agreements for operations with derivative financial instruments, (ISDA Master Agreements), to get different quotations upon the decision to carry out transactions with this kind of instruments, which are only made to hedge prices of raw materials that are documented in simple instruments (swaps, forwards or collaterals), prohibiting operations with structured notes. Operations with swaps held by the Company, only allow for the conversion of different currencies or interest rates (variable to fixed and vice versa).

The Company monitors its capital based on the ration of the Net Debt divided by Capital, which amounted to 16.80%, 21.53% and 24.64% at December 2012, December 31, 2011 and January 1, 2011, respectively.

NOTE 5
CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company has identified certain key accounting estimates on which its financial condition and results of operations are dependent. These key accounting estimates most often involve complex matters or are based on subjective judgments or decisions that require Management to make estimates and assumptions which affected the amounts reported in these consolidated financial statements. The Company's estimates are based on historical information, where applicable and other assumptions that they believe are reasonable under the circumstances.

Actual results may differ from estimates under different assumptions or conditions. In addition, estimates routinely require adjustments based on changing circumstances and the receipt of new or more accurate information.

The Company's most critical accounting estimates under IFRS are those that require Management to make estimates and assumptions that affect the reported amounts related to the accounting for fair value for financial instruments, valuation of non-current assets, goodwill and other indefinite-lived intangible assets as a result of a business acquisition, deferred taxes and pension benefits.

The estimates and assumptions that have a risk of causing material adjustments to the values in the financial statements are as follows:

A) ESTIMATED IMPAIRMENT OF OTHER INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIFE

The identification and measurement of impairment to intangible assets with indefinite lives involves the estimation of fair values. These estimates and assumptions could have a significant impact on whether or not an impairment charge is recognized and also the magnitude of any such charge. The Company performs valuation analyses with the assistance of third parties and consider relevant internal data, as well as other market information that is publicly available. Estimates of fair value are primarily determined using discounted cash flows and market comparisons. These approaches use significant estimates and assumptions, including projected future cash flows (including timing), discount rate reflecting the inherent risk in future cash flows, perpetual growth rate, determination of appropriate market comparables and the determination of whether a premium or discount should be applied to comparables.

Inherent in these estimates and assumptions is a certain level of risk, which the Company believes has considered in their valuations. Nevertheless, if future actual results differ from estimates, a possible impairment charge may be recognized in future periods related to the write-down of the carrying value of other intangibles in addition to the amounts recognized previously.

B) BUSINESS ACQUISITIONS – PURCHASE PRICE ALLOCATION

For business acquisitions, IFRS requires that a fair value exercise is undertaken allocating the purchase price (cost) to the fair value of the acquired identifiable assets and liabilities. Any difference between the cost of acquiring the interest and the fair value of the acquired net assets is recognized as acquired goodwill. The fair value exercise is performed at the date of acquisition.

As a result of the nature of fair value assessments, the purchase price allocation exercise and acquisition-date fair value determinations require subjective judgments based on a wide range of complex variables at a point in time. Management uses all available information to make the fair value determinations.

As market conditions change, adjustments to the fair value of these derivatives are made to reflect those conditions. In addition, hedging effectiveness needs to be evaluated on a periodic basis and to the extent the hedge is not deemed effective, hedge accounting ceases to be applied. Actual settlements of these derivatives will reflect the market conditions at the time and may differ significantly from the estimated fair market value reflected on the balance sheet.

The degree of Management's judgment involved in determining the fair value of a financial instrument is dependent upon the availability of quoted market prices. When observable market prices and parameters do not exist, Management's judgment is necessary to estimate fair value, in terms of estimating the future cash flows, based on variable terms of the instruments and the credit risk and in defining the applicable interest rate to discount those cash flows.

C) PENSION BENEFITS

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the cost (income) for pensions include the net discount rate. Any changes in these assumptions will impact the carrying value of the pension obligations.

The Company determines the appropriate discount rate at the end of each year. This interest rate should be used to determine the present value of cash outflows required to settle expected future pension obligations. In determining the appropriate discount rate, the Company considers the discount interest rate in accordance with IAS 19 "Employee benefits" that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

NOTE 6
INFORMATION BY SEGMENTS

Information by segments is presented consistently with the internal report or provided by the director of operations, who has been identified as the General Director of the Company, and represents the highest authority in decision making regarding operations, allocation of resources and assessment of performance of the operating segments.

An operation segment is defined as the component of an entity the separate financial information of which is continuously assessed.

The Company controls and evaluates its continuous operations within a geographic perspective as well as per product. Geographically management considers the performance in Mexico, Argentina and Ecuador. From the product perspective, management separately considers soft drinks and other products in these geographic areas.

Segments per products to be reported by the Company are:

- Soft drinks(include water in individual format) (Mexico, Argentina and Ecuador):
  This segment produces, distributes and sells refreshing soft drinks of the TCCC brands, in different territories of Mexico, Argentina and Ecuador. The Company has, within its drinks portfolio, cola and flavored drinks, purified and flavored water and other carbonated and non-carbonated drinks, in different presentations.

- Other segments

  This section presents those operation segments that do not consider individual reporting segments individually, since these do not comply with quantitative limits, as established in IFRS 8 “Operating Segments” for any of the reported years. In conformity with this standard, the operation segments with total revenues equal or less than 10% of total revenues of the Company do not require being reported individually and may be grouped with other operating segments that do not comply with the 10% limit, provided that the sum of these grouped operating segments does not exceed 25% of total revenues. These segments comprise:

  a) Jug water business (Mexico)

  b) Snacks (Mexico, Ecuador and United States)

The Company evaluates the performance of each one of the operating segments based on the profit before the net financial result, taxes, depreciation, amortization (operation flow or EBITDA), considering such indicator represents a good measure to evaluate operating performance and the ability to comply with capital obligations and interest with respect to the Company’s debt, as well as the ability to fund capital investments and requirements of working capital. However, the EBITDA is not a financial performance measure under IFRS and should not be considered as an alternative indicator of the net profit as an operating performance measure, or of cash flow as a liquidity measure.

The Company has defined the EBITDA or operating flow as the consolidated operating gain (loss) after adding or subtracting, as may be the case: (1) depreciation, amortization, and (2) non-recurrent expenses incurred (such as indemnities, among others, classified in the item of Other revenues and expenses, net in the statement of income).

Operations between operating segments are made at market value and accounting policies used to prepare information by segments are consistent with those described in Note 3. Following is the condensed financial information of operating segments to be reported:

For the year ended December 31, 2012:

	Soft drinks			Others		
	México	Argentina	Ecuador	México and others	Write-offs	Total
STATEMENT OF INCOME:						
SALES BY SEGMENT	$ 41,105,496	$ 7,755,335	$ 5,672,406	$ 1,810,319	($ 74,823)	$ 56,268,733
INTER-SEGMENT SALES	(74,823)				74,823	
SALES WITH EXTERNAL CLIENTS	$ 41,030,673	$ 7,755,335	$ 5,672,406	$ 1,810,319		$ 56,268,733
OPERATING INCOME	$ 6,619,863	$ 849,571	$ 579,015	$ 435,585	($ 20,928)	$ 8,463,106
OPERATING FLOW (1)	$ 8,816,422	$ 1,248,850	$ 1,018,010	$218,365		$ 11,301,647
NON-RECURRENT EXPENSES	$ 293,265	$ 93,788	$ 48,392			$ 435,445
DEPRECIATION AND AMORTIZATION	($ 1,744,443)	($ 305,490)	($ 274,235)	($ 78,929)		($ 2,403,097)
NET FINANCIAL RESULT	($ 521,277)	($ 223,479)	($ 57,198)	($ 78,566)		($ 880,520)
NET FINANCIAL RESULT INCOME OF ASSOCIATES	$135,665					$135,665
INCOME BEFORE TAXES	$5,994,253	$626,092	$626,150	$492,682	($20,926)	$7,718,251

For the year ended December 31, 2012:

			Soft drinks	Others		
	México	Argentina	Ecuador	México and others	Write-offs	Total
BALANCE SHEET:						
TOTAL ASSETS	$ 47,911,968	$ 5,155,038	$ 11,117,212	$ 12,165,144	($ 11,898,768)	$ 64,450,594
INVESTMENT IN ASSOCIATES	$ 2,982,560					$ 2,982,560
TOTAL LIABILITIES	$ 24,939,691	$ 1,530,272	$ 2,950,447	$ 2,798,828	($8,871,683)	$ 23,347,555
INVESTMENT IN FIXED ASSETS (CAPEX)	$ 3,193,543	$ 513,275	$ 698,410	$ 85,687		$ 4,490,915

For the year ended December 31, 2011:

			Soft drinks	Others		
	México	Argentina	Ecuador	México and others	Write-offs	Total
STATEMENT OF INCOME:						
SALES BY SEGMENT	$ 31,768,392	$ 5,748,385	$ 5,022,799	$ 1,470,018	($ 59,584)	$ 43,950,010
INTER-SEGMENT SALES	(59,584)				59,584	
SALES WITH EXTERNAL CLIENTS	$ 31,708,808	$ 5,748,385	$ 5,022,799	$ 1,470,018		$ 43,950,010
OPERATING INCOME	$ 4,800,446	$ 412,739	$ 496,112	$ 104,308	($ 12,026)	$ 5,801,579
OPERATING FLOW (1)	$ 6,541,536	$ 662,182	$ 813,189	$163,763		$ 8,180,670
NON-RECURRENT EXPENSES	$ 288,677	$ 22,126	$ 45,404			$ 356,207
DEPRECIATION AND AMORTIZATION	($ 1,452,414)	($ 227,317)	($ 271,673)	($ 71,480)		($ 2,022,884)
NET FINANCIAL RESULT	($ 293,441)	($ 191,614)	($ 55,134)	($ 41,299)		($ 581,488)
EQUITY IN NET INCOME OF ASSOCIATES	$96,136					$96,136
INCOME BEFORE TAXES	$4,569,820	$ 334,507	$ 460,044	($ 36,120)	($ 12,024)	$ 5,316,227
BALANCE SHEET:						
TOTAL ASSETS	$ 44,325,292	$ 5,594,645	$ 10,206,825	$ 8,869,702	($ 8,685,052)	$ 60,311,412
INVESTMENT IN ASSOCIATES	$ 2,428,551					$ 2,428,551
TOTAL LIABILITIES	$ 21,531,489	$ 1,629,578	$ 2,010,255	$ 1,602,768	($ 5,408,651)	$ 21,365,439
INVESTMENT IN FIXED ASSETS (CAPEX)	$3,630,372	$ 520,555	$ 456,038	$ 77,438		$4,684,403

Information by segments at January 1, 2011:

	Soft drinks			Others		
	México	Argentina	Ecuador	México and othes	Write-offs	Total
BALANCE SHEET:						
TOTAL ASSETS	$ 11,469,014	$4,597,590	$10,188,081	$13,046,620	($ 4,654,024)	$ 34,647,281
INVESTMENT IN ASSOCIATES	$ 696,300					$ 696,300
TOTAL LIABILITIES	$ 11,047,733	$1,078,277	$2,841,708	$ 2,173,885	($ 2,150,680)	$14,990,923
INVESTMENT IN FIXED ASSETS (CAPEX)	$ 1,075,697	$ 387,712	$ 96,972	$ 105,017		$ 1,665,398

(1) THE WAY IN WHICH AC MEASURES ITS OPERATION FLOW.

Following are the sales with external clients, as well as property, plant and equipment, goodwill and intangible assets per geographical area. Sales with external clients were classified based on their origin.

For the year ended December 31, 2012:

	Sales with external clients	Property, plant and equipment	Goodwill	Intangible assets
MEXICO	$ 42,752,762	$18,596,918	$8,373,123	$8,566,266
UNITED STATES	88,230	157,110	1,997,302	161,376
ARGENTINA	7,755,335	1,689,854	1,382,705	807,250
ECUADOR	5,672,406	2,079,962	3,723,958	4,127,585
TOTAL	$ 56,268,733	$ 22,523,844	$ 15,477,088	$ 13,662,477

For the year ended December 31, 2011:

	Sales with external clients	Property, plant and equipment	Goodwill	Intangible assets
MEXICO	$ 33,178,826	$ 18,652,605	$7,962,515	$8,133,630
ARGENTINA	5,748,385	1,840,315	1,700,120	992,563
ECUADOR	5,022,799	1,576,997	3,376,369	4,442,430
TOTAL	$ 43,950,010	$ 22,069,917	$ 13,039,004	$13,568,623

The Company's clients are commercial establishments classified in supermarkets, convenience stores, institutions and mainly small grocery stores.

NOTE 7
CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised as follows:

	At December 31,		At January 1,
	2012	2011	2011
PETTY CASH AND BANKS	$ 54,733	$ 28,745	$ 7,676
SHORT TERM BANK LOANS	810,424	579,025	454,911
SHORT TERM INVESTMENTS (LESS THAN THREE MONTHS)	1,811,041	2,690,375	3,165,831
TOTAL CASH AND CASH EQUIVALENTS	$ 2,676,198	$ 3,298,145	$ 3,628,418

At December 31, 2012 and 2011 and January 1, 2011, the Company had no restricted cash and cash equivalents.

NOTE 8
TRADE AND OTHER ACCOUNTS RECEIVABLE, NET

Trade and other accounts receivable are integrated as follows:

	At December 31, 2012	At December 31, 2011	At January 1, 2011
CLIENTS	$ 2,467,786	$ 1,871,729	$ 1,174,511
PROVISION FOR IMPAIRMENT OF CLIENTS	(40,650)	(45,732)	(8,805)
CLIENTS, NET	2,427,136	1,825,997	1,165,706
ACCOUNTS RECEIVABLE FROM RELATED PARTIES (NOTE 27)		44	11,200
TAXES RECOVERABLE	48,354	46,427	30,421
OTHER DEBTORS:			
-NOTES AND ACCOUNTS RECEIVABLE	58,958	10,350	11,288
-SUNDRY DEBTORS	894,549	452,727	542,307
ADVANCE PAYMENT	183,220	455,898	105,993
	$ 3,612,217	$ 2,791,443	$ 1,866,915

At December 31, 2012 and 2011 and January 1, 2011, none of the AC clients represent more than 10% of the Company's revenues individually or in total.

The analysis of the age of unimpaired past due trade account balances and other accounts receivable is as follows:

December 31, 2012	30 to 90 days	90 to 180 days	More than 180 days
TRADE AND OTHER ACCOUNTS RECEIVABLE	$ 142,783	$ 1,094,114	$ 80,797

December 31, 2011	30 to 90 days	90 to 180 days	More than 180 days
TRADE AND OTHER ACCOUNTS RECEIVABLE	$ 57,606	$ 41,677	$ 23,542

January 1, 2011	30 to 90 days	90 to 180 days	More than 180 days
TRADE AND OTHER ACCOUNTS RECEIVABLE	$ 111,678	$ 33,999	$ 70,263

Accounts receivable are denominated in the following currencies:

	At December 31, 2012	At December 31, 2011	At January 1, 2011
MEXICAN PESOS	$ 2,735,237	$ 2,364,497	$1,299,684
ARGENTINE PESO	301,929	166,742	180,293
US DOLLARS	575,051	260,204	386,938
	$ 3,612,217	$ 2,791,443	$ 1,866,915

Changes of client impairment provisions are analyzed as follows:

	2012	2011
BEGINNING BALANCE	$ 45,732	$ 8,805
PROVISION FOR IMPAIRMENT OF TRADE ACCOUNTS	33,276	40,653
ACCOUNTS RECEIVABLE CANCELLED DURING THE YEAR	(38,358)	(3,726)
FINAL BALANCE	$ 40,650	$ 45,732

Changes in income of the impairment provision for clients is recorded in selling expenses. Fair values of clients at December 31, 2012 and 2011 approximate their value in books (see Note 19.c)

NOTE 9
INVENTORIES

Inventories are integrated as follows:

	At December 31, 2012	At December 31, 2011	At January 1, 2011
RAW MATERIALS	$ 832,215	$ 775,194	$676,667
FINISHED GOODS	784,529	698,849	418,418
MATERIALS AND SPARE PARTS	687,645	709,048	243,721
WORK IN PROGRESS	21,472	23,248	18,777
GOODS IN TRANSIT	18,955		
	$ 2,344,816	$ 2,206,339	$ 1,357,583

For the years ended December 31, 201 and 2011, $9,436 and $4,889, respectively were recorded in income, corresponding to damaged, slow-moving and obsolete inventory.

NOTE 10
INVESTMENTS IN SHARES OF ASSOCIATES

Investment in shares of associates are integrated as follows:

	At December 31, 2012	At December 31, 2011
BEGINNING BALANCE	$ 2,428,551	$ 696,300
ADDITIONS	418,344	172,302
ADDITIONS FROM BUSINESS COMBINATIONS		1,770,982
WRITE-OFFS		(307,169)
EQUITY IN INCOME OF ASSOCIATES	135,665	96,136
FINAL BALANCE	$ 2,982,560	$ 2,428,551

The Company's equity in income of its main associates, as well as its assets and liabilities are presented below:

					January 01, 2011	
	Country of incorporation	Assets	Liabilities	Revenues	Gain (loss)	Stock ownership
JUGOS DEL VALLE, S. A. P. I. (JDV)	MÉXICO	$ 3,748,714	$ 762,634	$ 5,009,207	$ 41,520	11.99%
INDUSTRIA ENVASADORA DE QUERÉTARO, S. A. DE C. V. (IEQSA)	MÉXICO	822,416	321,137	2,179,808	45,904	15.26%
PROMOTORA MEXICANA DE EMBOTELLADORAS, S. A. DE C. V. (PROMESA)	MÉXICO	563,250	518,479	2,716,580	12,015	20.00%
		$ 5,134,380	$ 1,602,250	$ 9,905,595	$ 99,439	

At December 31, 2011

	Country of incorporation	Assets	Liabilities	Revenues	Gain (loss)	Stock ownership
PROMOTORA INDUSTRIAL AZUCARERA, S. A. DE C. V.(PIASA)	MÉXICO	$ 3,720,995	$ 1,312,352	$ 4,074,673	$ 290,075	49.00%
JUGOS DEL VALLE, S. A. P. I. (JDV)	MÉXICO	4,349,580	986,081	6,096	22,614	16.45%
INDUSTRIA ENVASADORA DE QUERÉTARO, S. A. DE C. V. (IEQSA)	MÉXICO	841,070	326,209	2,410,679	24,864	29.34%
ANDAMIOS ATLAS, S. A. DE C. V. (ANDAMIOS)	MÉXICO	673,866	129,856	369,931	64,349	23.81%
PETSTAR, S. A. P. I. DE C. V.	MÉXICO	556,719	35,446	538,427	(84,461)	44.17%
PROMOTORA MEXICANA DE EMBOTELLADORAS, S. A. DE C. V. (PROMESA)	MÉXICO	497,437	436,805	3,516,718	16,730	20.00%
		$10,639,667	$3,226,749	$10,916,524	$334,171	

At December 31, 2012

	Country of	Assets	Liabilities	Revenues	Gain (loss)	Stock ownership
PROMOTORA INDUSTRIAL AZUCARERA, S. A. DE C. V. (PIASA) (A)	MÉXICO	$ 3,988,211	$ 1,373,487	$ 4,055,365	$ 203,017	49.00%
JUGOS DEL VALLE, S. A. P. I. (JDV) (B)	MÉXICO	6,043,648	700,316	6,448,643	56,039	16.45%
INDUSTRIA ENVASADORA DE QUERÉTARO, S. A. DE C. V. (IEQSA) (C)	MÉXICO	817,481	308,511	2,770,466	39,109	29.34%
ANDAMIOS ATLAS, S. A. DE C. V. (ANDAMIOS) (D)	MÉXICO	785,912	190,083	420,943	81,424	23.81%
PETSTAR, S. A. P. I. DE C. V. (E)	MÉXICO	1,039,350	76,032	541,254	(17,607)	46.42%
PROMOTORA MEXICANA DE EMBOTELLADORAS, S. A. DE C. V. (PROMESA)	MÉXICO	441,075	396,597	5,917,538	8,846	20.00%
		$ 13,115,677	$ 3,045,026	$ 20,154,209	$ 370,828	

(A) AS PART OF THE MERGER DESCRIBED IN NOTE 2, THE COMPANY ACQUIRED 49% OF THE SHARES OWNED BY PIASA. THE INITIAL RECOGNITION OF THIS ASSOCIATE WAS MADE AT FAIR VALUE.
(B) DUE TO THE MERGER DESCRIBED IN NOTE 2, THE COMPANY INCREASED ITS OWNERSHIP PERCENTAGE IN JDV FROM 11.99% TO 16.45% FROM JANUARY 1, 2011 TO DECEMBER 31, 2011.
(C) DUE TO THE MERGER DESCRIBED IN NOTE 2, THE COMPANY INCREASED ITS OWNERSHIP PERCENTAGE IN IEQSA FROM 15.26% TO 29.34% FROM JANUARY 1, 2011 TO DECEMBER 31, 2011.
(D) AS PART OF THE MERGER DESCRIBED IN NOTE 2, THE COMPANY ACQUIRED 23.81% OF THE SHARES OWNED BY ANDAMIOS.
(E) DURING 2011, THE COMPANY ACQUIRED 44.17% OF THE SHARES OWNED BY PETSTAR AND DURING 2012 IT INCREASED ITS INTEREST TO 46.42%.

The Company has significant influence on its associates since it has the power to participate in deciding the financial and operation policies without having control, since it has twenty percent of the voting power of shares in these associates. The Company records its investment in JDV, as associates even though the Company maintains less than 20% of the capital stock issued, since the Company has significant influence over investment since it has the right to participate in the Board of Directors and participate in the financial and operation policies of the associate.
None of the associated companies have their shares publicly quoted and consequently there are no published market prices.

NOTE 11
PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment for the year ended at december 31, 2012 and 2011, are analyzed as follows:

								Depreciable assets	Non-depreciable assets		
	Buildings	Machinery and equipment	Trans-portation equipment	Refrige-rators and sale equipment	Bottles and boxes for distri-bution	Computer equipment	Furniture and other	Subtotal	Land	Inves-tments in process	Total
For the year ended December 31, 2011											
INITIAL BALANCE AT JANUARY 1	$ 3,507,611	$ 3,463,878	$ 1,219,021	$ 1,587,745	$ 677,959	$ 84,061	$ 601,325	$ 11,141,600	$ 1,776,764	$208,771	$ 13,127,135
ADDITIONS	136,730	649,395	393,476	659,333	615,652	69,774	188,404	2,712,764	1,416,733	554,906	4,684,403
ADDITIONS FROM BUSINESS COMBINATIONS	1,763,731	2,166,834	1,010,837	558,722	227,915	39,995	388,741	6,156,775	1,544,340		7,701,115
PROVISIONS	(47,577)	(373,110)	(203,309)	(117,857)	(503,379)	(12,872)	(144,886)	(1,402,990)	(44,149)		(1,447,139)
DEPRECIATION CHARGES RECORDED IN THE YEAR	(219,206)	(651,674)	(340,956)	(326,557)	(342,180)	(46,489)	(68,535)	(1,995,597)			(1,995,597)
TRANSFERS	169,585	288,661	30,755	61,127	25,360	73	(237,636)	337,925	(880)	(337,045)	
FINAL BALANCE	$ 5,310,874	$ 5,543,984	$ 2,109,824	$ 2,422,513	$ 701,327	$ 134,542	$ 727,413	$ 16,950,477	$ 4,692,808	$ 426,632	$ 22,069,917
At December 31, 2011											
COST	$ 8,210,713	$ 12,366,634	$ 5,622,435	$ 5,091,486	$ 1,924,581	$ 581,517	$ 1,456,860	$ 35,254,226	$ 4,692,808	$ 426,632	$ 40,373,666
ACCUMULATED DEPRECIATION	(2,899,839)	(6,822,650)	(3,512,611)	(2,668,973)	(1,223,254)	(446,975)	(729,447)	(18,303,749)			(18,303,749)
NET BOOK VALUE	$ 5,310,874	$ 5,543,984	$ 2,109,824	$ 2,422,513	$ 701,327	$ 134,542	$ 727,413	$ 16,950,477	$ 4,692,808	$ 426,632	$ 22,069,917
For the year ended December 31, 2012											
NET BOOK VALUE	$ 5,310,874	$ 5,543,984	$ 2,109,824	$ 2,422,513	$ 701,327	$ 134,542	$ 727,413	$ 16,950,477	$ 4,692,808	$ 426,632	$ 22,069,917
ADDITIONS	384,970	1,163,843	409,226	938,497	1,082,853	108,995	219,281	4,307,665		183,250	4,490,915
ADDITIONS FROM BUSINESS COMBINATIONS	77,770	131,073	16,996				530	226,369	14,936	22,254	263,559
PROVISIONS	(258,426)	(553,125)	(325,298)	(137,890)	(456,006)	(48,161)	(77,388)	(1,856,294)	(65,275)		(1,921,569)
DEPRECIATION CHARGES RECORDED IN THE YEAR	(239,556)	(668,501)	(381,483)	(425,018)	(476,891)	(66,706)	(120,823)	(2,378,978)			(2,378,978)
TRANSFERS				24,379		(2,796)		21,583		(21,583)	
FINAL BALANCE	$ 5,275,632	$ 5,617,274	$ 1,829,265	$ 2,822,481	$ 851,283	$ 125,874	$ 749,013	$ 17,270,822	$ 4,642,469	$610,553	$ 22,523,844
At December 31, 2012											
COST	$ 8,500,018	$ 13,373,177	$ 5,725,245	$ 5,916,472	$ 2,551,428	$ 639,555	$ 1,336,099	$ 38,041,994	$ 4,642,469	$ 610,553	$ 43,295,016
FINAL BALANCE	(3,224,386)	(7,755,903)	(3,895,980)	(3,093,991)	(1,700,145)	(513,681)	(587,086)	(20,771,172)			(20,771,172)
SALDO FINAL	$ 5,275,632	$ 5,617,274	$ 1,829,265	$ 2,822,481	$ 851,283	$ 125,874	$ 749,013	$ 17,270,822	$ 4,642,469	$ 610,553	$ 22,523,844

From the depreciation expense, $769,785 ($623,276 in 2011) were recorded in the cost of sales, $1,321,043 ($1,076,302 in 2011) in selling expenses and $288,150 ($296,019 in 2011) in administrative expenses.

At December 31, 2012, the Company has entered into a financial lease agreement for the acquisition of computer equipment. The agreement is secured by such goods and it amounts to $21,409 and bears interest at a rate of annual 15.5% with maturity in April 30, 2016. The Company does not have this type of agreements at December 31, 2011 and 2010.

NOTE 12
GOODWILL AND INTANGIBLE ASSETS, NET

Changes in intangible assets for the year ended December 31, 2012 and 2011 are analyzed as follows:

		Intangible assets acquired				
	Goodwill	Franchises agreements	Brands	Licenses for the use of software	Other	Total
INITIAL BALANCE AT JANUARY 1, 2011	$ 8,033,213	$ 5,341,436	$ 384,094	$ 106,285	$ 675	$ 13,865,703
EXCHANGE FLUCTUATION EFFECT	(491,352)	137,244				(354,108)
ADDITIONS THROUGH BUSINESS COMBINATIONS	5,497,143	7,014,201	493,503		133,828	13,138,675
PROVISIONS				(15,356)		(15,356)
AMORTIZATION EXPENSES RECORDED IN THE YEAR				(17,395)	(9,892)	(27,287)
FINAL BALANCE AT DECEMBER 31, 2011	$ 13,039,004	$ 12,492,881	$ 877,597	$ 73,534	$ 124,611	$ 26,607,627
At December 31, 2011						
COST	$ 13,039,004	$ 12,492,881	$ 877,597	$ 90,929	$ 134,503	$ 26,634,914
ACCUMULATED AMORTIZATION				(17,395)	(9,892)	(27,287)
NET VALUE IN BOOKS	$ 13,039,004	$ 12,492,881	$ 877,597	$ 73,534	$ 124,611	$ 26,607,627
INITIAL BALANCE AT JANUARY 1, 2012	$ 13,039,004	$ 12,492,881	$ 877,597	$ 73,534	$ 124,611	$ 26,607,627
EXCHANGE FLUCTUATION EFFECT	(146,098)					(146,098)
ADDITIONS				30,301		30,301
ADDITIONS THROUGH BUSINESS COMBINATIONS	2,584,182		161,376			2,745,558
PROVISIONS				(16,483)	(57,221)	(73,704)
AMORTIZATION CHARGES RECORDED IN THE YEAR				(14,758)	(9,361)	(24,119)
FINAL BALANCE AT DECEMBER 31, 2012	$ 15,477,088	$ 12,492,881	$ 1,038,973	$ 72,594	$ 58,029	$ 29,139,565
At December 31, 2012						
ATTRIBUTED COST	$ 15,477,088	$ 12,492,881	$ 1,038,973	$ 104,747	$ 88,812	$ 29,202,501
ACCUMULATED AMORTIZATION				(32,153)	(30,783)	(62,936)
NET BOOK VALUE	$ 15,477,088	$ 12,492,881	$ 1,038,973	$ 72,594	$ 58,029	$ 29,139,565

The total expense for amortization of $24,119 ($27,287 in 2011) was included in the cost of sales, $3,076 ($2,340 in 2011), in selling expenses $2,734 ($2,643 in 2011) and in administrative expenses $18,309 ($22,304).
Goodwill was increased in 2012 due to the acquisition of Wise Foods and Inalecsa in the Snacks segment. Goodwill acquired in business combinations are allocated at the date of acquisition of cash-generating units (UGE) expected to benefit from synergies of the business combinations.

The book value of goodwill allocated to different UGEs or group of these are as follows:

Cash-generating unit	2012	2011
MEXICO BEVERAGES	$ 7,835,007	$ 7,424,399
ECUADOR BEVERAGES	3,723,958	3,376,369
ARGENTINA BEVERAGES	1,382,705	1,700,120
WISE FOODS	1,997,302	
PETSTAR	281,343	281,343
NACIONAL DE ALIMENTOS Y HELADOS (NAYHSA)	256,773	256,773
	$ 15,477,088	$ 13,039,004

(1) IT INCLUDES GOODWILL OF INALECSA FOR $586,880.

At December 31, 2012, the recovery value estimate of identified UGEs, except the UGE Bebidas Ecuador, was made through the application of the market approach, estimating the amount of the fair value less disposal costs. Under the market approach an indication of value is determined comparing the UGE with other similar assets that have been sold. This approach is applied through methods of analysis of comparable transactions and the analysis of comparable public companies.

In the case of UGE Bebidas Ecuador, the recovery value was calculated through the estimate of the value in use, using the revenue approach in UGE. The value in use was determined upon discounting future cash flows generated by the continuous use of the UGE, using a discount rate before taxes of 13.42%, with an expected average volume growth of 12.88% of 2013 to 2017.

- The determination of cash flows was based on financial projections approached by management for a period of 5 years and they depend on expected rates of volume growth.
- The discount rate was calculated based on the weighted average of capital (at market value) of the cost of all financing sources as part of the capital structure of the UGE (liabilities with cost and capital stock).

At December 31, 2011, the recovery value estimate of total UGEs identified was carried out based on the value in use estimate. The value in use was determined upon discounting future cash flows generated by the continuous use of the UGE, using a discount rate before taxes of 13%. The key assumptions in the calculation of the value in use are as follows:

Cash-generating unit	Expected average growth
ECUADOR BEVERAGES	6.70%
MEXICO BEVERAGES	3.12%
ARGENTINA BEVERAGES	5.80%
BOKADOS	13.24%
OTHER	8.64%
CONSOLIDATED	6.04%

As a result of annual impairment tests, the Company did not record impairment losses in the years ended December 31, 2012 and 2011.

NOTE 13
DEBT

The debt is analyzed as follows:

	At December 31, 2012	At December 31, 2011	At January 1, 2011
CURRENT:			
STOCK CERTIFICATES	$ 9,558,722	$ 10,480,864	$ 7,730,477
BANCO FRANCES	121,697	230,115	128,800
BANCO DE LA PRODUCCION	184,317		114,697
SANTANDER	1,261,751	724,824	
BANCO BOLIVARIANO (A) (B)	65,828		155,700
CITIBANK ECUADOR	114,540	83,872	74,104
INTERNACIONAL	65,828		24,763
BANCO LOJA			24,763
BANCO GUAYAQUIL			14,726
OVERDRAFTS	37,144	14,393	30,014
INTERESTS PAYABLE	11,022	10,599	7,555
FINANCIAL LEASE	21,409		
CURRENT PORTION OF NON-CURRENT DEBT	(10,732,073)	(10,176,988)	(7,775,418)
CURRENT DEBT	$710,185	$1,367,679	$ 530,181
NON-CURRENT:			
STOCK CERTIFICATES	$ 9,583,123	$ 9,561,511	$ 7,694,770
SANTANDER	1,071,510	471,782	
BANCO DE LA PRODUCCION (A)			80,648
BANCO FRANCES	56,031	143,695	
FINANCIAL LEASE	21,409		
NON-CURRENT DEBT	$ 10,732,073	$ 10,176,988	$ 7,775,418
TOTAL DEBT	**$ 11,442,258**	**$ 11,544,667**	**$ 8,305,599**

(A) PRACTICALLY ALL DEBTS PRESENT AT JANUARY 1, 2011 CORRESPOND TO MORTGAGE LOANS, CONSOLIDATED IN ARCA AS FROM THE ACQUISITION OF ARCA ECUADOR.
(B) SHORT-TERM LOANS BEARING INTEREST AT RATES OF BETWEEN ANNUAL 7.00% AND 8.32%.

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

	Country	Cu-rrency	Rate of interest	Date of maturities 2012	At December 31, 2012	At December 31, 2011	At January 1, 2011
CEBUR ARCA 09-2	Mexico	MXN	TIIE 28 plus 1%	01/06/2012			$ 1,000,000
CEBUR ARCA 09-3	Mexico	MXN	9.75%	27/05/2016	$ 500,000	$ 500,000	500,000
CEBUR ARCA 09-4	Mexico	MXN	TIIE 28 plus 0.95%	04/12/2014	2,100,000	2,100,000	2,100,000
CEBUR ARCA 09-5	Mexico	MXN	9.5%	01/12/2016	400,000	400,000	400,000
CEBUR ARCA 10	Mexico	MXN	7.74%	13/11/2020	2,500,000	2,500,000	2,500,000
CEBUR ARCA 10-2	Mexico	MXN	TIIE 28 plus 0.29%	20/11/2015	1,000,000	1,000,000	1,000,000
CEBUR ARCA 11	Mexico	MXN	TIIE 28 plus 0.25%	07/10/2016	1,000,000	1,000,000	
CEBUR ARCA 11-2	Mexico	MXN	7.63%	01/10/2021	2,000,000	2,000,000	
SECURITIZATION SERIES B (PRODUFONDOS S. A.)	Ecuador	USD	7.75%	25/11/2012			42,510
SECURITIZATION SERIES B (PRODUFONDOS S. A.)	Ecuador	USD	7.75%	25/11/2012			2,889
SECURITIZATION SERIES B (PRODUFONDOS S. A.)	Ecuador	USD	8.75%	13/02/2015	83,123	61,511	149,371
STOCK CERTIFICATES					$9,583,123	$ 9,561,511	$ 7,694,770
BANCO SANTANDER, S. A.	Ecuador	USD	3.60%	24/06/2015	$ 204,561	$ 220,165	
BANCO SANTANDER, S. A.	Ecuador	USD	3.60%	24/06/2015	19,482	20,968	
BANCO SANTANDER, S. A.	Ecuador	USD	3.60%	24/06/2015	19,482	20,968	
BANCO SANTANDER, S. A.	Ecuador	USD	3.60%	24/06/2015	48,705		
BANCO SANTANDER, S. A.	Ecuador	USD	3.15%	15/11/2013		209,681	
BANCO SANTANDER, S. A.	Ecuador	USD	3.15%	15/11/2016	779,280		
BANCO DE LA PRODUCCIÓN, S. A. (PRODUBANCO)	Ecuador	USD	9.12%	04/06/2012			$ 19,809
BANCO DE LA PRODUCCIÓN, S. A. (PRODUBANCO)	Ecuador	USD	9.12%	02/07/2012			20,019
BANCO DE LA PRODUCCIÓN, S. A. (PRODUBANCO)	Ecuador	USD	9.02%	07/12/2012			10,351
BANCO DE LA PRODUCCIÓN, S. A. (PRODUBANCO)	Ecuador	USD	9.02%	11/09/2013			30,469
BBVA FRANCES	Argentina	ARG	15.25%	27/07/2013		70,084	
BBVA FRANCES	Argentina	ARG	13.95%	27/07/2013		29,291	
BBVA FRANCES	Argentina	ARG	15.25%	27/07/2014	56,031	44,320	
BANK LOANS					$ 1,127,541	$ 615,477	$ 80,648
FINANCIAL LEASE	Mexico	MXN	12.00%	30/04/2016	$ 21,409		
TOTAL					$ 10,732,073	$ 10,176,988	$ 7,775,418

At December 31, 2012, annual maturities of non-current debt are as follows:

	2014	2015	2016	2017 onwards	Total
STOCK CERTIFICATES	$ 2,100,000	$ 1,083,123	$ 1,900,000	$ 4,500,000	$ 9,583,123
BANK LOANS	56,031	292,230	779,280		1,127,541
FINANCIAL LEASE			21,409		21,409
	$ 2,156,031	$ 1,375,353	$ 2,700,689	$ 4,500,000	$ 10,732,073

Debt restrictions:

Most of the long-term debt contracts contain normal conditions, mainly regarding the compliance with the delivery of internal and audited financial information, which if not complied with in a specific term to the satisfaction of creditors, may be considered as an advance cause for termination.

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

- Change or modify the main business area or the activities of the Company and its subsidiaries.
- Incur or assume any debt guaranteed by a lien, including its subsidiaries, except for: i) simultaneously to the creation of any lien, the issuer (in this case the Company) guarantees its obligations in the same way in conformity with stock certificates, or ii) liens allowed in accordance with those described in the dual stock certificate programs of a revolving nature.
- Participate in mergers, in which the Company is merged and, in case that derived from the merger a new entity arises, the latter should assume the obligations of the debt issuing company.

At December 31, 2012 and at the date of issuance of these financial statements, the Company and its subsidiaries complied with the obligations agreed in the loan agreements.

NOTE 14
SUPPLIERS, RELATED PARTIES AND ASSOCIATES

The item of suppliers and other accounts payable, is integrated as follows:

	At December 31,		At January 1,
	2012	2011	2011
SUPPLIERS	$ 2,542,873	$ 1,948,325	$ 1,215,273
RELATED PARTIES (NOTE 27)	395,434	607,005	197,801
	$ 2,938,307	$ 2,555,330	$ 1,413,074

NOTE 15
OTHER LIABILITY AND PROVISIONS

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

	At December 31,		At January 1,
	2012	2011	2011
CURRENT			
SUNDRY CREDITORS	$ 674,902	$ 78,385	$ 343,703
FEDERAL AND STATE TAXES PAYABLE	762,568	676,102	487,127
CUMULATIVE EXPENSES PAYABLE	408,538	341,400	217,441
EMPLOYEES' PROFIT SHARING PAYABLE	402,419	538,608	312,985
REWARDS	164,497	63,478	39,265
DIVIDENDS PAYABLE	67,265	63,693	4,119
OTHERS	20,087	2,099	734
TOTAL OTHER CURRENT LIABILITIES	$ 2,500,276	$ 1,763,765	$ 1,405,374
NON-CURRENT			
GUARANTEE DEPOSITS BY BOTTLE	$ 40,301	$ 72,063	$ 78,803
PROVISION FOR JUDGMENTS	52,972	46,753	26,477
OTHER		473	47,296

TOTAL OTHER NON-CURRENT LIABILITIES	$ 93,273	$ 119,289	$ 152,576

The changes in provisions are as follows:

	2012	2011
BEGINNING BALANCE	$ 46,753	$ 26,477
CHARGE (CREDIT) TO INCOME:		
ADDITIONAL PROVISIONS	22,274	26,702
PROVISIONS USED		(6,982)
ELIMINATION OF UNUSED AMOUNTS	(7,234)	(1,991)
EXCHANGE DIFFERENCES	(8,821)	2,547
FINAL BALANCE	$ 52,972	$ 46,753

NOTE 16
EMPLOYEE BENEFITS

The valuation of retirement plan employee benefits, formal (covering a significant amount of workers in 2012 and 2011) and informal, covers all employees and is based primarily on years of service completed by them, their current age and estimated salary at retirement date.

Certain subsidiaries of the Company have defined contribution plans. In accordance with the structure of these plans, the reduction in labor liabilities is reflected progressively.

The main subsidiaries of the Company in Mexico have constituted funds destined to the payment of pensions and seniority premiums, as well as medical expenses through irrevocable trust funds. Contributions in 2012 amounted to $372,665 (%244,956 in 2011).

Following is a summary of the financial information corresponding to those employee benefits:

	At December 31,		At January 1,
	2012	2011	2011
OBLIGATIONS IN THE BALANCE SHEET:			
PENSION BENEFITS	($ 816,463)	($ 684,880)	$ 40,101
SENIORITY PREMIUMS	(178,936)	(178,210)	(71,019)
HEALTHCARE COVERAGE	(148,536)	(123,833)	(67,586)
INDEMNITIES FROM TERMINATION OF LABOR	(41,074)	(39,170)	(30,423)
DISMISSAL BONUS	(39,827)	(32,036)	(23,111)
LIABILITIES IN THE BALANCE SHEET	($ 1,224,836)	($ 1,058,129)	($ 152,038)
CHARGE IN THE STATEMENT OF INCOME (NOTE 20, 22 AND 23) FOR:			
PENSION BENEFITS	$ 124,598	$ 120,290	
SENIORITY PREMIUM	25,548	25,340	
HEALTHCARE COVERAGE	12,885	10,203	
INDEMNITIES FROM TERMINATION OF LABOR	4,744	4,306	
DISMISSAL BONUS	4,654	5,309	
	$ 172,429	$ 165,448	

	2012	2011
ACTUARIAL LOSSES (GAIN) RECORDED IN OTHER COMPREHENSIVE INCOME FOR THE PERIOD	$ 401,064	($ 148,428)

Total expenses recorded for the years ended December 31, where prorated as follows:

	2012	2011
COST OF SALES	$ 12,350	$ 8,013
SELLING EXPENSES	40,653	32,822
ADMINISTRATIVE EXPENSES	75,176	93,077
FINANCIAL INCOME	44,250	31,536
TOTAL	$ 172,429	$ 165,448

A) PENSION BENEFITS

The Company operates defined benefits pension plan based on employee pensionable remuneration and length of service. Most plans are funded by the Company. Plan assets are held in trusts, foundations or similar entities, governed by local regulations and practice in each country, as is the nature of the relationship between the Company and the trustees (or equivalent) and their composition.

The amounts recognized in the balance sheet are determined as follows:

	At December 31,		At January 1,
	2012	2011	2011
PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS	($ 3,340,158)	($ 2,810,295)	($ 743,663)
FAIR VALUE OF PLAN ASSETS	2,523,695	2,125,415	783,764
LIABILITIES IN THE BALANCE SHEET	($ 816,463)	($ 684,880)	$ 40,101

The movement in the defined benefit obligation over the year is as follows:

	2012	2011
AT JANUARY 1	($ 2,810,295)	($ 743,663)
LABOR COST	(100,037)	(103,998)
INTEREST COST	(24,561)	(16,292)
ACTUARIAL LOSSES (GAINS)	(122,226)	(204,606)
TRANSLATION EFFECT	(199,968)	(93,865)
COST OF PAST SERVICES	(3,759)	(2,788)
PAID BENEFITS	436,839	382,783
LIABILITIES ACQUIRED FROM BUSINESS COMBINATION	(516,151)	(2,037,558)
CURTAILMENTS		9,692
AT DECEMBER 31	($ 3,340,158)	($ 2,810,295)

The movement in the fair value of the plan assets over the year is as follows:

	2012	2011
AT JANUARY 1	$ 2,125,415	$ 783,764
EXPECTED YIELD OF PLAN ASSETS	193,782	129,341
ACTUARIAL GAINS (LOSSES)		83
TRANSLATION EFFECT		(1,429)
CONTRIBUTIONS	313,468	197,850
BENEFITS PAID	(436,839)	(378,073)
PLAN ASSETS FROM BUSINESS ACQUISITION	327,869	1,403,571
CURTAILMENTS		(9,692)
AT DECEMBER 31	$ 2,523,695	$ 2,125,415

The amounts recognized in the income statement are as follows:

	2012	2011
LABOR COST	$ 100,037	$ 103,998
INTEREST COST	24,561	16,292
TOTAL INCLUDED IN STAFF COSTS	$ 124,598	$ 120,290

Total expenses recognized were prorated as follows:

	2012	2011
COST OF SALES	$ 8,914	$ 4,719
SELLING EXPENSES	28,283	22,662
ADMINISTRATIVE EXPENSES	62,840	76,617
FINANCIAL INCOME	24,561	16,292
TOTAL	$ 124,598	$ 120,290

The principal actuarial assumptions were as follows:

	2012	2011
DISCOUNT RATE	7.25%	7.75%-8%
INFLATION RATE	3.50%	3.50%
GROWTH RATE OF WAGES	4.50%	4.50%
EXPECTED YIELD OF PLAN ASSETS	7.25%	7.75%
FUTURE SALARY INCREASES	2.63%	
EXPECTED LIFE	17.42	18.48

B) SENIORITY PREMIUM

The Company has a retirement seniority premium benefit plan. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes.
The amounts recognized in the balance sheet were determined as follows:

	At December 31,		At January 1,
	2012	2011	2011
PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS	($ 270,440)	($ 245,883)	($ 123,315)
FAIR VALUE OF PLAN ASSETS	91,504	67,673	52,296
LIABILITIES IN THE BALANCE SHEET	($ 178,936)	($ 178,210)	($ 71,019)

The movement in the defined benefit obligation over the year is as follows:

	2012	2011
AT JANUARY 1	($ 245,883)	($ 123,315)
LABOR COST	(15,069)	(16,327)
INTEREST COST	(10,479)	(9,013)
ACTUARIAL LOSSES (GAINS)	(30,859)	(13,445)
LIABILITIES ACQUIRED FROM BUSINESS COMBINATION		(104,067)
BENEFITS PAID	31,850	20,284
AT DECEMBER 31	($ 270,440)	($ 245,883)

The movement in the fair value of the plan assets over the year is as follows:

	2012	2011
AT JANUARY 1	$ 67,673	$ 52,296
EXPECTED YIELD OF PLAN ASSETS	8,157	1,517
CONTRIBUTIONS	47,524	34,144
BENEFITS PAID	(31,850)	(20,284)
AT DECEMBER 31	$ 91,504	$ 67,673

The amounts recognized in the income statement are as follows:

	2012	2011
LABOR COST	$ 15,069	$ 16,327
INTEREST COST	10,479	9,013
TOTAL INCLUDED IN STAFF COSTS	$ 25,548	$ 25,340

Total expenses recognized were prorated as follows:

	2012	2011
COST OF SALES	$ 2,740	$ 3,200
SELLING EXPENSES	10,155	9,976
ADMINISTRATIVE EXPENSES	2,174	3,151
FINANCIAL INCOME	10,479	9,013
TOTAL	$ 25,548	$ 25,340

C) HEALTHCARE COVERAGE

The Company has healthcare coverage benefits. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes.
The amounts recognized in the balance sheet are determined as follows:

	At December 31,		At January 1,
	2012	2011	2011
PRESENT VALUE OF FUNDED OBLIGATIONS	($ 366,656)	($ 332,059)	($ 263,460)
FAIR VALUE OF PLAN ASSETS	218,120	208,226	195,874
LIABILITIES IN THE BALANCE SHEET	($ 148,536)	($ 123,833)	($ 67,586)

The movement in the defined benefit obligation over the year is as follows:

	2012	2011
AT JANUARY 1	($ 332,059)	($ 263,460)
COST OF CURRENT SERVICES	(4,537)	(4,403)
INTEREST COST	(8,348)	(5,800)
ACTUARIAL LOSSES (GAINS)	8,989	(33,824)
PAID BENEFITS	9,163	8,301
LIABILITIES ACQUIRED FROM BUSINESS COMBINATION	(39,864)	(32,873)
AT DECEMBER 31	($ 366,656)	($ 332,059)

The movement in the fair value of the plan assets over the year is as follows:

	2012	2011
AT JANUARY 1	$ 208,226	$ 195,874
EXPECTED YIELD OF PLAN ASSETS	7,384	7,115
CONTRIBUTIONS	11,673	12,962
BENEFITS PAID	(9,163)	(7,725)
AT DECEMBER 31	$ 218,120	$ 208,226

The amounts recognized in the income statement are as follows:

	2012	2011
COST OF CURRENT SERVICE	$ 4,537	$ 4,403
INTEREST COST	8,348	5,800
TOTAL INCLUDED IN STAFF COSTS	$ 12,885	$ 10,203

Total expenses recognized were prorated as follows:

	2012	2011
COST OF SALES	$ 696	$ 94
SELLING EXPENSES	2,215	184
ADMINISTRATIVE EXPENSES	1,626	4,125
FINANCIAL INCOME	8,348	5,800
TOTAL	$ 12,885	$ 10,203

In Ecuador, there are dismissal plans (benefits upon termination of the labor relationship), the provision of which is determined based on actuarial studies obtained from independent experts under the projected credit unit method. The method of accounting, assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes for personnel working in Mexico.

D) INDEMNITIES FROM TERMINATION OF LABOR

The amounts recognized in the balance sheet are determined as follows:

	At December 31,		At January 1,
	2012	2011	2011
PRESENT VALUE OF UNFUNDED OBLIGATIONS	($ 41,074)	($ 39,170)	($ 30,423)
COST OF UNRECOGNIZED PAST SERVICES			
LIABILITIES IN THE BALANCE SHEET	($ 41,074)	($ 39,170)	($ 30,423)

The movement in the defined benefit obligation over the year is as follows:

	2012	2011
AT JANUARY 1	($ 39,170)	($ 30,423)
COST OF CURRENT SERVICES	(4,544)	(4,122)
INTEREST COST	(200)	(184)
ACTUARIAL LOSSES (GAINS)	1,666	1,454
EXCHANGE DIFFERENCES	2,583	(4,727)
COST OF PAST SERVICES	(1,409)	(1,168)
AT DECEMBER 31	($ 41,074)	($ 39,170)

The amounts recognized in the income statement are as follows:

	2012	2011
COST OF CURRENT SERVICE	$ 4,544	$ 4,122
COST OF INTEREST	200	184
TOTAL INCLUDED IN STAFF COSTS	$ 4,744	$ 4,306

Total expenses recognized were prorated as follows:

	2012	2011
ADMINISTRATIVE EXPENSES	$ 4,544	$ 4,122
FINANCIAL RESULT	200	184
TOTAL	$ 4,744	$ 4,306

E) REWARDS FROM TERMINATION

The amounts recognized in the balance sheet were determined as follows:

	At December 31,		At January 1,
	2012	2011	2011
PRESENT VALUE OF UNFUNDED OBLIGATIONS	($ 39,827)	($ 32,036)	($ 23,111)
COST OF UNRECOGNIZED PAST SERVICES			
LIABILITIES IN THE BALANCE SHEET	($ 39,827)	($ 32,036)	($ 23,111)

The movement in the defined benefit obligation over the year is as follows:

	2012	2011
AT JANUARY 1	($ 32,037)	($ 23,111)
COST OF CURRENT SERVICES	(3,992)	(5,062)
INTEREST COST	(662)	(247)
ACTUARIAL LOSSES (GAINS)	4,151	1,707
EXCHANGE DIFFERENCES	(642)	(4,459)
COST OF PAST SERVICES	(1,101)	(864)
LIABILITIES ACQUIRED FROM BUSINESS COMBINATION	(5,544)	
AT DECEMBER 31	($ 39,827)	($ 32,036)

The amounts recognized in the income statement are as follows:

	2012	2011
COST OF CURRENT SERVICE	$ 3,992	$ 5,062
COST OF INTEREST	662	247
TOTAL INCLUDED IN STAFF COSTS	$ 4,654	$ 5,309

Total expenses recognized were prorated as follows:

	2012	2011
ADMINISTRATIVE EXPENSES	$ 3,992	$ 5,062
FINANCIAL RESULT	662	247
TOTAL	$ 4,654	$ 5,309

NOTE 17
DEFERRED INCOME TAX

At December 31, 2012 and 2011 and at January 1, 2011 the deferred tax liability to be covered at over 12 months amounts $2,306,466, $2,686,419 and $2,943,205, respectively. The gross change in the deferred income tax account is as follows:

	2012	2011
AT JANUARY 1	($ 2,686,419)	($ 2,943,205)
(CHARGE) CREDIT TO THE STATEMENT OF INCOME	(99,410)	796,964
INCREASE FROM ACQUISITION OF SUBSIDIARIES	224,353	88,769
DEFERRED LIABILITY FROM TAX CONSOLIDATION	139,976	(580,653)
TAX PAYABLE (CREDITABLE) RELATED TO COMPONENTS OF OTHER COMPRESSIVE INCOME ITEMS	115,034	(48,294)
AT DECEMBER 31	($ 2,306,466)	($ 2,686,419)

The change in the deferred income tax liability during the year is shown below:

			Asset (Liability)
	At December 31,		At January 1,
	2012	2011	2011
EMPLOYEE BENEFITS	$ 502,753	$ 191,008	$ 13,042
TAX LOSS CARRYFORWARDS	438,540	580,653	
EMPLOYEES' PROFIT SHARING	105,124	52,741	47,713
OTHER	124,977	84,988	44,472
DEFERRED TAX ASSET	1,171,394	909,390	105,227
PROPERTY, PLANT AND EQUIPMENT, NET	(3,032,521)	(3,000,058)	(3,008,994)
INVENTORIES	(4,662)	(15,098)	(39,438)
TAX LOSSES USED IN TAX CONSOLIDATION	(440,677)	(580,653)	
DEFERRED TAX LIABILITY	(3,477,860)	(3,595,809)	(3,048,432)
DEFERRED TAX LIABILITY, NET	($ 2,306,466)	($ 2,686,419)	($ 2,943,205)

The changes in temporary differences during the year are as follows:

	Balance at December 31, 2011	Recog-nized in income	Increase from busi-ness combi-nations (1)	Recognized in other comprehen-sive income	Deferred liability from tax conso-lidation	Balance at December 31, 2012
EMPLOYEE BENEFITS	$ 191,008	$ 24,452	$ 166,974	$ 120,319		$ 502,753
TAX LOSS CARRYFORWARDS	580,653	(142,113)				438,540
EMPLOYEES' PROFIT SHARING	52,741	52,383				105,124
OTHER	84,988	(23,184)	68,458	(5,285)		124,977
	909,390	(88,462)	235,432	115,034		1,171,394
PROPERTY, PLANT AND EQUIPMENT, NET	(3,000,058)	(21,384)	(11,079)			(3,032,521)
INVENTORIES	(15,098)	10,436				(4,662)
TAX LOSSES USED IN TAX CONSOLIDATION	(580,653)				$ 139,976	(440,677)
	(3,595,809)	(10,948)	(11,079)		139,976	(3,477,860)
DEFERRED TAX LIABILITY	($ 2,686,419)	($ 99,410)	$ 224,353	$ 115,034	$ 139,976	($ 2,306,466)

	Balance at December 31, 2011	Recog-nized in income	Increa-se from business combina-tions (1)	Recog-nized in other com-prehensive income	Deferred liability from tax consoli-dation	Balance at December 31, 2012
EMPLOYEE BENEFITS	$ 13,042	($ 36,689)	$ 259,183	($ 44,528)		$ 191,008
TAX LOSS CARRYFORWARDS		580,653				580,653
EMPLOYEES' PROFIT SHARING	47,713	(52,112)	57,140			52,741
OTHER	44,472	5,052	39,230	(3,766)		84,988
	105,227	496,904	355,553	(48,294)		909,390
PROPERTY, PLANT AND EQUIPMENT, NET	(3,008,994)	275,720	(266,784)			(3,000,058)
INVENTORIES	(39,438)	24,340				(15,098)
TAX LOSSES USED IN TAX CONSOLIDATION					($ 580,653)	(580,653)
	(3,048,432)	300,060	(266,784)		(580,653)	(3,595,809)
DEFERRED TAX LIABILITY	($ 2,943,205)	$ 796,964	$ 88,769	($ 48,294)	($ 580,653)	($ 2,686,419)

(1) SEE NOTE 2.

Deferred income tax asset is recorded for tax loss carryforwards only to the extent that the realization of the tax benefit related through future tax profits is probable. The Company recorded a deferred tax asset for the total remaining tax loss and incurred for $438,540 for 2012 and $580,653 for 2011 respectively, with respect to tax losses in the remaining amount of $1,516,410 for 2012 and for $1,924,551 for 2011 date in which it was incurred, which may be amortized against future tax profits.

At December 31, 2012, tax loss carryforwards accumulated for a total of $1,516,410, expire in 2021.

INCOME TAX UNDER THE TAX CONSOLIDATION SYSTEM:

EIn 2012 and 2011, the Company determined a consolidated tax result of $5,970,671 and $1,064,312, respectively. The consolidated tax result differs from the consolidated accounting result, mainly due to those items accumulated through time and deducted differently for accounting and tax purposes, due to the recognition of the effects of inflation for tax purposes, as well as those items that not only affect the consolidated accounting or tax result.

At December 9, 2012 the Income Law for 2013 published that the Income Tax rate applicable for 2013 will be 30%, for 2014, it will be 29% and for 2015, it will be 28%.

On December 7, 2009 the decree through which se¬veral provisions of the income tax law are reformed, added and revoked, among which are the following:

a) The possibility of using credits for excess deductions over taxable income for flat tax purposes (flat tax loss credit) is eliminated in order to reduce income tax incurred, although they may be credited against the flat tax basis.

b) The tax consolidation system is modified to establish that the income tax payment related to the benefits of the tax consolidation obtained as of 1999 should be paid in installments during the years sixth to tenth subsequent to that in which such benefits were used.

Benefits from tax consolidation mentioned above, are derived from:

- Tax losses used in the tax consolidation that were not amortized individually by the controlled company that generated these.
- Special consolidation items derived from operations held among companies that consolidate and provided benefits.
- Losses from alienation of shares pending deduction individually for the controlled company that generated these.
- Dividends declared by the controlled consolidating companies not arising from its CUFIN and CUFINRE balance.

c) Differences between the consolidated CUFIN and CUFINRE balances and the balances of those same accounts of the controlled companies of the group may originate income that cause income tax.

Derived from the merger of Contal, in 2011, the Company absorbed a liability for deferred income tax derived from the tax consolidation for $239,779, which is being paid in installments by AC. In relation with this liability, the Company paid an amount of $199,326 for fiscal years 2010 to 2012, with a remaining balance payable of $94,453, which will be paid as shown in the following table (the payment mentioned above generated creditable taxes for $178,362, and the liability payable will generate a tax benefit of $80,207):

	Year of payment			
	2013	2014	2015 and subsequent	Total
TAX LOSSES	$ 5,541	$ 4,131	$ 2,642	$ 12,314
SPECIAL CONSOLIDATION ITEMS	1,015	917	1,319	3,251
DIVIDENDS DISTRIBUTED BY CONTROLLED COMPANIES NOT ARISING FROM CUFIN OR CUFINRE.	41,673	37,215		78,888
TOTAL	$ 48,229	$ 42,263	$ 3,961	$ 94,453

NOTE 18
STOCKHOLDERS' EQUITY

In a General Ordinary Meeting held on April 19, 2012, the stockholders declared a dividend in cash equal to %1.50 per share for total shares issued at that date, in the amount of $2,416,895, which was fully paid at April 30, 2012.

With the acquisition of Contal described in Note 2, in May 2011 Arca issued 468,750,000 new shares, which were exchanged for 100% of the shares representative of the capital stock of Contal. The shares were issued at a price of $44 with an increase in capital stock of $15,000 and premium for issuance of shares of $20,610,000.

In a General Ordinary Meeting held on July 4, 2011 the stockholders of Arca declared a dividend in shares and in cash equal to 0.341 shares or $13.60 per share from the total shares issued at that date, in the amount of $17,336,867. From the total dividend, $3,916,585 were paid in cash and $13,420,282 in shares, for which the Company issued 336,493,915 shares at a price of $0.03988. The decreed of dividends resulted in an increase in capital stock of $44,510 and a net increase in premium on issuance of shares of $10,882,111.

In a General Ordinary Meeting of Arca held on April 7, 2011, the stockholders declared a dividend in cash equal to %1.40 per share for total shares issued at that date, in the amount of $1,128,428, which was fully paid at April 14, 2011.

The number of shares of the Company at December 31, 2012 and 2011 was integrated as follows:

	Capital stock subscribed		
	Number of shares (a)		
	Fixed	Variable	Total
TOTAL SHARES AT JANUARY 1, 2011	434,066,289	371,953,370	806,019,659
SHARES ISSUED DUE TO THE MERGER (NOTE 2)	468,750,000		468,750,000
SUBTOTAL	902,816,289	371,953,370	1,274,769,659
SHARES ISSUED FROM DECLARATION OF DIVIDENDS IN SHARES ISSUED DUE TO THE MERGER (NOTE 2)		336,493,915	336,493,915
TOTAL SHARES AT DECEMBER 31, 2012 AND 2011	902,816,289	708,447,285	1,611,263,574

(a) The Company's capital stock is represented by a single series of common, nominative shares, without par value, without restrictions on the ownership and confer the same rights to its holders.

(b) The net income for the year is subject to the legal provision requiring at least 5% of the profit each year to be destined to increase the legal reserve until it equals 20% of the amount of the paid-in capital stock. At December 31, 2012, the amount of the legal reserve amounts to $18,622 included in retained earnings.

Dividends paid are not subject to income tax if they are paid from the after-tax earnings account (CUFIN for its Spanish acronym). Dividends paid in excess of this account are subject to a tax equivalent to 30% if paid in 2013. The tax is payable by the Company and may be credited against the income tax payable by the Company in the present year or in the following two immediate years or, if applicable, against the flat tax of the year. Dividends paid from retained earnings previously taxed are not subject to any tax withholding or payment. At December 31, 2012, the fiscal value of the consolidated CUFIN and the value of the Capital Contribution Account (CUCA) amounted $15,641,273 and $11,816,024, respectively (dividends in shares declared on July 4, 2011 mentioned in the previous Note are committed over the amount of CUFIN).

In the case of capital reduction, the procedures established by the Income Tax Law provide that any excess of capital stock on balances of contributed capital accounts, shall be accorded the same tax treatment as dividends.

NOTE 19
FINANCIAL INSTRUMENTS

A. FINANCIAL INSTRUMENTS PER CATEGORY

The value in books of financial instruments per category are integrated as follows:

At December 31, 2012

	Accounts receivable and payable at cost amortized	Hedging of derivatives	Total categories
FINANCIAL ASSETS:			
CASH AND CASH EQUIVALENTS	$ 2,676,198		$ 2,676,198
LONG TERM ACCOUNTS RECEIVABLE	3,612,217		3,612,217
DERIVATIVE FINANCIAL INSTRUMENTS		4,802	4,802
TOTAL FINANCIAL ASSETS	$ 6,288,415	$ 4,802	$ 6,293,217
FINANCIAL LIABILITIES:			
CURRENT DEBT	$ 710,185		$ 710,185
SUPPLIERS AND OTHER ACCOUNTS PAYABLE	5,438,583		5,438,583
NON-CURRENT DEBT	10,732,073		10,732,073
LONG-TERM DERIVATIVE FINANCIAL INSTRUMENTS		$ 50,127	50,127
TOTAL FINANCIAL LIABILITIES	$ 16,880,841	$ 50,127	$ 16,930,968

At December 31, 2012

	Accounts receivable and payable at cost amortized	Hedging of derivatives	Total categories
FINANCIAL ASSETS:			
CASH AND CASH EQUIVALENTS	$ 3,298,145		$ 3,298,145
ACCOUNTS RECEIVABLE, NET OF ESTIMATES	2,791,443		2,791,443
TOTAL FINANCIAL ASSETS	$ 6,089,588		$ 6,089,588
FINANCIAL LIABILITIES:			
CURRENT DEBT	$ 1,367,679		$ 1,367,679
SUPPLIERS AND OTHER ACCOUNTS PAYABLE	4,319,095		4,319,095
SHORT-TERM FINANCIAL INSTRUMENTS		$ 3,490	3,490
LONG TERM DEBT	10,176,988		10,176,988
LONG-TERM DERIVATIVE FINANCIAL INSTRUMENTS		62,155	62,155
TOTAL FINANCIAL LIABILITIES	$ 15,863,762	$ 65,645	$ 15,929,407

	Accounts receivable and payable at cost amortized	Hedging of derivatives	Total categories
			At January 01, 2011
FINANCIAL ASSETS:			
CASH AND CASH EQUIVALENTS	$ 3,628,418		$ 3,628,418
ACCOUNTS RECEIVABLE, NET OF ESTIMATES	1,866,915		1,866,915
TOTAL FINANCIAL ASSETS	$ 5,495,333		$ 5,495,333
FINANCIAL LIABILITIES:			
SHORT-TERM DEBT	$ 530,181		$ 530,181
SUPPLIERS AND OTHER ACCOUNTS PAYABLE	2,818,448		2,818,448
SHORT-TERM FINANCIAL INSTRUMENTS		$ 1,080	1,080
LONG-TERM DEBT	7,775,418		7,775,418
LONG-TERM DERIVATIVE FINANCIAL INSTRUMENTS		57,382	57,382
TOTAL FINANCIAL LIABILITIES	$ 11,124,047	$ 58,462	$ 11,182,509

B. CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed either by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	At December 31, 2012	At December 31, 2011	At January 1, 2011
TRADE AND OTHER ACCOUNTS RECEIVABLES			
COUNTERPARTIES WITHOUT EXTERNAL CREDIT RATING			
TYPE OF CLIENTS X	$ 2,003,656	$ 2,192,837	$ 1,662,294
TYPE OF CLIENTS Y	142,783	57,605	111,687
	$ 2,146,439	$ 2,250,442	$ 1,773,981

GROUP X - NEW CLIENTS/RELATED PARTIES (LESS THAN 30 DAYS).
GROUP Y - CLIENTS/CURRENT RELATED PARTIES (MORE THAN 90 DAYS) WITH NO PAST DEFAULT.

C. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The amount of cash and cash equivalents, accounts receivable, advance payments, suppliers and other accounts payable, current debt and other current liabilities approximate their fair value due to the short term of its maturity date. The net value in books of these accounts represents the expected cash flow.

The value in books and estimated fair value of the rest of the financial assets and liabilities are shown below:

	At December 31, 2012	
	Value in books	Fair value
ASSETS:		
NON-CURRENT ACCOUNTS RECEIVABLE	$ 43,023	$ 43,023
LIABILITIES:		
NON-CURRENT DEBT	10,732,073	11,147,439
DERIVATIVE INSTRUMENTS OF INTEREST RATES	50,127	50,127

	At December 31, 2011	
	Value in books	Fair value
ASSETS:		
NON-CURRENT ACCOUNTS RECEIVABLE	$ 48,514	$ 48,514
LIABILITIES:		
NON-CURRENT DEBT	10,176,988	11,294,320
DERIVATIVE INSTRUMENTS OF INTEREST RATES	65,645	65,645

	At January 01, 2011	
	Value in books	Fair value
ASSETS:		
NON-CURRENT ACCOUNTS RECEIVABLE	$ 39,472	$ 39,472
LIABILITIES:		
NON-CURRENT DEBT	7,775,418	7,684,809
DERIVATIVE INSTRUMENTS OF RAW MATERIAL	1,080	1,080
DERIVATIVE INSTRUMENTS OF INTEREST RATES	57,382	57,382

D. DERIVATIVE FINANCIAL INSTRUMENTS

The effectivity of derivative financial instruments for hedging purposes are measured periodically. At December 31, 2012 and 2011 and at January 1, 2011, the Company only holds financial instruments for the hedging of cash flow, interest rate swaps and exchange rate forwards, for which the effectivity was evaluated and it was determined that they were highly effective.

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

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

a) Interest rate swaps

The positions of derivative financial instruments of interest rates of swaps are summarized as follows (amounts in millions of pesos):

		Underlying asset value			Maturities per year			December 31, 2012
Contract	Notional amount	Units	Reference	Fair value	2013	2014	2015+	Collateral/ guarantee
SANTANDER	$ 500,000	%	5.7975	($ 25,160)		($ 25,160)		
SANTANDER	500,000	%	5.7975	(24,967)		(24,967)		
				($ 50,127)		($ 50,127)		

December 31, 2011

Contract	Notional amount	Underlying asset value: Units	Underlying asset value: Reference	Fair value	Maturities per year: 2012	2013	2014+	Collateral/ guarantee
SANTANDER	$ 500,000	%	5.7535	($ 31,230)			($ 31,230)	
SANTANDER	500,000	%	5.7535	(30,925)			(30,925)	
BANK OF AMERICA	500,000	%	5.8035	(3,490)	($ 3,490)			
				($ 65,645)	($ 3,490)		($ 62,155)	

At January 1, 2011

Contract	Notional amount	Underlying asset value: Units	Underlying asset value: Reference	Fair value	Maturities per year: 2012	2013	2014+	Collateral/ guarantee
BANK OF AMERICA	$ 500,000	%	5.875	($ 7,813)	($ 7,813)		-	
SANTANDER	500,000	%	5.825	(24,965)			(24,965)	
SANTANDER	500,000	%	5.825	(24,604)		-	(24,604)	
				($ 57,382)	($ 7,813)	-	($ 49,569)	

b) Exchange rate derivatives

Derivative financial instruments positions of exchange rates with hedging purposes are summarized follows (at December 31, 2011 these type of positions were not present):

At December 31, 2012

Contract	Notional amount	Underlying asset value: Units	Underlying asset value: Reference	Fair value	Maturities per year: 2013	2014	2015+	Collateral/ guarantee
SANTANDER	(US$ 5,000)	Pesos / Dollar	$12.9658	(US$ 8)	(US$ 8)			
DEUTSCHE BANK	(41,000)	Pesos / Dollar	$12.9658	410	410			
BANK OF AMERICA	(3,000)	Pesos / Dollar	$12.9658	136	136			
				US$ 538	US$ 538			

At January 1, 2011

Contract	Notional amount	Underlying asset value: Units	Underlying asset value: Reference	Fair value	Maturities per year: 2011	2012	2013	Collateral/ guarantee
Deutsche Bank	US$ 18,620	Pesos / Dollar	12.3496	(US$ 86)	(US$ 86)			
				(US$ 86)	(US$ 86)			

E) REASONABLE VALUE HIERARCHY

A 3-level hierarchy is established to be used upon measuring and disclosing the fair value. The classification of an instrument with the hierarchy of fair value is based on the lowest level of significant date used in its valuation. Following is the description of the level-3 hierarchy:

- Level 1 - Prices quoted for identical instruments in active markets.
- Level 2— Prices quoted for similar instruments in active markets; prices quoted for identical or similar instruments in non-active markets; and connections through models where significant data is observable in active markets.
- Level 3— Valuations made through techniques where one or more of its significant data are non-observable.

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

a. Determination of Fair Value

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

b. Measurement

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

	Level 2		
	At December 31, 2012	At December 31, 2011	At January 1, 2011
LIABILITIES:			
SHORT-TERM DERIVATIVE FINANCIAL INSTRUMENTS		$ 3,490	$ 1,080
LONG-TERM DERIVATIVE FINANCIAL INSTRUMENTS	$ 50,127	62,155	57,382
	$ 50,127	$ 65,645	$ 58,462

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

The fair value of financial instruments traded in active markets is based on the market price quoted at the closing date of the balance sheet A market is considered active when quotation prices are clearly and regularly available through a stock market, dealer, broker, industry group, price fixing services, or regulating agency and those prices show market transactions current and regularly in independence conditions.

Level 2 - Prices quoted for similar instruments in active markets.

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

Level 3 – Valuation techniques

If one or more of the significant inputs are not based on observable information in the market, the instrument is classified in Level 3..

NOTE 20
EXPENSES ACCORDING TO NATURE

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

	2012	2011
RAW MATERIALS AND OTHER SUPPLIES	$ 26,649,766	$ 21,363,870
STAFF EXPENSES	7,925,065	5,830,731
EMPLOYEE BENEFIT EXPENSES	128,179	133,912
VARIABLE SELLING EXPENSES	3,563,666	2,826,507
DEPRECIATION	2,378,978	1,995,597
AMORTIZATION	24,119	27,287
PROVISION FOR IMPAIRMENT OF TRADE ACCOUNTS	33,276	40,653
TRANSPORTATION	1,837,198	1,451,429
PUBLICITY, PROPAGANDA AND PUBLIC RELATIONS	1,472,934	1,164,622
MAINTENANCE AND CONSERVATION	1,358,301	1,070,484
PROFESSIONAL FEES	655,254	602,253
SUPPLIES (ELECTRICITY, GAS, TELEPHONE, ETC.)	281,108	300,382
LEASES	128,040	84,074
SENIORITY PREMIUMS	28,863	26,116
BANK SERVICES AND OTHER	3,377	2,604
TAXES (TAXES DIFFERENT FROM INCOME TAX, VALUE ADDED TAX AND TAX WITHHELD FROM PERSONNEL)	244,211	185,324
SPILLS, TEARS AND SHORTAGES	167,673	149,287
TRAVEL EXPENSES	123,730	127,749
STATIONERY AND SUPPLIES	4,427	3,611
CONSUMPTION OF MATERIALS OR SUPPLIES	5,328	3,802
PROVISION EXPENSES FROM TRIALS	22,274	26,702
OTHER EXPENSES	565,289	352,184
	$ 47,601,056	$ 37,769,180

NOTE 21
OTHER EXPENSES, NET

Other income and expenses for the years ended December 31 were comprised as follows:

	2012	2011
EXPENSES FROM MERGER OF WISE FOODS AND INALECSA IN 2012 AND CONTAL IN 2011 (NOTE 2)	($ 44,544)	($ 178,916)
INDEMNITIES	($ 320,509)	(131,887)
TAXES FROM PRIOR YEARS	(67,461)	(15,988)
INCOME FROM DIFFERENT USES	216,067	125,355
RESULTS FROM SALE OR DISPOSAL OF FIXED ASSETS	(17,926)	31,340
OTHER	29,802	(209,155)
TOTAL	($ 204,571)	($ 379,251)

NOTE 22
EMPLOYEE BENEFITS

Employee benefit expenses for the years ended December 31 are integrated as follows:

	2012	2011
WAGES, SALARIES AND BENEFITS	$ 6,599,556	$ 4,897,063
INDEMNITIES FROM TERMINATION OF LABOR	278,786	121,257
SOCIAL SECURITY CONTRIBUTIONS	1,046,723	812,411
EMPLOYEE BENEFITS (NOTE 16)	128,179	133,912
TOTAL	$ 8,053,244	$ 5,964,643

NOTE 23
REVENUES AND FINANCIAL COSTS

At December 31, revenues and financial costs are integrated as follows:

	2012	2011
FINANCIAL INCOME:		
- INCOME FROM INTEREST IN SHORT-TERM BANK DEPOSITS	$ 139,753	$ 172,642
- INTEREST INCOME IN LOANS TO AFFILIATES		25,189
- INTEREST RATE SWAPS: CASH FLOW HEDGES		11,949
- OTHER FINANCIAL INCOME	2,817	4,481
FINANCIAL INCOME, EXCLUDING GAIN FROM EXCHANGE GAIN	142,570	214,261
EXCHANGE GAIN	-	134,811
TOTAL FINANCIAL INCOME	$ 142,570	$ 349,072
FINANCIAL EXPENSES:		
- STOCK CERTIFICATES AND INTEREST RATE SWAPS (FAIR VALUE HEDGES)	($ 722,897)	($ 598,335)
- BANK LOANS	(71,687)	(168,049)
- FINANCIAL COST (EMPLOYEE BENEFITS)	(44,250)	(31,536)
- PAID TO SUPPLIERS	(7,344)	-
- TAXES RELATED TO FINANCIAL ACTIVITIES	(104,333)	(82,130)
- OTHER FINANCIAL EXPENSE	(44,139)	(50,510)
FINANCIAL EXPENSES, EXCLUDING EXCHANGE LOSS	(994,650)	(930,560)
EXCHANGE LOSS	(28,440)	-
TOTAL FINANCIAL EXPENSE	($ 1,023,090)	($ 930,560)
FINANCIAL RESULT, NET	($ 880,520)	($ 581,488)

NOTE 24
INCOME TAX

a) Income before taxes

National and international components of income before taxes are as follows:

	For the year ended December 31,	
	2012	2011
NATIONAL	$ 6,437,246	$ 4,487,535
INTERNATIONAL	1,281,005	828,692
	$ 7,718,251	$ 5,316,227

b) Components of income tax expense

Components of income tax expense include:

	2012	2011
TAX INCURRED:		
TAX INCURRED FROM INCOME FOR THE YEAR	($ 2,342,826)	($ 1,598,751)
DEFERRED TAX:		
ORIGIN AND REVERSAL OF TEMPORARY DIFFERENCES	(99,410)	796,964
TOTAL INCOME TAX EXPENSE	($ 2,442,236)	($ 801,787)

Federal national, foreign national and foreign state tax expense presented within the consolidated statements of income are comprised as follows:

	For the year ended December 31,	
	2012	2011
PAYABLE:		
NATIONAL	($ 1,880,913)	($ 1,357,904)
FOREIGN	(461,913)	(240,847)
	(2,342,826)	(1,598,751)
DEFERRED:		
NATIONAL	(180,291)	800,196
FOREIGN	80,881	(3,232)
	(99,410)	796,964
TOTAL	($ 2,442,236)	($ 801,787)

c) Reconciliation between the accounting and tax results

For the years ended December 31, 2012 and 2011, the reconciliation between the legal rate and effective rate amounts of taxes is shown below:

	For the year ended December 31,	
	2012	2011
TAX WITH STATUTORY RATE (30% FOR 2012 AND 2011)	($ 2,315,475)	($ 1,594,895)
INFLATION TAX EFFECTS	(85,331)	(67,351)
DIFFERENCES FOR TAX RATES OF INTERNATIONAL SUBSIDIARIES	(30,564)	(65,608)
NON-DEDUCTIBLE EXPENSES	(59,816)	(63,557)
EQUITY IN NET INCOME OF ASSOCIATES	40,700	28,841
OTHER NON-CUMULATIVE INCOME	46,008	69,536
TAX CONSOLIDATION BENEFITS	-	174,196
NON-COMPETITION AGREEMENTS	-	669,978
OTHER	(37,758)	47,073
EFFECTIVE TAX RATE (31.6% AND 16.1% FOR 2012 AND 2011, RESPECTIVELY))	**($ 2,442,236)**	**($ 801,787)**

Through the Income Law for fiscal year 2013, issued on December 9, 2012 and published in the Federal Official Gazette on December 17, 2012, the income tax rate in Mexico effective for 2013 will be 30%. That same law establishes that the Income Tax Law will be 29% in 2014 and 28% in 2015.

d) Tax related to comprehensive income components

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

	2012			2011		
	Before taxes	Tax payable/ (creditable)	After taxes	Before taxes	Tax payable/ (creditable)	After taxes
EFFECT OF DERIVATIVE FINANCIAL INSTRUMENTS CONTRACTED FOR CASH FLOW HEDGING PURPOSES	$ 17,617	($ 5,285)	$ 12,332	$ 12,552	($ 3,766)	$ 8,786
ACTUARIAL LOSSES OF LABOR LIABILITIES	(401,064)	120,319	(280,745)	148,428	(44,528)	103,900
DIFFERENCES FROM CURRENCY CONVERSION	(504,540)		(504,540)	(743,812)		(743,812)
OTHER COMPREHENSIVE INCOME	($ 887,987)	$ 115,034	($ 772,953)	($ 582,832)	($ 48,294)	($ 631,126)
DEFERRED TAX		**$ 115,034**			**($ 48,294)**	

NOTE 25
COMMITMENTS

RELATED TO BUSINESS ACQUISITIONS IN ECUADOR DESCRIBED IN NOTE 2, AS FOLLOWS:

1. Sale option rights in favor of minority partners of Arca Ecuador, S. A. (Arca Ecuador) and, Arca Continental Argentina, S. L., successor of Rockfalls and Franklinton if: i) AC experiences a change in control, as defined in the corresponding stockholders agreements or ii) such rights are exercised upon request of minority stockholders during 6 periods of 30 days each every half-yearly period, as from July 1, 2013.
2. Pledge agreement for representative shares of 12.5% of the capital stock of Arca Ecuador to guarantee the payment resulting from exercising any sales option in favor of minority stockholders of such company.
3. Pledge agreements on the shares representative of 12.5% of Arca Continental Argentina, S. L. (formerly Rockfalls and Franklinton companies merged into Arca Continental Argentina, S. L.) to guarantee the payment resulting from exercising any sales option right of the minority stockholders in such companies.
4. Pledge agreements on shares representative of 3.75% of Arca Continental Argentina, S. L. (formerly Rockfalls and Franklinton, companies merged into Arca Continental Argentina, S. L.) to guarantee the payment of indemnities to which the minority stockholders of this company may be entitled against AC derived from an agreement through which 25% of

the equity in Rockfalls and Franklinton was exchange for 15% of Arca Ecuador. These indemnities refer to losses derived from acts or omissions in the subsidiaries of AC in Argentina performed prior to the date when the equity in Rockfalls and Franklinton was transferred to minority stockholders for 25%.

5. Corporate guarantee granted by subsidiaries of AC in Ecuador and Argentina to guarantee the payment resulting from exercising any sales option right mentioned in number 1 above.

At the date of issuance of this report, minority stockholders have declared their intention not to exercise the sales option rights described above; therefore, it considers that, in accordance with provisions of IAS 37 "Liabilities, provisions, Contingent assets and liabilities", it is not probable that AC should record an obligation implying the future outflow of economic resources; therefore, no liability was recorded at December 31, 2012 and 2011 in relation with this issue.

NOTE 26
CONTINGENCIES

BOTTLING AGREEMENT

Agreements and current authorizations of the bottling company held by AC to bottle and distribute Coca-Cola products in the regions specified before, are as follows:

Region	Date of subscription	Date of maturity
Mexico (1) – (North)	September 23, 2004	September 22, 2014
Mexico (1) (West)	August 1, 2004	July 31, 2014
Northeast Argentina (2)	January 1, 2012	January 1, 2017
Northeast Argentina (2)	January 1, 2012	January 1, 2017
Ecuador (2)	January 1, 2013	December 31, 2017

(1) THEY CONTEMPLATE THE POSSIBILITY TO BE EXTENDED FOR AN ADDITIONAL TEN-YEAR PERIOD, FROM THEIR MATURITY DATE.
(2) THEY CONTEMPLATE THE POSSIBILITY TO BE EXTENDED FOR AN ADDITIONAL FIVE-YEAR PERIOD, FROM THEIR MATURITY DATE.

During more than 80 years of business relationship with TCCC, it has never denied AC the renewal of bottling agreements or the subscription of new agreements substituting the former. Management considers TCCC will continue renewing the agreements or extending the authorizations to the bottler upon the maturity dates, or in their place, new agreements will be subscribed or new authorizations granted to substitute current ones, but there is no certainty that this will occur. If this does not take place, the business and operating results of AC would be adversely affected.

TCCC provides the concentrates used in the preparation of products of its brands sold and has the unilateral right to establish the prices of such raw materials. If TCCC significantly increases the prices of its concentrates, the operating results of AC could be adversely affected.

Additionally, the bottling agreements held with TCCC establish that AC should not bottle any drink other than Coca-Cola, except as expressly authorized in the agreements. AC bottles and distributes some private label products with the authorization of TCCC.

MEXICAN ECONOMIC COMPETITION

a. On February 6, 2009, the Federal Official Gazette published an extract of the initial agreement, through which the Federal Commission of Economic Competition (EC) started an investigation on AC, and other bottlers of TCCC, due to related monopolistic practices established in sections IV and VIII of Article 10 of the Economic Commission of Economic Competition, in the market of carbonated drinks, commonly known as soft drinks.

AC and its bottling subsidiaries, were acquired from information by CFC, and the requirement was considered fully relieved. Furthermore on December 9, 2011, the Plenary Meeting of the CFC by unanimity of votes resolved to declare the closing of the file since there were not enough elements to support the probable responsibility of AC and the rest of the researching economic agents.

On February, 2012, Industria de Refrescos del Noreste, S. de R. L. de C. V., Bebidas Purificadas del Sureste, S. de R. L. de C. V. and Embotelladora Potosí, S. de R. L. de C. V., bottling companies of Pepsi Cola and economic agents complainant in such research process, contested the closing of the file declared by the plenary meeting of the CFC through filing a Reconsideration Appeal, which was resolved on May 2012, demanding the definitive closing of the file, which was not contested.

b. In 2003, Grupo Continental, S. A. B. (Contal) and its subsidiaries Embotelladora La Favorita, S. A. de C. V. and Embotelladora Zapopan, S. A. de C. V. were sanctioned by the CFC for related monopolistic practices as established in sections IV and V of Article 10 of the Federal Law on Economic Competition, in the market of carbonated drinks, com-

monly known as soft drinks, under the file number DE-21-2003 for a complaint filed by our competitor Ajemex, S. A. de C. V. (Ajemex). The amount of the sanction for each one of the companies was $10,530, which, having exhausted all the instances and legal procedures including the protection proceedings, was covered by Embotelladora La Favorita, S. A. de C. V. (La Favorita), and Embotelladora Zapopan, S. A. de C. V. (Zapopan).
The sanction imposed on Contal is currently subject to protection proceedings. An adverse resolution for Contal (currently AC) may no longer be contested.
Furthermore, Ajemex promoted a commercial lawsuit against La Favorita, Zapopan, TCCC and other bottling companies of Coca-Cola in Mexico, claiming solidarity, among other benefits, material damages for the effects on the commercial value of its brand in an amount not lower than $840,000 in damages due to the lack of gains not lower than $672,903 and moral damages. This issue was resolved favorably and definitively for TCCC, La Favorita, Zapopan, and other complainant bottlers.

PAYMENT OF PROFITS IN ECUADOR

In 2008, the Permanent Meeting of former workers, integrated by nearly 1,000 persons, filed an administrative claim against Ecuador Bottling Company (today Arca Ecuador) before the Ministry of Labor Relations for the lack of payment of profits since 1984 and until 2008. The lawsuit did not express a specific amount.
The Company considers that a very important part of such claim has expired and that it was not filed before the corresponding authorities. The Company is in the process of determining if this procedure may represent a significant contingency, and, when necessary, its amount.
To date, the Company has not constituted any reserve in relation with this procedure.

NOTE 27
RELATED PARTIES AND ASSOCIATES

The Company is controlled by the Control Trust, which owns 51% of total outstanding shares of the Company. The remaining 49% of the shares is widely distributed. The final controlling portion of the group are the families Barragan, Grossman, Fernandez and Arizpe.
Transactions with related parties were made at market value.

a) Payments to key management personnel

Key personnel includes key management personnel or directors that are relevant to the entity. Payments to key personnel for their services are shown below:

	2012	2011
WAGES AND OTHER SHORT TERM BENEFITS	$ 165,890	$ 223,811
PENSION PLAN	107,356	280,324
SENIORITY PREMIUM	110	346
POST-RETIREMENT MEDICAL EXPENSES	1,095	1,663
TOTAL	$ 274,451	$ 506,144

b) Balances with related parties

At December 31, 2012 and 2011, balances and transactions with related parties are as follows:

	At December 31, 2012	At December 31, 2011	At January 1, 2011
CCM (1)	$ 129,328	$ 274,239	
JDV	147,902	226,118	$ 73,367
PROMESA	25,540	53,957	109,977
PIASA	42,014	3,414	
IEQSA	23,318	42,508	3,334
OTHER	27,332	6,769	11,123
	$ 395,434	$ 607,005	$ 197,801

(1) CCM: COCA-COLA MEXICO

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

	Year ended December 31	
	2012	2011
PURCHASE OF CONCENTRATE	$ 6,255,446	$ 6,020,210
PURCHASE OF JUICES AND NECTARS	1,048,964	1,045,998
PURCHASE OF SUGAR	1,659,567	945,217
PURCHASE OF BOTTLED PRODUCT	931,801	682,836
PURCHASE OF CANS AND BOTTLES	364,454	378,762
PURCHASE OF REFRIGERATORS	379,038	306,476
ADVERTISING AND FEES	481,067	443,939
FREIGHT	51,305	31,956
PLATFORMS	57,799	29,664
PURCHASE OF SPARE PARTS AND OTHER	8,624	50,131
	$ 11,238,065	$ 9,935,189

NOTE 28
FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Until 2011, the Company issued its consolidated and combined financial statements in accordance with Mexican Financial Reporting Standards (MFRS). Since 2012, the Company issued its consolidated and combined financial statements in accordance with IFRS issued by the International Accounting Standards Board (IASB).

According to IFRS 1 "First-time Adoption of IFRS" the Company considered January 1, 2011 as its transition date and January 1, 2012 as its date of adoption. The amounts included in the consolidated and combined financial statements for 2011 have been reconciled to be presented under the same standards and criteria in 2012.

For the transition, the Company identified and quantified the differences between MFRS and IFRS for purposes of its opening balance sheet at January 1, 2011 and its conversion to IFRS on its financial information systems.

In preparing its opening balance sheet, based on the IFRS 1, the Company has adjusted amounts reported previously in financial statements prepared under MFRS. An explanation of how the transition from MFRS to IFRS has affected the Company's financial position, its financial performance and cash flows shown in the following tables and notes:

1. DECISIONS ON ADOPTION

1.1. IFRS optional exemptions

1.1.1. Exemption of fair value as assigned cost

IFRS 1 provides the option to measure the property, plant and equipment at fair value as well as certain intangible assets at the date of transition to IFRS and to use that fair value as its assigned cost at that date or to use an updated carrying amount determined under the previous GAAP (Generally Accepted Accounting Principles), if such updated carrying amount is comparable to: a) fair value or b) cost or depreciated cost in accordance with IFRS, adjusted to recognize changes in an inflation rate.

The Company chose, at its transition date, to reevaluate their land and property, plant and equipment at fair value. Thereafter, the Company uses the cost method for property, plant and equipment in accordance with IFRS.

With respect to intangible assets, different from goodwill, the Company eliminated accumulated inflation recorded in these assets, based on Mexican FRS during 1999 to 2007, since they are not considered hyperinflationary in accordance with IFRS.

1.1.2. Exemption for business acquisitions

IFRS 1 allows applying IFRS 3, "Business Combinations" ("IFRS 3"), prospectively as of the transition date or a specific date before the transition date. An entity that chooses to restore their purchases from a specific date before the transition date must include all acquisitions occurring in that period. This option allows avoiding retrospective application that would reset all business combinations that occurred before the transition date. The Company chose to prospectively apply IFRS 3 to business combinations occurring on or after the transition date. The business combinations before the transition date, such as goodwill determined in such acquisitions, were not modified.

1.1.3. Exemption to remove accumulative foreign currency translation
IFRS 1 allows canceling cumulative gains and losses in the foreign currency translation at the transition date. This exemption allows not calculating the cumulative translation effect in accordance with IAS 21, "The effects of changes in foreign exchange rates" ("IAS 21"), as of the date on which the subsidiary or investment accounted through the equity method was established or acquired. The Company chose to zero all cumulative gains and losses from translation against retained earnings under IFRS at the transition date; therefore, the balance of this item at the transition date is zero.

1.1.4. Exemption for labor obligations
The IFRS 1 allows not applying IAS 19, "Employee Benefits" ("IAS 19") retrospectively, for the recognition of actuarial gains and losses. In line with this exemption, the Company chose to recognize all cumulative actuarial gains and losses that existed at the transition date against retained earnings under IFRS. Hereinafter, the Company recognizes all actuarial gains and losses in the period in which these are generated against comprehensive income in accordance with IFRS.

1.2. Mandatory exemptions of IFRS

1.2.1. Exception of hedging accounting
Hedging accounting can only be applied prospectively from the transition date to transactions that meet the criteria of IAS 39 "Financial Instruments: Recognition and Measurement", at that time. Hedging accounting can only be applied prospectively from the transition date and is not allowed to create retrospectively documentation supporting a hedging relationship. All hedging transactions contracted by the Company met the criteria for hedging accounting as of January 1, 2011 and, accordingly, are reflected as hedging in the statements of financial position of the Company under IFRS.

1.2.2. Exception for accounting estimates
Estimates under IFRS at the transition date are consistent with those made under MFRS around the same time.
Additionally, the Company prospectively applied the following mandatory exceptions from January 1, 2011: derecognition (disposal) of financial assets and financial liabilities and non-controlling portion, without significant impact.

2. RECONCILIATIONS FROM MFRS TO IFRS

IFRS 1 require a reconciliation of equity, comprehensive income statement and cash flows for the prior periods. The following tables represent the reconciliations of MFRS to IFRS for the respective periods in equity, statement of comprehensive income and consolidated. The first time adoption of the Company had no impact in the total operating, investing and financing operation.
The reconciliations presented below detail the quantification of the impact for the Company of the transition to IFRS:
A) Reconciliation of the consolidated balance sheet at January 1, 2011
B) Reconciliation of the consolidated balance sheet at December 31, 2011
C) Reconciliation of the consolidated statement of income for the year ended December 31, 2011
D) Reconciliation of the consolidated statement of comprehensive income for the year ended December 31, 2011
E) Explanation of the effects of transition to IFRS
F) Explanation of the significant effects for the transition to IFRS in the consolidated statement of cash flows for the year ended December 31, 2011.

A) RECONCILIATION OF THE CONSOLIDATED BALANCE SHEET AT JANUARY 1, 2011

	Note	Mexican FRS	Effects of transition to IFRS	IFRS
ASSETS				
CURRENT:				
CASH AND CASH EQUIVALENTS		$ 3,628,418		$ 3,628,418
TRADE AND OTHER RECEIVABLES, NET		1,760,922	105,993	1,866,915
INVENTORIES	a.b.	2,018,467	(660,884)	1,357,583
ADVANCE PAYMENTS	b.	256,801	(256,801)	
TOTAL CURRENT ASSETS		7,664,608	(811,692)	6,852,916
NON-CURRENT:				
INVESTMENT IN ASSOCIATES		696,300		696,300
PROPERTY, PLANT AND EQUIPMENT, NET	a.b.	12,315,442	811,693	13,127,135
GOODWILL AND INTANGIBLE ASSETS, NET	c.	13,894,599	(28,896)	13,865,703
EMPLOYEE BENEFITS	d.	20,879	(20,879)	
DEFERRED INCOME TAX		105,227		105,227
TOTAL NON-CURRENT ASSETS		27,032,447	761,918	27,794,365
TOTAL ASSETS		$ 34,697,055	($ 49,774)	$ 34,647,281
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES				
CURRENT				
CURRENT DEBT	b.	$ 530,965	($ 784)	$ 530,181
SUPPLIERS AND OTHER ACCOUNTS PAYABLE	f.	1,726,059	(312,985)	1,413,074
DERIVATIVE FINANCIAL INSTRUMENTS		1,080		1,080
INCOME TAX PAYABLE	f.		455,368	455,368
OTHER CURRENT LIABILITIES	f.	1,547,756	(142,382)	1,405,374
TOTAL CURRENT LIABILITIES		3,805,860	(783)	3,805,077
NON-CURRENT:				
NON-CURRENT DEBT	b.	7,787,200	(11,782)	7,775,418
DERIVATIVE FINANCIAL INSTRUMENTS		57,382		57,382
EMPLOYEE BENEFIT LIABILITIES	d.		152,038	152,038
DEFERRED INCOME TAX	e.	3,034,083	14,349	3,048,432
DEFERRED EMPLOYEES' PROFIT SHARING	g.	190,309	(190,309)	
OTHER NON-CURRENT LIABILITIES	f.	152,576		152,576
TOTAL NON-CURRENT LIABILITIES		11,221,550	(35,704)	11,185,846
TOTAL LIABILITIES		$ 15,027,410	($ 36,487)	$ 14,990,923
STOCKHOLDERS' EQUITY				
OWNERS OF THE PARENT:				
CAPITAL STOCK		$ 4,697,989	($ 3,785,941)	$ 912,048
PREMIUM ON ISSUANCE OF SHARES	j.	728,659	(317,223)	411,436
RETAINED EARNINGS	k.	12,279,910	3,707,401	15,987,311
OTHER RESERVES	e.	(382,476)	382,476	
TOTAL OWNERS OF THE PARENT		17,324,082	(13,287)	17,310,795
NON-CONTROLLING INTEREST		2,345,563		2,345,563
TOTAL STOCKHOLDERS' EQUITY		19,669,645	(13,287)	19,656,358
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		$34,697,055	($ 49,774)	$ 34,647,281

B) RECONCILIATION OF THE CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2011

	Note	Mexican FRS	Effects of transition to IFRS	IFRS
ASSETS				
CURRENT:				
CASH AND CASH EQUIVALENTS		$ 3,298,145		$ 3,298,145
TRADE AND OTHER RECEIVABLES, NET		2,335,545	455,898	2,791,443
INVENTORIES	a.	3,488,216	(1,281,877)	2,206,339
ADVANCE PAYMENTS	b.	466,974	(466,974)	
TOTAL CURRENT ASSETS		9,588,880	(1,292,953)	8,295,927
NON-CURRENT:				
INVESTMENT IN ASSOCIATES		2,428,551		2,428,551
PROPERTY, PLANT AND EQUIPMENT, NET	a.b.m.	21,161,843	908,074	22,069,917
GOODWILL AND INTANGIBLE ASSETS, NET	c.	26,654,930	(47,303)	26,607,627
DEFERRED INCOME TAX	e.	580,653	328,737	909,390
TOTAL NON-CURRENT ASSETS		50,825,977	1,189,508	52,015,485
TOTAL ASSETS		$ 60,414,857	($ 103,445)	$ 60,311,412
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES				
CURRENT:				
CURRENT DEBT	b.h.	$ 1,371,396	($ 3,717)	$ 1,367,679
SUPPLIERS AND OTHER ACCOUNTS PAYABLE	f.	3,093,938	(538,608)	2,555,330
DERIVATIVE FINANCIAL INSTRUMENTS		3,490		3,490
INCOME TAX PAYABLE	f.		662,805	662,805
OTHER CURRENT LIABILITIES	f.	1,887,962	(124,197)	1,763,765
TOTAL CURRENT LIABILITIES		6,356,786	(3,717)	6,353,069
NON-CURRENT:				
NON-CURRENT DEBT	b.h.	10,204,092	(27,104)	10,176,988
DERIVATIVE FINANCIAL INSTRUMENTS		62,155		62,155
EMPLOYEE BENEFIT LIABILITIES	d.	919,061	139,068	1,058,129
DEFERRED INCOME TAX	e.h.	3,334,396	261,413	3,595,809
DEFERRED EMPLOYEES' PROFIT SHARING	g.	307,685	(307,685)	
OTHER NON-CURRENT LIABILITIES		119,289		119,289
TOTAL NON-CURRENT LIABILITIES		14,946,678	65,692	15,012,370
TOTAL LIABILITIES		$ 21,303,464	$ 61,975	$ 21,365,439
STOCKHOLDERS' EQUITY				
OWNERS OF THE PARENT:				
CAPITAL STOCK	i.	$ 5,696,249	($ 4,724,691)	$ 971,558
PREMIUM ON ISSUANCE OF SHARES	j.	26,861,182	1,229,335	28,090,517
RETAINED EARNINGS	k.	2,992,821	5,063,231	8,056,052
OTHER RESERVES	k.	838,524	(1,469,650)	(631,126)
TOTAL OWNERS OF THE PARENT		36,388,776	98,225	36,487,001
NON-CONTROLLING INTEREST		2,722,617	(263,645)	2,458,972
TOTAL STOCKHOLDERS' EQUITY		39,111,393	(165,420)	38,945,973
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		$ 60,414,857	($ 103,445)	$ 60,311,412

C) RECONCILIATION OF THE CONSOLIDATED STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	Mexican FRS	Effects of transition to IFRS	IFRS
NET SALES	a.k.	$ 44,797,561	($ 847,551)	$ 43,950,010
COST OF SALES	a.c.k.	(24,553,137)	390,650	(24,162,487)
GROSS PROFIT		20,244,424	(456,901)	19,787,523
SELLING EXPENSES	a.c.h.k.	(10,794,214)	(52,937)	(10,847,151)
ADMINISTRATIVE EXPENSES	a.c.h.k.	(2,803,689)	44,147	(2,759,542)
OTHER EXPENSES, NET	a.h.i.k.	(809,012)	429,761	(379,251)
OPERATING INCOME		5,837,509	(35,930)	5,801,579
NET FINANCE COSTS	a.k.	(423,783)	(157,705)	(581,488)
EQUITY IN NET INCOME OF ASSOCIATES		96,136		96,136
INCOME BEFORE TAXES		5,509,862	(193,635)	5,316,227
INCOME TAX	a.e.k.	(847,120)	45,333	(801,787)
CONSOLIDATED NET INCOME		$ 4,662,742	($ 148,302)	$ 4,514,440
NET CONSOLIDATED INCOME ATTRIBUTABLE TO:				
OWNERS OF THE PARENT		$ 4,510,360	($ 148,302)	$ 4,362,058
NON-CONTROLLING INTEREST		152,382		152,382
		$ 4,662,742	($ 148,302)	$ 4,514,440
INCOME PER BASIC AND DILUTED SHARE (PESOS)		$ 3.79		$ 3.67
WEIGHTED AVERAGE OF OUTSTANDING SHARES (THOUSANDS)		1,230,149		1,230,149

D) RECONCILIATION OF THE CONSOLIDATED STATEMENT OF COMPRHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2011

	Note	Mexican FRS	Effects of transition to IFRS	IFRS
NET INCOME FOR THE YEAR		$ 4,662,742	($ 148,302)	$ 4,514,440
OTHER ITEMS OF COMPREHENSIVE INCOME OF THE YEAR, NET OF TAXES:				
EFFECT OF CONVERSION OF FOREIGN ENTITIES	j.	1,221,000	(1,964,812)	(743,812)
EFFECT OF VALUATION OF DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGING		(44,060)	52,846	8,786
ACTUARIAL LOSSES FROM LABOR LIABILITIES	i.		103,900	103,900
TOTAL OTHER ITEMS OF COMPREHENSIVE INCOME FOR THE YEAR		1,176,940	(1,808,066)	(631,126)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		$ 5,839,682	($ 1,956,368)	$ 3,883,314
COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
OWNERS OF THE PARENT		$ 5,687,300	($ 1,956,368)	$ 3,730,932
NON-CONTROLLING INTEREST		152,382		152,382
COMPREHENSIVE INCOME FOR THE YEAR		$ 5,839,682	($ 1,956,368)	$ 3,883,314

E) EXPLANATION OF TRANSITION EFFECTS TO IFRS

a. Inventory

At January 1, 2011, the distribution bottles and boxes are classified as inventories under MFRS. These components complied with the definition of property, plant and equipment in accordance with IAS 16 under IFRS; therefore, the Company reclassified inventories to property, plant and equipment for $743,233 and $1,281,877, at the transition date of December 31, 2011, respectively.

b. Advance payments

The Company reclassified an amount of $82,348 and $0 from advance to suppliers to inventories,
to Property, plant and equipment for $68,460 and $11,076 at the transition date and at December 31, 2011, respectively. The final balance of $105,993 and $455,898 is shown within the item of trade and other accounts receivable at the transition date and at December 31, 2011, respectively.

c. Goodwill and intangible assets, net

The Company eliminated $16,330 at the transition date and at December 31, 2011, respectively due to the accumulated restatement of intangible assets generated subsequent to December 31, 1997. Likewise, the Company reclassified the costs of debt issuance recorded as intangible assets to debt for $12,566 and $30,973 at the transition date and at December 31, 2011, respectively.

d. Employee benefits

The MFRS D-3 “Employee’s Benefits” all termination benefits, including those that are paid in the event of involuntary termination, are considered in the actuarial calculation to estimate the liability for labor obligations. For IAS 19 “Employees’ Benefits”, an entity recognizes termination benefits as a liability as long as the entity is required to:
(a) terminate the contract of an employee before the retirement date; or
(b) establish termination benefits as a result of offers made to encourage voluntary waiver. Therefore, the Company canceled the provision recorded for ($82,247) and $227,822 at January 1 and December 31, 2011, respectively.
Under MFRS, the Company had a transition asset/liability derived from actuarial losses, which is amortized over a maximum period of 5 years. Under IFRS, these losses/gains would have been recognized since the creation of plans and consequently there would be no transition asset/liability and their respective amortization. Therefore, the Company cancelled the balance of such asset for $203,848 and $366,890 at January 1 and December 31, 2011.

e. Deferred tax

Derived from the exemptions applied as well as the differences described here, the accounting value of certain assets and liabilities were modified, so deferred taxes were recalculated using the guidelines of IAS 12 “Income Taxes”.

f. IFRS reclassifications

Arising from the adoption of IFRS, the Company made certain reclassification to adjust the figures to the new presentation rules.

g. Deferred employees’ profit sharing

In conformity with IAS 19 “Employee Benefits”, employees’ profit sharing is considered a benefit to employees since it is paid based on the service provided by the employee. The deferred employees’ profit sharing is based on the method of assets and liabilities since that method is only applied to income taxes; therefore, the Company eliminated the deferred employees’ profit sharing for $190,309 and $307,685 at the transition date and at December 31, 2011, respectively.

h. Debt

In accordance with IAS 39 “Financial statements: Recognition and measurement”, the financial liabilities were initially recorded at fair value and subsequently at amortized cost, using the effective interest method, which refers to the discount rate that equals exactly to cash flows payable estimated during the expected life of the debt. At the transition date, the Company adjusted the value of its bank debt at amortized cost by $152.

i. Common stock

At the transition date, the Company eliminated $3,785,941 for the accumulated restatement of capital stock of Arca on January 1, 1998 until December 31, 2007.
At December 31, 2011 the Company additionally eliminated $932,076 for accumulated restatement of capital stock of Contal at January 1, 1998 at December 31, 2007, as part of the merger, originating an accumulated adjustment of $4,718,017.
IAS 29, “Financial reporting in hyper-inflationary economies”, requires the recognition of the effects of inflation in the financial information when the entity operates, in a hyperinflationary economic environment, one of the characteristics of which is that the accumulated inflation rate in a period of three years approximates or surpasses 100%. The most recent three-year period in which Mexico ceased to be a hyperinflationary economy comprised the period from 1995 to 1997; therefore, the Company eliminated all inflation effects of its nonmonetary assets and liabilities, as well as the items of capital stock and legal reserve recorded under Mexican FRS from January 1, 1998 up to December 31, 2007, except

for “Property, Plant and Equipment”, therefore the exception of fair value of IFRS 1 and “Goodwill” was used where the business combination exemption was applied.

j. Premium on sale of shares

At the transition date, the Company eliminated $317,223 for the accumulated restatement of premium on sale of shares of Arca from January 1, 1998 until December 31, 2007.
At December 31, 2011 the Company recorded $1,514,893 as a net effect in premium on sale of shares as a result of the merger.

k. Retained earnings

At the transition date of adjustments made on assets and liabilities, these were carried against retained earnings; therefore, this item was affected by most of the detail notes of adjustments of the transition described above in this section; those not included, are due to their corresponding to reclassifications that have no impact on the Company’s equity.

l. Conversion of foreign subsidiaries

The Company chose to cancel all accumulated gains and losses at the translation date.

m. Property, plant and equipment

At December 31, 2011, the Company adjusted depreciation of property, plant and equipment for $222,414, mainly for depreciation of bottles reclassified from inventories.

n. Recognition of inflation in Argentina

At December 31, 2011, the Company eliminated the effects of inflation recorded by operations in Argentina as follows:

FIXED ASSETS	($ 162,465)
DEFERRED INCOME TAX	48,740
RETAINED EARNINGS	(67,705)
TRANSLATION EFFECT	(46,020)

o. Expenses from sales incentives

The Company reduced its net sales under IFRS for $155,479, derived from expenses of sales incentives recorded in sales expenses under MFRS.

p. Employees’ profit sharing

The Company reclassified the amount of equity of the workers in income of the net expenses item to the item of expenses that originated it.

q. Other expense / income

Under IFRS the item of “other expense/income” should be presented as part of the operating income, previously it was presented under MFRS after the operating income, since these were considered to be unusual or infrequent items. The Company reclassified other net expenses to be part of operating income.

F) EXPLANATION OF SIGNIFICANT EFFECTS OF THE TRANSITION TO IFRS IN THE CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2011.

The Company uses the indirect method for the presentation of the statement of cash flows, which does not significantly differ from that presented under MFRS; therefore, the first-time adoption of IFRS had no impact on the operating cash flow, investment, financing and total.

NOTE 29
SUBSEQUENT EVENTS

In the preparation of the financial statements, the Company has evaluated the events and transactions for their recognition or subsequent disclosure at December 31, 2012 and until April 17, 2013 (date of issuance of the financial statements) and it has concluded that there are no subsequent events that affect these.

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Chief Financial Officer

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