ONE STEP AHEAD

ARCACONTINENTAL

2018 INTEGRATED ANNUAL REPORT

ABOUT THIS REPORT

[102-12, 102-50, 102-54]

This document constitutes an Integrated Report about Arca Continental's performance and main achievements during 2018, as well as the progress the company has made in the framework of its development strategy and in the creation of social, environmental, and economic value, for both the mid- and long-term. We have included events and data about every one of the company's countries and operations, unless otherwise specified. The report covers the period between January 1st and December 31st, 2018.

This technical report responds to several of the company's methodologies, indexes, and commitments, such as the Principles of the United Nations Global Compact, the Sustainability Index of the Mexican Stock Exchange, FTSE4Good, and MSCI. The report has been prepared employing the <IR> Framework and in accordance with the GRI Standards, Core option.

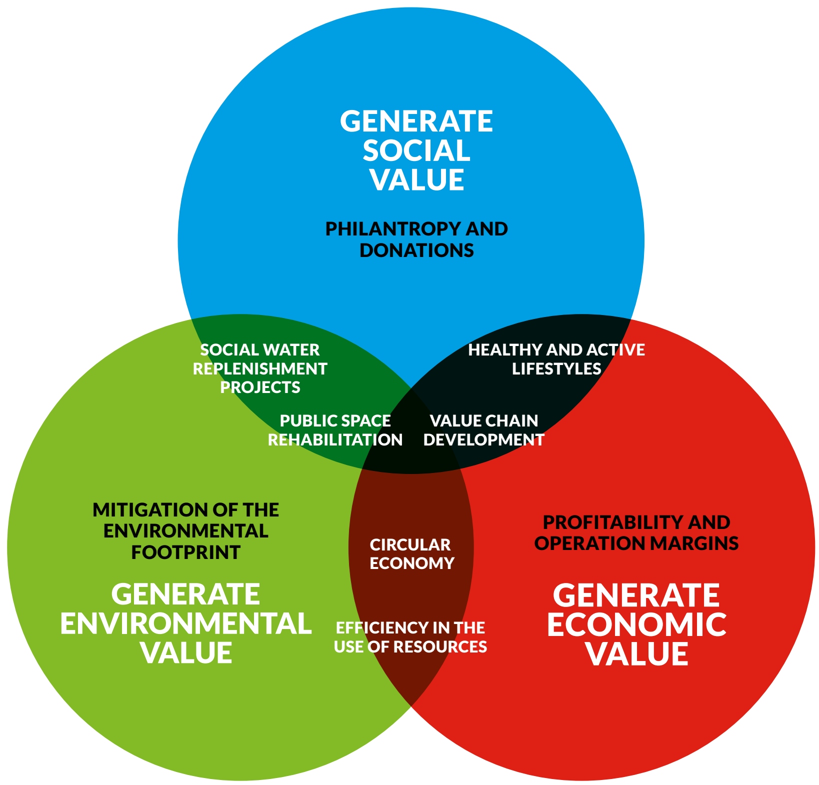
Our great interest in establishing a constructive dialogue with the people around us responds to the fact that we are convinced that the synergy between the private sector, communities, and the authorities will be the main driver behind sustainable development. This document constitutes our main communication tool on our annual performance, and its goal is to invite our stakeholders to establish a dialogue with us. We appreciate any comments you wish to share with us.

CONTENT

The currency exchange rate from MXN to USD used in this Integrated Report is stated in the Financial Statements section. Closing rate: $19.66. Average rate: $19.21

Integrated Report

This is Arca Continental's first Integrated Report; it was developed in adherence to the <IR> Framework. Our goal is to show how our actions contribute to creating a certain degree of economic, social, and/or environmental value for the mid- and long-term. For example, refurbishing a public space offers clear social benefits, such as lowering local crime and improving the social fabric. However, if we add an urban reforestation and waste management program to this space, we would also generate environmental value. And, finally, if we support the development of the local economy by offering training and support to retailers in the area, we would also generate economic value. The following diagram shows the way in which, with some of our projects, we can have a positive effect on the generation of these three values simultaneously with different magnitudes.



Arca Continental's strategy is aimed at generating long-term shared value. As part of our continuous improvement process, we strive for our daily operations to not be limited by a specific timeframe. The Sustainability and risk management action plans, as many others, are completely embedded in the company's general strategy in order to assure our stakeholders that Arca Continental will continue its operation tomorrow, and that it will do so even better than it does today.

The structure of this Integrated Report reflects our generation of social, environmental, and economic value. However, we have not structured this information as sections or chapters within the report because each program makes a contribution, to a different extent, by generating value in all three aspects.

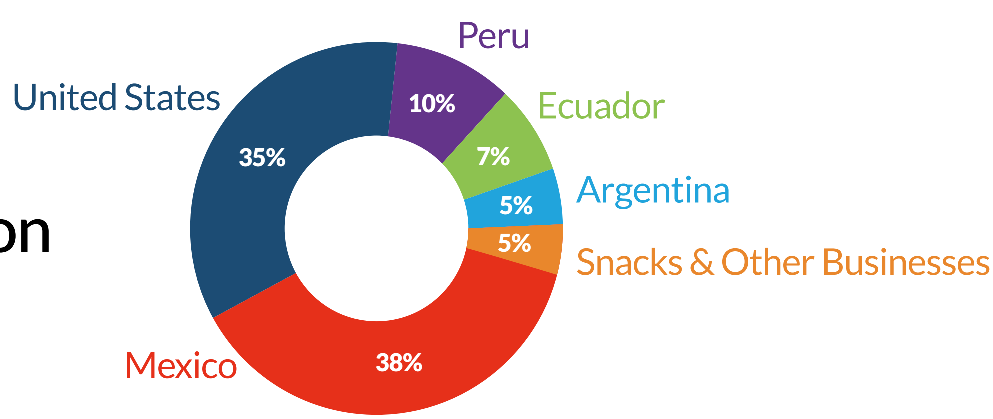
Company Operations

[102-2]

*Associate Company

REVENUES

MXN 159 billion



Organizational Culture

[102-16]

VISION

To be leaders in beverages and snack food consumption for every occasion in all the markets in which we participate, focusing on profitability and sustainability.

MISSION

To generate maximum value for our customers, associates, communities, and shareholders, satisfying our consumers' expectations at all times and with excellence.

OUR VALUES

- Customer-centricity and a vocation for service
- Integrity based on respect and justice
- Comprehensive human capital development
- Sustainability and social responsibility

CULTURAL PRINCIPLES

In 2018, Arca Continental launched the company's cultural principles, which are the pillars behind our goals, thus ensuring that we remain loyal to our essence as a socially responsible company.

FOCUS ON OUR ASSOCIATES

TRANSPARENCY

CHANGE AND INNOVATION

RESULTS-ORIENTED

CUSTOMER-CENTRICITY

Company Profile

[102-1, 102-2, 102-3, 102-4, 102-5, 102-6, 102-7, 102-10]

Arca Continental S.A.B. de C.V. produces, distributes, and markets non-alcoholic beverages under The Coca-Cola Company brand, as well as salty snacks under the Bokados brand in Mexico, INALECSA in Ecuador, and Wise and Deep River in the United States. The Corporate Headquarters are located in the city of Monterrey, in the state of Nuevo León, in Mexico.

With an outstanding history spanning more than 93 years, Arca Continental is the second-largest Coca-Cola bottler in Latin America and one of the top bottlers in the world. Through its Coca-Cola franchise, the company serves more than 123 million people in the Northern and Western regions in Mexico, as well as in Ecuador, Peru, in the Northern region of Argentina, and in the Southwestern United States. Arca Continental is listed on the Mexican Stock Exchange under the ticker symbol "AC".

[102-7]

VOLUME:
2,220 MILLION UNIT CASES

TOTAL REVENUE:
MXN 158,952 MILLION

[102-7, 201-1]

DIRECT ECONOMIC VALUE GENERATED	MILLIONS OF MEXICAN PESOS	MILLIONS OF U.S. DOLLARS
Net Sales	$155,653.00	$8,102.71
Financial Products	$3,616.90	$188.28
Asset Sales	$187.62	$9.77
Total	**$159,457.52**	**$8,300.76**

[102-7, 201-3]

ECONOMIC VALUE DISTRIBUTED	MILLIONS OF MEXICAN PESOS	MILLIONS OF U.S. DOLLARS
Cost of Sales	$89,712	$4,670.06
Operating Expenses, including Salaries and Social Benefits	$50,813	$2,645.1
Taxes	$3,860	$200.93
Dividends	$3,948	$205.54
Interest	$7,730	$402.40
Community Investment	$112.89	$5.91
Total	**$156,175.89**	**$8,129.94**

UNITED STATES
9,628 ASSOCIATES
12 PRODUCTION PLANTS
52 DISTRIBUTION CENTERS

100%
OF OUR BEVERAGE PRODUCTION CENTERS ARE CERTIFIED IN INNOCUOUSNESS, QUALITY, AND HYGIENE.

ECUADOR
9,376 ASSOCIATES
6 PRODUCTION PLANTS
70 DISTRIBUTION CENTERS

ARGENTINA
2,348 ASSOCIATES
3 PRODUCTION PLANTS
25 DISTRIBUTION CENTERS

MEXICO
36,062 ASSOCIATES
23 PRODUCTION PLANTS
160 DISTRIBUTION CENTERS

PERU
5,158 ASSOCIATES
6 PRODUCTION PLANTS
72 DISTRIBUTION CENTERS

*Associate Company

Message from the Chairman of the Board and the CEO

[102-14, 102-15]

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

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

We focused our efforts in the U.S. to the full integration of Coca-Cola Southwest Beverages to Arca Continental and best practices homologation. The McAllen Plant, in Texas, earned the President's Award for Quality Excellence as the best among more than 65 production centers in the United States, while ACT Model implementation, aimed at improving commercial execution, was key to CCSWB winning the 2018 edition of the Market Street Challenge Cup.

+14%
TOTAL REVENUES

+5.7%
EBITDA

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

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

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

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

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

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

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

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

MEXICO

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

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

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

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

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

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

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

UNITED STATES

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

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

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

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

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

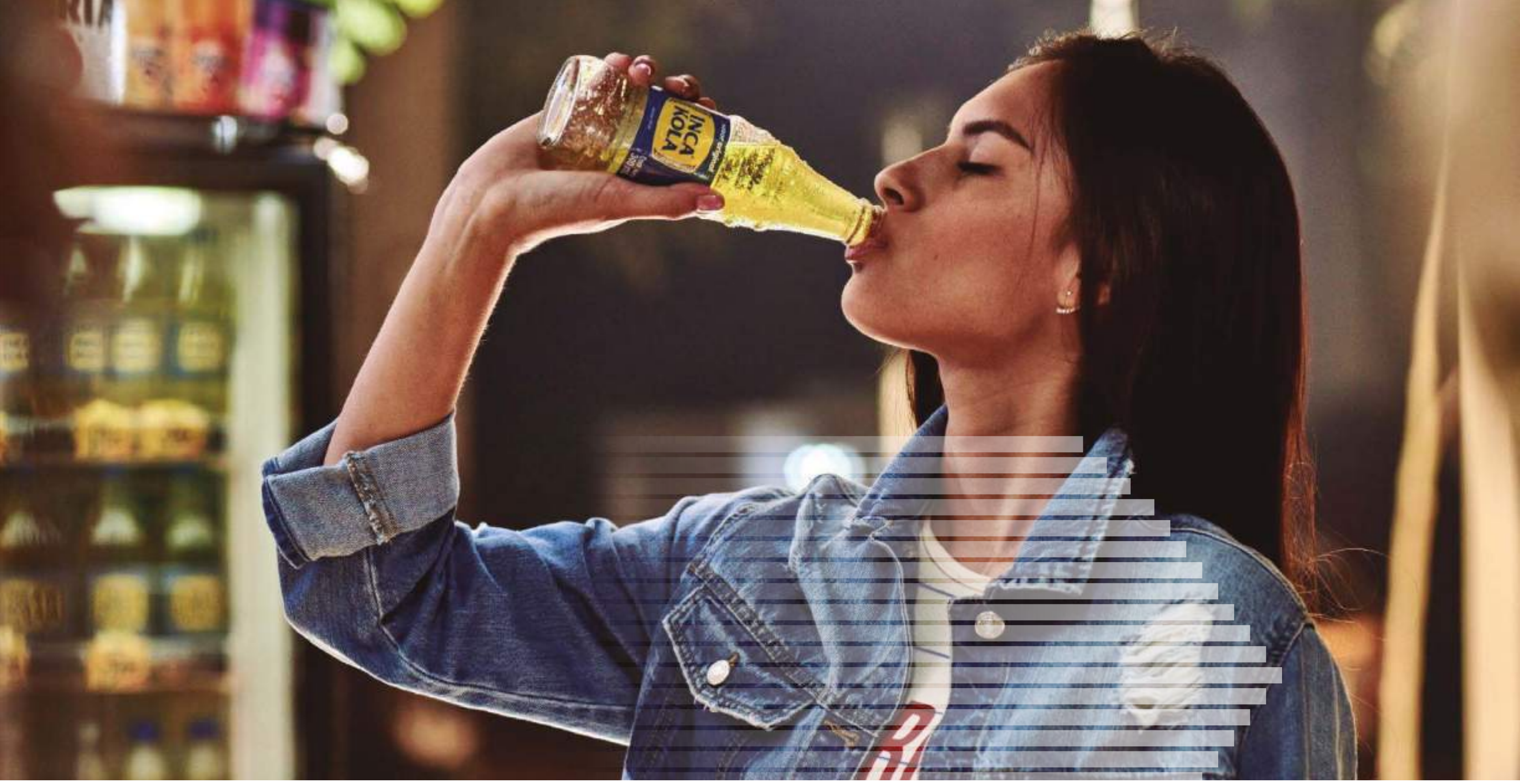
SOUTH AMERICA

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

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

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

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



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

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

FOOD AND SNACKS

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

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

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

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

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

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

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

SUSTAINABILITY AND SOCIAL RESPONSIBILITY

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

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

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

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

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

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

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

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

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ONE STEP AHEAD

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

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

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

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

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

Thank you.

MANUEL L. BARRAGÁN MORALES
Chairman of the Board of Directors

ARTURO GUTIÉRREZ HERNÁNDEZ
Chief Executive Officer

Sustainability Strategy

ORGANIZATIONAL CULTURE

Sustainability is embedded in the company's organizational culture. It is our associates who generate, with their daily actions, the positive impact the strategy aims for; they all see themselves as agents of change and behave in accordance to our values and principles. Arca Continental's executives include sustainability in their performance goals, thus ensuring that they become the first example to follow and that the strategy and sustainability goals are well understood and applied by everyone who works for the company.

DIALOGUE WITH OUR STAKEHOLDERS

Congruent to our values, Arca Continental's sustainability strategy begins with the dialogue with our stakeholders. Over the past few years, we have carried out an unprecedented effort to deepen our understanding of the expectations these groups have and to be able to incorporate the results of these exercises into the strategy:

- We applied more than 2,600 surveys to a variety of stakeholders in Mexico, Ecuador, Peru, and Argentina.
- Ecuador interviewed its retailers through the Empower Yourself program.
- We asked our communities in Mexico, Peru, and Argentina about their preferences regarding the UN Sustainable Development Goals.

SOCIAL RESPONSIBILITY AND SUSTAINABILITY MODEL

Aligned with the most widely recognized international methodologies and the sustainability strategy of the Coca-Cola System, our model allows us to contribute to the objectives of the 2020 Vision. The goal of this model is to pursue the integral wellbeing of everyone involved. To execute it, we have divided this strategy into three pillars, individual wellbeing, social wellbeing, and environmental wellbeing.

INDIVIDUAL WELLBEING

Strategic priorities to achieve individual wellbeing:

Healthy and active lifestyles
- Promote community physical activity and healthy habits programs.
- Expand and strengthen our portfolio to address the needs, energy balance, and lifestyle of each person.

Safe products and ingredients
- Comply with our responsible marketing policy.
- Offer consumers clear and transparent information that enables them to decide what they consume, and how to manage their consumption.

Responsible marketing
- Ensure the quality of our products and ingredients.
- Increase the availability of personal presentations and low- or zero-calorie alternatives in all our markets.

ETHICS AND CORPORATE GOVERNANCE

All associates and people who have a relationship with our company are obliged to behave in strict adherence to the law and our Code of Ethics and Conduct Policies.

We have several tools that we use to communicate our organizational culture, such as an internal magazine, organizational communications, and our intranet, which we use constantly to establish a dialogue with our associates. As a dynamic company in constant growth, standardizing Arca Continental's organizational culture is one of the main actions we implement when expanding our operations. In this effort, we work with local leaders to share best practices.

SOCIAL WELLBEING

Strategic priorities to achieve social wellbeing:

Workplace
- Be the best place to work.
- Boost the talent of our associates through training and development.
- Create a work development environment that is diverse, fair, and inclusive.
- Communicate, supervise, and respect Human Rights.

Comprehensive development in women
- Contribute to the comprehensive development of women.
- Promote training programs.
- Strengthen our VOLAR volunteer programs.
- Implement and support social and environmental initiatives to benefit communities.
- Favor shared value partnerships and build relationships that support their development.

Health at the workplace
- Promote a health and safety culture and initiatives at the workplace.
- Offer training in safety to our associates, contractors, and suppliers.

Responsible procurement
- Develop our value chain.
- Communicate and ensure compliance in ethics and the respect for Human Rights

ENVIRONMENTAL WELLBEING

Strategic priorities to achieve environmental wellbeing:

Water footprint
- Improve efficiency in water usage.
- Replenish and treat the water we use in our products.
- Do research and participate in the protection of water basins.

Carbon footprint
- Use energy from renewable sources.
- Reduce Greenhouse Gas Emissions.
- Implement new technologies to reduce our energy consumption.
- Optimize distribution routes.

Waste
- Recycle waste generated in our processes.
- Implement actions to recover PET bottles after consumption.
- Include recycled material in PET packaging.

COMPREHENSIVE DEVELOPMENT AND WELLBEING

We provide the conditions needed for our associates and other people to grow in a community and environment that are healthy and prosperous. Several institutions and international organizations have granted us awards and recognitions for the work we do.

- We have been included in the FTSE4Good Emerging Index of the London Stock Exchange.
- The Sustainability Index of the Mexican Stock Exchange, to which we belong since it was first created in 2011, ranks us among the top companies in our sector.
- Arca Continental, Arca Continental Lindley, PetStar, and Bokados, all received the Socially Responsible Company Award. Arca Continental has been granted this distinction for 15 consecutive years.
- MSCI places us among of the most sustainable companies in our sector worldwide.
- Scotiabank Equity Research categorized us as Environmental Champions in Latin America.

We are the only Coca-Cola bottling group in the world with two production centers certified as Benchmark Operational Excellence Center Silver Level.

Corporate Governance at Arca Continental constantly ensures that there are no deviations from either the Code or any applicable regulations.

Materiality and Stakeholders

[102-46, 102-47]

One of Arca Continental's priorities is to create and maintain long-lasting relationships with anyone who could influence the development of the company, whether they are individuals, groups, or organizations, that is to say, with all our stakeholders.

To this end, we have established constant and direct means of communication with our stakeholders to encourage an open and transparent dialogue that will allow us to understand their expectations and concerns and address them proactively.

Since 2014, we have identified, analyzed, and updated our Arca Continental's material issues by performing a series of exercises including in person and online surveys, focus groups, risk and impact management, and externalities assessments, among others. Likewise, we analyze how these issues mature as pertaining to their contribution to the UN Sustainable Development Goals (SDGs). We held feedback meetings with opinion leaders, our peers, academics, authorities, and NGOs, among others, which allowed us to have a clear view of what we need to do, how to do it, and how to communicate it. These exercises have helped us identify those issues on which we need to focus in order to achieve the positive impact the strategy aims at.

Material issues for Arca Continental include, in alphabetical order, the following:

- Associate's well-being and development.
- Constant, verified, and timely communication of environmental, social, and corporate governance indicators.
- Developing sustainable value chains and fostering local procurement.
- Community development focused on vulnerable groups.
- Minimizing the ecological footprint (water, waste, and emissions) throughout the life cycle of our products.
- Promoting active and healthy lifestyles.
- Customer and consumer satisfaction.

Contribution to the UN Sustainable Development Goals

We were among the first companies to align our development strategy to the UN Sustainable Development Goals (SDG), based on a detailed analysis of our contribution to the goals for which we employed a maturity model. In addition, we carried out numerous surveys with our communities in Mexico, Ecuador, Peru, and Argentina in order to identify the goals that each community wishes for us to make a greater impact on.

The table below shows how our projects and programs are linked to the SDGs.

SDG	GOALS	PROJECTS AND PROGRAMS
1 NO POVERTY	1.1	Supplier Development Program.
	1.2	5By20 program, training for retailers, sustainable cattle industry.
2 ZERO HUNGER	2.1	Donations to food banks and community diners.
	2.3	Mexican Countryside project.
	2.4	Principles of Sustainable Agriculture.
3 GOOD HEALTH AND WELL-BEING	3.9	Environmental footprint reduction programs and goals.
4 QUALITY EDUCATION	4.1	Programs to offer further schooling to our associates, Ponte al 100, and Schools in Motion.
	4.3	Express home-schooling high school program.
5 GENDER EQUALITY	5.1 y 5.2	Programs to promote peace.
	5.1	Code of Ethics and Conduct Policies.
	5.5	The ANSPAC and 5by20 programs, as well as training for retailers, and fostering entrepreneurship.
6 CLEAN WATER AND SANITATION	6.2	Safe Water program in Argentina, Bebederos (Drinking Fountains) in Mexico, and filtering systems in community cisterns.
	6.3	Water treatment and reuse programs.
	6.4	Reforestation and water harvesting programs, donating treated water.
	6.5	Participating in water funds and basin councils.
	6.6	Wetland reforestation and protection programs.
7 AFFORDABLE AND CLEAN ENERGY	7.2	Program to migrate to renewable energy.
	7.3	Energy efficiency certifications, continuous improvement programs, Cold Dominion program.
8 DECENT WORK AND ECONOMIC GROWTH	8.1	Average lowest salary at Arca Continental vs. minimum wages.
	8.3	Programs to develop and offer training to retailers, entrepreneurship programs.
	8.4	Programs to reduce environmental footprint.
	8.5	Jóvenes Construyendo el Futuro (Young People Building the Future) program in Mexico, program to include people with disabilities, equal salaries for men and women.
	8.6	Guiding Principles for the Value Chain, working in collaboration with Coca-Cola and ILO to eradicate child labor.
	8.7	Guiding Principles, internal safety (associates and contractors).
	8.8	Guiding Principles, Internal Safety (associates and contractors).

SDG	GOALS	PROJECTS AND PROGRAMS
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	9.2	Economic footprint and capabilities for creating local jobs.
10 REDUCED INEQUALITIES	10.1	Operating and generating wealth in developing nations.
	10.3	Code of Ethics and gender equality in salaries.
11 SUSTAINABLE CITIES AND COMMUNITIES	11.3 and 11.7	Rescuing public spaces through several programs.
	11.6	Urban reforestation, volunteer program, waste collection programs, and promoting the circular economy.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12.2	Environmental footprint reduction and circular economy programs.
	12.5	World Without Waste strategy and goals.
	12.6	Sharing best practices at forums and on our sustainability website.
13 CLIMATE ACTION	13.1	Reforestation and water harvesting programs, basin protection, emissions reductions, and aid during natural disasters.
14 LIFE BELOW WATER	14.1	0% discharge in ground water bodies and treating 100% of discharged water.
15 LIFE ON LAND	15.1	Reforestation programs and Sustainable Agriculture Guiding Principles.
	15.2	Social programs linked to reforestation programs.
	15.4 y 15.5	Reforestation on the high basins.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	16.1	Program to promote peace.
	16.5	Code of Ethics and Transparency Mailbox.
	16.7	Coordinating and participating in neighbor councils.
17 PARTNERSHIPS FOR THE GOALS	17.11	Exporting our products to developing nations.
	17.16 y 17.17	Active participation and leadership in chambers and associations that promote sustainable development.

Stakeholders Dialogues

[102-21, 102-40, 102-42, 102-43, 102-44]

At Arca Continental, maintaining different and constant communication channels with our stakeholders is a priority because this enables us to understand their expectations and concerns and to act in such a way that the value we generate can be shared by all.

	CONSUMERS	CUSTOMERS	SUPPLIERS	ACADEMY AND OPINION LEADERS	MEDIA
METHODS OF COMMUNICATION	• SATISFACTION, SERVICE AND QUALITY SURVEYS	• MATERIALITY SURVEYS • SATISFACTION, SERVICE AND QUALITY SURVEYS	• MATERIALITY SURVEYS • AUDIT AND EVALUATION FEEDBACK • ANNUAL REPORTS • DEDICATED SECTION ON WEBPAGE	• MEETINGS • REPORTS • WEBSITE • PARTICIPATION IN FORUMS AND CONGRESSES	• ANNUAL REPORTS • PRESS CONFERENCES • DEDICATED SECTION ON WEBPAGE • INTERVIEWS
FREQUENCY	• DAILY /ANNUALLY	• DAILY /ANNUALLY	• DAILY / MONTHLY	• MONTHLY / ANNUALLY	• MONTHLY / QUARTERLY
EXPECTATIONS	• PRODUCT QUALITY AND SAFETY • CLEAR, ACCURATE, USEFUL INFORMATION ABOUT PRODUCT CHARACTERISTICS ON LABELS	• PRODUCT QUALITY AND SAFETY • CUSTOMER DEVELOPMENT • COMMUNITY DEVELOPMENT PROGRAMS • TRAINING • EXCHANGE OF BEST PRACTICES • ETHICAL NEGOTIATION PRACTICES	• SUPPLIER DEVELOPMENT • ETHICAL NEGOTIATION PRACTICES • OPERATING SAFETY • ENVIRONMENTAL CARE AND PROTECTION • SHARING OF SOCIAL RESPONSIBILITY PRACTICES	• RESPONSIBLE ADVERTISING AND MARKETING • PRODUCT RESEARCH AND DEVELOPMENT • INFORMATION ON COMPANY ACTIVITIES AND PRODUCTS	• RESPONSIBLE ADVERTISING AND MARKETING • TIMELY, ACCURATE INFORMATION
INITIATIVES	• DAILY NUTRITIONAL GUIDES (DNAS) ON LABELS • PHYSICAL ACTIVATION PROGRAMS • MASSIVE NUTRITIONAL ORIENTATION CAMPAIGNS • CALL CENTER CONTACT (DIGA)	• SERVICE MODEL (RTM) • PORTFOLIO EXPANSION • COMPLIANCE WITH ADVERTISING LAWS AND REGULATIONS • RETAILER TRAINING AND SUPPORT	• APPLICATION OF THE COCA-COLA SUPPLIER GUIDING PRINCIPLES	• PROMOTION OF ACTIVE, HEALTHY LIFESTYLES • DAILY NUTRITION GUIDES (DNAS) ON LABELS • ADHERENCE TO THE PABI CODE • COMPLIANCE WITH LAWS AND REGULATIONS	• INTERVIEWS • PRESS CONFERENCES AND WEBPAGE • ADHERENCE TO THE PABI CODE • ANNUAL REPORTS

• INDIVIDUAL WELLBEING
• SOCIAL WELLBEING
• ENVIRONMENTAL WELLBEING
• OTHER SECTIONS

We define our stakeholders as anyone who has a direct relationship with us. That is, anyone who comes in direct contact with our products and operation centers, as well as anyone who is affected by our company's performance. These groups or individuals have an impact on the way in which we manage our risks and our social and environmental projects. Adequate and constant communication with them enables us to initiate a conversation that will allow us to work in a constructive way towards reaching a common goal.

We have implemented open and constant communication channels with all our stakeholders. Our objective is to create and maintain strategic long-term relationships based on transparency, dialogue, and mutual benefits.

ASSOCIATES AND THEIR FAMILIES	NGOS	COMMUNITY	AUTHORITIES AND GOVERNMENT	INVESTORS AND SHAREHOLDERS	THE COCA-COLA COMPANY
• MATERIALITY SURVEYS • ORGANIZATIONAL CLIMATE SURVEYS • INTERNAL INFORMATION PORTAL • MESSAGE BOARDS • BI-MONTHLY MAGAZINE • SAFETY AND HYGIENE COMMISSION • REPORT FOR ASSOCIATES • EQAP'S	• MATERIALITY SURVEYS • MEETINGS • EMAIL: RS@ARCACONTAL.COM • ANNUAL SOCIAL RESPONSIBILITY REPORT • WEBPAGE	• MATERIALITY SURVEYS • MEETINGS • OPINION SURVEYS • WEBPAGE	• MEETINGS • ANNUAL REPORT • WEBPAGE	• MATERIALITY SURVEYS • QUARTERLY REPORTS AND CONFERENCES • ANNUAL SHAREHOLDERS AND SOCIAL RESPONSIBILITY REPORTS • ANNUAL SHAREHOLDERS' MEETING • WEBPAGE • BOARD MEETINGS	• MATERIALITY SURVEYS • PERIODIC MEETINGS • E-MAILS • ROUNDTABLES • SOCIAL RESPONSIBILITY REPORT
• DAILY / QUARTERLY / ANNUALLY	• MONTHLY / QUARTERLY	• CONTINUOUS	• MONTHLY / QUARTERLY	• DAILY/MONTHLY / • QUARTERLY / ANNUALLY	• DAILY / MONTHLY / • QUARTERLY / ANNUALLY
• PROFESSIONAL AND VALUES TRAINING AND DEVELOPMENT • COMPETITIVE SALARIES AND BENEFITS • RESPECT FOR RIGHTS AND LIBERTIES • APPLICATION OF THE CODE OF ETHICS • OPERATIONAL SAFETY • OCCUPATIONAL HEALTH AND SAFETY	• ACTIVE PARTICIPATION IN, AND SUPPORT FOR, DIFFERENT CAUSES • FEEDBACK • PROFESSIONAL AND PERSONAL TRAINING AND DEVELOPMENT	• INVESTMENT IN SOCIAL, EDUCATIONAL, HEALTH AND SOPORTS PORJECTS • RESPONSIBLE INTERACTION • ENVIRONMENTAL PROTECTION AND APPROPIATE NATURAL RESOURCE MANAGEMENT • PRODUCT QUALITY AND SAFETY • COMMUNITY DEVELOPMENT PROGRAMS	• COMPLIANCE WITH APPLICABLE LAWS, REGULATIONS AND STANDARDS • PARTICIPATION IN THE CREATION OF LAWS, REGULATIONS AND STANDARDS • TIMELY PAYMENT OF APPLICABLE TAXES AND CONTRIBUTIONS • RESPONSIBLE PERFORMANCE • INVESTMENT IN, AND CREATION OF, JOBS	• PROFITABILITY, GROWTH AND VALUE GENERATION AND DIVIDEND PAYMENT • CONTINUOUS COMMUNICATION WITH ACCURATE CONTENT • PROTECTION OF HUMAN RIGHTS ACROSS THE VALUE CHAIN • SUSTAINABILITY • ETHICAL CORPORATE GOVERNANCE PRACTICES • PRODUCT QUALITY AND SAFETY • TRANSPARENCY AND ACCOUNTABILITY	• COMPLIANCE WITH PRODUCT, CUSTOMER-SERVICE AND VALU CHAIN QUALITY STANDARDS • COMPLIANCE WITH THE GOALS OF THE SUSTAINABILITY PLATFORM • ENVIRONMENTAL CARE AND PROTECTION • PRODUCT QUALITY AND SAFETY • COMMUNITY DEVELOPMENT PROJECTS
• APPLICATION OF THE COCA-COLA OCCUPATIONAL HEALTH AND SAFETY PROGRAM • TRAINING AND DEVELOPMENT PROGRAMS, E-LEARNING AND ARCA CONTINENTAL MASTER'S DEGREE • ANNUAL ORGANIZATIONAL CLIMATE SURVEYS • ANNUAL PERFORMANCE EVALUATIONS FOR SENIOR AND MIDDLE MANAGEMENT • SYSTEM FOR CONTINGENCY MANAGEMENT AND CRISIS RESOLUTION • AC + MOVEMENT ACTIVITY PROGRAM	• DONATIONS COMMITTEE • STRATEGIC PARTNERSHIPS • ASOCIACIÓN PRO SUPERACIÓN PERSONAL, A.C. • CEMEFI • SUMARSE NETWORK • MOVIMIENTO CONGRUENCIA • ECOCE	• SCHOOLS IN MOTION • COCA-COLA CUP • POWERADE • MARATHON • VOLUNTEER PROGRAM • LET'S PLAY PROGRAM HEALTH TO LEARN PROGRAM	• COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS • CONTINUOUS INVESTMENT IN JOB CREATION • PARTICIPATION IN ASSOCIATIONS AND CHAMBERS • ONGOING DIALOGUE WITH AUTHORITIES • HUMAN CAPITAL AND SUSTAINABILITY COMMITTEE	• CORPORATE GOVERNANCE STRUCTURE • CODE OF ETHICS • RISK IDENTIFICATION AND CORPORATE IMAGE AND REPUTATION COMMITTEE • PRO-SUSTAINABILITY ACTIONS • CONSTANT COMMUNICATION WITH INVESTORS • HUMAN CAPITAL AND SUSTAINABILITY COMMITTEE	• COMPLIANCE WITH SUSTAINABILITY GOALS • ACTIVE PARTICIPATION IN THE INDUSTRY'S SUSTAINABILITY COMMITTEE • PARTICIPATION IN ALL CORPORATE PROGRAMS • COCA-COLA CUP • REFORESTATION AND WATER CLEAN UP CAMPAIGNS • PROMOTION OF HEALTHY, ACTIVE LIFESTYLES • EFFICIENT USE OF RESOURCES

Innovation and Leadership

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

Digitalization projects

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

15%

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

Promoting the Traditional Channel

- In Mexico, 12 new Complementary Business Centers (CBC) were created. These are groups of small businesses that work together to improve their image, establish joint competitiveness strategies, and increase store traffic. 34 groups have been created since 2015 when the program was first introduced.
- In Mexico, through our 21st Century program -which modernizes our customers' operations and offers them training to better serve the consumer- we activated 500 new customers.
- In Peru, 7,000 customers were benefited with the Bodegas Elegidas (Chosen Grocery Stores) parallel program.
- In Ecuador, 156 new customers are now part of the 21st Century program, with the resulting improvement in their working conditions and increase in sales.

IMPROVED MARKET SERVICE

Given that being the main commercial partner of our customers is one of the Arca Continental priorities, we constantly implement innovations that help increase their competitiveness, improve customer service, and promote better results for the businesses.

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

We lead change with our products offering

[102-6]

We listened to our consumers and focused on innovations in products and packaging that were aligned with their tastes and needs. In so doing we continued to expand and diversify our product offering both in beverages, in collaboration with The Coca-Cola Company, and in snacks, through the brands we operate in Mexico, the U.S., and Ecuador.

- In Mexico, "Del Valle & Nada" continues to expand with new flavors, including Cucumber and Pineapple, and the brand was introduced in Ecuador.
- New Coconut, Raspberry, and Cucumber-Pineapple flavors for Ciel Exprim.
- Furthermore, in the U.S., we launched 24 BodyArmor presentations, for a 65% availability in the supermarket channel.
- In Argentina AdeS continues to expand with new flavors, in addition to the traditional Vanilla, Natural, and Coconut.

- Chocolatada, is here to conquer children and their mothers who are concerned with nutrition.
- Almendras, is aimed at a younger crowd.
- In Ecuador, we launched Monster to promote growth in the energy drinks category.

Innovative packaging

The universal returnable bottle that can be interchanged for other brands, making it easy for consumers to use, was very successful in Peru. This contributes to the company's environmentally friendly efforts regarding returnable packaging.

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

Sustainable Packaging Principles

At Arca Continental we are fully aware of the great challenges we face in our effort to exploit resources rationally. We always favor operations and processes that minimize the environmental footprint of our operations, including the life cycle of our products, packaging, and services.

The Arca Continental Sustainable Packaging Principles are applicable at all our operations and every country where the company is present. To analyze the environmental footprint of all our primary and secondary packaging, we classify the package's materials and uses under two dimensions:

- Number of uses for the package. A single package can be used one or several times (for example, a returnable bottle) before the material or package loses the properties required for it to be reused.
- Number of lives of the material. Certain materials can be recycled to create either the same or other products. Today there are available materials that can be recycled multiple times and there are also materials which are difficult to exploit, offer very limited recycling options, or for which recycling is not economically feasible.
- These two dimensions enable us to classify packaging in four categories, as shown in the following diagram:

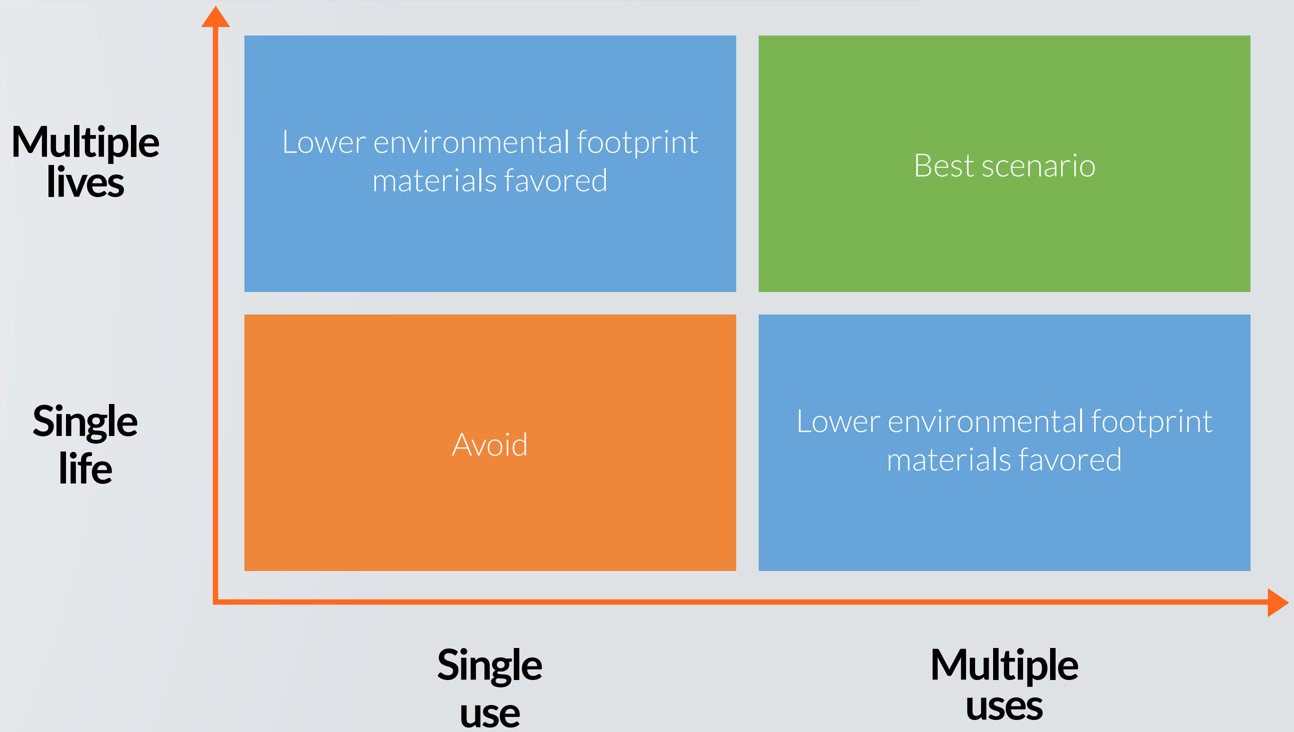
The Arca Continental Sustainable Packaging Principles demonstrate the company's position and behavior in terms of each of these categories:

I. Single life and single use. We will avoid and redesign this category for all packaging designs and products in the future, both primary and secondary.

II. Single life, multiple uses. We will only use this category when the life-cycle analysis of the material is lower than any other economically feasible option and we will promote its recyclability with local allies.

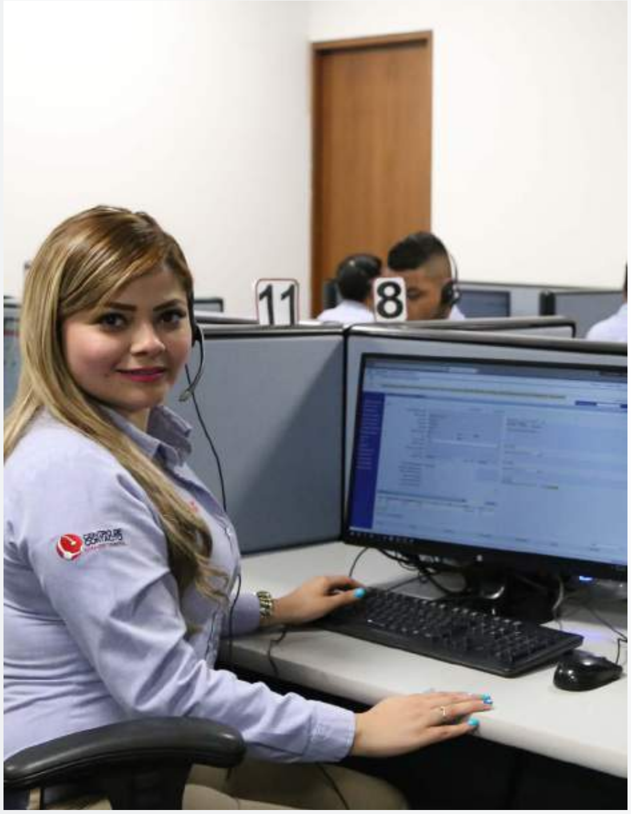
III. Multiple lives, single use. We will use this category when the sum of the environmental footprints of the material and the process are lower than any other economically feasible option, favoring cradle-to-cradle recycling through allies.

IV. Multiple lives, multiple uses. This is the most positive scenario, as long as the environmental footprint of the product and process is lower than that of the other categories.



We strengthen our relationship with consumers

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



In order to address requests from our stakeholders and to offer them a quick response, we have Call Centers in place in Mexico, Argentina, Ecuador, and Peru.

DIGA México customer services agents have been trained by the Coca-Cola Development Center in how to offer an excellent service to our clients and consumers.

During 2018 we received 689,013 requests through our Customer Service channels globally, with a 94.3% resolution ratio. In Mexico, we received close to 200,000 telephone requests, of which 86% were properly addressed.

WE REDUCE THE CALORIC FOOTPRINT

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

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

More snacks, more flavors, more packaging

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

MEXICO

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

UNITED STATES

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

ECUADOR

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

Low or Zero Calories Options

Given that satisfying the needs of our consumers is a priority for us, we offer a wide portfolio of beverages in a variety of presentations and flavors, of which more than 40% have low or zero calories. Our operations in Ecuador constitute a success story worldwide. There, sales for caloric and zero-calories options are practically the same. In addition, we offer a great variety of sparkling and still drinks, dairy products, mineral water, and juices, as well as personal packaging and presentations with less than 100 calories.

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

Mexico Beverages grows

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

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

We reinforced the scope of the snacks business

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

Diet Coke goes viral

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

Inca Kola shows its best angles

Our company in Peru positioned Inca Kola and Inca Kola Sin Azúcar as the ideal beverages to accompany Peruvian food, through its “Vivamos como Comemos” (Live like you Eat) campaign, mixing an encouraging message with the pride for the country’s gastronomy.

The Monster experience

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

Information and technology for better performance

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

100%

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

Advanced Analytics

- Arca Continental has a longstanding culture of favoring data-driven decisions, which has achieved a solid level of sophistication in key commercial capabilities. The explosion of available data and computing power brings an opportunity to take this effort to the next level. In this context, Advanced Analytics is a key capability to drive growth, profitability, and a maintain competitive advantage.
- We implemented the Intelligence Center (Centro de Inteligencia, AC, CIAC) in our 4 Regions in Mexico, and we began Phase 1 in Peru. CIAC includes the most powerful and modern visualization tools in the market. These, in addition to the Arca Continental apps, allow us to have the means to analyze data based on more than 200 metrics and dimensions allowing the user to cross information in a very simple way and discover value creation opportunities.
- The Advanced Analytics initiative, which identifies key processes in all areas of the company and develops models to contribute to its efficiency, was the basis for designing the Suggested Order models aimed at improving product availability for customers in Mexico.

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

Putting Big Data to work

We are transitioning from a mindset of viewing data as something to be isolated, stored, and used for reporting, to a view that looks it as the raw material for all decision making aimed at the desire to transform our business through ever-increasing internal and external data, delivering value and creating a sustainable competitive advantage.

Direct-to-Home

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

We strengthened the Vending Business

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

Safe products and ingredients

[102-2, 102-11, 416-1]

At Arca Continental we are committed to a culture of quality and we are constantly seeking for ways in which to develop and improve our processes so they will continue to comply with the highest international standards in issues pertaining to safety, innocuousness, and quality. We currently have the following certifications at all our operations:

	ISO 9001 (QUALITY)	ISO 14001 (ENVIRONMENT)	FSSC/ISO 22000 (FOOD SAFETY)	OHSAS 18001 (HEALTH AND SAFETY)
Total Certifications	38	36	30	32

As producers of Coca-Cola family beverages, as well as snacks, we make sure our beverages and food products are in optimal quality and hygiene conditions by employing our Comprehensive Quality and Improvement System (CIMAC), based on which we perform quality-control tests at each of the phases of our production process. The Coca-Cola Company and the corresponding authorities supervise and authorize the formulations and processes we follow for elaborating the Coca-Cola-branded beverages. With respect to snacks and sweets, we perform an in-depth analysis of the formulas in order to fully comply with applicable regulations in every country in which we distribute them, such as the FDA in the United States.

To ensure that the analysis of our production lines is meticulously regulated, everything is managed by means of the Food Safety and Innocuousness program, which include the Hazard Analysis and Critical Control Points (HACCP) system. This program includes everything from raw materials, processes, personnel, packaging materials, and product handling and distribution.

The culture of quality is extended to and shared by our Value Chain because we have a strict supplier support and monitoring system in place so that we can ensure they are adhering to all innocuousness norms in force. This program includes carrying our periodic inspections on our most relevant suppliers to verify production, storage, and distribution conditions. On our side, we control the formulas for all food and beverages in order to ensure that our consumers have the adequate information on the label of every product we offer.

Responsible marketing

[417-1]

Responsible marketing policy

With our labeling policy we aim to fully comply with advertising and communication regulations established in every country where we operate, as well as offer responsible and transparent information on our products. To achieve this, we follow the guidelines established by our Front Labeling Manual for our products' packaging. At the same time, we comply 100% with the Coca-Cola Responsible Marketing Guidelines in our beverages operations.

Responsible and transparent information

All of Arca Continental's products offer nutritional information on the packaging, and the totality of the Coca-Cola non-returnable packaging that we handle include the Daily Nutrition Guidelines. We are committed to parents and their right to responsibly decide what their children consume. For this reason, since 2008 -years before it was required by the authorities- we abide by the "Código de Autorregulación de Publicidad de Alimentos y Bebidas dirigido a Público Infantil" (Self-Regulation Code for Advertising in Food and Beverages for Children or PABI Code). In line with the stipulations of this code, none of our business units produce ads or communication aimed at children who are younger than 12 years old. Furthermore, we have produced a special selection of beverages and snacks in our portfolio for school establishments in Mexico (Establecimientos de Consumo Escolar en México, ECoES), strictly adhering to the requirements established by the Mexican ministries of Health and of Education.

100% of the Arca Continental products that contain agricultural raw materials are certified by at least one international innocuousness and quality standard.

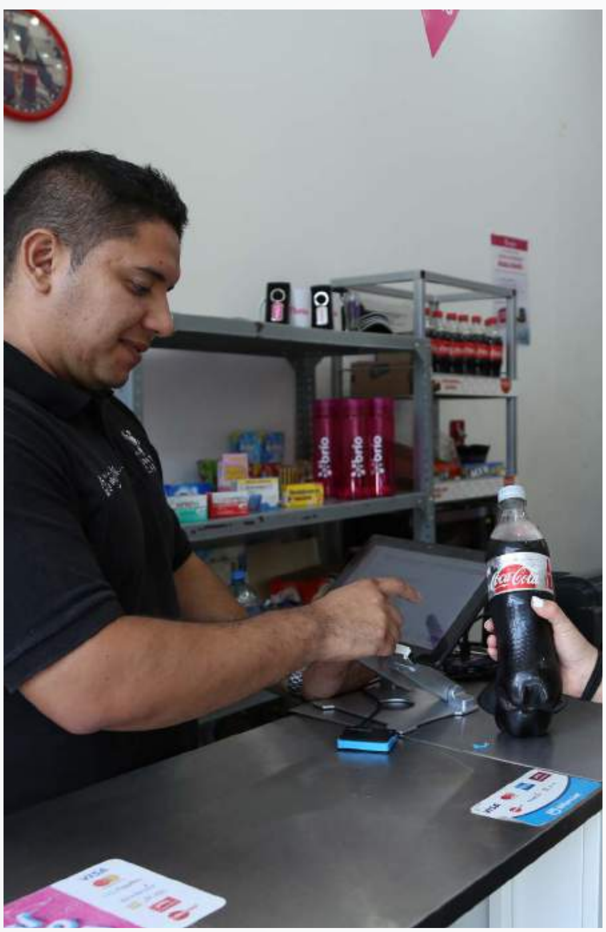
Ingredients such as palm oil, soy, sugar, and cereals, among others, have obtained some of the following certifications:

- ISO 9000
- ISO 14000
- ISO 17000
- ISO 18000
- ISO 22000
- FSSC 22000
- OHSAS 18000
- HACCP
- Kosher
- NON GMO
- FDA
- Halal
- ESR
- IP in PSJ and PGL
- "INDUSTRIA LIMPIA" (CLEAN INDUSTRY)
- BPM
- RSPO
- SQF

Generating Share Value

[203-2]

In Arca Continental we are convinced that the success of our sustainability strategy depends on all the players in our value chain. Accordingly, we view our most important suppliers as relevant business partners and we allocate resources to their development.



Brío

Brío is a technological subsidiary of Arca Continental which empowers small- and medium-sized retailers to improve their operation through a digital platform that also allows them to increase traffic to their stores by offering electronic services and payments. This helps them increase competitiveness and become agents of change within their own communities.

As of 2018, more than 5,000 customers in Mexico have been impacted by the Brío retailers platform, which in its newest version offers a larger number of services.

From Storekeeper to Entrepreneur

The goal of this program is to empower and train our suppliers so that they can change their own view of themselves so they can grow from being a small storekeeper into an entrepreneur and, consequently, a commercial partner to us. By offering University-backed training courses, we develop our suppliers based on their level (new, under development, developed). Workshops include topics such as business management, new administrative tools and sales techniques, among others. We continue to make an effort to develop this program because our clients value their usefulness and efficiency.

Siglo XXI Project

Aimed at retailers in the Traditional Channel, this project strives to offer them tools that will enable them to distinguish themselves from their competitors and satisfy new customer expectations. The program offer support to micro-entrepreneurs in four fundamental dimensions:

1. **Training.** Offer training to storekeepers on issues such as management, accounting and inventories, for example.
2. **External image.** Support in refurbishing the store front, frame, canopy, and everything else a modern store should visually offer its customers.
3. **Internal development.** We offer support to these micro-entrepreneurs to enhance their cooling capabilities, refurnish their displays, counters, and gondolas so they can offer their customers a pleasant and safe buying experience.
4. **Digitization.** In order to truly bring these mom-and-pop stores to the 21st Century, we offer them ERP systems, the capability to receive credit card payments, and to accept payments for utilities, for example.

In 2018 we trained and empowered more than 500 retailers across the territory we operate in Mexico. At year-end, there are 9,350 Siglo XXI customers in all the Arca Continental territories in Mexico, of which 4,766 are women.

Complimentary Business Centers (CBCs)

CBCs are a concentration of businesses with different niches in their community which generate a complementary offering for local consumers with a variety of services, fresh products, and personalized service. These projects are geared to strengthening retailers by developing neighboring businesses in a specific community, while at the same time striving to reactivate growth in the commercial area and contribute to the profitability of a variety of businesses.

In an effort to promote physical activity, as well as communal living, we refurbished parks and public spaces near the CBCs to generate shared value for all through the Vive tu Parque (Live your Park) program. This element adds considerable social and economic value to the CBCs by encouraging a flow of customers and consumers in the vicinity of the businesses in addition to increasing the sense of belonging within the community and reinforce the social fabric.

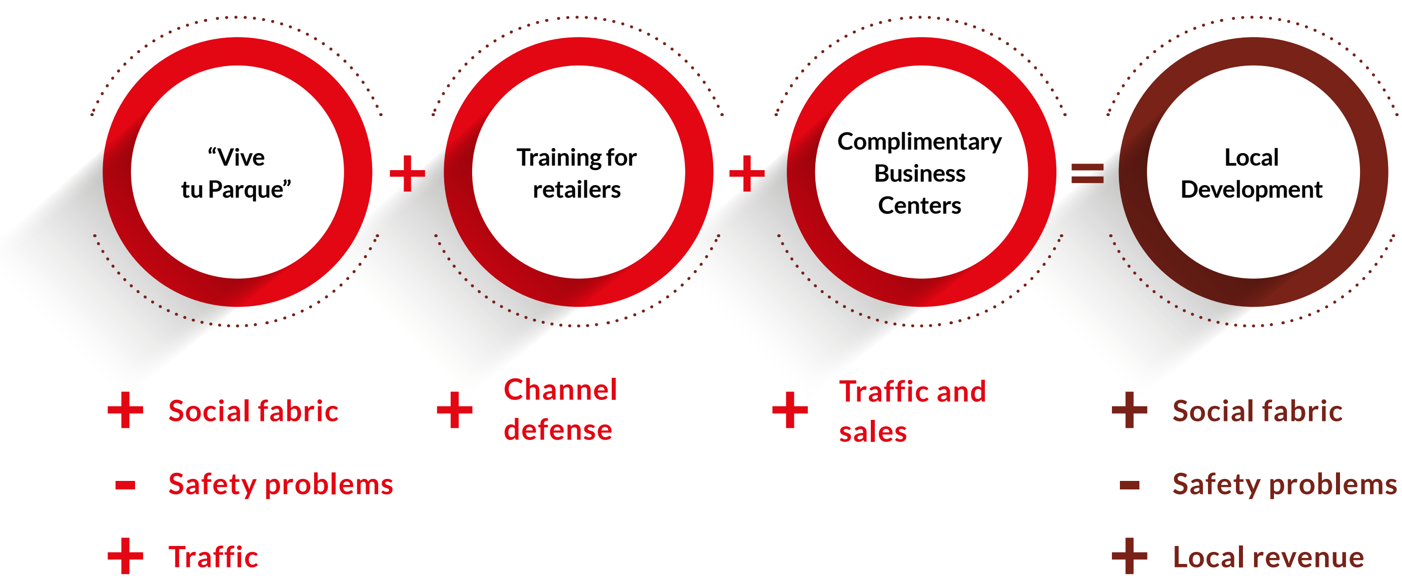
As of 2018, we have activated a total of 34 Complimentary Business Centers in Mexico thanks to which we have honed competitive local development and promoted loyalty from current customers and attracted new consumers.

One of the success stories of this strategic model is the Lincoln CBC in the metropolitan area of Monterrey, which includes 18 businesses, half of which are Coca-Cola customers. The transformation of the stores, in addition to support from their own communities, has proven to have a positive impact on the local economy. A satisfaction survey referring to this project concluded that:

- The standardized image of the complementary businesses is pleasant for 90% of the people surveyed.
- The closeness of the business is an important factor for 68% of the customers.
- Multiple visits to some of the businesses have occurred in 75% of the people surveyed .
- The activation of the CBC has made 30% of the people surveyed notice some of the businesses for the first time.
- The activation of the park with its play sets and exercise equipment has fostered communal living and healthier lifestyles as well as an increase in the pedestrian traffic and visits to the stores.

BENEFITS OF SYNERGIES

Linking the Siglo XXI and the Complimentary Business Centers programs with projects to rehabilitate public places, such as Live your Park, has proven to have multiple social benefits that translate into local development.



Cold Dominion Program

[302-5]

Through this program we aim to ensure that our final consumers can enjoy their cold and refreshing drinks. We support our retailers and small businesses to install new refrigeration environmentally friendly equipment on loan, which helps establishments save electricity and reduce emissions.

In 2018 we installed more than 64,000 new high-performance equipment that uses CO_2 refrigerant gas and does not damage the ozone layer. These low-maintenance and high-performance systems have the following characteristics:

- Temperature control for optimal functioning
- Non-HFC refrigerants with a low environmental impact
- Motors run with electric fans for better performance
- Low maintenance condenser
- High-efficiency doors with a double template glass, Argon gas, and Low-E coating
- LED lighting
- High-efficiency isolating foam
- Plastic, durable, resistant, and recyclable frontal grid

Empower Yourself Program

The goal of this program is to strengthen and improve the business for storekeepers in the country by offering them training. During 2018, 1,000 retailers from different areas near Quito and Guayaquil received training on topics such as finances, sales, customer services, business organization and image, as well as community works. We also implemented the “Reemprende”(Restart your Business) program in which 2,584 customers participated, of which almost 2,000 were women.

Business Development School in Peru

Since 2008, the Business Development School has offered marketing, administration, accounting and taxes, finances, gender, and entrepreneurship workshops to retailers. The objective of the program is to strengthen our long-term relationships and develop our product portfolio in their businesses.

In 2018, we held 108 training workshops with the participation of 4,002 beneficiaries, of which 3,017 were women.

By applying a survey after the training, we were able to confirm that nearly 90% of the participants used the knowledge and capabilities they acquired in the workshop to their both their businesses and their personal lives.

Responsible Supply Strategy

[102-9, 102-11, 407-1, 408-1, 409-1, 414-1, 414-2]

At Arca Continental we are convinced that the success of our company depends on all the players in our value chain. That is why we view our suppliers as outstanding partners in our business development.

Arca Continental's Responsible Supply Strategy is divided into two stages, during which we carefully select our future partners or decide to continue doing business with our current ones.

- During the first stage, only those suppliers who comply with our Principles and Codes can gain access to our bidding processes.
- During the second stage, we select suppliers who comply with the expected quality standards, make deliveries on time, and offer competitive prices.

Adhering to these two stages will ensure responsible procurement of Arca Continental inputs for the long-term. The following section details this strategy.

SUPPLY CHAIN SUSTAINABILITY

PHASE 2

QUALITY
The Supplier must provide its product our service meeting the highest quality standards, including all applicable certifications.

COMPETITIVITY
The suppliers' economi offer must be competitive in the market and the negotiation should seek to favor development on both sides.

SUPPLY
The supplier must submit the volume of products or agreed service deliverables on schedule and in compliance.

Open, fair and transparent bidding

Environmental footprint minimization and creation of shared value

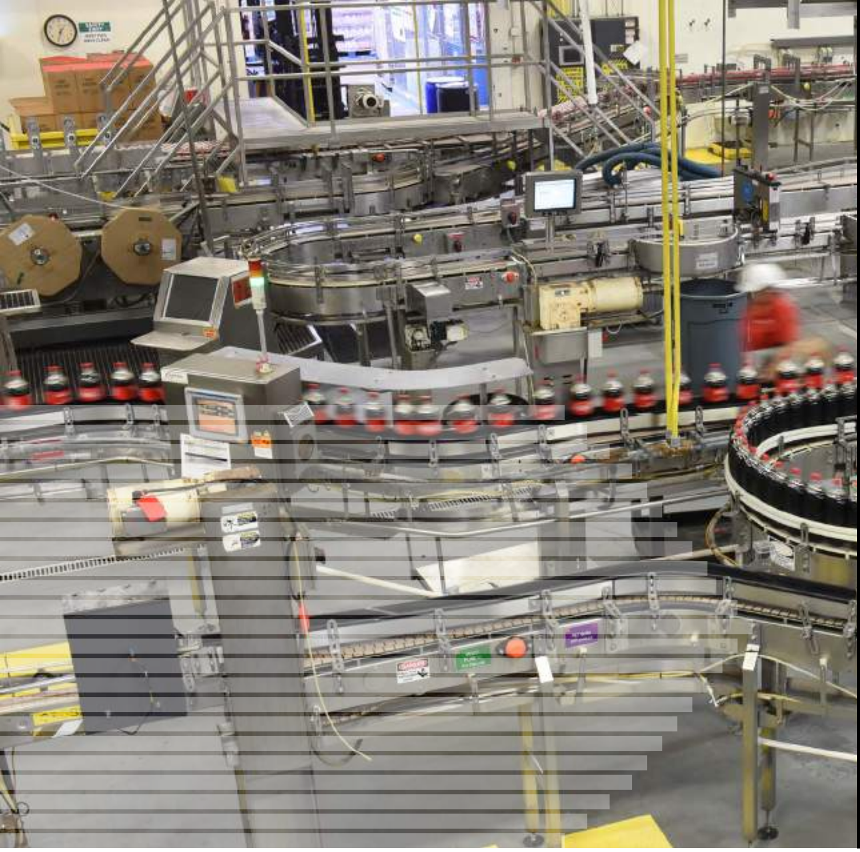
PHASE 1

Principles, codes and guides
- Supplier Guiding Principles
- Code of ethics and Coduct
- Sustainable Agriculture Guiding Principles

Compliace management
- Suppliers' certifications
- Deviation complaints through our transparency mailbox
- Committee of complaints' investigation

Local supply and supplier development
- Preference for local suppliers
- Supplier and entrepeneur training programs

RISK ASSESSMENT AND ORGANIZATIONAL REPUTATION



SUSTAINABILITY RISK SUPPLIERS

We have several criteria to identify the level of sustainability risk of potential suppliers, which are:

- **Risk of non-compliance with the Coca-Cola Supplier Guiding Principles**
- **Activities and geographies identified as vulnerable regarding Human Rights according to the International Labor Organization**
- **High-intensity water related activities in water stressed areas**
- **Operate in a high biodiversity region or next to a significant water body**

To ensure that our supply chain adheres to at least the same levels of professionalism, values, respect for Human Rights, integrity, and environmental stewardship that Arca Continental adheres to, all people and organizations wishing to establish a commercial relationship with us needs to fulfill an incorporation process. The steps suppliers must follow depend on how critical the supplier is, which is determined during the process itself. Compliance with each of the following steps is required in order to move on to the next step:

The following are the steps that need to be followed in this process:

1) **Due Diligence Process** Suppliers must have all of its documents, permits and regulations required by the operation's regional authority in order. They must prove that their funds have no illicit origin. For cases indicated by the anti-corruption risk classification indicates, a review will be made to determine whether there are any legal suits or sanctions pending by the authorities or by any other company in the Coca-Cola System. We will also check that the supplier is not included in international sanction lists or in lists of politically exposed people. In addition, negative mentions in the media will also be reviewed.

2) **Criticality identification.** Direct or indirect suppliers, depending on the nature of their business or location, can be classified as critical or not. Criteria to identify critical suppliers are detailed in the following pages.

3) **Recognition or certification in our principles and codes.** Every new supplier will be obliged to read, sign in acceptance, and implement our Code of Ethics and Conduct Policies. In case of any alarms arise during the due diligence process, remediation measures may be implemented which, in certain critical cases, could include performing an audit or require compliance certifications. When a supplier is deemed critical, we could agree to having a third-party carry out an audit in compliance with Coca-Cola's Supplier Guiding Principles, the Arca Continental Code of Ethics and Conduct and, when applicable, the Sustainable Agriculture Guiding Principles. On the page entitled "Matrix by type of supplier --responsibility" we detail which type of supplier need to acquire which level of responsibility in adherence to these codes and principles.

4) **Bidding process.** Only when suppliers have complied with all three steps in the process will they be able to participate in a bidding process and present proof of how economically competitive their products or services are.

   - Besides the economic proposal, during the bidding process we assess other factors that affect the decision to purchase, such as favoring local sourcing or the supplier's qualifications in social and environmental issues obtained during the certification process.

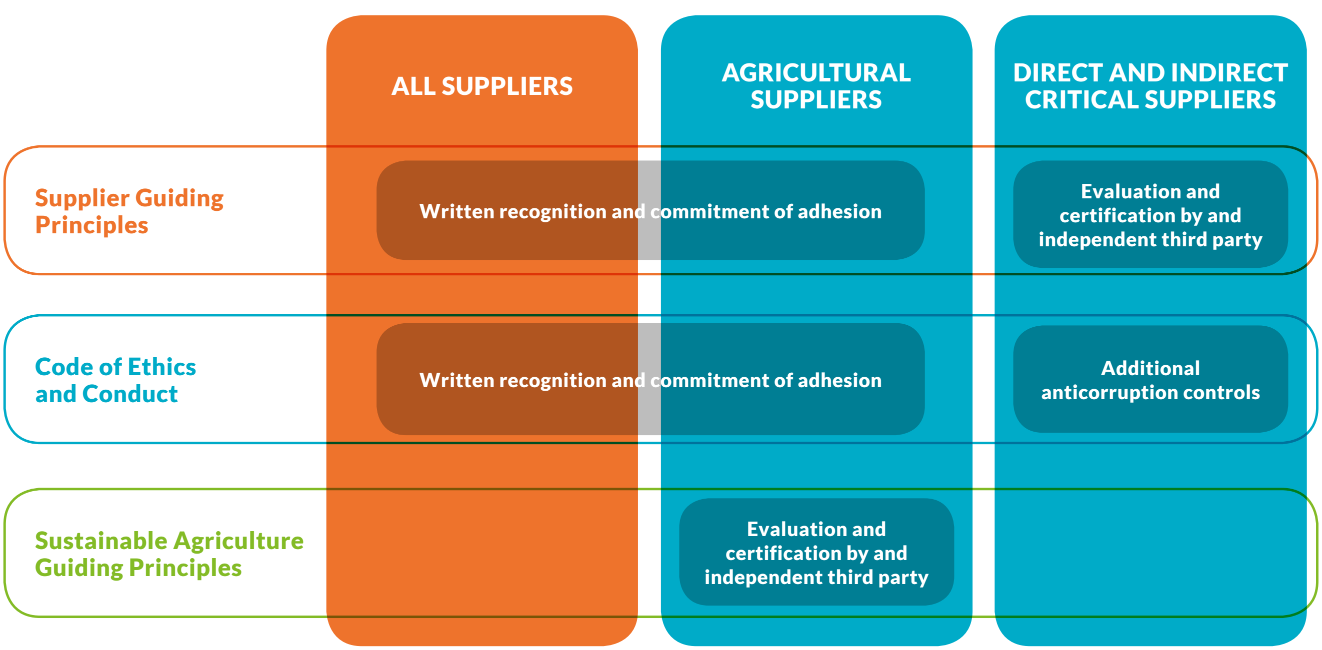
The Supplier Guiding Principles (SGP) are a vital pillar of The Coca-Cola Company's human rights and workplace accountability programs. These programs are driven by the belief that good corporate citizenship is essential to our long-term business success and must be reflected in our relationships and actions in our workplaces and the workplaces of those who are authorized to directly supply our business.

The principles outlined below reflect the values we uphold in our own policies, and we expect our direct suppliers to follow the spirit and intent of these guiding principles to ensure respect for all human rights.

- Freedom of association and collective bargaining
- Prohibit child labor
- Prohibit forced labor and abuse of labor
- Eliminate discrimination
- Work hours and wages
- Provide a safe and healthy workplace
- Protect the environment
- Compliance with valid laws and regulations

The criteria for identifying a direct or indirect supplier as critical include the following:

- **Ingredients.** Suppliers of products that are part of a formula or that directly supply an ingredient in our products is deemed as critical.
- **Contact with the product.** All materials that come into direct contact with are products are considered to be critical and, accordingly, so are the suppliers of such materials.
- **Activities and geographies identified as vulnerable regarding Human Rights.** Suppliers located in an area that has been identified by the authorities or by organizations such as the International Labor Organization as susceptible to Human Rights violations are deemed critical, as are those who carry out activities that meet with these criteria.
- **Exposure or complaint.** Suppliers who have been exposed in the media or by the authorities regarding a risk of corruption or have been reported through our Transparency Mailbox, will be deemed critical as long as the corresponding investigation is ongoing.



To ensure that the strategy is implemented as expected, we have designed a series of KPIs based on the three pillars of the responsible procurement strategy, as follows:

PILLAR	KPI
Principles, Codes, and Guidelines	1. Number of suppliers who have read and signed the Arca Continental Code of Ethics and Conduct. 2. Number of suppliers who have read and signed the Coca-Cola Supplier Guiding Principles. 3. Number of critical (direct and indirect) who have been certified under the Coca-Cola Supplier Guiding Principles. 4. Number of agricultural suppliers (direct and indirect) who have been certified under the Coca-Cola Sustainable Agriculture Guiding Principles.
Compliance management	1. Valid reports received through the Transparency Mailbox. 2. Corrective measures and sanctions determined from investigations carried out as a result of a report.
Local sourcing and supplier development	1. Percentage of local suppliers for each of the operations. 2. Number of suppliers who have received training, specifying the type of training and the number of training hours. 3. Number of entrepreneurs who have received training, specifying the number of training hours. 4. Number of entrepreneurs who were included in the Arca Continental supply chain after having received training.

Critical direct suppliers

[102-9]

PRODUCT	MEXICO	PERU	ECUADOR	ARGENTINA	UNITED STATES
Sugar	1	2	3	4	0
HFCS	3	0	0	0	2
CO2 / N2	1	1	2	3	2
PET Resin	8	6	6	4	2
PET Bottles	5	4	6	4	1
Glass Bottles	3	1	1	1	1
Aluminum Cans	2	0	0	0	1
Packaging Materials	19	11	7	7	2

Critical indirect suppliers

[102-9]

PRODUCT	MEXICO	PERU	ECUADOR	ARGENTINA	UNITED STATES
Thermo-shrinkable	4	4	2	3	1
Stretch Film	4	4	1	3	4
Labels	3	3	3	3	1
Pallets	4	5	2	3	3
Corrugated	6	2	1	3	2
Distribution Cases	1	2	1	2	0
Coolers	2	6	2	4	6
Vending	5	5	0	0	2

Guiding Principles Audits

[102-11, 308-1, 308-2, 414-1, 414-2]

The Supplier Guiding Principles (SGP) are among the strongest foundation of social responsibility programs in the workplace. These programs are carried out based on the belief that being a good corporate citizen is key for our success in the long-term, and we must reflect this in our relationships and actions within the workplace and with those entities authorized to be suppliers of our business.

The principles listed below reflect the values we have embedded in our own policies and that all our direct suppliers are obliged to follow.

- Freedom of association and collective bargaining
- Prohibit child labor
- Prohibit forced labor and worker abuse
- Eliminate discrimination
- Fair work schedules and salaries
- Provide a safe and healthy work environment
- Protect the environment
- Adhere to all applicable laws and norms

In 2018, 27 of our main suppliers were audited and certified under the framework of the Guiding Principles, for which we have audited close to 100% of our critical suppliers over the past 4 years. The following table includes strategic suppliers: packaging, ingredients, coolers, and co-packaging.

During the 2018 SGP audits, 5 suppliers were found to be not entirely in compliance, mainly due to authority's valid permits. Out of this five, four suppliers immediately corrected the issue and the latest one validated their permits within the same fiscal year.

	SCOPE OF SUPPLIERS	AUDITED SUPPLIERS	SUPPLIERS IN COMPLIANCE
Number of Suppliers	315	235	235

Arca Continental´s Compliance

As part of the Coca-Cola System, Arca Continental is also subject to being certified third party in terms of compliance with the Guiding Principles. All of the Arca Continental beverages operation centers are verified every 3 years under a more complex version of the Coca-Cola Supplier Guiding Principles. In addition to all the elements included in the Guiding Principles that apply to other suppliers, as bottlers we have to comply with other criteria:

1. The audit process is more complex and stricter. The Guiding Principles for bottlers include aspects such as the health and safety of contractors, protection for migrant workers, and the "Prior, free, and informed consent" process during events such as the expansion of a property, for example.

2. Design and execute an action plan to address any risk associated with non-compliance with the Guiding Principles, that are implemented and verified in terms of compliance during the course of the year.

3. Any center that is classified as at-risk and does not prove to have addressed the problem, will not be able to operate.

To date, none of the Arca Continental centers have ever been stopped from operation because of non-compliance with the Guiding Principles. 100% of the Arca Continental operating centers have their corresponding Guiding Principles certifications up to date, with approximately one third or our centers renewing their certificates annually.

Suppliers' Support Programs

Since 2015 we have been carrying out a supplier satisfaction survey, with which we assess quality of service, procedures, and institutional image. Additionally, as part of the Coca-Cola Mexico and Arca Continental Quality System (ISOs) we carry out a quarterly assessment of our main suppliers in every plant. With this we evaluate: administrative and service concepts, as well as quality, environmental, commercial, and safety aspects. It is important to point out that, regardless of the results of this evaluation, any critical or urgent corrective actions are addressed at the precise moment when they arise, involving the Procurement, Internal User, and Supplier divisions.

In 2018 we continued implementing and standardizing the Procurement Management division in Mexico, in order to offer tailored services to suppliers and carry out special negotiations at the corporate level, and at the local level in every plant.

Partnership for Entrepreneurship and Innovation

Arca Continental and Coca-Cola Ecuador are part of the Partnership for Entrepreneurship and Innovation (AEI for its acronym in Spanish), a network of academics and other public and private actors aimed at promoting entrepreneurship and innovation. The partnership offers training to entrepreneurs and provides them with access to financing and legal assistance. For more information on AEI, please visit http://aei.ec/.

Farming Development in Ecuador

Committed with the rural development in our regions, Tonicorp has developed the Socially Inclusive Farming Program. This program seeks to include small livestock business into the business' supply chain as well as to improve the quality of dairy, the encouragement of fair trade and mutually beneficial relationships with our farming partners in rural areas. This project has been made following the PDP methodology in association with the United Nations Development Program (UNDP), the Ministry of Agriculture and Farming and the Ministry of Industry and Productivity of Ecuador and has, to date, benefited more than 3,000 families in the regions of Cañar, Azua and Chimborazo, 40% of which are families led by women.

The contribution of USD 32 thousand has contributed to the generation of economic growth of the farmers through social solutions that simultaneously create value for the organization itself. For Tonicorp, this project is an opportunity to reduce supply shortage, reduce supply chain costs, strengthen its corporate reputation, fortify the long-term business relationships as well as its strategic relationship with the local government. Besides the assurance of a better dairy product, this program benefits the small business owners involved:

- Access to better finance credit conditions
- More competitive prices due to productivity and cost reductions
- Inclusive sources of jobs
- Social development and economic reactivation in rural areas
- Quality and continuous improvement culture to strengthen operations
- BPM quality certifications

Local Suppliers

[204-1]

One of our objectives is to register a constant increase in the amount of inputs we source from local suppliers. Arca Continental has more than 50,000 suppliers worldwide. The following tables shows local suppliers in each of our territories.

	PERCENTAGE OF LOCAL SUPPLIERS PER COUNTRY
Mexico	98.89%
Ecuador	91.18%
Peru	92.59%
Argentina	97.86%
United States	99.60%

Note: We define a local supplier as those constituted in the same country where the purchase is made.

Supply Chain

[102-9]

The supply chain of our beverages operations includes the following elements:

1. INPUT SUPPLIERS.
To make our products we require raw materials that need to adhere to specific standards for each material that is sent to our freight units and hired by suppliers.

2. STORAGE.
Inputs are stored for future use in the production process that takes place in the production plants with the support of experts in forklifts and storage.

3. PRODUCTION.
Production plants use the available materials, labor, and machinery to make products; sometimes we procure from third-parties.

4. LOGISTICS.
Products are received by our Logistics staff at the product warehouses, and they are then sent to the Distribution Centers.

5. SALES AND DISTRIBUTION.
The Sales division compiles customer orders and asks the Logistics division for the products that are allocated to the distribution market routes. Afterwards, the product is delivered to the market on a delivery vehicle.

6. CUSTOMERS.
Customers receive their products based on the orders they place.

7. PACKAGING RECYCLING.
Through different waste management projects, such as PetStar in Mexico and INTERCIA in Ecuador, we collect a percentage of the PET, glass, and aluminum packaging that we send out to the market. Afterwards, we include it once again as recycled material in our packaging, thus closing the value cycle of our circular economy model.

Continuous Improvement and Operational Excellence

[404-2]

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

QUALITY IS A PRIORITY

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

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

SAVINGS AND EFFICIENCIES

We make an effort to continue looking for efficiencies, implementing best practices in order to continue to operate with cutting-edge technologies.

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

USD$30 MILLION
CAPTURED SYNERGIES IN CCSWB IN 2018

Sharing Best Practices

In order to be a learning company, we need for individuals, teams, and the company itself to continually learn and share in the development, transference, and use of know-how and capabilities to produce continuous improvements and create a dynamic competitive advantage. This helps create a cooperative work environment in which the company's associates participate in the achievement of common goals. The Continuous Improvement philosophy has the same goals as it is centered on building learning processes that involve everyone from the On Site Committee to the Continuous Improvement Teams, in order to develop common goals and values.

Improvement must be and is a way of life within the Continuous Improvement philosophy and best practices in its system need to be shared and rolled out both horizontally and vertically across the whole company. This is why processes are needed in place that support this rollout and that are continually being upgraded.

For us, the concept of Best Practices refers to replicating improvements in processes and systems that render excellent results from one division to the others. It is not only the act of copying best practices but also a culture of sharing information among divisions, and it is crucial that this exchange includes successes as well as failures. The expectation is that an improvement is not complete until it has been confirmed that it can be replicated, and the lessons are shared with others.

During 2018, we created the Best Practices Procedure through which we communicate the processes that need to be implemented to share knowledge and promote a greater associate participation so that the processes are maintained and best practices are replicated both within the company, and outside, in accordance to the Continuous Improvement Manual.

+USD 43.62 MILLION IN ANNUAL SAVINGS ESTIMATED FOR CONTINUOUS IMPROVEMENT PROJECTS IN MEXICO, PERU, ECUADOR, ARGENTINA AND THE U.S.

Projects that have resulted in Best Practices as of 2018 are described in the following table:

DIVISION	REPLICAS	TOTAL PROJECTS
Management	-	14
Human Capital	5	38
Logistics	24	85
Building Maintenance and Conservation	2	14
Production	12	136
Transportation and Refrigeration	24	79
Sales	13	96
GENERAL TOTAL	80	462

Leading Operations

UNITED STATES

- While the integration process and the continuous improvement standardization process continues to move forward, CCSWB obtained recognition in commercial execution in the United States and was awarded the 2018 Improvement in Execution Index in the Market Street Challenge Cup, among other recognitions.

- The McAllen Plant, in Texas, was granted the President's Quality Award for excellence, beating all other Coca-Cola plants in the U.S.

MEXICO

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

ARGENTINA

- Arca Continental Argentina maintained its position for Best Quality in Product and Packaging during all of 2018, with this being its second consecutive year on the podium. It surpassed bottlers in the six countries included in the South Latin Business Unit system of The Coca-Cola Company.

- It was among the finalists in the Candler Cup, placing 2nd for excellence in execution.

PERU

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

Through our Continuous Improvement Program, we strive to train and support different Arca Continental teams in the countries where we are present in order for them to be able to suggest innovative and improvement projects. The program is carried out by teams organized by each plant that are in charge of analyzing and suggesting improvements in different aspects in at least one of the established topics: productivity, cost and expenses controls, quality, safety, environmental indicators, and personal development indicators.

Our Operational Excellence Initiative is a comprehensive tool that we employ to analyze, detect, and address areas for improvement identified at each of the stages of the processes we carry out, and it also extends at the same time to the value chain of our customers and suppliers. This is how we are able to act on priority improvements with comprehensive solutions and as a team.

To date, more than 12 of our operation centers have been certified by The Coca-Cola Company as Reference Centers in Operational Excellence. We have also continued to strategically deploy the Lean Six Sigma methodology across our company.

LEVEL	CERTIFIED CENTERS
Reference Centers Bronze Level	10
Reference Centers Silver Level	2

During the rollout of the Continuous Improvement Program in 2018, we trained 14,714 associates in Mexico, Ecuador, Peru, Argentina, and the United States. A total of 350 improvement projects were propose, designed and implemented during this period, with annual savings equivalent to more than USD 45.4 million.

Environmental Leadership

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

Arca Continental's commitment to the environment is based on a philosophy requiring that maximum care be given to natural resources while at the same time trying to reduce to a minimum the environmental footprint, holistically incorporating these efficiency practices into the company's efforts.

A key aspect of our philosophy is to reduce the environmental impact of our production operations while striving to preserve the environment in the communities where we are present. By implementing the Arca Continental Environmental Sustainability Model, founded on the water, energy, waste, and packaging pillars, we seek to continue to have a profitable, environmentally friendly business.

To comply with our environmental wellbeing objectives, we carry out different efforts and investments in projects that allow us to mitigate the emissions of our production activities, neutralized our water consumption, preserve the ecosystems and bodies of water around us, reduce the waste we generate, and increase the amounts we recycle.

[302-3, 305-4]

	BEVERAGES STRATEGIES	2020 TARGET	2018 RESULTS
Reduce the water footprint	Improve efficiencies in water	1.6 liters of water per liter of beverage produced	1.66 liters of water per liter of beverage produced (1)
	Neutralize and conserve sources of water	Replenish 100% of the water we use in the countries where we operate	For 2 years we have exceeded 100% of water replenishment (1). In Mexico, this number is 128%.
Reduce the carbon footprint	Reduce CO_2 air emissions.	25.14 gr of CO_2 per liter of beverage produced, 17.5% reduction from our carbon footprint vs. the 2010 baseline: 32.04 gr of CO_2 per liter of beverage produced (2)	23.88 gr of CO_2 per liter of beverage produced: a reduction of 25.5% in relation to the 2010 baseline (2)
		Reduce by 11% the amount of energy (MJ) needed to produce a liter of beverage vs. the 2010 baseline: 0.273 MJ per liter of beverage produced	0.239 MJ per liter of beverage produced: a reduction of 12.45% vs. the 2010 baseline(2)
	Use of energy from renewable sources	At least 30% electric consumption from renewable sources	31% of our electric consumption comes from renewable sources (1), thus exceeding our goal 2 years in advance. In Mexico, this number is 38%.
Reduce the waste footprint	Increase recycling of generated waste	Recycle 90% of the waste generated at our Production Centers	We recycle 94.5% of our industrial waste (1)
	Use sustainable materials	Maximize the percentage of food grade recycled PET, as well as BioPET, in our packaging	We cover 24.27% of the PET required for our bottles with recycled PET and BioPET (1)

(1) Includes beverages operations in Mexico, Ecuador, Peru, Argentina, and the United States.
(2) Emissions corresponding to beverage manufacturing in Mexico, Ecuador, Peru, Argentina, and the United States.

Management and Strategy

ENVIRONMENTAL POLICY[1]
In order to reach the established goals in terms of environmental care and conservation, we fully comply with all applicable environmental laws, requirements and regulations imposed by our organization in an effort to achieve a rational and efficient use of resources.

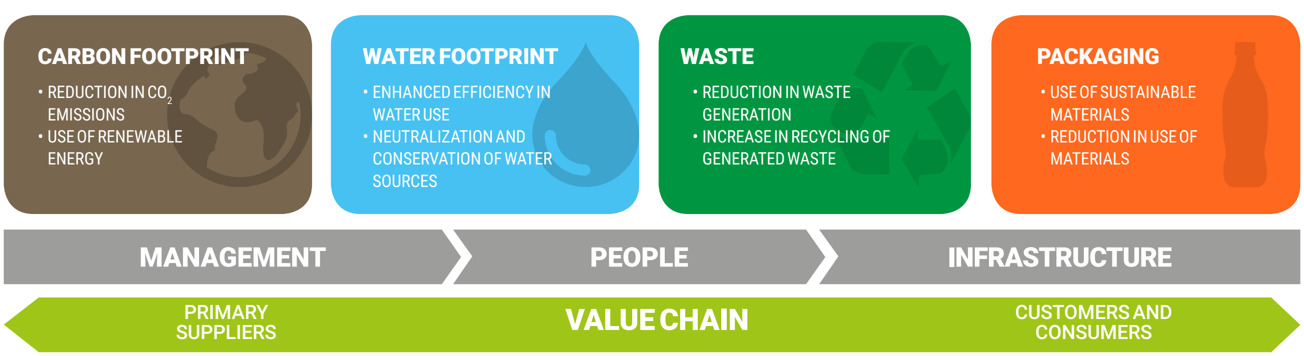
We are currently undergoing an updating process for our Environmental Policy to address new challenges and opportunities derived from the expansion of our operations, as well as the environmental regulations currently in force in all our regions. This renewal intends to exceed regulatory compliance in every country where we operate so our products have a smaller environmental footprint while our operations continue to grow and improve.

ENVIRONMENTAL MANAGEMENT SYSTEM (EMS)[2]
Arca Continental's top executives establish, document, implement, and maintain our Environmental Management System based on the requirements of the ISO 14001 standard and of the environmental aspects of the Coca-Cola Operational Requirements (KORE) that all Coca-Cola bottlers need to comply with. To date, 100% of our production centers are ISO 14001 certified.

ENVIRONMENTAL FOCUS
Currently, Arca Continental's top management, as well as managers at each of our plants have performance objectives that are related to environmental efficiency. Complying with these objectives is related to variable compensation, which promotes monitoring of the company's environmental strategies and contributes to continuous improvement at our operations at different levels in the organization.

We seek to be a leading company in environmental stewardship and in the preservation of resources in the places where we operate. To achieve this goal and to maximize our impact, we employ our Environmental Management System to ensure that sustainability is embedded in our processes and decisions, as well as to constantly evaluate performance allowing us to constantly improve and achieve our goals. With this system we are able to have an impact on all areas of the business, the life cycle of our products, our value chain, and our associates. The is based on the ISO 14001:2004 norm, as well as Coca-Cola's (KORE) environmental specifications. It also incorporates internationally accepted practices included in the EIRIS and RobecoSAM systems.

All our efforts are focused on the incorporation of Arca Continental into the circular economy on issues such as reducing waste, increasing recycling in our packaging, as well as integrating PetStar and ECOCE. Thanks to these efforts, we are at the top of the game in relation to the circular economy in Mexico. We will continue to work on reaching an advantageous position in this new way of doing business where inclusion and respect for our planet are priorities.



(1) http://www.arcacontal.com/social-responsibility/environmental-wellbeing/environmental-management.aspx
(2) http://www.arcacontal.com/media/164532/documento_sga_2015-ing.pdf

Water Conservation

[102-11, 303-2]

We are more than aware of the importance of water, not only for our operations, but for life on our planet. As part of the Coca-Cola System, at Arca Continental we are committed to the 2020 vision in terms of water, which is divided into three main objectives:

1. **Improve efficiency in water usage**
2. **Replenish and treat the water we use in our products**
3. **Research and participate in the protection of water basins**

Our Source Vulnerability Analysis (SVA) focuses on constantly monitoring the water cycle and on the interaction of our production centers with other important actors in the micro-basins of bodies of water neighboring our operations. The SVA is endorsed by an expert from an independent third party and is carried out every five years in all our operations. It analyzes the main environmental and social risks in order to determine the amount of water that can be sustainably exploited in each micro-basin. As a result of the analysis, Arca Continental, in collaboration with The Coca-Cola Company and the independent expert, has developed a Source Water Protection Plan (SWPP) with which every production center has to rigorously abide. Monthly reports on performance and progress are made, and audits are held periodically.

We also ensure that the bodies of water are healthy and can be sustainably exploited, which is why we measure our consumption from different sources, such as municipal water and our wells, as we also quantify our industrial wastewater discharge, reused water, and reductions in consumption. At Arca Continental we continue returning to nature more than 100% of the water we use through reforestation and water harvesting initiatives.

Arca Continental's operations have not had a significant impact on the basins located near our production centers. However, by employing the Water Risk Atlas tool of the World Resources Institute (WRI), we have identified that approximately 40% of our operation centers are located in areas of high hydrological stress. With this in mind, it is critical that we implement a comprehensive water use strategy that includes everyone involved in our value chain. Our management systems and policies take into account the importance of this resource, both within our own operations and with as well as those corresponding to our suppliers.

We actively participate in private initiatives for the comprehensive management of basins located near our operations. For example, in Mexico we are founding members of the Water Fund for the Metropolitan Area of Monterrey (FAMM for its acronym in Spanish) and we lead 5 water funds in Ecuador, as well as reforestation and conservation initiatives in our regions in Latin America.

The following efforts are among the most relevant water conservation, water harvesting, and reforestation programs in which we participate to conserve sources of water.

Reforestation and Water Harvesting Program in Mexico

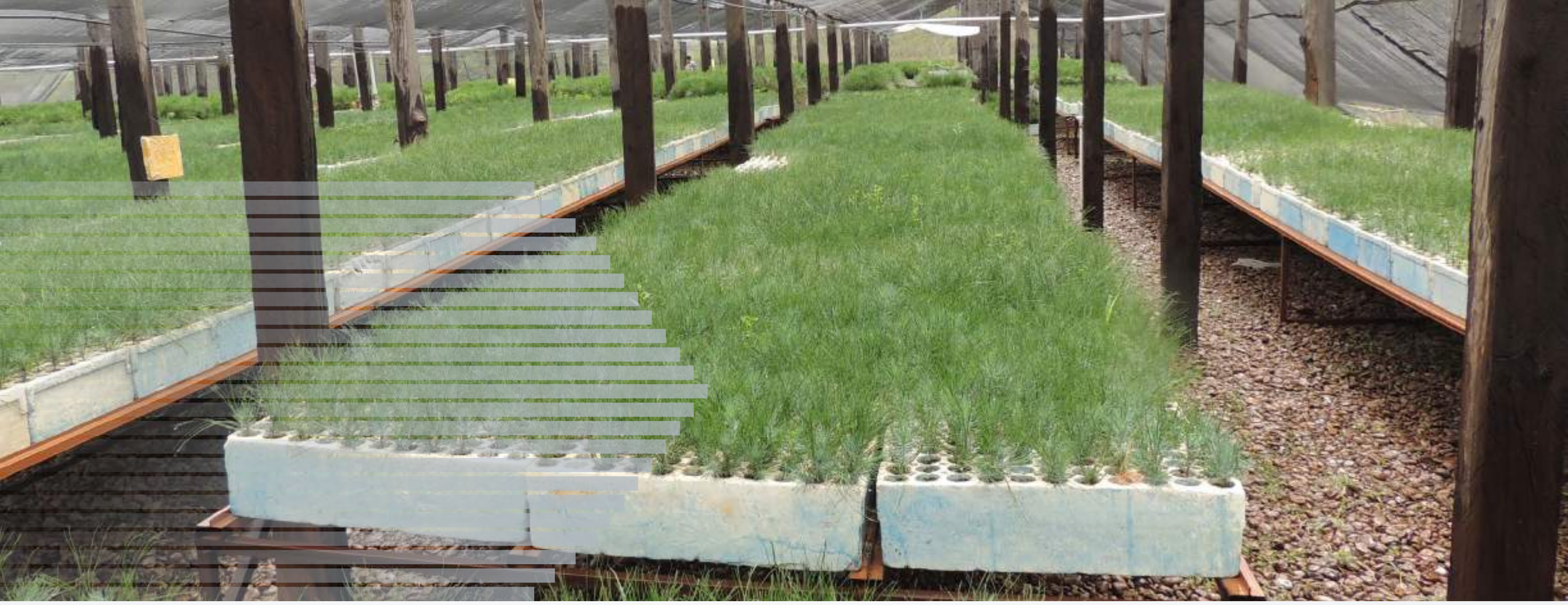
This program, which is led by the Coca-Cola Mexican Industry, seeks to carry out joint efforts between the private sector, the government, and civil society to restore the environment in Mexico. Our goal is to return to nature all the water used in making our products by forest recovery, reforestation, and woodland maintenance initiatives that contribute to the recovery of the aquifers.

Hand in hand with experts such as Pronatura, the National Forestry Commission (CONAFOR) and the National Protected Areas Commission (CONANP), we have been able to achieve our goals in several Mexican states where we operate:

28 MILLION TREES HAVE BEEN PLANTED ACROSS THE ARCA CONTINENTAL TERRITORIES TO DATE.

A study carried out by the *Universidad Nacional Autónoma de México* and the environmental engineering consulting agency LimnoTech concluded that the Coca-Cola Mexican Industry has reached its goal of returning to nature 100% of the water it uses to make its products.

STATE	RESTORED HECTARES	PLANTED TREES	CUMULATIVE NUMBERS OF PRODUCTIVE PROJECTS WITH A POSITIVE ENVIRONMENTAL IMPACT
Aguascalientes	195	155,600	42
Baja California Sur	270	94,714	-
Chihuahua	552	114,750	4
Coahuila	405	6,600	24
Durango	202	75,500	52
Jalisco	190	24,375	105
Nuevo León	160	52,525	73
San Luis Potosí	200	21,500	53
Sinaloa	110	17,500	71
Sonora	100	14,625	102
Tamaulipas	100	155,600	-
Zacatecas	195	94,714	-



Social Projects

[203-1]

As part of the Mexico Reforestation and Water Harvesting Program, we carry out a series of social projects in order to generate economy, wealth, and self-sustainable efforts in the communities where reforestation activities take place. Since 2013 we have been implementing several programs to support vulnerable communities neighboring the locations where we operate. We work in collaboration with government organisms to carry out conservations projects that go beyond the environment by aiming to have a positive impact on the economic situation and quality of life of members of the communities where we are present.

Some of these efforts are described in the following table:

AMOUNT AND SCOPE OF SOCIAL PROJECTS

Rainwater Harvesting Ponds	9	Aguascalientes, Coahuila, Durango, Jalisco, Nuevo León, and San Luis Potosí
Community cisterns	81	Aguascalientes, Coahuila, Nuevo León San Luis Potosí and Zacatecas
Rainwater harvesting roof systems and backyard orchards	126	Aguascalientes, Baja California Sur, Chihuahua, Coahuila, Durango, Jalisco, Nuevo León, Sinaloa, and Sonora
Wastewater treatment plants	2	Jalisco and Sonora
Water purification plants	2	Jalisco

Water Replenishing Program in Ecuador

Represented by The Nature Conservancy (TNC), this program that we carry out in collaboration Coca-Cola Ecuador and the Latin American Water Partnership promotes projects which, through conservation efforts, are able to return to nature the same amount of water that is used in the company's production processes.

Since the program's beginning, we have supported the following funds:

- Water Protection Fund (FONAG)
- Guayaquil Water Fund (Daule River Basin)
- Water Fund for the Preservation of the Paute River Basin (Fonapa)
- Tungurahua High Plateau Fund and Struggle against Poverty
- Regional Water Fund (Foragua)

Within this program, the Water for the Future Project is focused on protecting micro-basins, replenish them with water, and striving for the program to provide social and environmental benefits through:

- Sustainable productive projects (organic vegetable gardens, improved grass, live fences, and harvesting under better production practices).
- Maintenance, control, and oversight activities in conservation areas (field personnel and equipment).
- Visits to assess that agreement conditions are being met.
- Forest and tundra conservation.
- Reforestation of native species.
- Passive reclamation (fenced regeneration of degraded areas).

This project, which has been executed since 2014, has reclaimed 1.043 hectares in 9 intervention areas, benefiting 619 families in the region by replenishing approximately 953,000 cubic meters of water.

Photograph owned by FAMM.

Access to “Safe Water” in communities in Argentina

[203-1]

We know water is a universal right, but access to it and its quality are often a problem that can only be solved through collaborative work based on comprehensive, complementary, and adequate strategies. The joint venture in which Arca Continental, Coca-Cola Argentina, and the social company Proyecto Agua Segura collaborate has created a project aimed at providing the education and technology required to exploit, care for, and offer safe access to water for vulnerable communities in Argentina through innovation and networking.

Ingenious filtering systems have been installed in 175 schools and rural community centers in 13 Argentinian provinces, improving the life quality of the members of these communities as well as impacting more than 34,000 children. Simultaneous to these efforts, we offered training and educational workshops for volunteers and members of the community on the proper use and care of the installed technology, the adoption of healthy habits to prevent diseases, the basics of water cycle, and the importance of water as a human right and for the comprehensive development of human beings.

Given the importance of water access and preservation in the Arca Continental Sustainability Strategy, we are pleased to be part of the solution through this collaborative initiative whith local authorities and local society.

Water Fund for the Metropolitan Area of Monterrey (FAMM)

[203-1]

Arca Continental is proud to be a founding member of the Water Fund for the Metropolitan Area of Monterrey (FAMM for its acronym in Spanish). In collaboration with The Nature Conservancy and other companies and organisms, we carry out the Replenishment program which is divided into two initiatives: on the one hand it carries out efforts in the field and, on the other, it operates a hydrological plan.

One of the major projects in which FAMM participates in collaboration with academia, private organisms, independent consultants, and the state government of Nuevo León is the Nuevo León Hydrological Plan (PHNL2050). The goal of this comprehensive plan is to address the problem of hydrological safety, including managing holistic stress risks, a water culture, basin conservation efforts, managing demand, and water supply.

Based on international best practices, the following are some of the characteristics of the PHNL2050:

- Based on data and science: with official data from the Monterrey Water and Sewage System, CONAGUA, and innovative methodologies.
- Participative: more than 30 meetings with stakeholders were held.
- Transparent: progress and meetings were made public on the PHNL website and on YouTube.
- Exhaustive: it included all technically and legally viable projects.
- Comprehensive: included critical topics for comprehensive management.
- Long-term: 2050 timeframe, with periodic assessments.

The PHNL2050 is currently undergoing a second stage during which focus is being placed on analyzing options on the demand for water resulting from floods, drought, water culture, and basin conservation, among others. Institutions such as the Water Center and the Government School of the Tecnológico de Monterrey, the School of Civil Engineering and Forest Sciences of the Universidad Autónoma de Nuevo León, RAND Corporation and Antea Group are all vitally important to providing a wider vision of the implications of a plan such as this.

Recommendations with short-, medium-, and long-term portfolios and investment schemes are all aimed at achieving hydrological security in Nuevo León.

http://famm.mx/
http://planhidriconl.mx/

Monitoring Groundwater in Argentina

In Argentina, the Tucumán plant's facilities have a meteorological station that continuously monitors the groundwater basin that supplies it in terms of factors such as temperature, pressure, and humidity. The collected data is shared with institutions such as the School of Natural Sciences of the Universidad Nacional de Tucumán.

Efficiency in Water Usage

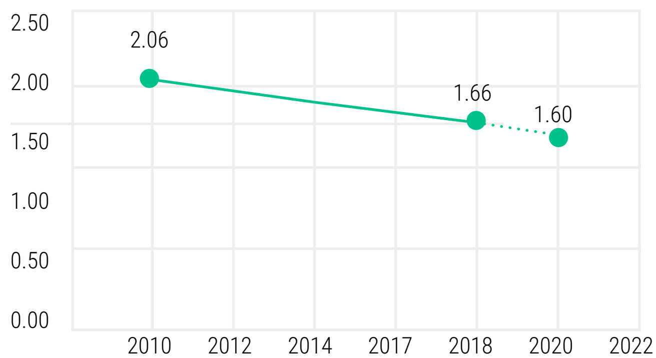
The way in which we measure the efficiency with which we exploit water is the ratio of the liters of water that are needed to produce a liter of beverage, which includes water consumption in all the processes involved.

In an effort to improve our efficiency in water usage, we have made several interventions in our operation centers through projects and initiatives: we implement new technologies, offer training to our associates, recover water from our industrial processes, repair leaks, create water saving committees, and promote a culture of continuous improvement.

In 2018, our efficiency indicator was 1.66 liters of water per liter of beverage produced, representing a 20% reduction in the water footprint of our beverages in relation to our 2010 baseline. Resulting from our programs and initiatives, this year we saved more than 4.77 million cubic meters of water compared to our estimated consumption if we hadn't intervened in our operations.

WATER USAGE RATIO PER COUNTRY IN BEVERAGES	(LT OF WATER / LT OF BEVERAGE)
Mexico	1.541
Ecuador	1.902
Argentina	1.827
Peru	1.935
United States	1.703

Liters of water per liter of beverage



Water Discharge and Reuse

[303-3, 306-1]

In order to reuse water in our operations centers and gain access to wastewater treatment plants, we have initiatives in place that enable us to reuse 1.91 million cubic meters of water in our operations in the course of 2018.

All our operation plants in Mexico, Argentina, Ecuador, Peru, and the United States have direct access to treatment plants either in situ or through municipal plants, as is the case in the United States. To comply with current wastewater discharge regulations, at Arca Continental we have 31 wastewater treatment plants installed in our beverages operations, of which 18 are located in Mexico, 7 in Peru, 3 in Argentina, and 3 in Ecuador.

Furthermore, four of our operation centers have wastewater treatment plants with tertiary purification processes: three are located in Mexico, in Matamoros, Mexicali, and Hermosillo, and one is in Guayaquil, Ecuador. This make it possible for us to use treated water in our restrooms and for irrigation systems. In Guadalajara, Mexico, for example, we have signed an agreement with the Universidad ITESO in which the university can use our treated water in their restrooms and maintenance services. We continue to work on standardizing our processes and best practices in all our regions and businesses.

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

WATER DISCHARGE BY DESTINATION (m³)

[306-1]

DESTINATION	TYPE OF TREATMENT	MEXICO	ECUADOR	ARGENTINA	PERU	GRAND TOTAL
Municipal	Without treatment	84,149.00	-	-	-	84,149.00
	Primary treatment	-	-	-	-	-
	Secondary treatment	1,466,576.00	355,606.29	-	1,280,414.31	3,102,596.6
	Tertiary treatment	424,628.00	-	-	-	424,628.00
Own wells	Without treatment	-	-	-	-	-
	Primary treatment	-	-	-	-	-
	Secondary treatment	110,076.00	-	-	-	110,076.00
	Tertiary treatment	-	-	-	-	-
Surface water	Without treatment	-	-	-	-	-
	Primary treatment	-	-	-	-	-
	Secondary treatment	614,099.60	-	409,543.10	-	1,023,642.7
	Tertiary treatment	-	-	-	-	-
Total discharges	Without treatment	84,149.00	-	-	-	84,149.00
	Primary treatment	-	-	-	-	-
	Secondary treatment	2,190,751.6	355,606.29	409,543.10	1,280,414.31	4,236,315.3
	Tertiary treatment	424,628.00	-	-	-	424,628.00

Water Consumption by Source

In adherence to our Source Water Protection Plan (SWPP), at Arca Continental we do not extract a single drop of water from surface water. We operate with water sourced from the municipal network or from concessioned water wells depending on the region, and always abiding by and in awareness of the limits stipulated by the authorities and by our Plan. In 2018 we used 19.42 million cubic meters of water.

WATER CONSUMPTION BY SOURCE (million m³)

[303-1]

	MEXICO	ECUADOR	ARGENTINA	PERU	UNITED STATES	GRAND TOTAL
Municipal	1.72	0.66	0.29	0.19	3.36	6.22
Own wells	8.45	0.85	1.01	2.89	0	13.20
Surface water	0	0	0	0	0	0
Total consumption	10.17	1.51	1.30	3.08	3.36	19.42

Emissions Reductions

[305-4, 305-5]

Based on our climate change strategy, we have established three 2020 mitigation goals:

1. Reduce by 17.5% our carbon footprint in relation to our 2010 baseline.
2. Reduce by 11% the energy footprint of our beverages (Mega Joules needed to produce a liter of beverage) in relation to our 2010 baseline.
3. Obtain at least 30% of our energy from renewable sources for the company's operations.

As part of this Strategy in an effort to mitigate the effect of greenhouse gas emissions and improve our adaptation to climate change, since 2014 we have been reporting to the CDP on issues such as Water and Supply Chain, the GHG Semarnat Program, and we have reported to CESPEDES as well.

The goal of our Emissions Reductions Program, which has been in place since 2010, is to manage a detailed record of the electric and fuel consumption in our operations. This is how we are able to monitor more closely every initiative we have presented and commissioned to reduce our emissions, thus looking for areas of opportunity and continuous improvement. Among them, there is a series of programs aimed at streamlining operations, supplying electricity from renewable sources, and replacing inputs for more environmentally friendly alternatives.

As a result of these initiatives and the efforts carried out to perform them, in 2018 we reached an emissions indicator in our operations of 23.88 grams of CO_2e per liter of beverage. Since 2016, Bebidas México has reached its 2020 goal to reduce emissions per liter of beverage produced.

In 2018, the PIASA sugar mill supplied 33.89 MWh of energy through co-generation, an amount equivalent to supplying electricity to more than 38,000 homes with renewable energy.

EMISSIONS GOALS (GR CO_2e/ LT OF BEVERAGE PRODUCED)

[305-5]

RELATIVE GOAL	2010 BASELINE	2018	2020 GOAL
Scope 1 and 2	32.04	23.88 (25.5% Reduction)	17.5% Reduction

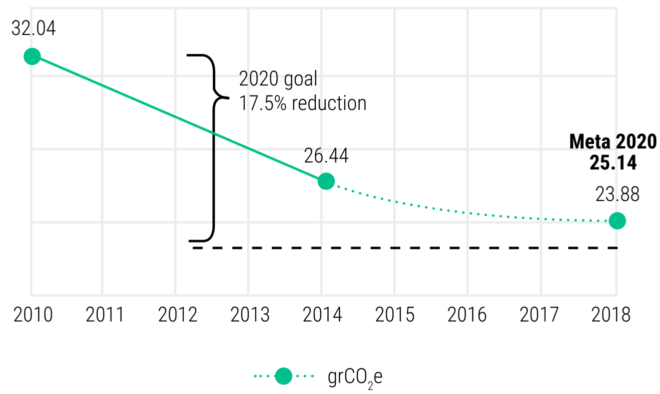
Emissions correspond to beverage manufacturing in Mexico, Ecuador, Peru, Argentina, and the United States.

GREENHOUSE GAS EMISSIONS INDEX (GR OF CO_2e PER LITER OF BEVERAGE)

[305-4, 305-5]

EMISSIONS INDEX IN BEVERAGES BY COUNTRY	
Mexico	20.82
Ecuador	15.24
Argentina	30.47
Peru	30.82
United States	29.64

Emissions correspond to beverage manufacturing in Mexico, Ecuador, Peru, Argentina, and the United States.



EMISSIONS BY REGION - SCOPE 1 (TON CO_2e)

[305-1]

COUNTRY	2018
Mexico	121,795.41
Ecuador	29,915.83
Argentina	10,082.04
Peru	12,336.25
United States	64,153.59
Total	**238,283.12**

Includes snacks and beverages operations in Mexico, Ecuador, Peru, Argentina, and the United States, including the company's fleet.

EMISSIONS BY REGION - SCOPE 2 (TON CO_2e)

[305-2]

COUNTRY	2018
Mexico	90,727.93
Ecuador	17,936.44
Argentina	13,029.40
Peru	36,885.38
United States	48,587.56
Total 2018	**207,166.71**

Includes snacks and beverages operations in Mexico, Ecuador, Peru, Argentina, and the United States, including the company's fleet.

Efficiency in Energy Consumption

[302-4]

Coca-Cola bottlers around the world participate in the esKO Top 10 Energy Saving Challenge, whose goal is to reduce the carbon footprint by means of a moderate consumption of energy while promoting the implementation of best practices.

Our energy efficiency projects, such as the optimization of cooling systems and the installation of high energy efficiency equipment, have enabled us to save 3% of the energy used to produce a liter of beverage, compared to the 2010 baseline.

EMISSIONS SCOPE 3 (TONS CO_2e)

[305-3]

METRICS	2018
Purchased goods and services	1,785,054.17
Activities related to energy and fuel	59,949.83
Waste generated at our operations	4,994.86
Business travel	390.27
Transportation and distribution (downstream)	23,647.15

Includes snacks and beverages operations in Mexico, Ecuador, Peru, Argentina, and the United States.

EMISSIONS BY CATEGORY (TON CO_2e)

[305-1, 305-2]

CATEGORY	BEVERAGES	COMPLEMENTARY BUSINESSES
Electric power	181,530.88	25,635.83
Fuel from fixed sources	74,958.01	39,002.97
Fuel from mobile sources	105,781.58	6,688.87

Includes snacks and beverages operations in Mexico, Ecuador, Peru, Argentina, and the United States.

ENERGY USAGE

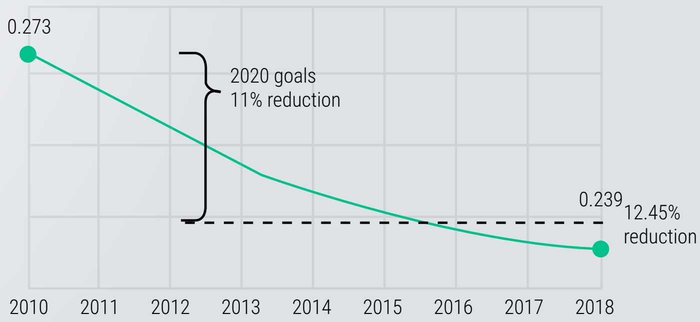
[302-1]

SOURCE	2018
Non-renewable fuels purchased (MWh)	982,053.98
Non-renewable electricity purchased (MWh)	326,366.71
Renewable energy purchased (MWh) * Hydroelectric, biomass and wind power	146,838.17
Total cost of energy consumption (MXN)	$1,144,260,574.33

Includes snacks and beverages operations in Mexico, Ecuador, Peru, Argentina, and the United States, including the company's fleet.

ENERGY USAGE INDEX (MJ PER LT OF BEVERAGE)

[302-3]



2020 GOAL

11% REDUCTION

Use of Renewable Energy

Our 2020 goal in energy is to obtain 30% of the energy we consume from renewable sources. This project has been progressively rooted into the company's operations since 2011.

In 2018, consumption of renewable energy in Mexico represented 38% of the total electricity consumed. Of this alternative source of energy, 16% comes from co-generation with biomass and 22% corresponds to wind power.

We work hard across our operations to achieve our goal, which is why we have established two strategies:

- Investments to increase clean electric power
- Explore alternatives for renewable energy generation in South America

Thanks to these efforts, we have estimated that in Mexico by the year 2020 more than half of our electricity will come from renewable sources.

This year we finalized the acquisition of renewable energy from a wind farm to supply all the Bebidas México, Bokados, and IPASA facilities. We expect the wind farm to start its supply by mid-2020, with the goal to consume 70% renewable energy in Mexico by the year 2021.

Strategy for Climate Change Adaptation

[201-2, 302-5]

Taking into consideration the possible scenarios we would face as a food and beverages company resulting from the effects of climate change, our Human Capital and Sustainability Committee has developed an adaptation strategy that will include guidelines to be followed under different possible scenarios.

To fight water scarcity, for example, we include adaptive methods for the optimal operation of our plants. Likewise, faced with the threat of extreme natural disasters in the regions where we are located, we have developed response plans and strategies to restart operations and to offer aid to neighboring affected communities.

The following are some of our low emissions projects/products:

PET bottles: use of PCR + BioPET
Savings in resin: 13,209 ton of virgin resins in 2018:

- PCR (11,707.42 ton)
- BIOPET (1,502 ton)

Emissions prevented: 41,931,678.41 kgCO_2/ton

Lightening of our PET bottles
Savings in resin: 1,443.69 ton
Emissions prevented: 5,855,378.68 kgCO_2/ton

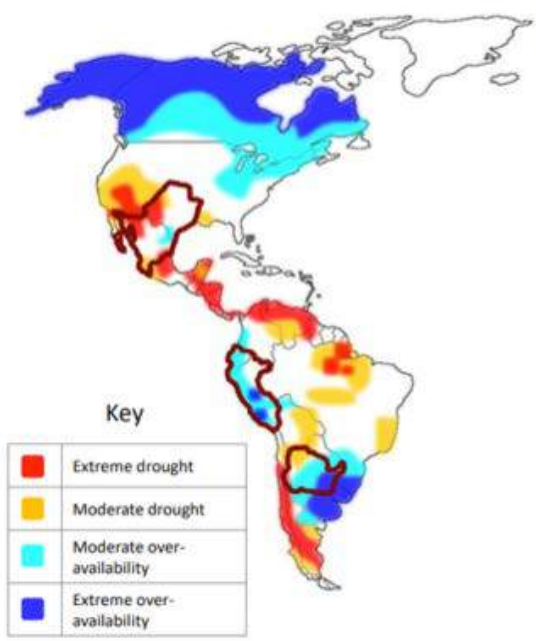
Cold Dominion Program: equipment with CO_2 refrigerants
Units installed: 64,000

In past years we conducted a deep analysis of the level of exposure of our regions of operation to certain physical risk: such as heat waves and water availability. This analysis, that can be consulted **here** resulted in a priorization of our adaptation efforts.

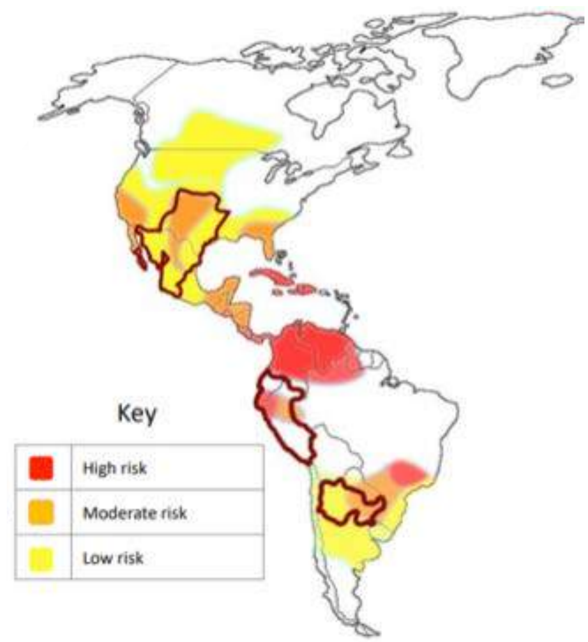
The exposure maps also allowed us to focus where our adaptation strategy and deeper vulnerability assessments will be conducted.

Arca Continental's regional exposure to physical climate change risks are presented in the following maps.

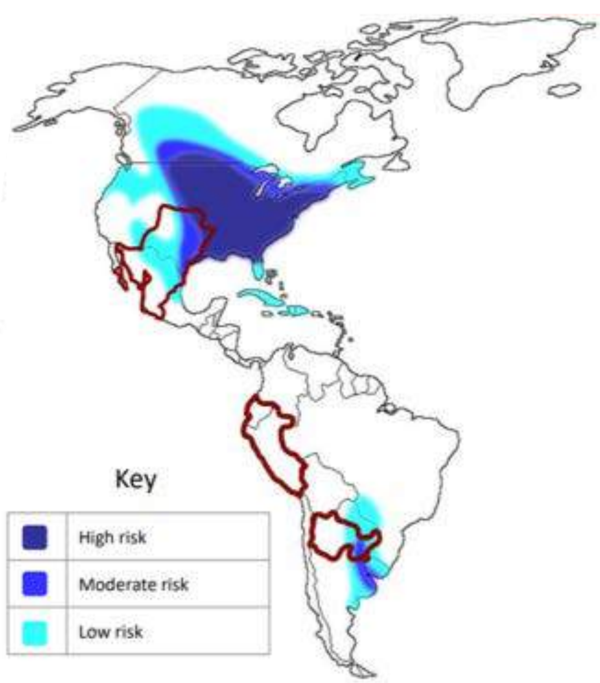
WATER AVAILABILITY



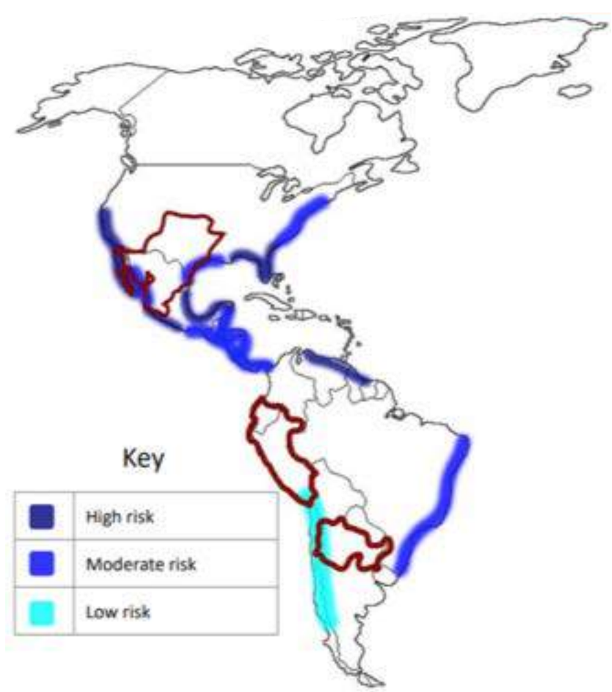
HEAT WAVES AND CRITICAL TEMPERATURE RISE



TORNADOES AND DUST DEVILS



HURRICANES, CYCLONES AND TROPICAL STORMS



Sustainable Construction Manual

Arca Continental published its Sustainable Construction Manual in 2016. It is based on a series of good practices, as well as world-renowned recognitions.

- LEED (Leadership in Energy and Environmental Design) Certification granted by the U.S. Green Building Council under the framework of New Construction.
- ASHRAE Standards of the American Society of Heating, Refrigerating and Air-Conditioning Engineers.
- Recommendations and guidelines issued by the U.S. Environmental Protection Agency (EPA).
- International Green Construction Code (IGCC) version 2.0.

By following this manual, the 3 buildings of Arca Continental's corporate headquarters, located in Monterrey, Mexico, have been LEED certified with silver and gold level, thanks to good practices and techniques in sustainable building used in its construction when they were built in 2016.

In addition, the PetStar Museum-Auditorium located in Toluca, Mexico has reached the platinum LEED level in 2015 for excellence in its application of green space strategies, such as:

- Renewable energy through solar panels
- LED lighting
- Zero potable water consumption
- Stabilized earth walls
- Green roof
- Xeriscaping: dry landscaping

This green project includes public educational programs about the PET recycling process and sustainability principles used in green construction strategies, water and energy saving methods, and rehabilitation of flora in situ.

The manual is constantly reviewed and updated so that we are aware of international best practices and remain at the forefront of our industry. The scope of this project includes training for all parties involved in maintaining and operating the buildings in such a way that the facilities are used to the fullest, including their technology, savings, and tangible performance for responsible use. Projects for new construction include a plan for managing waste, emissions, and water.

Circular Economy

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

Promoting a circular economy is a key aspect of our strategy and we strive to embed sustainability in our packaging. Accordingly, we have taken relevant measures and made considerable investments in the countries where we operate to reintroduce our packaging into our value chain at the end of its life cycle.

In 2018, the Coca-Cola System announced its World Without Waste goals, stating that by 2030:

1. Our packaging will be 100% recyclable.
2. Our packaging will contain at least 50% recycled materials.
3. We will promote the collection of 100% of the packaging we send out into the market.

Resulting from our efforts, Arca Continental is currently among the bottlers in the Coca-Cola System who have made the most progress in reaching these goals. As proof of our leadership, in 2018 our company became a signatory of The New Plastics Economy Global Commitment: Signatory Pack, led by the Ellen MacArthur Foundation and UN Environment. This agreement, which aims to stop pollution from plastics, was signed by PetStar, ECOCE, and Coca-Cola, and promotes the creation of solutions for plastic packaging production and management.

As part of the agreement, Arca Continental has committed to use at least 20% of recycled content in all our non-returnable PET plastic bottles in all our regions by the year 2025.

IN MEXICO

- 13 production centers in Mexico certified as Zero Waste.
- National Quality Award: PetStar.
- We launched the Ciel blue bottle, which is made 100% out of food grade recycled PET.

IN ECUADOR

Through the DAR volunteer program, we signed agreements with authorities and the National Recyclers Network to improve economic and social conditions for garbage collectors while at the same time strengthening the PET recycling strategy.

- Sustainable shared value strategy.
- Dignified access to recyclable material.
- We plan to extend the program to the rest of the country, benefiting more than 1,500 Ecuadorian families.
- Tonicorp received the "Mucho Mejor" (Much Better) certificate for plastic products that come in contact with food, with a AAA score.

IN PERU

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

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

IN THE UNITED STATES

In collaboration with the non-governmental organism Keep Texas Beautiful, we put together the Weekend Without Waste during which we had an impact on 100,000 Texans and collected more than 70,000 bottles and cans to be recycled.

The New Plastics Economy Global Commitment

As proof of our leadership, in 2018 our company became a signatory of The New Plastics Economy Global Commitment in collaboration with the Ellen MacArthur and UN Environment to eradicate plastics waste and pollution at its root. Signed by 250 companies, including the most important companies, governments, and NGOs, this collective commitment strives to create solutions for producing and handling plastic packaging through concrete goals that will be reviewed and adjusted every 18 months.

The main objectives of this Agreement are:

- Eliminate problematic and unnecessary packaging and replace disposable packaging with reusable packaging,

- Innovate to ensure that 100% of plastic bottles and packaging can be reused, recycled, or composted in an easy and safe way by the year 2025.

- Circulate all plastic that is produced. Considerably increase the circulation of plastics that have been reused or recycled and turn them into new packaging or products.

NEW PLASTICS ECONOMY Global Commitment

PetStar

PetStar is the largest food grade PET recycling facility in the world, and it is part of the Coca-Cola Mexican Industry.

Based on its philosophy of excellence and quality that it is known for, PetStar has positioned itself as a benchmark in the industry's circular economy based on its comprehensive process that includes everything from the collection of plastic bottles to their incorporation into new packaging with recycled content. Besides excellence in operation, which has been certified by local and international institutions, PetStar has adhered to the UN's Global Compact and Earth Charter. Some of the certifications it has obtained include the following: ISO9001, ISO14001, ISO22000, ISO50001, OSHAS18001, Clean Industry, Socially Responsible Industry, Súper Empresas, and Operation Clean Sweep.

This is the third year that PetStar has participated in a co-generation project in which it has used wind power for its operations, representing 76% of its energy consumption. This has contributed to it being able to reduce the carbon footprint of its value chain by 66% vs. 2010.

The goal of the "Botelloteca" Program is to maintain the flow of materials that reach the Recycling Industry at friendly levels, in compliance with the goals established by the World Economic Forum. This program analyzes the components of packaging to determine which of its elements, including anything from caps to labels, additives, and materials, are recyclable. Based on laboratory results, a comparison is made with the protocols of guidelines established by the Association of Plastic Recyclers (ARP), with particular emphasis on the APR Design Guide for Plastic Recyclability. If the expected results are not obtained, the brand is notified by an impartial third-party of their non-compliance with the required specifications and alternatives for alignment are offered.

For PetStar, excellence goes beyond production. This is why it has community development projects in places based on social responsibility frameworks and partnerships with other institutions. With these joint efforts it seeks to dignify the work done by waste pickers and collectors across the country by offering them a stable and fair income, in addition to training courses and inclusive initiatives. One such project is the Community Childhood Development Center located in Chimalhuacán, Estado de México created to execute education, nutrition, health, and competencies-development programs in which 800 children of local waste pickers take part.

PETSTAR AUDITORIUM MUSEUM

In 2018, 14,518 visited the PetStar Auditorium Museum and in the five years since it opened its doors (2015-2018) more than 39,000 people have visited the museum free-of-charge, including students, teachers, authorities, and members of different sectors in society.

The PetStar Auditorium Museum has been Platinum LEED Certified as a sustainable building, thus becoming the first museum in Latin America to obtain this level of certification. Furthermore, PetStar is a signatory of the Earth Charter and has been granted the distinction as a Socially Responsible Company by the Mexican Center for Philanthropy for the 4th consecutive year.

One of the greatest benefits for Arca Continental as a shareholder in PetStar is to have access to their high-quality food grade recycled PET resin that we can incorporate into our packaging. As a majority shareholder in the company, we have access to 49.9% of the recycled resin produced by PetStar.

Arca Continental, PetStar and other shareholder bottlers adhere to the ideals of the World Economic Forum, an international organism that strives for public-private cooperation. These objectives are:

- **Implement changes in the design of plastic packaging to improve quality and the recycling economy** (for example, options in materials, additives, and formats) as a first step toward reaching a Global Plastics Protocol. PetStar complies by implementing the Botelloteca program.

- **Adopt best practices for the collection process and in storing systems** and comply with the requirements of the Global Plastics Protocol. PetStar complies by employing an inclusive collection model.

- **Scale up high-quality recycling processes.** PetStar complies by making investments in technologies that allow it to turn PET into food grade resin.

- **Explore potential new markets for this material** and, in turn, improve performance in terms of classification and quality. PetStar complies by repurposing byproducts.

- **Increase the demand for recycled plastics** by means of voluntary commitments or policies and explore other policy measures to support recycling. This is a voluntary commitment that the shareholders adhere to through PetStar.

- **Deploy an adequate collection and classification infrastructure** in places where it is lacking. PetStar complies through its inclusive collection model aimed at developing small purchasing centers across the country.

ECOCE

At Arca Continental, our goal is to build a sustainable company day after day. In our effort to reduce our waste footprint even further, we have partnered with ECOCE, A.C. They have helped us create awareness of the importance of recycling in the communities where we operate for the last 17 years.

ECOCE is a non-profit civil association sponsored by the product consumption industry. It represents the associated companies by managing the National Private Collective Plan of Post-Consumer Packaging Waste Management of PET, PEAD, PEBD, BOPP, aluminum and others, registered at the federal level before SEMARNAT (PM-ROTR-008-2013).

This association helps us manage our bottle and packaging post-consumer waste under the Shared Responsibility principle by promoting mass collection of these materials operating collection and recovery of our bottles and packaging, creating environmental awareness in the communities where we operate.

It also invests in innovation by searching for new useful alternatives that contribute to the conservation of our environment by managing packaging materials such as metalized BOPP.

It also participates by establishing synergies with authorities at any level to analyze and address Critical Areas and oversee the creation of Federal, State, and Municipal legislation, regulation, and norms pertaining to waste.

As part of the activities we carry out in collaboration with these partners, we carried out the Eco Challenge Program in 2018 in 2,364 schools, located in 22 different cities in our regions in Mexico. 547,169 students participated, collecting a total of 1,652.89 tons of PET, 12.30 tons of aluminum, and 160.62 tons of HDPE. The latter is sent to IPASA in order for it to be included in our circular economy strategy and to be recycled to produce soft drink cases for Coca-Cola.

RECYCLING CULTURE

IN ORDER TO PROMOTE A CULTURE OF RECYCLING IN OUR OFFICE BUILDINGS AND OPERATION CENTERS, ECOCE HAS PROVIDED US WITH CONTAINERS FOR COLLECTING PET AT OUR FACILITIES. BY ADDING OUR EFFORTS, BOTH ASSOCIATES AND VISITORS PARTICIPATE IN THIS AWARENESS EFFORT BY CORRECTLY DISPOSING OF WASTE.

IPASA

In addition to our PET bottles collection and recycling efforts, bottle caps also play an important role in our circular economy model. IPASA, a company that belongs to Arca Continental, develops and manufactures plastic products for the industry. In a joint effort, the HDPE caps of PET bottles are collected and recycled by IPASA, which uses quality plastics to make pallets and cases for glass bottles.

Industrial Waste Management

[306-2, 306-4]

At Arca Continental we have a Comprehensive Waste Management Plan in place, which is constantly being reviewed and modified, adapting it to identified needs and to obtain results. By monitoring this program, in 2018 we were able to recycle more than 92,000 tons of industrial waste at our beverages plants, which represents 94.5% of our total waste generated. Additionally, the 684 tons of hazardous waste that we generated were adequately disposed of based on what is stipulated by law for each case.

In the rest of our operations, the implementation of the Waste Management Plan has rendered excellent results. At Bebidas México we were able to certify 11 of our plants as "Zero Waste", for a total of 13 operation centers to date.

We know that there is always room for improvement, and that is why we continue to work so that these results are standardized across our production activities in all our regions.

RECYCLING WASTE GENERATED IN BEVERAGES

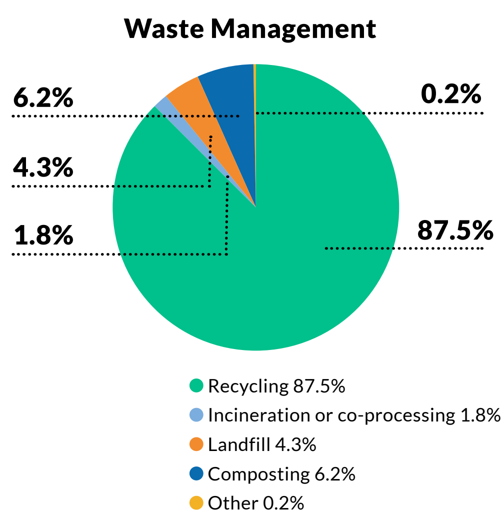
[306-2]

	MEXICO	ECUADOR	ARGENTINA	PERU	UNITED STATES	TOTAL	2018 TARGET
Generated waste (tons)	57,059.33	4,107.25	7,030.17	12,833.68	16,777.14	97,807.59	-
Recycled waste (tons)	54,570.13	3,371.51	6,542.52	11,676.09	16,293.59	92,453.86	-
Percentage of recycled waste	95.6%	82.1%	93.1%	91%	97.1%	94.5%	95%

FINAL DESTINATION OF ARCA CONTINENTAL'S INDUSTRIAL WASTE

[301-3, 306-2]

CATEGORY OF INDUSTRIAL WASTE	AMOUNT OF RECYCLED WASTE (TONS)
Wastewater treatment plant sludge	3,850.16
Reactor sludge	3,911.51
Wood	7,037.00
Metal	2,327.65
Aluminum	91.75
Paper and cardboard	7,217.94
PET	5,369.85
Plastics (other)	6,184.98
Glass	29,952.42
Hazardous waste	684.13
Bottle caps	703.38
Municipal solid wastes	2,252.64
Debris	4,809.18
Tires	115.46



[301-3]

Resulting from the partnership between Arca Continental, PetStar, and ECOCE, almost seven out of every ten bottles we introduce into the market in Mexico are reclaimed for recycling.

Pioneering in the Coca-Cola System worldwide, the Ciel bottles in Mexico are made out of 100% recycled PET.

Packaging

[301-1, 302-5]

At the begining of the year, we published the Arca Contiental Sustainable Packagin Principles: a set of points and commitments towards the sustainable use of packaging materials and processes. This document can be consulted in: http://www.arcacontal.com/media/341342/sustainable_packaging_principles_2018.pdf

Over the past six years we have made efforts to lighten our PET bottles. Our excellent results have a significant impact on our processes since, by reducing the amount of plastic we use, we also reduce the amount of energy used in producing the packaging and our logistics and final disposal processes also improve. Resulting from these efforts, this year we saved more than 1,443.69 tons of PET resin, which is equivalent to 5,855.37 tons of CO_2 emissions avoided into the atmosphere.

Our joint ventures with food grade PCR (post consumer recycled) PET and BioPET suppliers have contributed to our incorporation of these materials into our plastic packaging. During 2018 we consumed 13,209 tons of these materials at all our operations, representing 24% of our total PET consumption. It is important to point out that the percentage varies from country to country, depending on the availability of materials.

FOOD GRADE PCR PET AND BIOPET EMPLOYED BY REGION

[301-2]

	MEXICO	ECUADOR	ARGENTINA	PERU	UNITED STATES
Percentage of PCR PET and BioPET	30.00%	22.74%	9.69%	23.70%	14.25%
PCR PET (tons)	7,628.05	1,357.26	237.00	2,485.10	0
BioPET (ton)	0	0	0	0	1,502.00

Investing in Development

[102-10]

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

New Plant in Houston

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

This operation center is the first to be built in the Coca-Cola System in this country over the past 10 years and it will contribute with close to USD 30 million in annual savings in costs and operating efficiencies. In addition, it will position Arca Continental at the technological forefront in terms of quality, safety, and sustainability.

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

Optimizing the Distribution Network in Peru

As proof of the existing trust in the business in this country, we began a new production line with hot-filling technology in the Zárate plant, in order to expand the portfolio of non-carbonated drinks, and started operating the Lima Sur and Centro mega distribution centers, incorporating significant technological innovations that will allow us to optimize our distribution capacity in the country's capital. The Lima Sur distribution center started operating in 2018.

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

600,000

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

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

Expanding Production Capacity

Serving market needs in a timely manner requires a robust, agile, and efficient production system that is always one step ahead in terms of technology and sustainability.

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

Cold Platform

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

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

Social Investment

We strengthen our volunteer programs. In 2018:

+ USD 5.91 million invested in social programs and associations.
+ 9,000 volunteers
+ 35,500 men hours.
+ 6,500 planted trees.
+ 136 public spaces refurbished.
+ 40 tons of waste collected
+ 180 kilometers of clean-up efforts in bodies of water.

TOPO CHICO MODERNIZED

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

Institutional Programs

VOLAR Volunteerig Program

[413-1]

The goal of Arca Continental's Volunteer Program (VOLAR) is for the company and its associates to join forces to benefit the community and promote environmental stewardship

This institutional Social Responsibility program is implemented across all our operations in Mexico, Argentina, Ecuador, Peru, and the United States. Each site has a Volunteer Committee that is responsible for implementing the program and distributing the available resources. In 2018, we had a total of 24 committees in which 382 associates participated in activities such as Annual Volunteer Day, Annual Sustainability Day and Christmas with Meaning, as well as providing support for communities affected by natural disasters as they unfolded, with either in-kind or monetary donations.

Number of committees: 24
Number of associates who participated: 382

During 2018, Arca Continental donated more than USD 5.91 million to social programs through legitimate foundations.

- 28 million trees planted across the Arca Continental territories to date.
- 14,750 liters of water, 3.3 tons of products/food and + USD33,000 were donated by Arca Continental, associates, and the Coca-Cola System for the victims of natural disasters in Mexico, some of which were associates of our Pacific South region.
- Through our VOLAR fund, we donated mattresses, water tanks, and cement to our associates at the Escuinapa distribution center who were affected by Hurricane Willa.

Annual Volunteer Day

This institutional event takes place in all the company's business units. Its goal is for our associates to donate their time and efforts to benefit a community or public institution through activities that include reforestations, cleaning riverbanks, canals, lakes and beaches, and restoring public spaces, such as schools, parks, and social aid homes.

In 2018, a total of 5,131 associates and their families participated in the Annual Volunteer Day in our territories in Mexico, Argentina, Ecuador, Peru, and the United States. Given these efforts, we restored 9 parks, 15 schools, 2 bodies of water, 1 foster home, and 8 vulnerable communities. We also planted 3,137 trees, cleaned 180 linear kilometers of bodies of water, and collected close to 40 tons of waste. In addition, 4,405 persons were physically activated.

Annual Sustainibility Day

The goal of this day is to create awareness, among our associates and their families, about the importance of caring for the environment. We invite external institutions to participate helping attendees broaden their environmental protection culture. During this day, we also communicate the achievements of our operations on the path to be a more sustainable company.

This year, 5,791 people attended the Annual Sustainability Day in all our territories, and 1,642 volunteers participated. The event included reforestation activities, with 3,445 trees planted this year, as well as battery-collection campaigns, PET recollection, and making containers available for adequately disposing of waste.

"Vive Tu Parque"

[203-1]

For the third consecutive year we implemented the "Vive tu Parque" (Live your Park) program in collaboration with the Coca-Cola Foundation and the Sustainable Schools Foundation in order to offer added value to public spaces in the communities. It is through these spaces that we promote physical activation, communal living, as well as caring for health and the environment. During 2018 we installed 40 urban gyms in Nuevo León, Aguascalientes, Sonora, San Luis Potosí, Chihuahua, and Coahuila, benefiting more than 80 neighborhoods. This has been possible thanks to one to one agreements in each locality, where the local municipal government commits to provide a park for every one we install.

Collection of School Supplies

Arca Continental Argentina has participated in the "Let's do something helpful for others" program since 2013. The goal of this program is to collect school supplies and educational materials for schools that need it most in the communities where we operate. This year the program benefited more than 500 students with school supplies delivered by 50 Arca Continental volunteers.

In Mexico, associates at our corporate headquarters delivered more than 4,000 school supplies to children in an indigenous community who take classes at the State Community Center in the municipality of Juárez, in Nuevo León.

Impulsa Volunteer Program

We have been operating the "Entrepreneurs since Childhood" program for five years, in collaboration with the Developing Entrepreneurs Foundation (IMPULSA Nuevo León ABP). Its objective is to teach children between the ages of 5 and 12 about content topics and values as well as developing their entrepreneurial spirit over a five-week period. The program seeks to help students to better understand their place in the world and how each action and decision they make affects them and their environment. During 2018, our volunteers executed this program in 2 schools and invested a total of 462 man hours.

This year 21 Arca Continental associates from corporate headquarters volunteered to teach the course to 392 young entrepreneurs at the Justo Sierra Elementary School. Additionally, 22 Bokados' associates of the Santa Catarina plant participated as volunteers in the "Small Citizens" project aimed at 185 students in the 5th and 6th grades of the General Ignacio Zaragoza Elementary School. The goal is to promote and communicate a culture of legality in Elementary School students.

Since its inception, with the IMPULSA Volunteer program we have had a positive impact on the education of 2,246 children.

Christmas with Meaning

As part of the Christmas celebrations at Arca Continental, our associates donate new toys for children in the vulnerable communities near our operations. During 2018, 16,297 toys were collected and distributed to 12,812 children in 5 hospitals, 15 public schools, 26 associations and communities, as well as 43 vulnerable communities in Mexico, Argentina, Ecuador, Peru and the United States.

Donation Program

At Arca Continental we have a Donation Policy and Manual in places, applicable at all our operations. Our donations support organizations in civil society organizations, innovative people, and leaders who develop projects that are aligned with our objectives and values. We are convinced the permanent social change and the reconstruction of the social fabric require much time to consolidate, which is why we support long-term projects. Likewise, our goal is for the initiatives we support to benefit the largest number of people and communities possible.

Visitor Program: Coca-Cola Mission

Our doors are always open for people wishing to learn about our operations and products. For this reason, we have implemented a visitor program at our operation centers allowing visitors to better understand our culture and values, as well as the production process of our beverages. We also speak to them about other issues such as safety, quality, and social responsibility, among others.

During 2018, more than 47,000 people visited the Arca Continental facilities in Mexico, Argentina, Ecuador, and Peru, through "Coca-Cola Mission" school guided visits program.

Comprehensive Development for Women

One of our strongest commitments is to support the comprehensive development of women. We are part of The Coca-Cola Company's 2020 Vision aimed at empowering 5 million women worldwide through different development programs.

MORE THAN 12,000 WOMEN PARTICIPATED IN PROGRAMS PROMOTING THEIR COMPREHENSIVE DEVELOPMENT SUCH AS *5BY20 POTENCIA MÉXICO*, *DESTAPANDO MI EMPRENDIMIENTO* (UNCAPPING MY ENTREPRENEURSHIP) IN PERU, ANSPAC, *POTENCIÁ TU NEGOCIO* (GIVE YOUR BUSINESS A BOOST) IN ARGENTINA, AND *EMPRENDAMOS JUNTOS* (LET'S WORK TOGETHER) IN ECUADOR.

ANSPAC

In 2018 we celebrated more than 30 years of operation of the "Asociación Nacional Pro-Superación Personal, A.C." (ANSPAC) Arca Continental, whose goal is aimed towards the wives, mothers, and daughters of our associates offering them courses and workshops in moral and human development. In this way we contribute to strengthening the family unit and promote the development of capabilities that enable these women to improve the economy of their families.

In 2018, 1,483 women participated in the program divided into 36 units in Mexico and Ecuador, with the collaboration of 218 volunteers who offer courses and workshops.

With the "Mi familia, mi fuerza" (My family, my strength) slogan, in 2018 we positioned the message of how having a strong and united family contributes to the ability of each person to grow in every environment.

"5by20 Potencia México"

In order to empower women and develop their entrepreneurship abilities, we implemented the 5by20 Empower Mexico program during which we offer the "My Business" workshop to train women who own small stores and corner shops on topics such as sales, accounting, finance, marketing, and human development, among others. During 2018, 302 women received a total of 500 hours of training each.

"Emprendamos Juntos" in Ecuador

Tending to the needs of the formal establishments in Ecuador run by women, Emprendamos Juntos impacts the female owners' comprehensive development in order to have a better management in their businesses. This program has had a impact in 6,578 female business owners in Quito and Guayaquil through the approximately 35,000 hours of training. This year, the graduating class surpassed the estimated goal with a 109% in effectiveness and compliance.

"Destapando mi Emprendimiento" in Peru

The goal of this program is to have an impact on women and strengthen female participants in the district of Pucusana by promoting entrepreneurial initiatives by means of courses and workshops on personal, familiar, and entrepreneurial growth.
As a result of the success of this program, a community has been consolidated and strengthened with participants in every edition of the project, standardizing processes in 5 manuals, and creating occupation-specific networks that have produced increased savings and incremented their monthly sales. These women also share the acquired experiences and know-how with other members of their community.

In 2018, 85 women benefited from this program. After having taken almost 160 hours of training, they have been able to increase their profits by 25%. Since the program's inception, more than 240 women have been benefited and 28 businesses formalized in Pucusana. During this same period, we launched the book "Destapando mi Emprendimiento" (Uncapping my Entrepreneurship), a book that tells the story of 10 participants in the program, the challenges they faced and how they boosted their businesses in order to help their families.

"Potenciá tu Negocio" in Argentina

This program boosts sales and improves how female customers manage their businesses, it empowers female customers and strengthens their relationship with their salesforce, as it also strengthens their understanding of Arca Continental. In 2018, we benefited 141 women with 1,269 training hours and an investment of USD 8,133. About 91% of the women trained are their families' financial support.

Healthy and Active Lifestyles

[413-1]

Based on our different programs that promote a healthy and active lifestyle, for the fourth consecutive year we received the Responsibly Healthy Organization award.

We are currently in the Progress and Strengthening stage of initiatives we have developed to promote an active and healthy lifestyle. Given these efforts, for the fourth consecutive year we have received the distinction as a Responsible Health Organization (ORS) by the Business Council of Health and Welfare (CESyB).

We are certain that a culture in which healthy eating habits and lifestyles are relevant , there is a yearning to learn as schools and homes are strengthened. For this reason, year after year we have been implementing good nutrition programs as well as initiatives promoting physical activation, both of which are centered on students, young people, teachers, and school administrators.

- In the course of 2018, Arca Continental sponsored 1,100 sports events in which 3 million people participated, one million of them were younger than 15. We have invested USD238,000 in these events, with a total of 4,400 hours of physical activation.
- During the FIFA World Cup Trophy Tour, we were placed first in terms of worldwide activations with 16,000 participants in Monterrey and Guadalajara, as well as the attendances of the president and the corresponding state and municipal governments.
- In Argentina, we implemented the "El Estado en tu Barrio" program in San Miguel de Tucumán to create awareness of the importance of an active and healthy lifestyle. With the support of the local government, we benefited more than 2,500 people.

FIFA World Cup Trophy Tour

Arca Continental hosted the FIFA World Cup Trophy Tour in Tucumán, Argentina, and in Guadalajara and Monterrey, in Mexico. Leveraging the momentum of the FIFA World Cup, we launched important market positioning initiatives.

MEXICO
We launched collectible cans with images of the players on the national team, capturing a growth of 137% for this package. Our sales volume for family-sized packaging grew 5.8% driven by the fact that we included commemorative stamps on the label, in collaboration with Panini. Also worth mentioning is the fact that our sales volume for Powerade in Mexico was up 11.9% resulting from promotions related to the World Cup.

PERU
Euphoria for the World Cup was intense in Peru, whose national team returned to the tournament after a 36-year absence. In this region, we celebrated with 3 Peru-exclusive collectible designs on 14 strategic SKUs and with a unique campaign, offering more than one million collectible articles. In relation to the World Cup, Coca-Cola was recognized as the most widely recognized brand.

“Ponte al 100”

Our “Ponte al 100” program contributes to design specific physical activation and nutrition programs for students and people studying in schools located in communities where we operate. The goal is to reduce obesity levels while increasing physical activation in the population. In 2018, the program reached more than 250,000 students in 511 schools that were evaluated across 12 states in Mexico. This program is carried out with the support of the National Council for the Development of Physical Education and Sports in Elementary Schools (CONDEBA for its acronym in Spanish), and by the Movement is Health Foundation.

Ecuador: Time to Move

The goal of this program, created in collaboration with the University of Southern California and The Coca-Cola Company, is to invite students from public schools between the ages of 5 and 12 to exercise at least 60 minutes a day. This simple activation benefits the health of its participants, improves academic performance, and camaraderie between schoolmates. In order to make this program a reality, we trained 1st to 7th grade PE teachers to show them techniques to better take advantage of the sports facilities at their institutions. We also gave them a kit with the necessary materials to execute the Time to Move Program.

Schools in Motion

Aimed at public schools in marginalized areas, this program strives to promote sports and healthy lifestyles. In Mexico we expanded our Schools in Movement program striving to encourage physical activity and healthy habits. This year we built or refurbished 6 multi-purpose sports fields in Mexico, benefiting close to 4,731 students. Since the begining of this program, we have benefited more than 125,000 children and teenagers in 146 schools.

Monterrey Powerade Marathon

The 13th edition of the Powerade Marathon, which took place in the city of Monterrey, maintains its position as the fastest growing marathon in Mexico and the second in terms of the number of participants. This marathon is “cardio-protected” meaning that doctors specialized in emergencies and defibrillators are installed every 5 km along the route.

On this occasion, there were 9,000 participants in the marathon. In addition, we organized the simultaneous 4.2 km mini-marathon aiming to promote initiation in the sport. A total of 1,200 runners participated in this second event.

During the marathon, the sports community is given the opportunity to contribute in solidarity to different association by means of their value entries. This year we had 478 solidarity runners, whose fees amounted to MXN765,405 that were donated to 11 charitable institutions.

In 2018, the Council of Responsible Sports granted us the Gold Certification for sustainable sporting events given the reduction of the ecological footprint of our event by recycling 722 kg of waste and avoiding the 967 kg of CO_2 air emissions. With this, ours became the first Carbon Neutral marathon in Mexico.

COUNCIL FOR RESPONSIBLE SPORT

GOLD

Profitability and Competitiveness

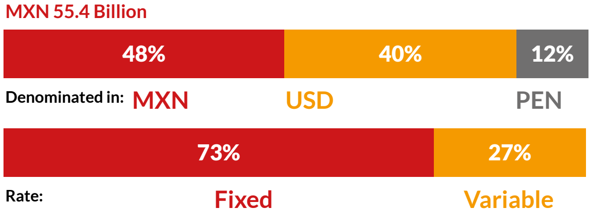
[102-7]

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

A sound financial position

- Conservative net leverage level of 1.39x
- 97% of debt denominated in local currencies
- 73% of debt at a fixed rate, with an average cost of debt of 6.4%
- Long-term debt profile with average maturity of 7 years

Total Debt
MXN 55.4 Billion



Cash Balance
MXN 17.0 Billion

NET DEBT / EBITDA

The highest credit rating among Mexican issuers

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

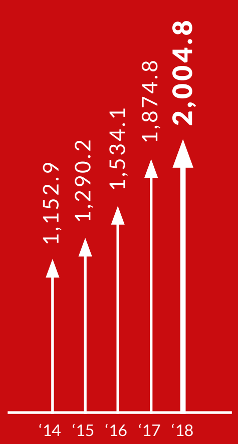
Financial Highlights

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

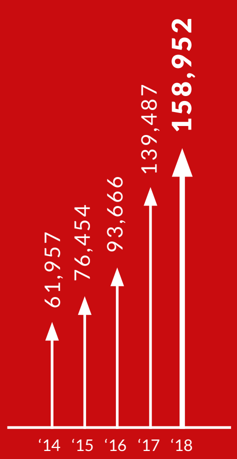
[1] Operating Income plus depreciation, amortization and non-recurrent expenses.
[2] Margin over Net Sales

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

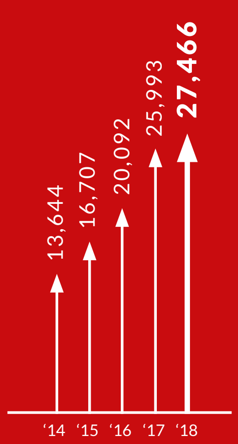
Sales Volume
Not including Jug Water (MUC: millions of Unit Cases)



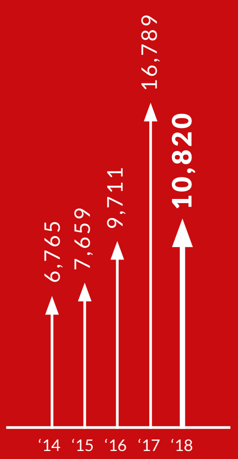
Total Revenues
(millions of Mexican Pesos)



EBITDA
(millions of Mexican Pesos)



Net Income
(millions of Mexican Pesos)



Comprehensive Development of our Associates

Our company's success is directly related to the quality of the people who are part of it. Accordingly, we promote the comprehensive development and wellbeing of our associates in a working environment that is fair and inclusive. We also strengthen their training in safety, integrity, human values, and continuous improvement, which has enabled us to create a virtuous circle of productivity and innovation.

Work Environment

At Arca Continental we strive to offer our associates a work environment that is optimal, harmonic, and productive. We know that a good work environment depends on the commitment and participation of everyone. Therefore, this year we carried out Work Environment Surveys at all our operations. These enable us to measure satisfaction levels among our associates in different dimensions, with which we can focus our attention on areas for improvement. The aspects that are assessed include people, the work process, leadership, decision making process, AC Movement aspects, communication and rewards.

In 2018, 91% of our associates took part in the Work Environment Survey, with a positive score of 86% in the category of engagement with the company. Other categories with good scores included:

- Clarity in management
- Company pride
- Customer centricity
- Resources and support

In Peru we carry out the bi-annual Work Environment and Engagement Survey which allows us to measure associate satisfaction in six dimensions of the workplace: people, the work process, leadership, decision-making, institutional and communications aspects, and rewards.

Work Benefits

[401-1, 401-2, 202-2]

At Arca Continental we have a Comprehensive Compensation System in place whose goal is to standardize equality and competitiveness in the benefits we offer our associates at all our business units. By employing this system, we have achieved a work environment in which we offer competitive benefits beyond what is stipulated by law in every market we serve.

Resulting from actions such as these, our total turnover rate was 20.2% at year-end 2018. This includes our operations in the U.S. We are able to retain and develop the best talent, favoring the growth of our company.

As part of an agreement we developed in collaboration with the Universidad de Nuevo León, we carried out a pilot version of the Program to Support Human Talent (PATH for its acronym in Spanish), which consists of serving as a liaison between psychology students and our associates and their families. Through this program we offer psychological support with a brief series of therapy sessions in order to foster the comprehensive wellbeing of our associates.

FREEDOM OF ASSOCIATION

[102-7, 102-8, 102-41, 403-1]

ONE OF ARCA CONTINENTAL'S MAIN COMMITMENTS IS WITH THE RESPECT TO THE RIGHT OF FREEDOM OF ASSOCIATION. THIS IS WHY, BY YEAR-END 2018, 40.3% OF OUR FULL-TIME AND PART-TIME ASSOCIATES WERE UNIONIZED.

TURNOVER RATE BY AGE RANGE

AGE RANGE	NON-UNIONIZED		UNIONIZED	
	WOMEN	MEN	WOMEN	MEN
18 - 20	15%	34%	56%	52%
21 - 30	27%	29%	105%	33%
31 - 40	21%	17%	52%	20%
41 - 50	15%	9%	38%	9%
Over 50 years old	11%	8%	22%	6%

NUMBER OF ASSOCIATES (FULL-TIME AND PART-TIME) BY AGE RANGE

AGE RANGE	NON-UNIONIZED		UNIONIZED	
	WOMEN	MEN	WOMEN	MEN
18 - 20	58	479	36	871
21 - 30	1,851	9,593	185	9,054
31 - 40	1,655	10,904	271	7,381
41 - 50	775	7,466	184	5,050
Over 50 years old	449	3,933	119	2,047

An important component in the development and growth process of our associates is to give preference to hiring and promoting local managers and directors, thus facilitating their promotion within the company.

NUMBER OF FULL-TIME ASSOCIATES BY REGION

[102-8]

	NON-UNIONIZED		UNIONIZED	
	WOMEN	MEN	WOMEN	MEN
Mexico	2,102	13,196	529	19,585
Ecuador	796	8,587	-	-
Argentina	45	383	53	1,577
Peru	643	1,520	68	2,380
United States	1,133	7,634	175	390
TOTAL	4,719	31,320	825	23,932

NUMBER OF FULL-TIME ASSOCIATES BY CONTRACT

[102-8]

CONTRACT	NON-UNIONIZED		UNIONIZED	
	WOMEN	MEN	WOMEN	MEN
Full-time	4,744	31,792	825	23,930
Part-time	35	175	-	4

NATIONALITY OF DIRECTORS BY REGION

[202-2]

	MEXICO	ECUADOR	ARGENTINA	PERU
Local Directors	89.1%	47.0%	87.5%	33.0%
Foreign Directors	10.9%	53.0%	12.5%	67.0%

Ambassadors Program

Directed by the Coca-Cola System, this program seeks to inspire, inform, develop and recognize associates while offering training on the Arca Continental vision and the 2020 Vision of The Coca-Cola Company. The main focus this year was on generating loyalty among associates and paying particular attention social issues in the metropolitan areas of the cities of Monterrey and Guadalajara, in Mexico, by developing content on this issue by means of the AC Link app. This project will be rolled out during 2019 through our salesforce in the regions mentioned above.

In 2018, 3,003 associates participated in this program, for a total of more than 26,372 ambassadors trained to date.

On the other hand, in Argentina we are implementing the Well Done program whose goal is to include our institutional values in our daily jobs. Part of the value of this platform is the work done by associates themselves, who choose who among their peers should be recognized for exemplary performance and work integrity.

LESS THAN 3% IS THE DIFFERENCE IN THE SALARY OF MEN AND WOMEN AT ARCA CONTINENTAL (TENDING TOWARD SALARY EQUALITY).

Inclusion of People with Disabilities

As founding partners of the Movimiento Congruencia, at Arca Continental we have been taking measures for 14 years to continue to promote, sensitize, and facilitate the social and work inclusion of associates with disabilities. With our inclusive culture we strive to make our work culture richer. At the same time, we design our spaces in such a way that they are more accessible to meet different needs. Arca Continental is currently part of the Committee to Strengthen this Movement.

For the fifth consecutive year we participated in the Diploma + Talent initiative aimed at designing and developing inclusion projects, which addresses topics like organizational culture, regulatory framework for labor inclusion, accessibility for inclusion, evacuation protocols, inclusive recruitment process, induction, communication and training, social responsibility and inclusion. Currently, around 1,000 people with disabilities collaborate with us globally. In addition, we carry out awareness programs for our associates in order to support the inclusion of people with disabilities within the organization.

Diversity and Equal Opportunities

[405-2]

At Arca Continental, we pay special attention to equality and equal opportunities, which is why our compensation policies for our associates are clear, objective and of general application. We have designed our payment structure based on a reference market by levels of job evaluation. This has resulted in an average salary gap between men and women of less than 3%, which means that our female associates on average earn 1.44 times more than men who have the same job.

Furthermore, we promote professional growth for women at Arca Continental so that they occupy mid and top management positions, in our effort to enable a balanced number of people from both sexes in key positions within our organization.

At Arca Continental, 9.12% of our associates are women, 77 of them have mid and top management positions within the organization.

Respecting and Protecting Human Rights

[410-1, 411-1, 412-2]

As bottlers of the Coca-Cola System we are all obliged to adhere to the Workplace Rights policies[3], which are based on the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, and the United Nations Global Compact. This policy stipulates that, in addition to adhering to our Guiding Principles, we must implement the Human Rights Policy in the following aspects:

- **Respect for Human Rights.** Arca Continental respects human rights**.** It is committed to identify, prevent, and mitigate adverse human rights impacts resulting from or caused by our business activities before or if they occur through human rights mitigation processes.
- **Engagement with our communities and stakeholders.** We are committed to engaging with stakeholders in our communities to ensure that we are listening to, learning from and taking into account their views as we conduct our business.
- **Valuing diversity.** We have a long-standing commitment to equal opportunities and intolerance for discrimination and harassment. We are dedicated to maintaining a workplace that is free from discrimination or harassment.
- **Freedom of association and collective bargaining.** Where associates are represented by a legally recognized union, we are committed to establishing a constructive dialogue with their freely chosen representatives.

As part of our culture of focusing on our associates and transparency, everyone who works with us needs to be familiar with our Code of Ethics, and with the section that refers to Human Rights. If they don't, or if they are victim of or witness to any ethical or Human Rights breach, they have access to our Transparency Mailbox. It is managed by the Corporate Audit division, which will allocate every report that is received to the corresponding areas, and it will contribute to monitoring them.

Likewise, our security personnel are constantly being trained on issues pertaining to the protection of Human Rights. At the same time, we ensure that our external safety suppliers receive constant training and are legally constituted.

https://www.coca-colacompany.com/content/dam/journey/us/en/private/fileassets/pdf/human-and-workplace-rights/spg/Workplace-Rights-Implementation-Guide-ENG.pdf

Strengthening Human Values

[404-2]

30 years after we first started implementing our Program to Strengthen Human Values, we continue to have the mission of supporting our associates and their families through personal growth based on getting to know themselves.

The program centers on the person, their family relationships and how each one faces a challenge, all in an inclusive, respectful and accepting of all perspectives and beliefs.

The following are among the topics included: the dignity of the person and the rest of creation; educating intelligence; willpower and affection; marriage and family; the role of the family in self-esteem education; assertive communication within the family; ethics in human development; a life culture, and addictions. The curriculum was developed in collaboration with the John Paul II Institute for Studies on Marriage and Family, a Mexican chapter that is part of the Anáhuac University Network.

The program is organized by teams and by region in México, Ecuador, and Argentina by those associates with the necessary capabilities and credentials to function as instructors. During 2018 we offered 83 courses in Mexico and Ecuador, for a total of 1,296 hours, with the participation of 1,993 associates and 150 family members and guests. A total of 35,465 people have participated in the program since its inception.

To date, there are 15 business units certified in the program with 90% of their staff having received the training.

+1,900 ASSOCIATES AND 150 FAMILY MEMBERS TRAINED IN HUMAN VALUES. SINCE ITS INCEPTION, THE PROGRAM HAS OFFERED TRAINING TO 35,465 PEOPLE.

Other Events and Programs for our Associates and their Families

+167 THOUSAND PEOPLE

ATTENDED EVENTS ORGANIZED BY ARCA CONTINENTAL FOR ITS ASSOCIATES AND THEIR FAMILIES: FAMILY DAY, WOMEN'S DAY, SENIORITY RECOGNITIONS, DECEMBER HOLIDAYS, STUDENT RECOGNITIONS, AMONG OTHERS.

INTERNATIONAL WOMEN´S DAY

As we do every year, on the International Women's Day we celebrated all our female associates. This year 2,850 associates participated in the celebration in our territories in Mexico, Ecuador, Peru, and Argentina.

FAMILY DAY

The goal of this annual celebration is to honor our associates and their families in a day of recreation and fun, during which we celebrate Children's Day, Mother's Day and Family Sunday. This year there were 21,830 participants, between associates and their family members.

COCA-COLA STARS, SENIORITY AWARDS AND WE MAKE IT POSSIBLE

With this category of programs, we recognize the path of those associates who have been part of company uninterruptedly for many years. This year we granted recognitions to 2,886 associates in our operations in Mexico , Peru, Ecuador, and Argentina.

DECEMBER HOLIDAYS CELEBRATIONS

With this event held during the holiday season, we celebrate Christmas in the company of our associates and their families. This year, in Mexico, Peru, Ecuador, and Argentina more than 39,287 associates participants in this holiday season celebration.

"COCHOLATA DE HONOR", "BOTI HONOR" AND HONOR ROLL

In recognition of the effort and dedication required to do well in schools, these programs recognize the children of our associates who excel in their schools as great students. During this year's edition of these programs, we awarded prized to 2,871 students in Mexico, Peru, Ecuador, and Argentina.

Introduction (objetives, chronogram & roles)	Healthy habits survey	Biochemical & physical tests	PAR-Q questionnaire on physical aptitudes	Physical testing	Physical activation
	100% of associates	100% of associates	100% of associates	Only qualified candidates	Only qualified candidates

AC+ Movement

For the fourth consecutive year we received the recognition as a Socially Responsible Organization (OSR) granted by the Business Council of Health and Welfare (Workplace Wellness Council Mexico).

AC+ is an institutional program within Arca Continental aimed at developing and monitoring activation sequences in our associates by a process based on three specific actions: measure, activate, and balance.

1. When we measure, we seek to create awareness in our associates concerning their health with relevant information that will allow them to make informed decisions and work toward having a healthier life.
2. With activate we refer to providing our associates with the tools they need to physically activate themselves every day to create healthy habits. The following are the most relevant such programs: Your Health Weighs More, have a Healthy Life, Active and Healthy Companies Challenge, Activate Yourself Challenge, 10,000 Steps, Energy Balance, and Challenge for your Wellbeing.
3. When we refer to balance, we offer advice to our associates so they can look for a balance between the calories they consume and the calories they burn by performing physical activities.

This program is implemented locally at each of our operations by adapting itself to specific associate needs.

We currently have 26 cafeterias for our associates where we offer healthy meals in order to support their wellbeing and promote a healthy diet.

As we do each year, in line with the work we do through the AC+ Movement, in Mexico we carry out a Day of Physical Activation in our operations. During 2018, 135 associates participated in this event and an additional 4,964 associates benefited from various sports tournaments and activities we held during the year. In addition to the events already described, some of our work centers offer associates the use of sports equipment in the company's facilities, including stationary bikes and climbers to promote physical activation and healthier lifestyles in our associates.

In the 2018 edition of the Arca Continental Runners Club, in addition to other activities that promote exercise, we held 5K and 10K runs, cross-country runs, and nature hikes.

+ 10 THOUSAND ASSOCIATES AND THEIR FAMILIES ACTIVATED IN INSTITUTIONAL EVENTS ACROSS OUR TERRITORIES.

Active and Healthy Companies Challenge

The goal of this program in which we participate in collaboration with "Queremos Mexicanos Activos" and CONMÉXICO is to determine the health habits of our associates. To obtain this information, we asked our associates to respond to questionnaires and we developed personal physical activation programs to meet the needs of the beneficiaries to gradually improve their habits until they reach a level of excellence.

3rd consecutive year of obtaining the Gold Level of the Active and Healthy Company challenge of the "Queremos Mexicanos Activos" initiative.

First place in the Queremos Mexicanos Activos initiative:
- **Challenge: "Aliviánate"**
- **Challenge: "Actívate Total"**

Workplace Safety

[403-1]

Our goal is to "come back home healthy and safe, care for our peers and the company's wealth, and protect the safety of the community we serve, while maintaining the quality and innocuousness of our products and processes as our main obligation."

One of our main goals in the implementation of our sustainable development plan consists of adopting a Culture of Preventive Safety. We allocate the corresponding importance to the responsibility that each associate must contribute to having safe spaces and activities, both in terms of our operation and in marketing our products. Anyone who is part of Arca Continental needs to promote a safe and healthy environment, respect all safety efforts made to prevent injuries and illnesses, care for their own integrity and that of all others who work with us.

During the process of adoption of a culture of occupational health and safety, we determined that the best way to reach our objective is by making a conscious change in behavior from the point of view of prevention. We have achieved this with programs that enable each associate to learn to observe and anticipate acts or conditions that are unsafe or that do not meet our standards, before they occur. They must also be aware at all times of the risks they are exposed to so they can act in a way that is safer for all associates, their peers, their families, and the communities we owe ourselves to. This is why we have included as part of our initiatives preventive programs that promote the adoption of a change in culture by means of a change in behavior.

To consult our Occupational Health and Safety Policy **click here.**

Relevant results obtained in 2018 by our associates corresponding to safety include the following:

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

Industrial and Commercial Safety Program

As an important aspect of our Industrial and Commercial Safety strategy we have incorporated initiatives with guidelines and standards under which Arca Continental operates and whose success is dependent on the support granted by our top management. This enables us to permeate the strategy across our operations by ensuring compliance with the three pillars of our Occupational Health and Safety Model.

1. **People:** Develop and reinforce knowledge and capacities in our staff with in-person and online courses, for a total of 231,674 hours of safety training in 2018.
2. **Management:** Integrate management systems, assessments made with internal audits, the rollout of programs and initiatives through the Safety Committee, develop and use apps to facilitate management, as well as define preventive indicators.
3. **Infrastructure:** Make investments to support and maintain initiative throughout time.

ARCA CONTINENTAL INDUSTRIAL AND COMMERCIAL SAFETY MODEL			
Goal / Objective	Ensure the integrity of our associates and community, as well as the preservation of the Arca Continental wealth		
Supported on	Comprehensive Quality and Improvement System		
	Social Responsibility and Sustainability Model		
Pillars	**PEOPLE**	**MANAGEMENT**	**INFRASTRUCTURE**
	Safe behavior	Reporting System	Diagnosis
	Training	Safety Committee	Investment and Maintenance Plan
	Structure	Operational Excellence	
	Job Profiles	Best Practices.	
Sustained	OHSAS 18001:2007		
	Top Management's Commitment		

One of the relevant process for Arca Continental pertaining to these issues has been to migrate from a corrective compliance focus to requirement to adopt a preventive focus aimed at protecting the company's ability to work in an optimal and safe manner.

Requirements of The Coca-Cola Company:
- LTIR (Lost Time Incident Rate)
- TIR (Total Incident Rate)
- Crash rate: APMK-MAPMK

Arca Continental's Preventive Strategic Indicators:
- RS (Security Rating)
- ICS (Safe Conduct Index)

The **Safety Rating** (RS for its acronym in Spanish) measures the evolution and maturity of preventive safety programs by encouraging dialogue, activity and routines in safety of the leader by associate, department, business unit, and country. Its goal is to:
- Implement programs that have a preventive approach
- Standardized metrics
- Identify opportunities
- Effective action plans
- Promote teamwork
- Measure commitment and leadership at all levels (Director a Supervisor)
- Safety culture focused on prevention based on safe behaviors
- Zero accidents

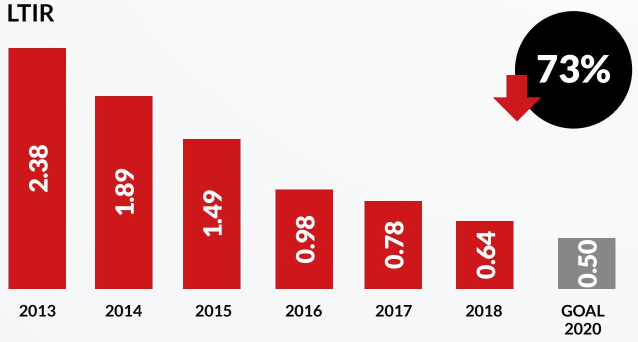
The **Safe Conduct Index** (ICS)is generated based on the information reflected in the preventive observation cards by department, risk level, and number of people observed. A higher ICS percentage reflects a culture of safer practices.

Achievements in Safety

[403-2]

One of the main achievements of 2018 was a Lost Time Incident Rate (LTIR) of 0.638, for a reduction of 73% in comparison with 2013. On the other hand, our Total Incident Rate (TIR) was 2.431 with, a reduction of 43.3% vs. 2016. We continue to work on reaching our 2020 goal of 0.5 LTIR.

Sabinas Distribution Center: 11 years with no lost time incidents "Zero Accidents" (2007-2018).



Contractor Safety

On our website, we offer a program for contractor management whose purpose is to ensure the implementation of all the requirements and procedures pertaining to safety, health, and environment related to how our contractors should manage their associates. This procedure applies to all division that have relationships with contractors before, during, and after they perform any job at Arca Continental. Additionally, in Mexico we offer ARIBA: a platform with which we monitor the certification process for contractors. This ensures that their products and services adhere to our quality, safety, and innocuousness standards.

We are currently developing the REIM platform that is employed to investigate incidents. This tool allows us to make reports on the number of hours our contractors work for us and on any incidents that merit reporting. The data obtained is included in Arca Continental's LTIR and TIR indicators.

Training and Development of Capabilities

[404-1, 404-2]

We are certain that, in order to be successful in our operation and development as a multi-national company, it is vitally important to constantly update the content and capabilities development in our associates. With this in mind, we have developed training programs that allow us to grow and improve so that we are able to reach our objectives.

In the course of 2018, globally we offered training to more than 55,500 associates, of which 52.1% were unionized and in total we offered close to1.5 million man-hours of training.

Training processes at Arca Continental include four variables, depending on the type of training each associate requires and the mechanism that will be used to offer the training course, as detailed in the diagram below.

In 2019 we will open e-learning courses for unionized associates, making these courses available for 100% of the Arca Continental working force.

	IN PERSON TRAINING	E -LEARNING
Training for Business Development	Capabilities an associate needs to develop to contribute to the company's strategy and/or division in the short to mid-term.	
Training for Associate Development	Capabilities an associate needs to develop to bolster his or her professional career and growth plans within the company in the mid- to long-term.	
Associate potential reach	100% of associates	100% of non-unionized associates

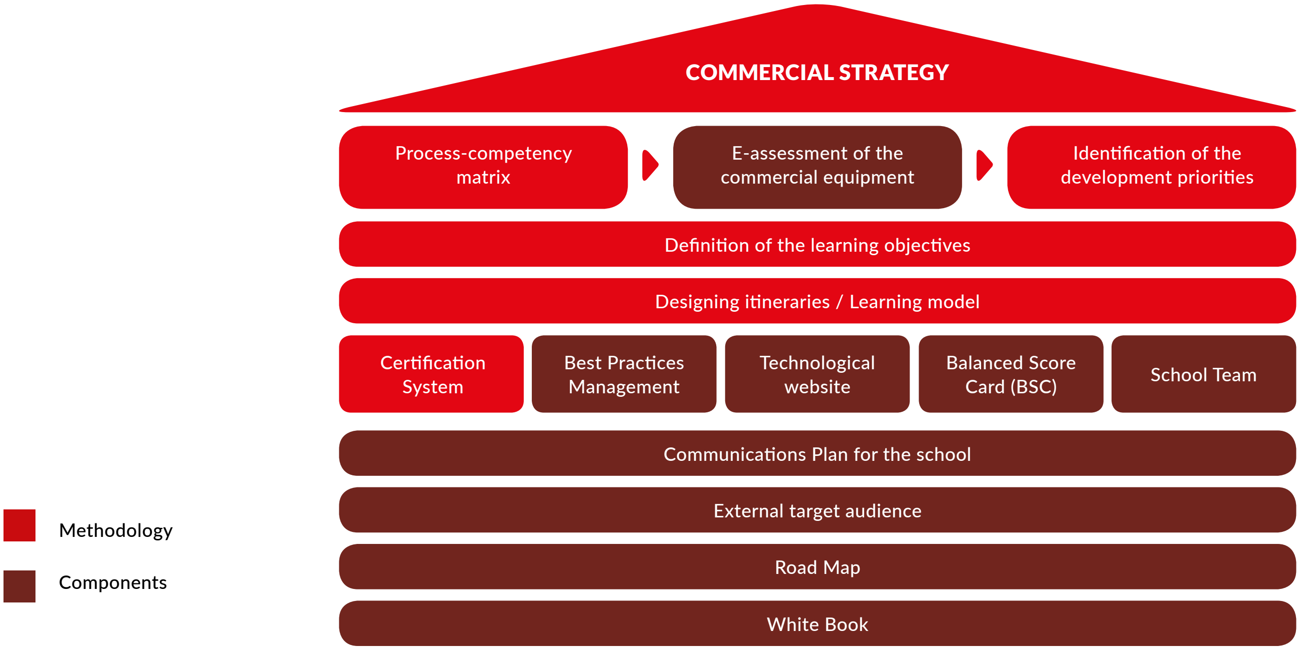
Sales School

A Sales School is the sum of different attributes which, as a whole, are catalysts for aligning associate development with the business strategy. It is used as:

- A TOOL for achieving the company's sales objectives, offering know-how and developing abilities in associates through different methodologies and learning formats.
- METHOD for developing the sales team within the company by encouraging training and offering behavior guidelines.
- A set of ITINERARIES focused on developing commercial abilities in the sales team. The logical learning route goes from simple aspects to more complex ones.
- A project that ensures training for the salesforce by aligning STRATEGIES and commercial tactics and generates project teams that standardize processes and procedures.
- The team responsible for the effective implementation of the commercial PROCESSES in the Sales Division.

In addition to offering training to our associates, the Sales Schools in used as a means to communicate the commercial strategy to the whole company in a standardized manner, facilitate the standardization of the work systems and procedures, manage commercial know-how, and improve the sense of belonging among participants, among others.

The main advantages of the Arca Continental Sales Schools are that it enables the identification and development of talents, impacts customers in key indicators, and make the Arca Continental operations more profitable and, indirectly, also customer operations.



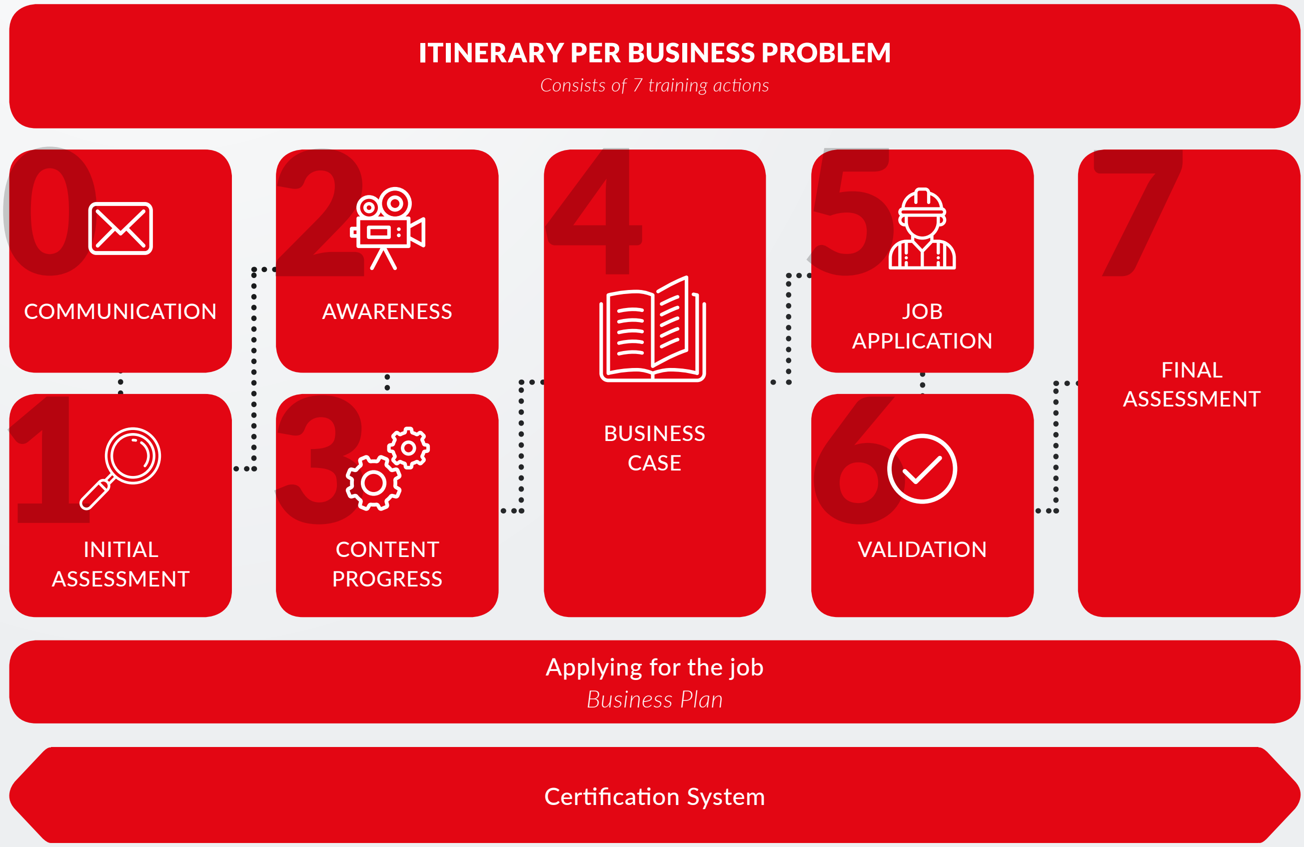
Technical School

Faced with the need to develop a series of capabilities, Arca Continental decided to use the Technical School as a means to communicate and implement business strategies. The goal is to design and manage a learning and development plan that addresses management skills and technical capabilities at the job, depending on their corresponding specialty. Benefits offered by the school include:

- Manage knowledge.
- Develop specific capabilities.
- Improves performance.
- Impacts business indicators.
- Supports the implementation of the strategy.

For key positions within the company, it offers general training in safety, quality, environment, and profitability, based on 16 modules. Furthermore, these associates receive technical training based on their functions, such as specific maintenance works, waste management, procedures for working with electricity, and product integrity, to mention a few.

The learning model is based on the Learning by Doing methodology in which participants solve a business case. Both academic accreditation and practical training are needed for students to receive their training certificates.



Planning and Succession

We continue to work on strengthening and standardizing our online course and workshop offering for all our operations. In 2018 we provided 23 e-learning courses on a variety of topics included the Code of Ethics, comprehensive sales and operations planning, English language, quality in execution index, industrial safety (forklift driving, work at high altitudes, identification of hazards, and accident investigation), and mobile sales app. This year we registered a considerable increase in participation in our online courses, with 23,783 associates benefited and a total of 44,204 man-hours of training.

AVERAGE HOURS OF TRAINING PER FULL-TIME ASSOCIATE

[404-1]

	NON-UNIONIZED		UNIONIZED	
	WOMEN	MEN	WOMEN	MEN
Entry level	19.74	19.87	28.03	30.41
Coordinator or similar	35.32	39.66	0.00	1.50
Head of Department or similar	27.69	31.30	0.00	0.02
Manager or similar	18.14	19.02	0.00	16.00
Director or similar	20.94	14.94	0.00	0.00
Business Director or similar	1.53	10.80	0.00	0.00

	NON-UNIONIZED		UNIONIZED	
	WOMEN	MEN	WOMEN	MEN
Trained associates	2,447	20,111	621	24,178
Training hours	23,329.75	652,670.93	17,407.00	735,225.00
Average training hours	23.15	23.84	28.03	30.41

Join AC

JOIN AC is the name of our Onboarding program launched in 2018. The name of the program is the acronym for Joining, Orientation, and Integration of New associates at Arca Continental. Join refers to putting together or connecting, which is what we are striving to do with our new associates: connect them with our company.

The purpose of this program is to ensure that our associates have the same experience when they join any of our businesses. The goal is to make our new associates feel welcome and as part of the team since the beginning and to share with them our culture and business strategy.

The goals of this program are to:
- Reduce or eliminate early turnover.
- Create a sense of belonging among our new hires.
- Accelerate productivity in our new associates.
- That our new associates and their leaders have a positive experience during the onboarding experience.

Competencies Management

[404-3]

In order to foster the comprehensive development of our human capital, we employ different tools that enable us to measure our associates' performance by assessing their competencies. Results obtained help us design training programs and career plans in a personalized manner that is tailored to meet the needs of each associate.

On the other hand, we implement evaluations based on compliance with personal and company goals in order to obtain a general diagnosis that will allow us to create a strategy that will bring us closer to achieve these goals.

At Arca Continental we use SAP Success Factors to manage our human capital. This tool has enabled us to align our Strategic Objectives as a company with those of our Human Resources since it allows us to reinforce our associates' commitments, productivity, and team performance. To learn more about SAP Success Factors and what this platform has to offer, please visit: www.successfactors.com.

In order to improve the work experience of our associates, and to drive their personal and professional development, in 2018 we started implementing a new evaluation tool for our executives which assesses key behaviors and competencies such as social and environmental engagement, teamwork, execution, results-orientation, focus on internal and external customers, development of human capital, and focus on quality.

Leadership Programs at Arca Continental

The Leadership Program for Arca Continental Executives is aimed at developing leadership and management competencies based on the principles of our culture in order to manage the business in a global and complex environment that will enable us to act strategically and generate participation and good results

The modules in the program are focused on learning centered on participants and are based on learning methodologies tested by the Harvard Business School group using activities that are relevant at work, promoting the practical application of learning and creating longlasting results. Creating these programs enables inclusion in the full context of Arca Continental's culture, behavior, principles, vision, and mission.

Through the Arca Continental Leadership Program, the student will participate in unique and interesting experiences, which are placed in context, that allow knowledge acquisition and generate an extended conversation, as well as behavioral changes, throughout the organization. This initiative can be integrated and assessed by means of Success Factors to accelerate alignment within the organization and create an impact.

Corporate Governance

[102-18, 102-19, 102-22, 102-23, 102-24, 102-25, 102-26]

At Arca Continental, we are convinced that good corporate governance has a positive effect on the different attributes that make our company great. Strengthening corporate governance standards guarantees the equality, transparency, responsibility and independence of all our areas of influence, minimizes conflicts and provides a sure path to conflict resolution. It also aligns the acts of all stakeholders to value creation, leads to an optimum balance between different government entities, reduces risks and strengthens the organization in the face of today's dynamic and complex environment.

Thus, Arca Continental's Corporate Governance is aligned to the Mexican Stock Exchange's Code of Best Corporate Practices and is based on our long-term vision and philosophy founded on four strategic pillars:

- **Responsibility:** Guaranteeing accountability from Management to the Board, and from the Board to Shareholders.

- **Equality:** Respecting shareholders' rights and treating them fairly.

- **Transparency:** Ensuring the availability of timely, concrete, accurate information, and providing the means for internal control and the independent receipt of complaints.

- **Independence:** Avoiding conflicts of interest and ensuring the participation of independent experts on the Board of Directors.

Arca Continental is governed by The Coca-Cola Company's Code of Business Conduct, which states that we shall act with honesty, abide by the law, comply with the Code and be responsible. This applies to all our business units, including commercial areas, thereby ensuring transparency and that our transactions comply with the Law.

Currently, our Board of Directors, which is chaired by Jorge Humberto Santos Reyna, has 21 members, five of whom are independent. During 2018 the Board met 8 times.

To support the fulfillment of our business objectives, our Board of Directors is structured into three oversight committees: Auditing and Corporate Practices, Human Capital and Sustainability, and Planning and Finance. Nine members of the Board of Directors belong to the Planning and Finance Committee, five to the Human Capital and Sustainability Committee, and three to the Auditing and Corporate Practices Committee.

AUDITING AND CORPORATE PRACTICES COMMITTEE

Auditing functions:

- Give an opinion on the accounting, control and internal auditing guidelines and policies
- Evaluate the performance, opinions, reports and information of the external auditors, and propose their appointment
- Discuss the financial statements with Management and give an opinion to the Board
- Monitor internal controls and mechanisms
- Investigate possible non-compliance with operating guidelines and policies, control systems, and auditing.

Corporate governance functions:

- Give an opinion on non-recurrent operations, such as acquisitions, mergers and other critical transactions
- Give an opinion on operations with related parties
- Give an opinion on the performance of the CEO and company officers, as well as on their compensation packages

Human Capital and Sustainability Committee

- Assess key executives' succession plans and talent development
- Establish guidelines and recommendations on general policies for salaries and human resources
- Issue criteria for the evaluation and benefit package of the CEO, and extend the process to senior executives
- Oversee the Social Responsibility and Sustainability strategy, programs and indicators.

THE ISSUERS COMMITTEE OF THE MEXICAN STOCK EXCHANGE (BMV) RECOGNIZED ARCA CONTINENTAL AS ONE OF THE THREE MOST OUTSTANDING COMPANIES IN MEXICO IN OUR SECTOR IN TERMS OF SOCIAL RESPONSIBILITY.

Planning and Finance Committee

- Evaluate and, where necessary, make recommendations to the Board on the investment and financial policies proposed by Management.
- Recommend long-term plans and budgets for operations and investments.
- Make recommendations on strategic projects and the related funding.

Since 2005, in order to avoid conflicts of interest, we have followed a policy that in general forbids transactions with people related to the group controlling the company. Only those that are considered to be strictly necessary for strategic purposes and those that imply a significant impact on company operations and/ or results are permitted.

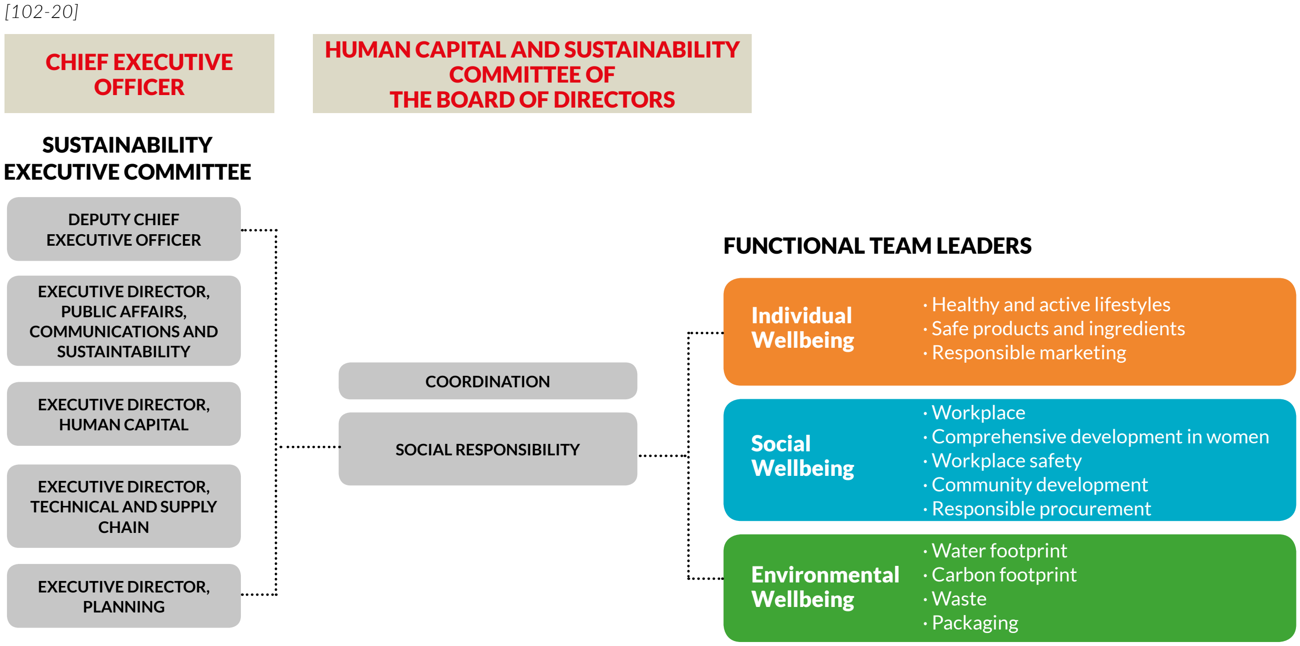
SUSTAINABILITY MANAGEMENT

The Human Capital and Sustainability Committee is committed to improving people's wellbeing, contributing to the sustainable development of our neighboring communities, and protecting the environment. The Sustainability Executive Committee was established in 2013 to deploy the strategies established by the Committee and the CEO at the operational level, with the goals of assuring standardized policies, objectives, metrics and best practices across the organization in the area of Social Responsibility and Sustainability, and of creating and implementing a plan to meet our 2020 Vision.

[102-45]

If you wish to learn more about Arca Continental's Corporate Governance, please consult the annual report the company presented to the Mexican Stock Exchange on the following link: www.arcacontal.com/inversionistas.aspx

[102-20]



Board of Directors

MANUEL L. BARRAGÁN MORALES (68) 1
Chairman of the Board of Directors since 2005 and a member since 2001. He also serves as Chairman of the Board of Directors at Grupo Index. He has served on the Boards of Grupo Procor, Banco Regional del Norte, and Papas y Fritos Monterrey. He also held an executive position at a financial institution for 15 years.

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

JUAN MANUEL BARRAGÁN TREVIÑO (57) 1, C
Member of the Board of Directors since 2009. He holds a Bachelor's Degree in Mechanical Engineering and an MBA from ITESM. He also served on the Boards of Directors of Transportes Especializados Regiomontanos, Papas y Fritos Monterrey, Grupo Procor, and Grupo Index.

JUAN CARLOS CORREA BALLESTEROS (48) 2, C
Member of the Board of Directors since 2016. He has been a member of the Executive Committee and of the Human Capital Committee of the Board of Directors at Arca Continental South America since 2010. He worked for 14 years for Ecuador Bottling Company, the Coca-Cola bottler in Ecuador, occupying a number of different positions, including as CEO and Corporate Vice-President over the past three years. He currently occupies the position of Executive Vice-President of CorMa Holding Family Office. He holds a Master's Degree in Finance from the University of Miami.

FELIPE CORTÉS FONT (77) 2, A
Member of the Board of Directors since 2013. Founding partner at Auric. He worked for Grupo Industrial Alfa for 28 years and was part of the team leading the strategic and financial restructuring of the company as the head of the Planning and Controllership divisions. He also led the Petrochemical Sector division and later held the position of CEO at Hylsamex. He currently serves on the Boards of Grupo Promas, Arendal, Stiva and Ternium México. He was Director of the American Iron and Steel Institute and President of Canacero, Centro de Productividad de Nuevo León, and Instituto Latinoamericano del Hierro y el Acero. He holds a Bachelor's in Science Degree from the Massachusetts Institute of Technology.

ALEJANDRO M. ELIZONDO BARRAGÁN (65) 1, P
Member of the Board of Directors since 2004. Development Director at Grupo Alfa. He has held several positions at Alfa's corporate and steel and petrochemical divisions for more than 42 years. He also serves on the Boards of Indelpro, Polioles, and Axtel.

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

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

ROBERTO GARZA VELÁZQUEZ (62) 1, P
Member of the Board of Directors since 2010. Shareholder at Industria Carrocera San Roberto, S.A. de C.V., as well as serving on the Board of Grupo Index, Afirme Grupo Financiero, and AMANEC, A.C. He has been a member of the Grupo Autofin Monterrey Board of Directors since 2017.

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

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

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

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

ALBERTO SÁNCHEZ PALAZUELOS (79) 1

Member of the Board of Directors since 2011. He was President of Negromex, Grupo Novum, and Troy Grupo Industrial. He served on the Boards of BBVA Bancomer, Grupo Martí, Probursa, and Cityexpress Hotels, among others. He is currently President of ASP y Asociados, S.C. He serves on the Board of Procorp and Inmobiliaria CADU and is a member of the Advisory Board of Purdue University and Instituto de Empresas de Madrid.

JORGE HUMBERTO SANTOS REYNA (44) 1, C, P

Vice-Chairman of the Board of Directors since 2007 and a member since 2001. He is CEO of Grupo SanBarr and a member of the Banregio Grupo Financiero Board. Formerly he served as Chairman of the Board at Arca Continental South America. He has also served as President and Treasurer of the Asociación Mexicana de Engordadores de Ganado Bovino. He also serves as Chairman of the Board of Directors for Integradora de Insumos Pecuarios del Noreste and Grupo Regio Engordas, as well as the Consejo Estatal Agropecuario de Nuevo León. He is also Vice-President of the Mexican Red Cross Managing Board. He has served on the Boards of Grupo Procor, CAINTRA Nuevo León, and Papas y Fritos Monterrey.

ARMANDO SOLBES SIMÓN (63) 2, A

Member of the Board of Directors since 2011. Formerly he was a member of the Grupo Continental Board. He currently heads the Tampico Office of Banco Base, is an associate and member of the Management Boards at Bene Hospital del Centro Español de Tampico and Universidad IEST Anáhuac. He is also a member of the Regional Consulting Board of ITESM, Tampico Campus (ESTAC). He was Chairman of the Board and CEO at Central de Divisas Casa de Cambio for 23 years. He held several positions in the finance division of Grupo Cydsa, S.A.B. for eight years, and in external auditing services for Gossler, Navarro, Ceniceros y Cia. for three years.

JESÚS VIEJO GONZÁLEZ (45) 1, P

Member of the Board of Directors since 2007. He is Executive President of Trefilia Capital and Grupo CONVEX. Currently, he serves as Technical Secretary for the Consejo Nuevo León para la Planeación Estratégica and serves on the Boards of the Universidad de Monterrey (UDEM), the John F. Kennedy School of Government, the Center for International Development at Harvard, and Grupo Topaz. He was Vice-President for Economic Research for Emerging Markets at Goldman Sachs and Chief Economist at Grupo Alfa. He holds a Degree in Economics from ITESM, and a Master's Degree in Public Policy from Harvard University. He also holds a PhD in Economics from Boston University.

JOAQUÍN MARIO ARIZPE SADA (64) 1, P

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

JOHNNY ROBINSON LINDLEY SUÁREZ (44) 1

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

DANIEL H. SAYRE (62) 2

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

LEGENDS

1. Patrimonial
2. Independent

COMMITTEES

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

Senior Management

ARTURO GUTIÉRREZ HERNÁNDEZ (53)
Chief Executive Officer since January 1st 2019. Formerly he served as Deputy Chief Executive Officer. He has held several company positions for 18 years, including Chief Operating Officer, and director for the Mexico Beverages Division, Human Resources, Planning, and Legal. He serves on several Boards of industry-related companies. He holds a Law Degree from the Escuela Libre de Derecho and a Master's Degree in Law from Harvard University.

GUILLERMO APONTE GONZÁLEZ (53)
Executive Director Food and Snacks. Formerly he served as CEO for Arca Continental South America. He worked for The Coca-Cola Company for more than 25 years in the Asia and Latin America divisions, where he held the position of Chairman and CEO of Coca-Cola in the Philippines, and General Manager for the Mexico Southern and Northern Regions, and General Manager for Colombia. He holds a Degree in Systems Engineering and Computer Engineering, as well as a specialization in Marketing, from the Universidad de los Andes, in Colombia. He also took courses on Executive Development at the University of Pennsylvania's Wharton School of Business.

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

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

GUILLERMO GARZA MARTÍNEZ (51)
Chief Public Affairs and Communications Officer. Communications and Sustainability. Formerly held the position of Communications and Social Responsibility Director. He serves on several Boards for industry-related companies worldwide. He has over 28 years' experience in journalism, communications, social responsibility, and public affairs. He holds a Degree in Communications from the Universidad Regiomontana, a Master's in Science Degree from ITESM, and post-graduate executive education from Boston College and IPADE.

ALEJANDRO GONZÁLEZ QUIROGA (57)
Executive Director Latin America Beverages. He serves as CEO for AC Mexico Beverages and has occupied several positions at the company for more than 31 years. He was Director for Arca Continental South America and Arca Continental Argentina. He is currently President of the Asociación de Embotelladores de Coca-Cola in Mexico. He holds a Degree in Business Administration from the Universidad Regiomontana and post-graduate certificates in Top Management from ITESM and IPADE.

EMILIO MARCOS CHARUR (55)
Chief Financial Officer. He was formerly Director for Beverage Operations Mexico and for the Complementary Businesses Division, besides heading our Treasury and Procurement divisions. He holds a Degree in Industrial Engineering and Computer Systems from ITESM and an MBA from Illinois University.

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

ALEJANDRO MOLINA SÁNCHEZ (51)
Chief Technical and Supply Chain Officer. He is a member of the Activation Committee at the Global Supply Chain Board for the Coca-Cola System, for which he formerly served as President. He worked for Coca-Cola de México for more than 15 years in the Quality Control, Environmental Sustainability, and Supply Chain divisions. He holds a degree in Chemical Engineering from Universidad La Salle, and a post-graduate certificate in Supply Chain from the Instituto Tecnológico Autónomo de México (ITAM).

ALEJANDRO RODRÍGUEZ SÁENZ (56)
Chief Strategic Planning Officer. He formerly held the positions of Executive Director for Complementary Businesses, Director for Bokados, and General Manager for Topo Chico. He currently serves on the Boards of Andamios Atlas S.A. and Tonicorp. He has held several management positions at Alfa. He holds a Degree in Chemical Engineering and Computer Systems and an MBA from ITESM, and a post-graduate certificate in Top Management from IPADE.

JAIME SÁNCHEZ FERNÁNDEZ (48)
General Counsel. He formerly held the position of Legal Director, Secretary of the Board of Directors, and Legal Corporate Manager at Embotelladoras Arca. He worked for Alfa for 8 years as a corporate lawyer and also worked independently. He holds a degree in Law from the Universidad de Monterrey and a Master's Degree in Law from the University of Michigan.

MARK SCHORTMAN (62)
President & CEO CCSWB. He formerly held several key positions within the Coca-Cola System in North America and Europe. He is Chairman of the Board of Coca-Cola Sales and Services Company LLC, responsible for purchasing raw materials (packaging and ingredients) as well as indirect goods and services for all the Coca-Cola bottlers in North America. He holds a Degree in Business Administration by the Universidad de Cal Poly and an MBA by St. Mary's College.

Ethical Development

[102-16, 102-17, 102-1, 205-1, 205-2]

Our Code of Ethics and Conduct Policies are established adhering to all applicable laws and regulations in every country where we operate and on showing respect for the perspective of our main stakeholders including customers, suppliers, associates and authorities, among others.

Their objective is to offer guidance and provide standards for desirable behavior in anti-corruption processes and controls, support transparency, promote fair trade and achieve positive relationships with our associates and everyone with whom the company comes into contact.

We communicate our Code of Ethics through different tools, such as our internal magazine, bulletin boards, websites, promotional campaigns, and associate courses. Because of these communications media, all our associates know our Code of Ethics and they can consult it at any moment.

Although our previous Code already met the requirements stipulated by the Mexican Securities Law and the recommendations of the Mexican Stock Exchange (BMV) for inclusion in the Sustainability Index, during 2016, we implemented a new, improved and modified version of the Code of Ethics to reflect international best practices. Arca Continental is an exemplary company in the industry and, to reflect this, we have improved sections of the Code, together with how it is managed and the related documentation.

This evolution process started with a comprehensive analysis of the previous Code of Ethics and its comparison with international best practices, leading to specific proposals to improve the Code and its management.

Some of the improvements and modifications to our Code of Ethics include:

- Out of Arca Continental's four core values, Integrity Based on Respect and Justice has become the cornerstone of our Code of Ethics and Conduct Policies.
- Integrity Based on Respect and Justice leads to the values of honesty, trust and loyalty, which govern our behavior inside and outside the company.
- Our aim is for the Code of Ethics to be a practical guide for each and every one of our actions and our decision-making processes.
- The new Code of Ethics includes a specific section on Human Rights protection, acknowledging the United Nations Human Rights Principles and those of the Global Compact, incorporating healthcare and safety assurance, personal development and the fight against violence.
- The scope of our sustainability actions is not limited to the environment; it now includes social topics.
- Particular emphasis is placed on transparency and information management.
- We stress how important it is for our suppliers to comply with the Code.
- The new Code of Ethics is a detailed guide on when to act and includes a series of questions that can help associates make decisions.

Compliance Management

[102-17, 406-1]

Management of the Code of Ethics and Conduct Policies of Arca Continental and all its subsidiaries is the responsibility of the Integrity and Ethics Committee, which is divided into two branches: The Executive Committee and the Operating Committee, whose duties, although different, complement each other.

The Ethics and Compliance System as a whole has its own structure and corporate governance, both of which are summarized in the Management Manual of the Code. The Ethics and Compliance Managing Committee is ultimately responsible for the System and reports on its progress and status to the Audit Committee of the Arca Continental Board of Directors. The Ethics and Compliance Officer, with the support of the Operating Committee, is in charge of executing the necessary functions. In addition to this centralized structure, each territory and business has its own Local Ethics and Compliance Committee.

The Committees include 50 people from different divisions, including directors, the Human Resources manager, PAC, Legal, and Administration. In 2018 members of the committees and work teams invested 8,000 hours in research. Approximately 40% of the reports on the Code of Ethics were valid, and 12% of them resulted in some kind of administrative sanction.

The Executive Committee is directed by the company's CEO and includes executives of the highest levels within the organization. It meets on a quarterly basis and is in charge of: overseeing that the content of the Code is aligned with international best practices; fostering a culture of observance of the Code inside and outside the organization; and promoting strategies for disseminating and clarifying the Code to every audience that comes in contact with Arca Continental.

The Operating Committee is responsible for resolving any identified breaches of the Code and training associates in ethical issues. It is made up of directors and managers with enough authority to expedite conflict resolution and who were also experienced in integrity issues before this management system was implemented.

An Ethics Officer liaises between the two committees, assuring the appropriate flow of information and channeling reports from the Transparency Mailbox to the relevant parties. The Code of Ethics and Behavior Policy Management Handbook defines the criteria for assigning those responsible for resolving each case.

The Handbook details how each committee member should interact, how performance reports should be generated and how often. Additionally, it describes the mechanisms that are in place to promote a culture of compliance with the Arca Continental values.

The Handbook also provides information on what to do when a report is received through the Transparency Mailbox, by email or in a letter. A simplified version of this process can be seen in the diagram below.

REPORTING LINE

Every associate and commercial partner is obligated to report any act that deviates from the Code of Ethics. The following channels can be employed:

- The Transparency Mailbox, calling a toll-free reporting line.
- Sending an email to the reporting line.

For more information, please visit: http://www.arcacontal.com

Reports are handled immediately by an independent third-party in charge of managing them.

The manager of the reporting line receives a request through the Transparency Mailbox or by any other means.

The manager assigns the request to the corresponding Local Committee.

The Committee then assigns it to the responsible expert.

The corresponding sanctions and remediation measures for each case and fault are taken.

The Managing Ethics Committee and the Audit Committee of the Board of Directors are periodically informed on how the reports have been managed.

Code of Ethics Training

By the end of 2016, Arca Continental's Code of Ethics was updated for all of its business units in an effort to normalize its knowledge and compliance throughout its territories. The communication and diffusion campaign started in January 2017 and by the end of the same year, an e-learning deployment of the Code of Ethics begun for Mexico's associates who had access to an assigned computer.

This course is divided into 3 different modules: Corporate Values, Conduct Policies and Values in Action. Said course has been designed to know the policies and values that govern all associates at Arca Continental in order to reach their personal goals as well as the organization's purpose. By the end of the e-learning course, a knowledge check section grades the associates' performance with a passing grade of 80; if failed, the associate will have to re-take the course.

By 2018, 4,208 associates in Mexico have successfully passed the e-learning course on Arca Continental's Code of Ethics. Starting on 2019, the deployment of said course along our territories in Latin America and furthermore in United States will take place.

Code of Ethics Training Management Process

In 2018, Arca Continental, through an independent body, completed the identification and assessment of its Fraud Risk Management Program to identify:

- Potential internal and external fraud areas.
- Possible scenarios in which these fraud risks could materialize.

The Fraud Risk Assessment initiative consisted of: Defining the criteria for fraud risk assessment; conceptually establishing the fraud risk universe of the industry in which Arca Continental operates; assessing fraud risks through interviews and surveys with key personnel from the companies under analysis; and paying special attention to the evaluation of the level of vulnerability to the most relevant fraud risks with regard to their impact, probability and the strength of the controls to mitigate such risks.

A request is received through the Transparency Mailbox or by email or letter.

The Ethics Officer determines the validity of the request.

The Ethics Offers assigns the experts responsible for handling the request.

The request is investigated and processed in order to address the root cause and prevent it from occurring again.

If the case merits it, sanctions are applied.

A periodic report on the key performance indicators related to managing the Code is created.

Human Rights Oversight

Our Code of Ethics stipulates that all company associates are obliged to consistently and comprehensively respect the Human Rights of those with whom they come into contact. We even explicitly state that no distinctions should be made for age, gender, social status, nationality, and that we must respect political affiliations and religious beliefs and traditions.

Anti-Corruption Efforts

[205-1]

As part of our fight against corruption, our new Code of Ethics clearly stipulates that "associates, directors and shareholders are strictly forbidden from carrying out acts of corruption, bribery, collusion and, in general, any illicit activity during the performance of their duties, and will abstain from participating directly or indirectly in any bids or tenders in which there are signs of corruption. These guidelines extend to our business partners (suppliers and intermediaries) and their activities."

We provide a Supplier Website on which any suppliers wishing to register in order to offer their services must first read our Code of Ethics and Business Conduct and commit to complying with it. This means that, currently, 100% of our suppliers are informed about our efforts to fight against corruption and bribery and are committed to adhering to these efforts.

Fiscal Compliance

Arca Continental operates with strict adherence to the laws of the countries where it operates, as established in our Code of Ethics and Conduct Policies. Committed to the development of the community, our tax obligations are met adhering to the highest ethical rigor. As stated in our compliance guidelines, at Arca Continental we shall not tolerate mechanisms such as transfer pricing, tax evasion, or the use of tax havens in order to diminish the company's obligations. Transfer pricing is calculated based on international best practices, and it is audited.

Annually, an independent third party issues a tax report certifying the proper compliance with these obligations, which can be viewed at: http://www.bmv.com.mx/es/emisoras/perfil/AC-6081

Risk Management

102-11, 102-15, 102-29, 201-2]
[CDP C2.2]

In Arca Continental, the risk management process is conducted at the Board's level by the Audit and Corporate Practices Committee, the Company's CEO and the Coordination of Risk Committees, whose goal is to maintain the business continuity and its sustainability. To date, we have a diversity of programs that allow us to evaluate and mitigate risks.

The objective of Arca Continental's Risks Committees Coordinator is to ensure that all possible critical risks that may arise are properly taken care of by their respective specific committees. Among the risks that we have identified and managed are those pertaining to operational best practices, environmental management systems, industrial and personal safety, corporate image and reputation, insurance and finance, information safety, financial and fiscal, supplier audits, regulatory compliance, and prompt resolution of crisis and contingency management.

In 2016 we issued and implemented a new Risk Management Policy as we executed diverse programs and crisis metrics for further risk evaluation and control. We have created a strategic resilience model to insure the business' continuity through a better risk, crisis, and business continuity plan managements. For the said model's execution, we attempt a more preventive and less reactive management with tools and methodologies that allow us to have a better performance in such events. Additionally, we have trained personnel with ERMA (Enterprise Risk Management Academy) certifications who are responsible of conducting a proper risk management whenever a situation should occur.

Risk Management

Following the ISO 31000 methodology, we preventively manage risks in terms of reputation, finance, operations, regulations, strategy, as well as emergent risks. For each of these divisions we establish mitigation plans that enable us to take strategic decisions for every situation.

Crisis Management

We follow an internal methodology as well as other internal and external management tools to overcome incidents and elevated incidents in order to reach an acceptable and adaptable resolution. Examples may include demonstrations against the company, internal incidents and non-compliance with our product's quality and innocuousness.

Business Continuity Plans

Guided by documented theory and other reliable tools, we preventively and reactively manage large scale risk situations that could potentially affect our business' continuity in any of our operations.

Given our territories' geographic locations, characteristic topographies and climate conditions, they are prone to different natural disasters that could negatively impact our operations and facilities as well as our associates. A few examples include:

- Mexico, Peru, Ecuador, and Argentina are prone to earthquakes.
- Mexico and United States are prone to hurricanes and floods.
- Mexico is prone to fires.

We consider contingency measurements to elements foreign to our business that may interrupt our operations, such as unscheduled interruptions of water or electric power, fuel scarcity or social and/or political instability. Based on theoretical documentation, we seek to have plans that meet such needs within a defined recovery time period to satisfactorily re-establish our operations sooner than expected.

In a changing environment within a global economy, Arca Continental is susceptible to numerous factors that may endanger the organization. The following list of elements is a sample of latent risks to the organization, its operations in our different territories, its economic performance and its perception before its stakeholders, among others.

CHANGES IN CLIMATE CONDITIONS

Temperature and rain may have an influence on how our products are consumed, and natural phenomena have an impact our distribution routes. Therefore, Arca Continental has implemented programs to mitigate and adapt to climate change; we have reported these actions to the CDP since 2013.

The risk exposure of our operations to physical changes can be consulted in the Climate Change section of this document.

SPECIAL TAXES

The levying of new taxes, the modification of current ones, or any change in the approach or interpretation of fiscal authorities in the countries in which we operate can produce a negative effect on our financial situation, business, operational results, and forecasts.

CHANGES IN HEALTH AND ENVIRONMENTAL REGULATIONS

At Arca Continental we are aware that all productive activities have an impact on its surroundings. For this reason, we aim to have as small an environmental footprint as possible and we also implement mitigation efforts. If we should be required to comply with significant changes in health regulations, there could be an impact on our operational costs, and we may be forced to implement measures that would interrupt our operations. Likewise, the environmental standards in the countries where we operate have increasingly become stricter; this tendency could continue. Should we need to adapt or implement measures in order to comply with environmental regulations, we could incur in significant responsibilities, costs or liabilities.

SHORTAGE OF SUPPLIES AND MATERIALS USED IN THE MANUFACTURE OF OUR PRODUCTS

We are required to purchase certain supplies and materials that have been previously authorized by The Coca-Cola Company. the sourcing of these could be interfered with by factors beyond our control. Any shortages in these supplies could have a negative impact on us. In the countries where we operate, an interruption to the supply of water could be a determiner for the normal operation of our current plants. We cannot ensure that water will be supplied in sufficient amounts to allow for our future production needs.

WASTE PRODUCTS AND THE PRICE OF RAW MATERIALS

We are aware that we must take a greater role in the co-responsibility of waste management; owing to PetStar, the world's largest food grade PET plant and in which Arca Continental has a leadership role, our use of recycled materials in our packaging is constantly increasing. Similarly, modifying our business model as per the guidelines of a circular economy has led to the development of reusable and lasting packaging, recyclable materials, and lighter packaging with recycled or biodegradable components.

CURRENT OR FUTURE REGULATIONS REGARDIN LABELS FOR OUR PRODUCTS

The authorities of some of the countries where we operate have required that our products include labels with warnings and nutritional values. Should new labeling regulations be enforced, our production costs and sales could suffer. It is of utmost importance for our operation to have all necessary permits and licenses, and for these to be valid.

CYBER SECUTIRY

Our systems, and those of our suppliers, could be subject to damage or interruptions caused by circumstances over which it is not possible to exert control, including, for example, lapses in the protection of client, consumer and associate data. The same can be said about the security of information relating to sensitive information about the organization and its intellectual property. Any significant disturbance in the functioning of our systems could negatively impact Arca Continental's operation.

CHANGES IN THE PREFERENCES OF CONSUMER OF BEVERAGES AND SNACKS

The decline in consumption of our products could reduce the return on investment. Similarly, consumers are constantly on the lookout for new products and presentations, if the company were unable to offer innovative products, the sales of our products could suffer.

PRODUCT QUALITY AND INNOCUOUSNESS

All our food and beverages are produced and managed with the highest quality and innocuousness standards throughout our value chain in all our territories. However, we are not exempt to non-compliant situations to these standards. For this reason, we have various means of communication to engage with our customers' and clients' complaints and comments and to properly follow-up on each of them, as well as to preventively carry out internal and external audits.

DERIVATIVE FINANCIAL INSTRUMENTS

We use derivative financial instruments with the objective to reduce our exposure to the risks of currency fluctuations regarding the prices of some of the main supplies for production; dollar-denominated debt; and the variable rates at which we pay our debt instruments. Likewise, any failure to comply with specific stock liabilities with respect to listed companies is a risk for the organization.

CHANGES IN FISCAL REGIME

We cannot guarantee that the tax system applied to our debt instruments will not be modified in the future in such a way that it conditions how interests are accrued and the operations that can be undertaken with said interests, either by their holders or by us.

FAILURE TO COMPLY WITH OUR CODE OF ETHICS

Any situation or behavior that fails to comply or is against the spirit of our Code of Ethics has a repercussion on the way our organization performs and is perceived in the international market.

The human rights of all people whom we come into contact with must always be respected. This responsibility, aimed, in equal measure, to people from inside and outside our organization is extended to our associates and the rest of our value chain. Situations of violence of any sort, discrimination and abuse or power, for example, are attacks against the culture and values of Arca Continental, as such, they will not be tolerated and will be subject to the enforcement of pertinent procedures.

Any act or circumstance that causes harm to third parties or their properties, and which require that the company issue reparations, could compromise the company's image and its relationship with the community of regions in which we conduct our operations.

The respect and compliance with the rights and obligations of the consumers is vital to continue to enjoy their predilection; similarly, it is fundamental to ensure the well-being of our associates by guaranteeing their work rights, health, and safety.

Transparency and the compliance with codes and agreements, to which we have voluntarily agreed to join, are of great importance to the way we are perceived by other institutions and interest groups.

Theft, and ill use or exploitation of company resources for personal gain put a strain on the integrity of the company itself. Any situation that can expose Arca Continental to anticompetitive behaviors, such as asset laundering, corruption, conflicts of interest, political proselytism, and funding violent acts must be avoided by all means and is subject to severe penalties within the organization.

Awards and Recognitions

Resulting from the performance and efforts carried out at different business units in our regions, Arca Continental has been granted several recognitions the confirm its leadership position in the food and beverages industry.

ORGANIZATION	AWARD, RECOGNITION OR CERTIFICATION GRANTED
The Coca-Cola Company	We have 12 Operation Centers that have been certified as Benchmark Operational Excellence Centers, 10 of which have earned the bronze certification and two have earned a silver certification.
	Arca Continental Lindley in Peru was awarded the 1st place in the ICE (Quality in Execution Index) Cup given its results in the modern channel in the Commercial Execution Index at the South Latin Business Unit as well as 3rd place under the traditional channel.
	Arca Continental Argentina was among the finalists in the Candler Cup, placing 2nd for excellence in execution.
	Coca-Cola Southwest Beverages (CCSWB) was named the 2018 national champion of the Coca-Cola North America Market Street Challenge, recognized as leader in commercial execution for its best result in Execution Improvement Index.
United Nations Global Compact	Arca Continental Ecuador received the SDG Recognition for Best Practices in Sustainable Development for its "Water for the Future" and "Bottle-to-Bottle (B2B) recycling system".
MSCI	We have been included in their Sustainability Index since 2014.
Mexican Stock Exchange (BMV)	We are part of the Sustainability Index since 2011, when it was first established.
London Stock Exchange	The London Stock Exchange ratified Arca Continental as a member of the FTSE4Good Emerging Index, for its strong commitment to best environmental, social, and corporate governance practices worldwide.
CEMEFI & ALIARSE	We received the Socially Responsible Company (ESR) distinction in several of our territories: -Arca Continental, 15th consecutive year -Arca Continental Lindley, 4th consecutive year -PetStar, 4th consecutive year -Bokados, 3rd consecutive year
Workplace Wellness Council Mexico (MOVISA)	For the 3rd consecutive year, we were awarded the Healthy Responsible Organization (ORS) distinction for a company in the Growth Stage, for our initiatives in favor of promoting active and healthy lifestyles, and for contributing to the wellbeing of our associates with these programs.
Queremos Mexicanos Activos (QUEMA)	For the 3rd consecutive year, we were awarded the Gold Level in the "Empresa Activa y Saludable" Challenge.
Ministry of Work and Employment Opportunities (Ministerio de Trabajo y Promocion del Empleo)	Arca Continental Lindley obtained the "SOS" award which recognizes our company for fostering solidarity in emergency situations.
CONCAMIN	We received the Ethics and Values in Industry Award, with the prize for Social Responsibility.
Office of Personnel Management, Government of the United States of America	The McAllen Plant, in Texas, was granted the President's Quality Award for Excellence, among all other Coca-Cola plants in the U.S.
The Coca-Cola Company and WorldWildlife Fund (WWF)	13 of our production centers in Mexico have the esKO Top 10 Energy Saving Challenge certification for their efforts and investments made for energy efficiency.
US Green Building Council	The corporate building has LEED Silver certification, the Trujillo plant in Peru has LEED certification Gold, and the PetStar museum is LEED Platinum certified.
Council for Responsible Sports	The Powerade Marathon in Monterrey was awarded the Gold Level Certification on sustainable sporting events.
Department of Economy, Government of Mexico	The National Quality Award was awarded to PetStar.
Department of Environment and Natural Resources, Government of Mexico	13 of our production centers have been certified as Zero Waste.
Mucho Mejor Corporation Ecuador (CMME)	In Ecuador, Tonicorp has been awarded with the "Mucho Mejor" Certification for the food-grade plastic products in a "AAA" level.
BRC Global Standard	Our Wise production centers in the United States were awarded the BRCGS for Food Safety with an "A" grade level.
U.S. Food and Drug Administration	Bokados was approved by the FDA.
Ekos de Oro	In Ecuador, INALECSA was among the top 10 best places to work in the "Ekos de Oro" publishing.

Strategic Alliances

102-13

An integral part of our strategy we establish partnerships and lead joint efforts to benefit society as a whole and the environment by contributing to different initiatives that promote sustainable development in the industry by means of our involvement in chambers and institutions spearheading those issues at the local and international levels. We actively participate in close to 100 associations and organisms to promote sustainable growth in all our regions, occupying a leadership position in half of them.

ASSOCIATION	COUNTRY	PARTICIPATION LEVEL
Alianza Latinoamericana de Asociaciones de la Industria de Alimentos y Bebidas (ALAIAB)	International	Members
Consumer Goods Forum (CGF)	International	Members
International Council of Beverages Associations (ICBA)	International	Members
International Council of Beverages Associations LATAM (ICBA-LATAM)	International	Members
Organización internacional del Trabajo (ILO)	International	Members
Organization for International Investment (OFII)	International	Members
Pacto Mundial de las Naciones Unidas	International	Members
Asociación de Embotelladoras Mexicanas de Coca-Cola (ASCOCA)	Mexico	Partnerships
Asociación Nacional de Productores de Refresco y Aguas Carbonatadas (ANPRAC)	Mexico	Members of the General Assembly
Cámara de la Industria de la Transformación Nuevo León (CAINTRA)	Mexico	Director
Cáritas de Monterrey	Mexico	Member of the Board
Cámara Nacional de la Industria de la Transformación (CANACINTRA)	Mexico	Chair the Food, Beverages, and Tobacco Sector National Board Member for the Snacks Division Vice Chairman of the 106 Snacks Division and the Water Commission Legislative Liaison Committee
Centro Mexicano para la Filantropía (CEMEFI)	Mexico	Members
Consejo Empresarial para el Desarrollo Sostenible (CESPEDES)	Mexico	Directors
Confederación de Cámaras Industriales	Mexico	Management Board: Vice Chairman and Coordinator of the Northeastern Region
Confederación Patronal de la República Mexicana en Nuevo León (COPARMEX NL)	Mexico	Directors
Consejo Consultivo del Agua (CCA)	Mexico	Directors
Consejo Coordinador Empresarial (CCE)	Mexico	Members
Consejo de Cámaras Industriales de Jalisco (CCIJ)	Mexico	Member of the Board
Consejo Mexicano de la Industria de Productos de Consumo (ConMéxico)	Mexico	Members of the Institutional Liaison Committee and the Commissions
Consejo Nacional Agropecuario (CNA)	Mexico	General Assembly and Members of the Executive Committee
ECOCE	Mexico	General Committee
Movimiento por una Vida Saludable (MOVISA)	Mexico	Board
Queremos Mexicanos Activos (QMA)	Mexico	Directors
Agencia para el Desarrollo Económico de Catamarca	Argentina	Members
Asociación Argentina de Fabricantes de Coca-Cola	Argentina	Members
Cámara Argentina de la Industria de Bebidas sin Alcohol (CADIBSA)	Argentina	Member
Cámara de Comercio Argentina Mexicana	Argentina	Members
Cámara de Comercio e Industria de la Provincia de Salta	Argentina	Members
Cámara de Comercio e Industria en Santiago del Estero	Argentina	Members
Centro Azucarero Regional de Tucumán	Argentina	Chairman
Centro Comercial E Industrial La Rioja	Argentina	Member
Federación Económica de Tucumán	Argentina	Members
Instituto Argentino de Responsabilidad Social	Argentina	Members
International Council of Beverages Associations LATAM	Argentina	Members
Unión Industrial de Catamarca	Argentina	Member
Unión Industrial de Corrientes	Argentina	Members
Unión Industrial de Jujuy	Argentina	Members

ASSOCIATION	COUNTRY	PARTICIPATION LEVEL
Unión Industrial de Tucumán	Argentina	Member
Asociación Norte Sustentable	Argentina	Members
Directorio de la Alianza para el Emprendimiento e Innovación.	Ecuador	Associates
Directorio de la Asociación de Industriales de Bebidas del Ecuador.	Ecuador	Members
Directorio de la Cámara de Industrias y Producción	Ecuador	Member
Directorio de la Cámara Ecuatoriana Americana	Ecuador	Affiliate
Directorio de Mujeres Por Ecuador	Ecuador	Affiliate
Directorio del Centro de Industrias Lácteas	Ecuador	Member
Directorio del Pacto Global de las Naciones Unidas	Ecuador	Member
Alianza de Empresas que Financian y Ejecutan Obras por Impuestos	Peru	Member of the Board of Directors
Asociación de Bebidas y Refrescos Sin Alcohol del Perú	Peru	Leading associates
Asociación de Bodegueros del Perú	Peru	Member of the Board of Directors
Asociación de Buenos Empleadores	Peru	Leading associates
Asociación Peruana de Comunicación Interna	Peru	Partnerships
Asociación Peruana de Empresas de Consumo Masivo	Peru	Partnerships
Asociación Peruana de Finanzas	Peru	Partnerships
Asociación Peruana de Recursos Humanos	Peru	Chair
Cámara de Comercio Americana del Perú	Peru	Partnerships
Cámara de Comercio de Lima	Peru	Partnerships
Cámara de Comercio e Industria de Arequipa	Peru	Partnerships
Cámara de Comercio Peruano Mexicana	Peru	Partnerships
Cámara de Comercio y Producción de la Libertad	Peru	Partnerships
Cámara de Comercio, Industria y Turismo de Loreto	Peru	Partnerships
Cámara de Comercio, Industria, Servicios, Turismo y de la Producción del Cusco	Peru	Partnerships
Club de la Banca y Comercio	Peru	Partnerships
Club Empresarial	Peru	Partnerships
INPERU	Peru	Collaborative associate
Instituto Peruano de Acción Empresarial	Peru	Partnerships
Ministerio de Producción y Ministerio de Medio Ambiente	Peru	Partnerships
Patronato del Rímac	Peru	Founding Associates
Perú 2021	Peru	Partnerships
Servicio de Asesoría Empresarial de Apoyo Consultoría	Peru	Partnerships
Sociedad Nacional de Industrias	Peru	Partnerships
Sociedad Peruana de Marketing	Peru	Member of the Board of Directors
Viva Lima	Peru	Member of the Board of Directors
Water Resources Group	Peru	Member of the Board of Directors
American Beverage Association	United States	Member of the Board
Texas Beverage Association	United States	Treasurer of the Executive Committee/ Member of the Board
New Mexico Beverage Association	United States	Member of the Board
Oklahoma Beverage Association	United States	Chairman of the Executive Committee
Arkansas Beverage Association	United States	Member of the Board
Texas Association of Manufactures	United States	Member of the Board/Vice Chairman of Transportation
North Texas Commission	United States	Member of the Board
Texas Association of Mexican American Chambers of Commerce	United States	Member of the Board
Texas NAACP	United States	Member of the Board
Texas League of United Latin American Chambers	United States	Member of the Board
Oklahoma State Chamber	United States	Member of the Board
Texas Border Coalition	United States	Member of the Board
New Mexico Association of Commerce & Industry	United States	Member
OFII (Organization for International Investment	United States	Member
Keep Houston Beautiful	United States	Member
League of United Latin American Citizens (LULAC)	United States	Member

Consolidated Financial Statements

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

AT DECEMBER 31, 2018 AND 2017

Management's Discussion and Analysis of Financial Results

NET SALES

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

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

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

COST OF SALES

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

OPERATING EXPENSES

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

OPERATING INCOME AND EBITDA

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

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

COMPREHENSIVE FINANCING RESULTS

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

INCOME TAXES

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

MAJORITY NET INCOME

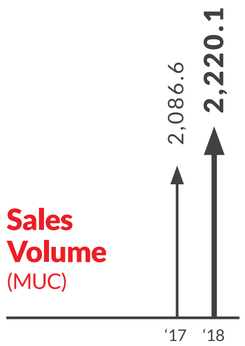
In 2018, majority net income decreased 33.5% to Ps. 8,702 million or Ps. 4.93 per share, with a net margin of 5.6%. This was explained by the additional income from the Topo Chico brand rights transfer in 2017 and by the positive effect of the tax rate change in the U.S. with an extraordinary positive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

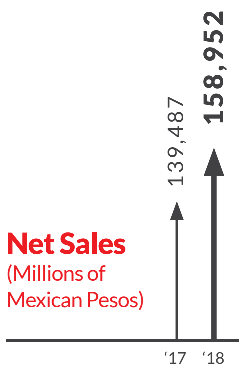
CASH POSITION AND NET DEBT

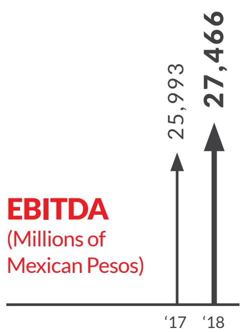
In 2018, the company registered a cash balance of Ps. 15,941 million and debt of Ps. 55,827 million, resulting in a net debt position of Ps. 39,886 million. The Net Debt/EBITDA ratio was 1.45x.

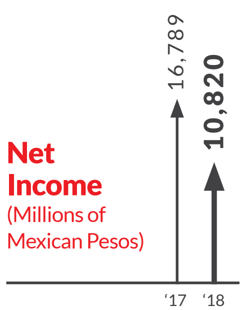
CAPEX

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









Consolidated Balance Sheets

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

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

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

Arturo Gutiérrez Hernández
CHIEF EXECUTIVE OFFICER

Emilio Marcos Charur
CHIEF FINANCIAL OFFICER

Consolidated Statements of Income

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

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

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

Arturo Gutiérrez Hernández
CHIEF EXECUTIVE OFFICER

Emilio Marcos Charur
CHIEF FINANCIAL OFFICER

Management's Responsability for the Financial Statements

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

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

The control structure is based on the hiring and training of quali ed personnel, documented policies and procedures, and a team of internal auditors who apply rigorous auditing programs to all the company's operations.

The nancial statements were audited by PricewaterhouseCoopers, S.C. a rm of independent public accountants.Their audit was carried out in accordance with international auditing standards and included the company's internal control structure. The external auditors' report is included in this Report.

The company's Board of Directors, through an audit committee made up exclusively of directors who are not employed by the same, is responsible for ensuring that company Management complies with its obligations in regard to the nancial control of operations and the preparation of nancial statements.

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

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

Arturo Gutiérrez Hernández
CHIEF EXECUTIVE OFFICER

Emilio Marcos Charur
CHIEF FINANCIAL OFFICER

Report of the Independent Auditors

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

OPINION

We have audited the consolidated financial statements of Arca Continental, S. A. B. de C. V. and its subsidiaries (Company), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of income, of comprehensive income, of changes in stockholders' equity and of cash flows for the year then ended, as well as the explanatory notes to the consolidated financial statements, that include a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018, and its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE MATTER
Use of judgments and estimations to estimate the recovery value of intangible assets with indefinite useful lives. As mentioned in Notes 5 and 12 to the consolidated financial statements, when recording intangible assets with an indefinite useful life, the recovery values of the cash generating units (CGUs) to which said assets are assigned must be estimated annually to identify and recognize possible impairment. Indefinite life intangible assets are mainly comprised of goodwill, bottler's agreements and brands with book values at December 31, 2018 of Ps56,305,640, Ps52,124,584 and $4,183,037, respectively. We have focused on this area in our audit, due to the significance of the balances mentioned and because said estimations involve the application of significant judgments in determining the approaches, assumptions and premises used in calculating the recovery value, such as: market multiples in case of sale, the revenue growth rates (price and volume), operating margin, future investment in fixed assets (CAPEX), long-term growth rate and discount rate.	With regard to the recovery value of indefinite life intangible assets, we considered and evaluated the future cash flow projections prepared by Management, and the processes used to prepare them, verifying that future cash flow projections are in line with the historical trends and long-term business plans approved by the Board of Directors for 2019 - 2023. For each CGU, we compared the actual results for the four years immediately prior with the figures budgeted for those years in each prior period, to determine whether or not any of the assumptions included in the projections could be considered to be very optimistic. With respect to the most relevant approaches and assumptions used, and relying on our valuation experts, we: 1 Verified that the income approach, considering multiples of exit operating cash flows for terminal value used by the Company in the determination of the recovery value of all CGUs except for Beverages Ecuador and Toni, is commonly used and accepted in the market for similar assets. 2 Assessed that given the economic situation in Ecuador it is commonly accepted to change and use the market approach of implied multiples of comparative Companies to determine the recoveryt value (fair value less disposal costs) of the CGUs Beverages Ecuador and Toni in this year. 3 Compared the following assumptions with industry comparable obtained from databases taken from recognized sources of information: market multiples in case of sale, revenue growth rates, operating margin, CAPEX, long-term growth rate and discount rate. 4 Additionally, we calculated the recovery value of the CGUs, using the market approach involving implied multiples of comparable companies adjusted through liquidity, control premiums and exit costs. 5 Compared the results of the calculations of the aforementioned recovery values against the book values of the CGUs; we discussed with Management the differences between the methodologies used for calculation of the recovery value, and we verified that they were applied consistently with prior years, considering the aforementioned. 6 Compared the disclosures included in the financial statements with the information set down previously.

ADDITIONAL INFORMATION

Company Management is responsible for all additional information presented. Said additional information includes the Annual Report presented to the National Banking and Securities Commission (NBSC) and the Annual Report issued to the stockholders (but does not include the consolidated financial statements and our independent auditors' report thereon), which are to be issued subsequent to the date of this report.

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

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

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

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

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

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

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company and subsidiaries audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is stated below.

PricewaterhouseCoopers, S. C.

C.P.C. Humberto Pacheco Soria
Audit Partner

Monterrey, N. L., March 13, 2019

Consolidated Statements of Financial Position

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

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

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

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

Arturo Gutiérrez Hernández
CHIEF EXECUTIVE OFFICER

Emilio Marcos Charur
CHIEF FINANCIAL OFFICER

Consolidated Statements of Income

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

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

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

Arturo Gutiérrez Hernández
CHIEF EXECUTIVE OFFICER

Emilio Marcos Charur
CHIEF FINANCIAL OFFICER

Consolidated Statements Of Comprehensive Income

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

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

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

Arturo Gutiérrez Hernández
CHIEF EXECUTIVE OFFICER

Emilio Marcos Charur
CHIEF FINANCIAL OFFICER

Consolidated Statements of Changes in Stockholders' Equity

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

		Controlling interest	
	NOTE	CAPITAL STOCK	PREMIUM ON ISSUANCE OF SHARES
Balances at January 1, 2017		$ 977,956	$ 38,673,544
Transactions with stockholders:			
Dividends declared in cash on April 27, 2017	19	-	-
Repurchase of own shares	3x.	-	98,100
Non-controlling interest acquired in subsidiaries	19	4,003	6,348,760
Effects of business combination	2 and 19	-	-
		4,003	6,446,860
Net profit		-	-
Total other comprehensive income for the year	20	-	-
Total consolidated comprehensive income		-	-
Balances at December 31, 2017		981,959	45,120,404
Changes in accounting policies from adoption of IFRS-9	31	-	-
Effect of hyperinflation in Argentina	3d.	-	-
		-	-
Transactions with stockholders:			
Dividends declared in cash on April 26, 2018	19	-	-
Dividends to non-controlling interest		-	-
Repurchase of own shares	3x.	-	(5,821)
Transfer of Ecuador branch to AC Bebidas	2a.	-	-
Non-controlling interest acquired in subsidiaries	2b.	-	-
		-	(5,821)
Net profit		-	-
Total other comprehensive income for the year	20	-	-
Total consolidated comprehensive income		-	-
Balances at December 31, 2018		**$ 981,959**	**$ 45,114,583**

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

RETAINED EARNINGS	OTHER ACCUMULATED COMPREHENSIVE INCOME	TOTAL CONTROLLING INTEREST	NON- CONTROLLING INTEREST	TOTALSTOCKHOLDERS' EQUITY
$ 27,911,008	3,862,368	$ 71,424,876	$ 8,896,334	$ 80,321,210
(3,528,566)	-	(3,528,566)	-	(3,528,566)
38,990	-	137,090	-	137,090
(5,447,099)	-	905,664	(906,601)	(937)
28,459,222	-	28,459,222	18,961,563	47,420,785
19,522,547	-	25,973,410	18,054,962	44,028,372
13,090,185	-	13,090,185	3,698,432	16,788,617
-	(15,433)	(15,433)	453,521	438,088
13,090,185	(15,433)	13,074,752	4,151,953	17,226,705
60,523,740	3,846,935	110,473,038	31,103,249	141,576,287
(88,168)	-	(88,168)	-	(88,168)
2,399,030	-	2,399,030	599,416	2,998,446
2,310,862	-	2,310,862	599,416	2,910,278
(3,881,423)	-	(3,881,423)	-	(3,881,423)
-	-	-	(67,000)	(67,000)
(403,468)	-	(409,289)	-	(409,289)
(1,272,588)	-	(1,272,588)	1,272,588	-
(2,926,463)	-	(2,926,463)	(6,696,413)	(9,622,876)
(8,483,942)	-	(8,489,763)	(5,490,825)	(13,980,588)
8,702,902	-	8,702,902	2,118,072	10,820,974
-	(1,194,866)	(1,194,866)	(602,569)	(1,797,435)
8,702,902	(1,194,866)	7,508,036	1,515,503	9,023,539
$ 63,053,562	**$ 2,652,069**	**$ 111,802,173**	**$ 27,727,343**	**$ 139,529,516**

Arturo Gutiérrez Hernández
CHIEF EXECUTIVE OFFICER

Emilio Marcos Charur
CHIEF FINANCIAL OFFICER

Consolidated Statements of Cash Flows

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

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

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

Arturo Gutiérrez Hernández
CHIEF EXECUTIVE OFFICER

Emilio Marcos Charur
CHIEF FINANCIAL OFFICER

Notes to the Consolidated Financial Statements

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

NOTE 1 - THE ENTITY AND ITS OPERATIONS:

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

According to the bottler's agreement signed between AC and the bottler authorization granted by TCCC the latter, AC holds the exclusive right to conduct this type of activities with Coca-Cola products in different territories in Mexico, Argentina, Ecuador, Peru and as from the second quarter of 2017, in the Southwestern of the United States (US) (see Note 2 below). The Company's portfolio of beverages includes cola and flavored soft drinks, purified and flavored water, and other carbonated and non-carbonated beverages in sundry presentations (see Note 28).

Also, the Company's portfolio included an own trademark and registered distribution rights to operate in Mexico and the US. On July 22, 2016, the Company sold the trademark and distribution rights to operate in Mexico and on September 30, 2017, it sold the trademark and distribution rights to operate in the US (see Note 29), both to TCCC.

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

AC conducts its activities through subsidiary companies of which it is the owner or of which it controls, either directly or indirectly, most of the common shares representing their capital stock (see Note 30). The term "the Company", as used in this report, refers to AC and its subsidiaries in the aggregate.

As mentioned in Note 2, in 2017, AC transferred to its subsidiary AC Bebidas, S. de R. L. de C. V., (AC Bebidas) its interest in the capital stock of its subsidiary and associated companies, as well as its joint operation, mainly engaged in the soft drinks business, additionally, effective as from October 2018, AC transferred the net assets of its branch in Ecuador to AC Bebidas. These transfers were conducted at the book value of these entities, as shown in AC's consolidated financial statements and because it is a transaction within the group, it had no impact at the consolidated level.

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

The merger of AC and Carismed XXI, S. de R. L. de C. V. became effective on January 2, 2017, for which, AC acquired 25% of the interest in its subsidiary Arca Continental Argentina, S. L., currently AC Bebidas Argentina, S. R. L. de C. V. (See Note 19).

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

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

NOTE 2 - BUSINESS COMBINATIONS:

2018

A. ECUADOR BRANCH CONTRIBUTION

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

For accounting purposes, the transfer of the net AC Bebidas assets was considered a business combination of entities under common control, and therefore the net assets transferred were accounted for by AC Bebidas at values at the Arca Continental consolidated level (predecessor accounting) as from the date on which the transfers were made, not including comparative figures, based on Company accounting policies. Under this treatment, there was no difference between the historical book value of the net assets acquired of $349,216 and the contribution value, determined on the basis of the tax cost thereof. As a consequence of the predecessor's accounting, the Ecuador branch's $6,362,940 goodwill recognized by AC was transferred to AC Bebidas and no additional goodwill was recognized in connection with this transaction.

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

B. ACQUISITION OF CORPORACIÓN LINDLEY'S MINORITY INTEREST

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

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

At December 31, 2017, there were 355,903,118 common shares issued by CL and 15,801,752 investment shares. Investment shares carry no corporate rights such as voting rights or the right to attend stockholders' meetings; neither do they confer the right to appoint members of the Board of Directors. The percentage of voting shares December 31, 2018 and 2017 is 72.96% and 56.93%, respectively.

C. ACQUISITION OF THE GREAT PLAINS COCA COLA BOTTLING COMPANY

For the purpose of expanding AC's primary operation in a territory adjacent to that of CCSWB, on August 25, 2017, through its subsidiary CCSWB, AC acquired from CCR the overall capital stock of Great Plains Coca Cola Bottling Company (Great Plains) for the revised price of $3,636,197 (US$206,300) in cash.

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

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

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

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

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

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

Expenses related to this transaction were recorded in the "Other expenses, net" line item at December 31, 2017, see Note 23. Moreover, AC's equity in the net proforma revenue of Great Plains, as if it had been acquired on January 1, 2017, would have been $6,498,809 (unaudited) and in net gross profit would have been ($102,586) (unaudited). Great Plains income for the period from the date of acquisition to December 31, 2017 was $1,701,486.

D. ACQUISITION OF DEEP RIVER

In November 2017, through its subsidiary AC Foods LLC., the Company reported on the acquisition of Old Lyme Gourmet Company, known as Deep River Snacks, a company engaged in the production of snack food under the Deep River brand, which is based in the state of Connecticut and is known for its line of home style potato chips and organic seasoned corn chips under the Deep River brand.

This acquisition was completed at a final price of $1,252,398 (US$60,686) and in 2018 and within the period allowed under the accounting standard, the study conducted by independent experts was concluded allowing for definitive recording of the distribution of the purchase price at the fair values of the assets and liabilities acquired from Deep River, which was under analysis and had a preliminary status at December 31, 2017. Following is a summary of the consideration paid by AC and the final determination of the fair value at the acquisition date:

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

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

2017

A. OPERATION WITH TCCC TO OPERATE AS EXCLUSIVE BOTTLER OF A FRANCHISE IN SOUTHWESTERN US.

On February 8, 2017, AC and TCCC, through its subsidiary CCR, signed a Transaction Agreement (the Agreement), which is governed by US law and establishes the following:

1. Effective as from April 1, 2017, AC transferred, through a contribution to its subsidiary, AC Bebidas, it interest in the capital stock of some of its subsidiary and associated companies, as well as of its joint operation (and other activities integrated in said businesses) in Mexico, Ecuador and Argentina, in exchange for an interest in AC Bebidas and through a purchase/sale in Peru;
2. Effective as from April 1, 2017, CCR transferred to AC Bebidas the entire capital stock of Coca-Cola Southwest Beverages LLC (CCSWB), a company that has: (i) exclusive right to bottle, distribute and sell TCCC beverages in the Southwestern US composed of Texas and a portion of Oklahoma, New Mexico and Arkansas (the Territory), (ii) ownership of different assets related to operations in the Southwestern US, and (iii) certain liabilities related to operations in the Southwestern US, in exchange for an interest in the AC Bebidas capital stock.
3. On November 30, 2017, AC transferred its interest in the capital stock of other subsidiaries and associates in exchange for an additional interest in the capital stock of AC Bebidas.

B. ACQUISITION OF CCSWB AND SUBSIDIARIES

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

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

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

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

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

The total amount of the consideration determined includes the cash received in the transaction of $3,771 million, the cash from the price adjustments established in the Master Agreement for a net total of $5,504 million received by AC on the transaction close date and the net amount of $419 million paid on December 27, 2017 regarding the final adjustments at April 1, 2017.

As a result of the above transaction, control over CCSWB was obtained, acquiring 100% interest (80.00% at the AC level) in exchange for delivery of 20.00% of the shareholding interest in the AC Bebidas business (20.14% at December 31, 2017). This transaction generated no cash flows from the exchanges of shares, except for the net payments made to adjust the values of the transaction, as per the agreement between AC, AC Bebidas and CCR. IAS 7 requires gross presentation of impact on the transaction; therefore, for presentation in the cash flow, the net flows paid with regard to the price adjustment of the acquired business and cash in the acquired entity of ($1,463) million and $3,771 million are included as part of investment activities. On the other hand, cash received by AC to adjust the price of the shares delivered to AC Bebidas for CCR's non-controlling interest in said entity is shown as part of financing activities.

The acquisition gave rise to a decrease in AC's interest in AC Bebidas, without loss of control. The $28,459 million effect of this decrease was applied to retained earnings and is shown in the statement of changes in stockholders' equity. The non-controlling interest over 20.14% of AC Bebidas corresponding to CCR was determined at $18,961 million, which is also shown in the statement of changes in stockholders' equity.

The following table summarizes the consideration paid by AC and the determination of the fair value of the assets and liabilities acquired at the acquisition date (millions of pesos):

Cash	$	3,771
Customers and other accounts receivable, net (1)		3,382
Inventories		1,678
Prepayments		393
Property, plant and equipment - Net		18,367
Bottling agreement (Note 12)		24,936
Intangible assets (2)		728
Other non-current assets		363
Current debt		(11,225)
Suppliers		(3,714)
Other current liabilities (3)		(3,410)
Deferred income taxes		(11,909)
Other non-current liabilities		(42)
		23,318
Goodwill (4) (Note 12)		19,018
Net assets acquired from the CCSWB business		42,336
Adjustments to price in cash, net		5,085
Non-controlling interest in CCSWB (5)		(8,526)
Total consideration paid	**$**	**38,895**

(1) The contractual amount of the accounts receivable is $3,422 million, of which $40 million are expected to be unrecoverable.
(2) Intangible assets consist mainly of software.
(3) No contingent liability has arisen from this acquisition that should be recorded.
(4) Goodwill is attributed to the labor force acquired as well as to market share and includes the effect of deferred taxes on income pertaining to the assignment of fair value to the net assets acquired.
(5) The non-controlling interest was determined by the proportional value method of the net assets acquired.

Expenses related to this transaction were recorded in the “Other expenses, net” line item. See Note 23. AC’s equity in the net proforma revenue of CCSWB, as if it had been acquired on January 1, 2017, would have been $43,628 million (unaudited) and in net gross profit would have been $7,790 million (unaudited). CCSWB income for the period from the date of acquisition to December 31, 2017 totaled $33,248 million.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

A. BASES FOR PREPARATION

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

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

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

B. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

i. New standards and changes adopted by the Company

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

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

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

ii. New standards and interpretations not yet adopted

IFRS-16 - "Leases"

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

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

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

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

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

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

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

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

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

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

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

C. CONSOLIDATION

i. Subsidiaries

Subsidiaries are entities over which the Company exercises control. The Company controls an entity when it is exposed or is entitled to variable yields arising from an interest in the entity and is capable of affecting yields through its power over the entity. Subsidiaries consolidate as from the date on which control is transferred to the Company. They cease consolidating as from the date on which said control ceases (see Notes 2 and 30).

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

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

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

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

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

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

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

iii. Sale or disposal of subsidiaries

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

iv. Associated companies

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

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

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

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

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

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

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

v. Joint agreements

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

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

D. FOREIGN CURRENCY CONVERSION

i. The functional and reporting currencies

The amounts included in each of the financial statements of the Company's entities must be measured in the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Mexican pesos, which is the functional currency of the holding company, as an independent legal entity. Note 30 provides descriptions of the functional currency of the Company and its subsidiaries.

ii. Transactions and balances

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

iii. Conversion of foreign subsidiaries

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

Non-hyperinflationary economy

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

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

Hyperinflationary economy

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

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

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

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

The exchange rate of the peso to the US dollar at April 1, 2017, date of the business combination with CCSWB was $18.71.

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

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

Restatement of financial statements

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

Inflation in Argentina

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

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

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

YEAR	INDEX
2018	184.2552
2017	124.7956
2016	100.0000

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

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

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

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

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

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

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

E. CASH AND CASH EQUIVALENTS

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

F. CLIENTS AND OTHER ACCOUNTS RECEIVABLE

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

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

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

G. FINANCIAL INSTRUMENTS

Financial assets

i. Classification

As from January 1, 2018, the Company classifies its financial assets in the following measurement categories (see Note 31):

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

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

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

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

ii. Recognition and disposal

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

iii. Measurement

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

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

Debt instruments

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

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

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

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

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

iv. Impairment

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

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

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

vi. Accounting policy applied up to December 31, 2017:
As explained in Note 31, the Company has applied IFRS 9 retrospectively, but decided not to reformulate the comparative information. As a result, the comparative information provided continues to be accounted for as per the accounting policy previously in effect, as described below:

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

Financial assets were canceled in their entirety when the right to receive related cash flows expires or is transferred and the Company has substantially transferred all of the risks and benefits inherent to ownership thereof, as well as control over the financial asset.

a. Financial assets at fair value through income statement
Financial assets at their fair value through income were financial assets held for trading. A financial asset is classified in this category is it was mainly acquired to be sold in the short-term. Derivative financial instruments are also classified as held for trade, unless they are designated as hedges.

Financial assets recorded at fair value through income were initially recognized at their fair value and transaction costs are recorded as expenses in the statement of income. Gains or losses arising from changes in the fair value of these assets were applied to income for the period in which they were incurred, in the other expenses, net line item. Dividend income stemming from financial assets recorded at fair value through income were recognized in the statement of income as other income when it was established that the Company was entitled to receive them.

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

Loans and accounts receivable were initially valued at fair value, plus transaction costs incurred, and were subsequently recognized at amortized cost. When circumstances arise that indicate that receivables will not be collected in the amounts initially agreed or will be collected in a different term, said accounts receivable were impaired.

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

c. Financial assets available for sale
Financial assets available for sale are non-derivative financial assets that were either classified in this category or not classified in any of the other categories. They were included as non-current assets, unless they mature in under 12 months or management intends to dispose of said investment within the 12 month-period following the date of the statement of financial position.

Financial assets available for sale were initially recognized at their fair value, plus directly attributable transaction costs. Subsequently, these assets are recorded at fair value.

Gains or losses arising from changes in the fair value of monetary and non-monetary instruments classified as available for sale were applied directly to capital in the period in which they occur in other comprehensive income.

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

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

d. Offsetting of financial instruments
Financial assets and liabilities were offset and the net figure was shown in the statement of financial position when the right to offset amounts recorded was legally applicable and they were intended to be settled on net bases or the asset is to be realized and the liability is to be paid simultaneously. The legally enforceable right should not be contingent of future events and must be payable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty. At December 31, 2017 no financial assets and liabilities have been offset.

Impairment of financial instruments

a. Financial assets valued at their amortized cost
At the end of every reporting year, the Company evaluates whether or not there is objective evidence of impairment of each financial assets or group of financial assets. Impairment losses were recorded when there is objective evidence of impairment resulting from one or more events occurring subsequent to the initial recognition of the asset (a "loss event"), provided the loss event(s) impact(s) estimated future cash flows derived from the financial asset or group of financial assets that can be reliably estimated.

The factors evaluated by the Company when determining whether or not there is objective evidence of impairment were:
- Significant financial difficulties of the issuer or debtor.
- Breach of contract, such as late payment.
- The Company's granting of a concession to the issuer or debtor as a result of the issuer's or debtor's financial difficulties not considered under other circumstances.
- The issuer or debtor is likely to declare bankruptcy or some other type of financial reorganization.
- The disappearance of an active market for the financial asset is due to financial difficulties.
- Verifiable information indicates that there is a quantifiable decrease in future estimated cash flows relative to a group of financial assets subsequent to initial recognition, although the decrease cannot yet the identified with individual financial assets, such as:
  i. Adverse changes in the status of debtor payments on the group of assets.
  ii. Domestic or local conditions related to non-compliance on the part of issuers of the group of assets.

Based on the above-mentioned factors, the Company determines whether or not there is any objective evidence of impairment. Then, for the category of loans and accounts receivable, if impairment is considered to exist, it determines the amount of the respective loss by computing the difference between the book value of the asset and the present value of estimated effective future cash flows (excluding future credit losses not yet incurred), discounted at the original effective interest rate. That amount, which is recorded in the statement of income under "selling costs" is subtracted from the book value of the asset. If the interest rate of a loan or investment held to maturity is variable, the discount rate to measure any impairment loss is the current effective interest rate determined according to the terms of the contract. Alternatively, the Company could determine the impairment of the asset considering its fair value determined on the basis of its current observable market price.

If the impairment loss is reduced in subsequent years due to objective verification of an event occurred subsequent to the date on which said impairment was recorded (such as an improvement in the debtor's credit rating), the reversal of the impairment loss is recorded in the statement of income.

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

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

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

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

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

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

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

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

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

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

ii. Derivatives no qualifying for hedge accounting

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

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

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

Derivative financial instruments contracted and classified as fair value hedging or cash flow hedging were recognized in the statement of financial position as assets and/or liabilities at fair value and were subsequently measured at fair value. Fair value was determined on the basis of recognized market prices and when they are not traded in the market, it is determined based on valuation techniques accepted in the financial sector, using inputs and variables observable in the market, such as interest rate and exchange rate curves obtained from reliable sources of information.

The fair value of derivative financial instruments used as hedging instruments is classified as a non-current asset or liability if maturity of the remaining hedge amount is over 12 months.

Derivative financial instruments documented as hedges were contracted to cover risks and there was compliance with all coverage requirements. Designation was documented at the outset of the coverage operation, describing the purpose, item hedged, risk to be hedged, hedge instruments and the method for evaluating and measuring the effectiveness of the hedge relationship, features, book recognition and the manner in which effectiveness is to be measured, applicable to that operation.

Changes in the fair value of derivative financial instruments classified as fair value hedge, were recorded in the statement of income. The change in the fair value of hedges and the change in the primary position attributable to the risk hedged were applied to income in the same line item of the position they hedge.

The effective portion of the changes in fair value of derivative financial instruments related to cash flow hedging was temporarily applied to stockholders' equity, under comprehensive income, and is reclassified to income when the position if it hedges affects income; the infective portion is immediately applied to income.

When the forecasted transaction hedged gives rise to recognition of a non-financial asset (i.e: Inventory or fixed asset), gains or losses previously deferred in capital are transferred from capital and included in the initial valuation of the cost of the asset. The deferred amounts were ultimately recognized in the cost of sales, in the case of inventories or in the depreciation expense in the case of fixed assets.

The Company suspends hedge accounting when the derivative matures, is canceled or exercised, when the derivative fails to reach a high effectivity to offset the cash flows of the item hedged, or when the Company decides to cancel the hedge designation.

When suspending hedge accounting in the case of fair value hedges, the adjustment to the book value of an amount hedged for which the return on active interest rate is used, was amortized in income for the maturity period, and in the case of cash flow hedges, the amounts accumulated in stockholders' equity as part of comprehensive income, remain in the Capital until the effects of the forecasted transaction affect income. In the event the forecasted transaction is unlikely to occur, the gains or losses that were accumulated in the comprehensive income account are immediately applied to income. When hedging of a forecasted transaction was shown as satisfactory and is subsequently shown to fail the effectiveness test, the accrued effects on comprehensive income in stockholders' equity are proportionately applied to income, to the extent that the forecasted transaction is applied to income.

I. INVENTORIES

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

J. NON-CURRENT ASSETS HELD FOR SALE

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

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

K. PREPAYMENTS

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

L. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recorded at cost, less accumulated depreciation and any accumulated impairment losses. The cost includes expenses directly attributable to acquisition of the asset.

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

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

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

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

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

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

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

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

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

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

Returnable and non-returnable containers (bottles) -

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

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

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

M. LEASES

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

Leasing in which a significant portion of the risks and benefits pertaining to ownership are retained by the lessor is classified as operating leasing. Payments made under operating leasing (net of any incentive received by the lessor) are charged to the statement of income by the straight line method over the term of the lease.

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

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

N. INTANGIBLE ASSETS

Goodwill represents the acquisition cost of a subsidiary in excess of the Company's interest in the fair value of the identifiable net assets acquired, determined at the acquisition date. Goodwill is shown separately in the statement of financial position under "Goodwill and intangible assets, net" and is recorded at cost less accumulated impairment losses, which are not reversed. Gains or losses on the disposal of an entity include the book value of goodwill related to the entity sold.

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

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

Intangible assets are classified as follows:

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

Indefinite life intangible assets consist mainly of: a) bottler agreements entered into by the Company with TCCC, which grant rights to product, bottle and distribute TCCC products in the territories in which the Company operates, b) brands with which Nacional de Alimentos y Helados, S. A. de C. V. (Nayhsa), Wise Foods, Deep River, Tonicorp and Inalecsa market their products, which are considered of high value and positioning in the market and c) Tonicorp distribution rights. The aforementioned bottler agreements have specific expiration dates and do not guarantee they are perpetual; however, based on own experience and market evidence, the Company considers it will continue to renew these agreements and has thus assigned them as indefinite life intangible assets (see Notes 5, 12, and 28). Brands and distribution rights have no expiration and are those used by the Company to operate in its snack and dairy product segments. Those in definite-life intangible assets are assigned to cash-generating units (CGU) for impairment-testing purposes.

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

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

O. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

P. SUPPLIERS AND OTHER ACCOUNTS PAYABLE

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

Q. DEBT

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

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

R. FACTORING

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

S. INCOME TAXES

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

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

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

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

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

T. ASSOCIATE BENEFITS

The Company provides the following associate plans:

i. Pension plans

Defined contribution plans:

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

Defined benefit plans:

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

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

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

The cost of past services is recognized immediately in income.

ii. Termination benefits

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

iii. Short-term benefits

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

iv. Associates' statutory profit sharing and bonuses

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

U. PROVISIONS

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

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

V. CAPITAL STOCK

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

W. COMPREHENSIVE INCOME

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

X. FUND FOR REPURCHASE OF OWN SHARES

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

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

Y. SEGMENT INFORMATION

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

Z. REVENUE RECOGNITION

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

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

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

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

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

Accounting policy applied up to December 31, 2017:

Revenue is comprised of the fair value of the compensation received or to be received on the sale of goods during the normal course of operations. Income is shown net of returns and discounts, and after eliminating inter-company sales.

Revenue is recognized when the following conditions are met:
- The risks and benefits of ownership are transferred.
- The amount of the revenue can be measured reasonably.
- Future economic benefits are likely to flow to the Company.
- The Company retains no implication related to the property or effective control of the goods sold.
- Costs incurred or to be incurred, in connection with the transaction can be measured reliably.

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

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

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

NOTE 4 - RISK AND CAPITAL MANAGEMENT:

I. RISK MANAGEMENT

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

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

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

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

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

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

Market risk

a. Foreign currency risk (exchange rate)
The foreign currency risk is related to the risk of the fair value of future cash flows from a financial instruments fluctuating due to changes in the exchange rate. The Company is exposed to exchange rate risks stemming from: a) its net exposure of foreign

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

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

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

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

Figures in thousands of Mexican pesos
At December 31,

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

Following is a sensitivity analysis related to the adverse impact on the comprehensive income the Company would have due to its exposure to the net foreign currency position at December 31, 2018 and 2017 respectively:

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

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

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

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

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

b. Interest rate risk

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

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

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

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

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

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

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

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

c. Risk of price of raw materials

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

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

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

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

Credit risk

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

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

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

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

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

See Note 8 for further information on credit risk.

Liquidity risk

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

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

The Company does not invest in capital markets or investment companies and repos operations are entered into only with federal Mexican and US government paper. Those operations are conducted with the largest and most prestigious banks in Mexico. The foreign banks in which investments can be made are those with the greatest international coverage. Investments are made in Federal Government and Bank Debt Securities. AC does not invest in Private and/or Corporate Paper.

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

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

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

At December 31, 2018 and 2017, the Company has not unused credit facilities.

ii. Capital management

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

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

That ratio is calculated through the net debt divided by stockholders' equity, as shown in the consolidated statement of financial position. The net debt is calculated by subtracting the cash and cash equivalents balance from the total debt (including the current and non-current portions, as shown in the consolidated statement of financial position).

The Net Debt to Capital ratio at December 31, 2018 and 2017 was as follows:

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

NOTE 5 - ACCOUNTING ESTIMATIONS AND JUDGMENTS:

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

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

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

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

i. Estimated impairment of indefinite-life intangible assets.

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

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

ii. Business combinations - assigning purchase price

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

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

iii. Pension benefits

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

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

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

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

ii. Interest in joint operation
Management has evaluated the terms and conditions contained in the stockholders' agreement for joint agreement of JV Toni, S.L. in Holding Tonicorp, S.A. (Tonicorp) and has concluded that it should be classified as a Joint Operation because it considers that the design and purpose require AC's beverage business in Ecuador to acquire, distribute and market the Tonicorp production, thus transferring to the two stockholders jointly controlling the agreement substantially the rights to the benefits and liability obligations of Tonicorp and its subsidiaries, which according to IFRS 11 ," Joint Agreements, requires the agreement to be classified as such (see Note 30).

iii. Useful lives of intangible assets
The Company's indefinite life intangible assets include the aforementioned bottler agreements entered into between AC and TCCC, which have specific expiration dates and do not guarantee they are perpetual; however, based on own experience, during the business relationship of over 90 years with TCCC, and market evidence, the Company considers it will continue to renew these agreements and has thus assigned them as indefinite life intangible assets (see Note 28).

iv. Topo Chico brand name sales transactions
The determination of whether or not the sale transactions of the Topo Chico brands which are described in Note 29, formed part of the business combination with CCSWB required the use of significant judgment by Management. Had these transactions been considered part of the business combination, the accounting treatment would have been similar to the current treatment, as per IFRS 3.

NOTE 6 - SEGMENT REPORTING:

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

The Company controls and evaluates its continuous operations from both a geographic and product perspective. Management considers performance in Mexico, the US, Ecuador, Argentina and Peru. From the perspective of the product, management considers beverages and other products in those geographic areas separately, as well as the NPSG operations described in Note 29.

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

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

- NPSG: This segment presents income from the manufacture and supply of products to other bottlers in the territory of the US, as described in Note 29.

- Other segments - complementary businesses: This section represents operating segments that are not considered reportable segments on an individual basis, as they do not meet the quantitative limits, as established in the standard applicable to any of the years reported on. In accordance with this standard, the operating segments whose total income is equal to or under 10% of the Company's total income need not be reported individually and can be grouped with other operating segments that do not meet the 10% limit, provided the sum of these grouped operating segments does not exceed 25% of total income. These segments comprise the following complementary businesses:
  a. Beverages in the individual format that are marketed in vending machines (Mexico and Peru).
  b. Snack food (Mexico, Ecuador, Peru and the US).

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

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

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

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

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

Year ended December 31, 2017									
	BEVERAGES					OTHERS			
	MEXICO	ARGENTINA	ECUADOR	PERU	US	NPSG	MEXICO AND OTHERS	ELIMINA-TIONS	TOTAL
STATEMENT OF INCOME									
Sales per segment	$ 55,728,412	$ 10,588,415	$ 11,428,038	$ 16,232,943	$ 34,969,265	$ -	$ 9,565,350	($ 1,356,600)	$ 137,155,823
Inter-segment sales	($ 980,748)	$ -	$ -	($ 172,713)	$ -	$ -	($ 203,139)	$ 1,356,600	$ -
Sales to external customers	$ 54,747,664	$ 10,588,415	$ 11,428,038	$ 16,060,230	$ 34,969,265	$ -	$ 9,362,211	$ -	$ 137,155,823
Income related to NPSG	$ -	$ -	$ -	$ -	$ -	$ 2,330,679	$ -	$ -	$ 2,330,679
Operating profit	$ 13,288,796	$ 1,734,763	$ 962,205	$ 2,137,730	$ 3,415,533	$ -	$ 867,242	$ -	$ 22,406,269
Operating flow (1)	$ 11,988,662	$ 2,187,493	$ 1,792,525	$ 3,409,250	$ 5,068,035	$ -	$ 1,546,609	$ -	$ 25,992,574
Nonrecurring (income) expenses	($ 3,575,212)	$ 19,821	$ 118,672	$ 72,337	$ 209,311	$ -	$ 90,056	$ -	($ 3,065,015)
Depreciation and amortization	$ 2,275,078	$ 432,909	$ 711,648	$ 1,199,182	$ 1,443,192	$ -	$ 589,311	$ -	$ 6,651,320
Financial income	$ 1,226,873	$ 211,687	($ 9,788)	$ 326,503	$ 771	$ -	$ 2,138,635	$ -	$ 3,894,681
Financial expenses	$ 2,104,229	$ 714,283	$ 202,568	$ 919,463	$ 225,795	$ -	$ 2,265,195	$ -	$ 6,431,533
Share in net earnings of associated companies	$ 168,989	$ -	$ -	$ -	$ -	$ -	$ 9,459	$ -	$ 178,448
Profit (loss) before taxes	$ 12,580,429	$ 1,232,167	$ 749,850	$ 1,544,770	$ 3,190,509	$ -	$ 750,140	$ -	$ 20,047,865
STATEMENT OF FINANCIAL POSITION:									
Total assets	$ 47,848,977	$ 6,557,900	$ 23,707,880	$ 46,191,262	$ 88,486,912	$ -	$ 33,894,315	($ 6,402,734)	$ 240,284,512
Investments in associates (2)	$ 5,959,748	$ 466,334	$ -	$ -	$ 343,396	$ -	$ -	$ -	$ 6,769,478
Total liabilities	$ 38,172,761	$ 4,188,432	$ 6,236,210	$ 19,055,258	$ 29,802,516	$ -	$ 6,816,158	($ 5,563,110)	$ 98,708,225
Investment in fixed assets (Capex)	$ 3,314,112	$ 781,277	$ 955,725	$ 1,895,464	$ 2,935,080	$ -	$ 998,162	$ -	$ 10,879,820

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

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

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

	Year ended December 31, 2017							
		SALES WITH CUSTOMERS		PROPERTY PLANT AND EQUIPMENT		GOODWILL		INTANGIBLE ASSETS
Mexico	$	58,469,026	$	22,047,499	$	8,091,780	$	9,972,799
Peru		16,060,230		18,530,980		10,346,664		15,287,453
US		39,124,574		22,327,019		24,187,238		31,675,526
Argentina		10,588,415		2,399,204		900,148		343,948
Ecuador		12,913,578		6,635,436		10,817,731		4,319,499
Total	**$**	**137,155,823**	**$**	**71,940,138**	**$**	**54,343,561**	**$**	**61,599,225**

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

NOTE 7 - CASH AND CASH EQUIVALENTS:

Cash and cash equivalents are composed as follows:

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

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

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

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

(1) Net of expected losses

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

Accounts receivable are denominated in the following currencies:

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

Impairment of clients

Clients are subject to the expected credit losses model.

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

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

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

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

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

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

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

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

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

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

The previous accounting policy for the impairment of accounts receivable

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

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

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

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

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

B. CONTRACT ASSETS AND LIABILITIES

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

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

C. FINANCIAL ASSETS AT AMORTIZED COST

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

D. OTHER NON-CURRENT ACCOUNTS RECEIVABLE

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

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

NOTE 9 - INVENTORIES:

Inventories are analyzed as follows:

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

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

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

NOTE 10 - INVESTMENT IN SHARES OF ASSOCIATES:

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

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

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

December 31, 2018

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

December 31, 2017

NAME OF ASSOCIATE	COUNTRY OF INCORPORATION	NATURE	VALUATION METHOD	BALANCE	GAIN (LOSS)	SHAREHOLDING INTEREST
Promotora Industrial Azucarera, S. A. de C. V. (PIASA) (1)	Mexico	Associate	The equity method	$ 2,987,872	$ 132,511	49.18%
Jugos del Valle, S. A. P. I. (JDV) (2)	Mexico	Associate	The equity method	977,660	(10,518)	16.45%
Petstar, S. A. P. I. de C. V. (PETSTAR) (3)	Mexico	Associate	The equity method	534,172	38,519	49.90%

(1) PIASA is a company mainly engaged in marketing the sugar it produces or acquires, among its stockholders and to third parties, and the electric power it generates, as a byproduct. That investment allows the Company to supply itself with sugar for production while at the same time reducing its exposure to the risk of sugar prices.
(2) JDV is a strategic investment mainly engaged in the production, bottling, purchase, sale, distribution and marketing of juices, nectars, fruit drinks, other drinks and dairy products sold under the Santa Clara brand name. JDV also markets products of third parties.
(3) PETSTAR is engaged in collecting and recycling PET (Polyethylene Terephthalate) waste and its conversion to food grade resin and sale, mainly but not exclusively to its stockholders.

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

Following is a summary of the financial information pertaining to associated companies considered to be material to AC. That information reflects the figures contained in the financial statements of relevant associates, but not of the Company's share of those amounts. These amounts have been modified to reflect the adjustments made by AC in applying the equity method, including fair value adjustments, when applicable, and changes arising from differences in accounting policies.

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

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

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

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

	At December 31,	
	2018	**2017**
Aggregate balance of individually immaterial entities	$ 2,301,560	$ 2,269,774
Aggregated amounts of AC's share in:		
Profit from continuing operations	$ 161,056	$ 43,720
Total comprehensive income	**$ 161,056**	**$ 43,720**

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT:

Movements of property, plant and equipment for the years ended December 31, 2018 and 2017 are analyzed as follows:

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

				Assets not subject to depreciation		
	COMPUTER EQUIPMENT	**FURNITURE AND OTHER**	**SUBTOTAL**	**LAND**	**INVESTMENTS IN PROCESS**	**TOTAL**
	$ 164,378	$ 1,098,274	$ 30,887,043	$ 11,613,417	$ 6,733,037	$ 49,233,497
	320,596	29,491	12,842,336	6,066,952	75,705	18,984,993
	(69)	(72,071)	(143,392)	196,844	(14,012)	39,440
	490,986	(117,953)	13,659,101	505,632	(3,284,913)	10,879,820
	(12,315)	(29,446)	(887,970)	(69,909)	(333,526)	(1,291,405)
	(255,703)	(137,842)	(6,181,964)	-	-	(6,181,964)
	707,873	770,453	50,175,154	18,312,936	$ 3,176,291	71,664,381
	-	27	680,487	(404,730)	-	275,757
	$ 707,873	**$ 770,480**	**$ 50,855,641**	**$ 17,908,206**	**$ 3,176,291**	**$ 71,940,138**
	$ 1,838,516	$ 1,759,166	$ 84,300,289	$ 17,908,206	$ 3,176,291	$ 105,384,786
	(1,130,643)	(988,686)	(33,444,648)	-	-	(33,444,648)
	$ 707,873	**$ 770,480**	**$ 50,855,641**	**$ 17,908,206**	**$ 3,176,291**	**$ 71,940,138**

to adjustments for the determination of the final fair values of the CCSWB combination. These adjustments were determined subsequent to the conclusion of the 12-month period established by IFRS-3 and are related to circumstances existing at the date of the business combination.

	$ 707,873	$ 770,480	$ 50,855,641	$ 17,908,206	$ 3,176,291	$ 71,940,138
	8,837	23,339	1,595,932	186,819	23,086	1,805,837
	(18,763)	(100,103)	(1,400,003)	(310,659)	(123,475)	(1,834,137)
	528,592	131,842	10,296,074	190,542	574,763	11,061,379
	(1,996)	(7,505)	(1,046,775)	(154,631)	(264,158)	(1,465,564)
	(355,986)	(140,165)	(7,429,043)	-	-	(7,429,043)
	$ 868,557	**$ 677,888**	**$ 52,871,826**	**$ 17,820,277**	**$ 3,386,507**	**$ 74,078,610**
	$ 2,355,186	$ 1,806,739	$ 93,745,517	$ 17,820,277	$ 3,386,507	$ 114,952,301
	(1,486,629)	(1,128,851)	(40,873,691)	-	-	(40,873,691)
	$ 868,557	**$ 677,888**	**$ 52,871,826**	**$ 17,820,277**	**$ 3,386,507**	**$ 74,078,610**

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

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

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

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

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

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

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

NOTE 12 - GOODWILL AND INTANGIBLE ASSETS, NET:

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

		Intangible assets acquired				
	GOODWILL	BOTTLING CONTRACTS	TRADE-MARKS	SOFTWARE LICENSES	OTHERS	TOTAL
Beginning balance at January 1, 2017	$ 33,737,641	$ 25,095,172	$ 4,197,164	$ 654,839	$ 1,425,080	$ 65,109,896
Effect of conversion	232,938	872,710	(137,586)	25,551	(36,883)	956,730
Additions	-	-	-	96,323	1,257,479	1,353,802
Acquisitions resulting from business combinations (Note 2) (1)	22,209,959	24,988,380	1,096,188	729,494	468,788	49,492,809
Disposals	-	-	-	(4,517)	(33,999)	(38,516)
Amortization charges recorded in the year	-	-	(151,053)	(116,096)	(202,207)	(469,356)
Ending balance previously	56,180,538	50,956,262	5,004,713	1,385,594	2,878,258	116,405,365
Adjustment at fair value of business acquisition (1)	(1,836,977)	1,374,398	-	-	-	(462,579)
Ending balance at December 31, 2017	**$ 54,343,561**	**$ 52,330,660**	**$ 5,004,713**	**$ 1,385,594**	**$ 2,878,258**	**$ 115,942,786**
DECEMBER 31, 2017						
Attributed cost	$ 54,343,561	$ 52,330,660	$ 5,246,456	$ 1,773,576	$ 3,580,475	$ 117,274,728
Accumulated amortization	-	-	(241,743)	(387,982)	(702,217)	(1,331,942)
Net book value	**$ 54,343,561**	**$ 52,330,660**	**5,004,713**	**$ 1,385,594**	**$ 2,878,258**	**$ 115,942,786**

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

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

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

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

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

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

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

At December 31, 2018, except for Beverages Ecuador and Toni CGUs, the estimation of the recovery value of the CGUs identified was conducted through the value in use, using the revenue approach. The value in use was determined by discounting future cash flows generated by the continuous use of the CGUs, using the following key assumptions, among others:

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

At December 31, 2018 and 2017:

- The determination of cash flows is based on the financial projections approved by Management for a five-year period and considering a multiple of operating cash flow to perpetuity and are dependent on the expected growth rates of the volume, which are based in historical performances and the expectation of growth of the industry in which AC operates.

- The discount rate was calculated based on the weighted average of the capital (at market value) of the cost of all sources of financing that form part of the capital structure of CGUs (liabilities with cost and shareholding capital) and reflect the specific risks related to AC's relevant operating segments.

- The volume of sales is the average growth rate over the five year projection period. It is based on past performance and Management expectations for market development.

- The sales price is the average growth rate over the five year projection period. It is based on actual industry trends and includes long-term inflation forecasts for each territory.

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

- Other operating costs are fixed costs of CGUs, as a percentage of income, which do not differ significantly from sales volumes and prices. Management projected those costs on the basis of the current business structure, and adjusted increases for inflation. They do not reflect any future restructuring or cost reduction measures. The percentages disclosed above are the average of other operating costs for the five-year projected period with respect to income.

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

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

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

(1) Determined at fair value.

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

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

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

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

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

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

NOTE 13 - DEBT:

a. Debt is analyzed as follows:

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

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

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

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

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

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

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

	2019	2020	2021	2022 ONWARD	TOTAL
Debt instruments and bonds	$ 2,524	$ 2,500,000	$ 7,119,807	$ 24,189,488	$ 33,811,819
Bank loans	1,336,128	849,651	2,620,678	14,669,151	19,475,608
Financial lease and other	8,382	16,052	5,003	20,705	50,142
	$ 1,347,034	**$ 3,365,703**	**$ 9,745,488**	**$ 38,879,344**	**$ 53,337,569**

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

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

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

		2017
Cash and cash equivalents	$	23,841,697
Current debt		(1,785,229)
Non-current debt		(53,337,569)
Net debt	($	31,281,101)
Cash and cash equivalents	$	23,841,697
Debt at fixed rate		(37,684,746)
Debt at variable rate		(17,438,052)
Net debt	($	31,281,101)

		Financial liabilities			
	CASH AND CASH EQUIVALENTS	SHORT TERM		LONG TERM	
		DEBENTURES	FINANCIAL DEBT	DEBENTURES	FINANCIAL DEBT
Net debt at January 1, 2017	$ 5,546,220	($ 14,135)	($ 4,354,228)	($ 16,437,135)	($ 10,378,726)
Business combination (Note 2)	3,632,516	-	(11,224,740)	-	-
Cash inflow	218,703,955	(13,661)	(22,175,585)	(18,538,835)	(13,464,927)
Cash outflow	(203,766,501)	5,890	37,447,891	261,006	4,079,615
Exchange rate effects	(274,493)	-	(257,477)	(185,355)	238,288
Other movements not requiring cash flows	-	(1,009,444)	(189,740)	1,088,500	-
Net debt at, December 31, 2017	**$ 23,841,697**	**($ 1,031,350)**	**($ 753,879)**	**($ 33,811,819)**	**($ 19,525,750)**

e. Main features of the debt:

On December 28, 2017, CCSWB in the US issued a first block of new debt to syndicated creditors via a private placement in the form of two bond issues at 12 and 15 years for a total of $5,896,980 (US $300 million) each. The second block of issues of $ 1,965,660 (US $100 million) at 12 and 15 years each was issued on March 1, 2018.

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

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

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

Financial leasing is secured with items related to the contracts.

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

Debt restrictions:

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

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

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

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

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

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

The fair value of the non-current debt is disclosed in Note 21. The fair value of current debt is equivalent to book value, as the discount impact is not significant. Fair values at December 31, 2018 and 2017 are based on a number of different discount rates, which fall within level 2 of the fair value hierarchy (see Note 21).

At December 31, 2018 and 2017, and at the date of issuance of these financial statements, the Company and its subsidiaries had duly complied with the obligations set down in the loan agreements.

NOTE 14 - FACTORING:

At December 31, 2018 and 2017, the Company has entered into agreements in Peru with financial institutions to finance its current accounts payable to suppliers. The periods pertaining to obligations to suppliers have been extended an average of 100 days, are not subject to guarantees and are comprised as shown below:

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

NOTE 15 - SUPPLIERS:

The suppliers balance is comprised as follows:

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

NOTE 16 - OTHER LIABILITIES:

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

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

(1) Sales in Mexico, Peru and Ecuador of beverages containing added sugar, as well as snack food with a certain caloric density defined by law are subject to special taxes. These are indirect taxes where the Company act as a collection agent by charging the amount in question to the end consumer. That tax is paid over to the authorities on a monthly basis. The balances of these taxes pending payment at the 2018 and 2017 period close are shown in the federal and state taxes payable line item.

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

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

NOTE 17 - ASSOCIATE BENEFITS:

The valuation of associate benefits under formal and informal retirement plans (covering a significant number of associates in 2018 and 2017) covers all associates and is mainly based on the number of years of service of associates, their current age and estimated compensation at the retirement date.

Certain Company subsidiaries have defined contribution arrangements.

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

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

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

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

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

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

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

i. Pension benefits

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

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

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

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

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

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

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

Plan assets include the following:

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

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

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

Total expenses recorded were prorated as follows:

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

The main actuarial assumptions were as follows:

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

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

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

The above sensitivity analyses are based on a change in one assumption with all other assumptions remaining constant. In practice, these are very unlikely to occur, and there could be changes in other related assumptions. When calculating the sensitivity of pension benefit plans on the basis of the main actuarial assumptions, the same method has been used as for calculating pension benefit plan liabilities recorded in the consolidated statement of financial position. The methods and type of assumptions used in preparing the sensitivity analysis suffered no changes with respect to the prior period.

ii. Seniority premium

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

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

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

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

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

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

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

Plan assets include the following:

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

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

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

Total expenses recorded were prorated as follows:

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

iii. Major medical expenses

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

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

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

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

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

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

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

Plan assets include the following:

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

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

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

Total expenses recorded were prorated as follows:

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

iv. Indemnities upon termination of employment

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

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

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

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

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

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

Total expenses recorded were prorated as follows:

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

v. Severance upon termination of employment (dismissal)

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

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

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

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

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

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

Total expenses recorded were prorated as follows:

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

vi. Associated risks

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

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

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

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

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

The Company has modified none of the processes and activities involved in managing the aforementioned risks in relation to prior years. Investments are diversified, and therefore, circumstances relating to any investment would have no significant impact on the value of plan assets.

NOTE 18 - DEFERRED TAXES ON INCOME

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

	At December 31,			
		2018		2017
Deferred tax asset	$	1,124,462	$	932,819
Deferred tax liability		(17,483,400)		(17,945,224)
Deferred tax liability, net		(16,358,938)		(17,012,405)
Adjustment by final values of business combination (Note 2) (1)		-		186,822
Deferred tax liability, net	**($**	**16,358,938)**	**($**	**16,825,583)**

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

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

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

Deferred tax liability movements over the year are explained below:

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

Following are movements in temporary differences over the year:

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

	BALANCE AT DECEMBER 31, 2016	APPLIED TO INCOME	INCREASE FROM BUSINESS COMBINATION	APPLIED TO OTHER COMPREHEN-SIVE INCOME	CONVERSION OF FOREIGN SUBSIDIARIES	BALANCE AT DECEMBER 31, 2017
Associate benefits	$ 322,514	($ 95,306)	$ -	$ 157,060	$ -	$ 384,268
Unamortized tax losses	331,120	(171,418)	17,822	-	-	177,524
Associates' statutory profit sharing	152,411	17,507	-	-	-	169,918
Provisions and other	456,255	181,683	50,981	102,306	-	791,225
	1,262,300	(67,534)	68,803	259,366	-	1,522,935
Property, plant and equipment, net	(3,352,059)	1,834,472	(3,873,515)	-	(395,250)	(5,786,352)
Intangible assets	(7,283,141)	3,654,573	(7,854,967)	-	(772,562)	(12,256,097)
Prepaid expenses	(54,368)	(111,328)	-	-	-	(165,696)
Other	(46,033)	(94,340)	-	-	-	(140,373)
	(10,735,601)	5,283,377	(11,728,482)	-	(1,167,812)	(18,348,518)
Deferred tax liability	**($ 9,473,301)**	**$ 5,215,843**	**($ 11,659,679)**	**$ 259,366**	**($ 1,167,812)**	**($ 16,825,583)**

The US Tax Cuts and Jobs Act (Act) was passed on December 22, 2017. Among other effects, it reduced the US federal corporate tax rate from 35% to 21% for tax years beginning as from January 1, 2018. That required the revaluation of deferred tax assets and liabilities based on the new rates at the date that Act went into effect. The effect of that adjustment to the corporate tax rate at our US subsidiaries was a reduction in the deferred tax liability of approximately $4,434,255, with the respective benefit in the provision for taxes on income for the year 2017.

The deferred income tax asset arising from unamortized tax losses is recorded as the respective tax benefit to be realized via future tax profits becomes likely. The Company recorded a deferred tax asset of $225,080 for 2018 and $177,524 for 2017, with respect to remaining tax losses of $1,032,338 for 2018 and $507,299 for 2017, which can be amortized against future tax profits.

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

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

NOTE 19 - STOCKHOLDERS' EQUITY:

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

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

		Subscribed capital stock	
		Number of shares (a)	
	FIXED	VARIABLE	TOTAL
Total shares at December 31, 2016	902,816,289	802,568,639	1,705,384,928
Increase in shares at January 2, 2017	-	58,898,228	58,898,228
Total shares at December 31, 2017	902,816,289	861,466,867	1,764,283,156
Total shares at December 31, 2018	**902,816,289**	**861,466,867**	**1,764,283,156**

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

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

At December 31, 2018, 4,733,389 own shares are retained in the repurchasing fund.

As part of the restructuring agreement signed on April 8, 2016 to acquire the non-controlling portion of the subsidiaries Arca Ecuador and Arca Argentina, Spanish companies, the merger of AC and Carismed XXI, S. de R.L. de C.V. went into effect on January 2, 2017, (a company previously holding 25% of the Arca Continental Argentina shares). As a result of the merger, 58,898,228 new shares were issued with a fair value of $6,352,763 corresponding to the value determined with reference to the price of the AC shares at January 2, 2017. The difference between the fair value and the book value of the non-controlling interest is shown under retained earnings in the consolidated statement of changes in stockholders' equity at December 31, 2017.

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

Dividends are not subject to income tax if paid from the aforementioned CUFIN. Dividends in excess of that account are subject to 42.86% tax if paid in 2019. Tax is payable by the Company and may be credited against income tax for the current period or for the following two periods.

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

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

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

NOTE 20 - OTHER ACCRUED COMPREHENSIVE INCOME

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

NOTE 21 - FINANCIAL INSTRUMENTS:

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

The Company holds the following financial instruments:

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

		At December 31, 2017	
FINANCIAL ASSETS	**CURRENT**	**NON-CURRENT**	**TOTAL**
Financial assets at amortized cost:			
Cash and cash equivalents	$ 23,841,697	$ -	$ 23,841,697
Customers and other accounts receivable-Net	11,354,773	-	11,354,773
Related parties	110,975	-	110,975
Prepayments	709,556	-	709,556
Financial assets at fair value with changes in OCI:			
Derivative hedging instruments (1)	82,829	165,045	247,874
	$ 36,099,830	**$ 165,045**	**$ 36,264,875**

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

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

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

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

i. Fair value of financial assets and liabilities

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

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

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

	At December 31, 2017 BOOK VALUE	FAIR VALUE
Assets		
Derivative financial instruments	$ 247,874	$ 247,874
Liabilities		
Derivative financial instruments	$ 448,507	$ 448,507
Non-current debt	$ 53,337,569	$ 62,116,185

iii. Impairment and exposure to risks

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

iii. Fair value hierarchy

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

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

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

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

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

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

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

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

iv. Determination of fair value and measurement

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

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

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

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

v. Derivative financial instruments

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

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

Classification of derivatives

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

The Company holds the following derivative financial instruments:

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

December 31, 2018

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

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

At December 31, 2017

CONTRACT	TONS HEDGED	VALUE OF UNDERLYING ASSET		FAIR VALUE	MATURITIES PER YEAR			COLLATERAL/ GUARANTEE
		UNITS	PRICE US$		2018	2019	2020+	
Bank of America	11,650	Dollar / Ton	394.7-400.6	(US $90)	(US$ 90)	US$-	US$-	US$-
BNP Paribas	51,300	Dollar / Ton	393.2-396	(48)	(48)	-	-	-
Cargill	7,000	Dollar/ Ton	394.7-396	(40)	(40)	-	-	-
Citibank	18,500	Dollar / Ton	393.2-396	152	152	-	-	-
Macquarie Bank	9,000	Dollar / Ton	394.7-396	(61)	(61)	-	-	-
				(US$ 87)	**(US $87)**	**US$-**	**US$-**	**US$-**

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

December 31, 2018

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

At December 31, 2017

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

Ineffective hedging portion

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

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

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

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

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

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

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

NOTE 22 - COSTS AND EXPENSES ON THE BASIS OF TYPE:

Cost of sales and selling and administrative expenses classified by type for the years ended on December 31, 2018 and 2017 are as follows:

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

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

NOTE 23 - OTHER INCOME (EXPENSES) - NET:

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

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

NOTE 24 - ASSOCIATE BENEFIT EXPENSES:

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

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

NOTE 25 - FINANCIAL INCOME AND COSTS:

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

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

NOTE 26 - INCOME TAXES:

i. Income tax under the tax consolidation regime

The Mexican Income Tax Law eliminates the tax consolidation regime. As a result of said elimination, the Company found it necessary to deconsolidate for tax purposes as from December 31, 2013.

The last portion of tax payable on that deconsolidation amounting to $35,446 was paid to the Mexican tax authorities in April 2018.

In 2018, the Company determined an individual tax profit of $85,930 (a tax profit of $5,316,088 in 2017). The tax result differs from the book result mainly due to items accrued over time and deducted differently for book and tax purposes, to recognition of the effects of inflation for tax purposes and to items only affecting the book or tax result.

ii. Profit before taxes on income

Following are the domestic and foreign components of pretax profits:

	For the year ended December 31,			
	2018		2017	
Domestic	$	8,743,309	$	13,162,274
Foreign		5,937,488		6,885,591
	$	**14,680,797**	**$**	**20,047,865**

iii. Components of expenses arising from taxes on income

Components of expenses arising from taxes on income include:

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

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

	For the year ended December 31,			
	2018		2017	
Incurred:				
Domestic	($	2,740,336)	($	5,955,667)
Foreign		(1,168,970)		(2,519,424)
		(3,909,306)		(8,475,091)
Deferred:				
Domestic		167,409		(675,997)
Foreign		(117,926)		4,539,846
		49,483		5,215,843
Total	**($**	**3,859,823)**	**($**	**3,259,248)**

iv. Book/tax reconciliation

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

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

v. Tax pertaining to the components of other comprehensive income

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

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

NOTE 27 - COMMITMENTS:

The Company has leased several pieces of equipment under operating lease contracts which cannot be unilaterally terminated in advance. Those leases are for an approximate term of one to five years and most are renewable at the end of the lease period, at market conditions. The leasing expense charged to income is shown in Note 22.

Total future minimum lease payments for the non-cancelable operating leases are as follows:

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

NOTE 28 - CONTINGENCIES:

BOTTLING AGREEMENTS

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

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

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

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

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

Additionally, bottling agreements signed with TCCC establish that AC may bottle no beverages other than those of the Coca-Cola brand, with the exception of those specifically authorized in the aforementioned agreements. Up to the point at which the sales of the brands mentioned in Note 29 began, AC bottled and distributed several product of its own brand name (Topo Chico), with the authorization of TCCC.

CONTINGENCIES IN PERU

At December 31, 2018, a number of claims have been filed at the tax office and other judicial and labor processes have been brought by the Company for a total of approximately $547,953 (approximately $596,093 at December 31, 2017), which are pending a definitive sentence. Management and the Company's legal advisors consider that those processes could have an unfavorable result for the Company in the amount of approximately $157,763 ($165,407 at December 31, 2017); they also estimate that lawsuits classified as remote or possible will be resolved favorably for the Company, which is why no provision has been created at December 31, 2018 (see Note 16).

CONTINGENCIES IN ECUADOR

At December 31, 2018, the Company has filed a number of claims at the tax office for a total of approximately $567,514 (approximately $850,458 in 2017), which are pending a definitive sentence. Management and the Company's legal advisors consider that those processes could have an unfavorable result for the Company in the amount of approximately $100,593; they also estimate that lawsuits classified as remote or possible will be resolved favorably for the Company, although a provision was created at December 31, 2018 for $45,497. (See Note 16).

CONTINGENCIES IN ARGENTINA

At December 31, 2018, a number of claims have been filed at the tax office and other judicial, labor and administrative processes have been brought by the Company for a total of approximately $190,452 (approximately $343,680 at December 31, 2017), which are pending definitive sentences. Management and the Company's legal advisors consider that those processes could have an unfavorable result for the Company in the amount of approximately $33,330 ($60,251 at December 31, 2017); they also estimate that lawsuits classified as remote will be resolved favorably for the Company, which is why no provision has been created at December 31, 2018.

NOTE 29 - RELATED PARTIES AND ASSOCIATES:

The Company is controlled by Fideicomiso de Control, which holds 47% (46% in 2017) of the Company's outstanding shares. The remaining 53% (54% in 2017) of the shares is widely distributed. The parties ultimately controlling the group are the Barragán, Grossman, Fernández and Arizpe families, which also hold shares outside the control trust.

Operations with related parties were carried out at market value.

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

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

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

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

Short-term payable balances:

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

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

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

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

Sale of Topo Chico brand names and distribution rights in Mexico and other countries -

On July 22, 2016, AC and its subsidiary Compañía Topo Chico, S. de R. L. de C.V. (Topo Chico) signed an agreement with TCCC assigning ownership of all the intellectual property rights, including brand names and formulas for producing Topo Chico products in Mexico and in other countries except the US, where the brand name was registered. As a result of that sale, AC received $1,488,176 (US$80,000) in cash and retained authorization for the distribution of Topo Chico products, under the bottling contracts in the regions in which it had been handling distribution up to that date, and was authorized to market Topo Chico mineral water in territories in addition to Mexico where the sale of Topo Chico is not allowed, i.e., in countries where AC operated. A supply agreement was also signed for the supply of Topo Chico mineral water to TCCC and its bottlers in Mexico.

Sale of Topo Chico brand names and distribution rights in the US.

On September 30, 2017, AC, AC Bebidas, Topo Chico and Interex Corp. (Interex) signed an agreement with TCCC to transfer ownership of all intellectual property rights, including Topo Chico brand names and formulas in the US (Topo Chico US) as well as the assets comprising the Topo Chico distribution business, which was owned by Interex Corp., for a cash price of $3,951,346 (US$217,132).

As part of that agreement, a number of complementary agreements were signed, including a distribution agreement between a TCCC subsidiary and CCSWB for the latter to distribute Topo Chico mineral water exclusively in certain channels of that territory, as well as agreements for Topo Chico to continue bottling mineral water at its Monterey plant in order to cover demand for the product in Mexico and that of TCCC and its distributors in Mexico and the US, subject to capacity restrictions and an investment agreement, when necessary.

Because the Master Agreement and other agreements signed during the closing of the business combination with CCSWB required the parties to agree to that sale, the Company analyzed those agreements based on its terms and conditions and on background information, and concluded that this transaction must be recorded separately as per IFRS.

National Product Supply Group (NPSG) in the US -

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

The NPSG Agreements require the Company to comply with a product supply schedule to other RPBs, based on the needs of the US system, where the company does not unilaterally decide on respective volumes. This can give rise to revenue volatility in NPSG income. For the periods ended December 31, 2018 and 2017, they totaled $3,299,438 and $2,330,679, respectively. The Company evaluates the performance of its sales operations with third parties totally independently in the territory operated by CCSWB.

NOTE 30 - SUBSIDIARIES, JOINT OPERATIONS AND TRANSACTIONS WITH NON-CONTROLLING PARTIES:

i. Interest in subsidiaries

The Company's main subsidiaries at December 31, 2018 and 2017 are as follows unless otherwise indicated, the subsidiaries hold capital stock consisting exclusively of ordinary shares or equity units, which are the direct property of the Company, and the ownership interest held in each is equal to the voting shares held by the Company.

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

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

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

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

Operations per group:

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

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

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

ii. Transactions with non-controlling interests

Except for the acquisition of non-controlling interests described in point i. above, in the years ended on December 31, 2018 and 2017, there were no transactions with non-controlling interests and no conflicts of interest to be disclosed. See Note 2.

iii. Interest in joint operation

At December 31, 2018 and 2017, the Company holds a 50% investment in JV Toni, S.L., a Spanish company, for the purpose of joint operation of its investment in Holding Tonicorp, S. A. and its subsidiaries, as shown below:

			Holding percentage		
ENTITY	COUNTRY	OPERATION	2018	2017	FUNCTIONAL CURRENCY
Holding Tonicorp, S. A.	Ecuador	A	89.47	89.47	US dollar
Industrias Lácteas Toni, S. A	Ecuador	B / C	100.00	100.00	US dollar
Plásticos Ecuatorianos, S. A.	Ecuador	D	100.00	100.00	US dollar
Distribuidora Importadora Dipor, S. A.	Ecuador	E	100.00	100.00	US dollar

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

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

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

NOTE 31 - CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF IFRS-9 AND IFRS-15:

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

a. Impact on the financial statements

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

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

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

b. IFRS-9 - Financial instruments

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

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

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

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

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

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

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

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

ii. Impairment of financial assets
The Company has three types of financial assets subject to the new expected credit loss model of IFRS 9:
• Accounts receivable from clients arising from sale of inventory
• Contract assets
• Debt instruments at amortized cost

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

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

Accounts receivable and contract assets

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

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

Debt investments

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

c. IFRS-15 - Revenue from contracts with customers

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

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

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

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

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

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

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

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

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

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

NOTE 32 -SUBSEQUENT EVENTS:

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

Arturo Gutiérrez Hernández
CHIEF EXECUTIVE OFFICER

Emilio Marcos Charur
CHIEF FINANCE OFFICER

GRI Content Index

[102-55]

STANDARD	PAGE	ADDITIONAL NOTES AND REFERENCES
102-1	6, 96	
102-2	4, 6, 30	
102-3	6	
102-4	6	
102-5	6	
102-6	6, 22	
102-7	6, 74, 77	
102-8	77	
102-9	36, 39, 43	
102-10	6, 64	
102-11	30, 36, 40, 48, 100	
102-12	2	
102-13	105	
102-14	8	
102-15	8, 100	
102-16	5, 96	
102-17	96, 97	
102-18	90	
102-19	90	
102-20	91	
102-21	18	
102-22	90	
102-23	90	
102-24	90	
102-25	90	
102-26	90	
102-29	100	
102-40	18	
102-41	77	
102-42	18	
102-43	18	
102-44	18	
102-45	91	
102-46	16	
102-47	16	
102-48		Baseline recalculated to include operations in the United States (Coca-Cola Southwest Beverages and Wise).
102-49		Change in the reporting limits given the inclusion of the operations in the United States (Coca-Cola Southwest Beverages and Wise).
102-50	2	
102-51		This 2018 Sustainability Integrated Report is the most recent to date.

STANDARD	PAGE	ADDITIONAL NOTES AND REFERENCES
102-52		Arca Continental's performance results are reported on an annual basis.
102-53	204	
102-54	2	
102-55		The present table corresponds to the GRI Index.
102-56	200	
201-1	6	
201-2	56	
201-3	6	
202-2	76, 77	
203-1	50, 51, 69	
203-2	32	
204-1	43	
205-1	96, 99	
205-2	96	
205-3		There were no incidents of this kind of issue.
301-1	63	
301-2	63	
301-3	62	
302-1	55, 200	Verified by an independent third party regarding the reported figures from the representative operations of Arca Continental in its different food and beverages business units.
302-3	46, 55	
302-4	55	
302-5	35, 56, 63	
303-1	53	Verified by an independent third party regarding the reported figures from the representative operations of Arca Continental in its different food and beverages business units.
303-2	48	
303-3	52	
304-1		Arca Continental has no operations.
305-1	54, 55	Verified by an independent third party regarding the reported figures from the representative operations of Arca Continental in its different food and beverages business units.
305-2	54, 55	Verified by an independent third party regarding the reported figures from the representative operations of Arca Continental in its different food and beverages business units.
305-3	55	
305-4	46, 54	
305-5	54	
306-1	52, 53	Verified by an independent third party regarding the reported figures from the representative operations of Arca Continental in its different food and beverages business units.
306-2	62	Verified by an independent third party regarding the reported figures from the representative operations of Arca Continental in its different food and beverages business units.
306-4	62	
307-1		There were no significant monetary fines and/or sanctions for non-compliance with environmental laws or regulations in any of our operations.
308-1	40	

STANDARD	PAGE	ADDITIONAL NOTES AND REFERENCES
308-2	40	
401-1	76	
401-2	76	
403-1	77, 82	
403-2	84	Verified by an independent third party regarding the reported figures from the representative operations of Arca Continental in its different food and beverages business units.
404-1	85, 88	Verified by an independent third party regarding the reported figures from the representative operations of Arca Continental in its different food and beverages business units.
404-2	44, 79, 85	
404-3	89	
405-2	78	
406-1	97	
407-1	36	
408-1	36	
409-1	36	
410-1	79	
411-1		During 2018 there were no cases of violation against the Human Rights of indigenous groups.
412-2	79	
413-1	68, 72	
414-1	36, 40	
414-2	36, 40	
416-1	30	
416-2		There were no incidents of this kind of issue.
417-1	31	
417-3		There were no incidents of this kind of issue.
419-1		There were no incidents of this kind of issue.

Verification Letter

[102-56, 302-1]

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Independent Limited Assurance Report on the Contents of Sustainability Performance (Non-Financial Information)

To the Board of Directors of Arca Continental Corporativo, S. de R.L. de C.V.

We were engaged by the Management of Arca Continental Corporativo, S. de R.L. de C.V. (hereinafter "Arca Continental"), to report on the Contents prepared and presented by the Sustainability and Social License Department of Arca Continental contained in the Arca Continental Integrated Report 2018, for the period from January 1 to December 31, 2018 ("the Annual Report"), which are detailed in Appendix A attached to this report (the "Contents"), in the form of an independent conclusion of limited assurance about whether, based on our work performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Contents are not prepared, in all material aspects, in alignment with the criteria established in the International Standard on Assurance Works (ISAE) 3000, in accordance with the Global Reporting Initiative ("GRI") Standards and with the internal procedure of Arca Continental.

Our work consisted in reviewing supporting documentation from fifteen beverage plants located across the regions where Arca Continental operates: Ecuador, Mexico, Argentina and Peru. Arca Continental's operations in the United States of America, as being recently acquired, are in the process of adopting the company's systems and methodologies, thus these locations were not considered within the scope of our work.

Management's responsibilities

Arca Continental Management, through its Sustainability and Social License Department, is responsible for the preparation of the information subject to our review, free from material misstatements, in accordance with the Criteria.

Arca Continental Management, through its Sustainability and Social License Department, is also responsible for preventing and detecting fraud, and for identifying and ensuring that Arca Continental complies with the laws and regulations applicable to its activities.

Arca Continental Management, through its Sustainability and Social License Department is also responsible for ensuring that personnel involved in the preparation and presentation of the Contents are adequately trained, information systems are properly updated, and that any change in the presentation of data and / or in the form of reporting, encompass all significant reporting units.

Our responsibilities

Our responsibility is to review the information related to the Contents included in the Annual Report and to express an independent conclusion of limited assurance based on the evidence obtained. We conducted our engagement in accordance with the International Standard on Assurance Works (ISAE) 3000, *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board (IAASB). This standard requires that we plan and perform our procedures to obtain limited assurance about whether, based on our work performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Contents included in the Annual Report for the period from January 1 to December 31, 2018, are not prepared, in all material aspects, in alignment with the criteria established in t International Standard on Assurance Works (ISAE) 3000, in accordance with the Global Reporting Initiative ("GRI") Standards and with Arca Continental's internal sustainability procedures.

KPMG Cárdenas Dosal, S.C. (the Firm) applies the International Standard on Quality Control 1 and, accordingly maintains a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

KPMG

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We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The procedures performed depend on our judgment and experience on the Contents presented in the Annual Report and other circumstances of the work, and our consideration of the areas in which material misstatements are likely to arise.

By obtaining an understanding of the Contents included in the Annual Report, and other circumstances of the work, we have considered the process used to prepare the Contents, with the purpose of designing assurance procedures that are adequate to the circumstances, but not for the purpose of expressing a conclusion as to the effectiveness of Arca Continental internal control over the preparation of the Contents included in the Annual Report.

Our engagement also includes assessing the appropriateness of the main matter, the suitability of the criteria used by Arca Continental in the preparation of the Contents, by assessing the appropriateness of the methods, policies and procedures, and models used.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained has a reasonable assurance engagement been performed.

Criteria

The criteria on which the preparation of the Contents has been assessed, refers to the requirements established in the GRI Standards and with Arca Continental's internal sustainability procedures.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions. We have identified opportunities within Arca Continental's internal procedures that have been presented in a report for their attention and continuous improvement actions.

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Contents detailed in Appendix A of this assurance report, prepared by the Sustainability and Social License Department of Arca Continental, and included in the 2018 Integrated Sustainability Report of Arca Continental for the period from January 1 to December 31, 2018, are not prepared, in all material aspects, in alignment with the criteria established in the International Standard on Assurance Works (ISAE) 3000, in accordance with the GRI Standards and with Arca Continental's internal sustainability procedures.

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Restriction of use of our report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us, other than the Sustainability and Social License Department of Arca Continental and its Board of Directors, for any purpose or in any other context. Any party other than those mentioned above who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Arca Continental for our work, for this independent limited assurance report, or for the conclusions we have reached.

Our report is released to Arca Continental Corporativo, S. de R.L. de C.V. on the basis that it shall not be copied, referred to, or disclosed, in whole or in part, without our prior written consent.

KPMG, Cárdenas Dosal, S.C.

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Partner
Monterrey, Nuevo León
July, 15th, 2019

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Appendix A

GRI 306-1	Water discharge according to its quality and destination.
GRI 303-1	Water extraction by source.
GRI 302-1	Energy consumption within the organization.
GRI 305-1	Direct GHG emissions (scope 1).
GRI 305-2	Indirect GHG emissions when generating energy (scope 2).
GRI 306-2	Waste by type and method of disposal.
GRI 403-2	Types of accidents and frequency rates of accidents, occupational diseases, lost days, absenteeism and number of deaths due to work-related accidents or occupational diseases.
GRI 404-1	Average hours of training per year per employee.

[102-53]

Arca Continental Sustainability and Social Responsibility

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

ARCACONTINENTAL