

COCA COLA FEMSA SAB DE CV

Form 20-F

April 11, 2014

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As filed with the Securities and Exchange Commission on April 11, 2014.

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

ANNUAL REPORT PURSUANT TO SECTION 13

OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2013

Commission file number 1-12260

Coca-Cola FEMSA, S.A.B. de C.V.

(Exact name of registrant as specified in its charter)

Not Applicable

(Translation of registrant's name into English)

United Mexican States

(Jurisdiction of incorporation or organization)

**Calle Mario Pani No. 100,
Santa Fe Cuajimalpa,
Cuajimalpa de Morelos,
05348, México, D.F., México**

(Address of principal executive offices)

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Santa Fe Cuajimalpa,
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05348 México, D.F., México

(52-55) 1519-5120/5121

krelations@kof.com.mx**

(Name, telephone, e-mail and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
American Depositary shares, each representing 10 Series L shares, without par value	New York Stock Exchange, Inc.
Series L shares, without par value	New York Stock Exchange, Inc. (not for trading, for listing purposes only)

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

The number of outstanding shares of each class of capital or common stock as of December 31, 2013 was:

992,078,519 Series A shares, without par value
583,545,678 Series D shares, without par value
497,298,032 Series L shares, without par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). N/A Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP IFRS Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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INTRODUCTION

References

Unless the context otherwise requires, the terms Coca-Cola FEMSA, our company, we, us and our are used in this annual report to refer to Coca-Cola FEMSA, S.A.B. de C.V. and its subsidiaries on a consolidated basis.

References herein to U.S. dollars, US\$, dollars or \$ are to the lawful currency of the United States of America. References herein to Mexican pesos or Ps. are to the lawful currency of the United Mexican States, or Mexico.

Sparkling beverages as used in this annual report refers to non-alcoholic carbonated beverages. Still beverages refers to non-alcoholic non-carbonated beverages. Non-flavored waters, whether or not carbonated, are referred to as waters.

References to *Coca-Cola* trademark beverages in this annual report refer to products described in **Item 4. Information on the Company The Company Our Products.**

Currency Translations and Estimates

This annual report contains translations of certain Mexican peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Mexican peso amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, such U.S. dollar amounts have been translated from Mexican pesos at an exchange rate of Ps.13.10 to US\$1.00, the exchange rate for Mexican pesos on December 31, 2013, the last day in 2013 for which information is available, according to the U.S. Federal Reserve Board. On April 4, 2014, this exchange rate was Ps.13.03 to US\$1.00. See **Item 3. Key Information Exchange Rate Information** for information regarding exchange rates since January 1, 2009.

To the extent that estimates are contained in this annual report, we believe such estimates, which are based on internal data, are reliable. Amounts in this annual report are rounded, and the totals may therefore not precisely equal the sum of the numbers presented.

Sources

Certain information contained in this annual report has been computed based upon statistics prepared by the *Instituto Nacional de Estadística y Geografía* of Mexico (the National Institute of Statistics and Geography, or INEGI), the Federal Reserve Bank of New York, the U.S. Federal Reserve Board, the *Banco de México* (the Central Bank of Mexico), the *Comisión Nacional Bancaria y de Valores* of Mexico (the National Banking and Securities Commission, or the CNBV), local entities in each country and upon our estimates.

Forward-Looking Information

This annual report contains words such as believe, expect, anticipate and similar expressions that identify forward-looking statements. Use of these words reflects our views about future events and financial performance. Actual results could differ materially from those projected in these forward-looking statements as a result of various factors that may be beyond our control, including, but not limited to, effects on our company from changes in our relationship with The Coca-Cola Company, movements in the prices of raw materials, competition, significant developments in economic or political conditions in Latin America, including changes in currency exchange and interest rates, our ability to successfully integrate mergers and acquisitions we have completed in recent years, or

changes in our regulatory environment. Accordingly, we caution readers not to place undue reliance on these forward-looking statements. In any event, these statements speak only as of their respective dates, and we undertake no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

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Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

SELECTED CONSOLIDATED FINANCIAL DATA

We prepared our consolidated financial statements included in this annual report in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, or IASB, referred to herein as IFRS. Our date of transition to IFRS was January 1, 2011. Our consolidated financial statements as of and for the years ended December 31, 2012 and 2011 were our first set of financial statements prepared in accordance with IFRS. We have not included in this annual report selected consolidated financial data as of and for the years ended December 31, 2009 and 2010. Based on our recent adoption and transition to IFRS, we have not prepared consolidated financial statements as of and for the years ended December 31, 2009 and 2010 in accordance with IFRS and therefore are unable to present selected financial data for these years without unreasonable effort and expense.

This annual report includes (under Item 18) our audited consolidated statements of financial position as of December 31, 2013 and 2012 and the related consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2013, 2012 and 2011. Our consolidated financial statements as of and for the years ended December 31, 2013, 2012 and 2011 were prepared in accordance with IFRS.

Pursuant to IFRS, the information presented in this annual report presents financial information for 2013, 2012 and 2011 in nominal terms that has been presented in Mexican pesos, taking into account local inflation of each hyperinflationary economic environment and converting from local currency to Mexican pesos using the official exchange rate at the end of the period published by the local central bank of each country categorized as a hyperinflationary economic environment. As of December 31, 2013, Venezuela was the only country of the countries in which we operate with a hyperinflationary economic environment. See Note 3 to our consolidated financial statements. For each non-hyperinflationary economic environment, local currency is converted to Mexican pesos using the year-end exchange rate for assets and liabilities, the historical exchange rate for equity and the average exchange rate for the income statement.

Our non-Mexican subsidiaries maintain their accounting records in the currency and in accordance with accounting principles generally accepted in the country where they are located. For presentation in our consolidated financial statements, we adjust these accounting records into IFRS and report in Mexican pesos under these standards.

Except when specifically indicated, information in the annual report on Form 20-F is presented as of December 31, 2013 and does not give effect to any transaction subsequent to that date.

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The following table presents selected financial information of our company. This information should be read in conjunction with, and is qualified in its entirety by reference to, our audited consolidated financial statements, including the notes thereto. The selected financial information contained herein is presented on a consolidated basis, and is not necessarily indicative of our financial position or results at or for any future date or period. See Note 3 to our consolidated financial statements for our significant accounting policies.

	Year Ended December 31,			
	2013⁽¹⁾	2013⁽²⁾	2012⁽³⁾	2011⁽⁴⁾
	(in millions of Mexican pesos or millions of			
	U.S. dollars, except ratio, share and per share data)			
Income Statement Data:				
IFRS				
Total revenues	US\$ 11,911	Ps.156,011	Ps.147,739	Ps.123,224
Cost of goods sold	6,343	83,076	79,109	66,693
Gross profit	5,568	72,935	68,630	56,531
Administrative expenses	495	6,487	6,217	5,140
Selling expenses	3,423	44,828	40,223	32,093
Other income	36	478	545	685
Other expenses	85	1,101	1,497	2,060
Interest expenses	255	3,341	1,955	1,729
Interest income	50	654	424	616
Foreign exchange (loss) gain, net	(56)	(739)	272	61
(Loss) gain on monetary position for subsidiaries in hyperinflationary economies	(29)	(393)		61
Market value (gain) loss on financial instruments	(4)	(46)	(13)	138
Income before income taxes and share of the profit of associates and joint ventures accounted for using the equity method	1,315	17,224	19,992	16,794
Income taxes	437	5,731	6,274	5,667
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	22	289	180	86
Consolidated net income	900	11,782	13,898	11,213
Equity holders of the parent	882	11,543	13,333	10,662
Non-controlling interest	18	239	565	551
Consolidated net income	900	11,782	13,898	11,213
Ratio to Revenues (%)				
Gross margin		46.7	46.5	45.9

Net income margin		7.6	9.4	9.1
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Balance Sheet Data:**IFRS**

Cash and cash equivalents	US\$ 1,169	Ps.15,306	Ps.23,222	Ps.11,843
Marketable securities			12	330
Accounts receivable, net, Inventories, Recoverable taxes, Other current financial assets and Other current assets	2,132	27,925	22,663	20,551
Total current assets	3,301	43,231	45,897	32,724
Investment in associates and joint ventures	1,280	16,767	5,352	3,656
Property, plant and equipment, net	3,954	51,785	42,517	38,102

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	Year Ended December 31,			
	2013⁽¹⁾	2013⁽²⁾	2012⁽³⁾	2011⁽⁴⁾
	(in millions of Mexican pesos or millions of			
	U.S. dollars, except ratio, share and per share data)			
Intangible assets, net	7,556	98,974	67,013	62,163
Deferred tax assets, Other non-current financial assets and Other non-current assets, net	451	5,908	5,324	5,093
Total assets	16,542	216,665	166,103	141,738
Bank loans and notes payable	38	495	4,194	638
Current portion of non-current debt	236	3,091	945	4,902
Interest payable	25	324	194	206
Suppliers, Accounts payable, Taxes payable and Other current financial liabilities	2,174	28,488	24,217	20,029
Total current liabilities	2,473	32,398	29,550	25,775
Bank loans and notes payable	4,342	56,875	24,775	16,821
Post-employment and other non-current employee benefits, Deferred tax liabilities, Other non-current financial liabilities and Provisions and other non-current liabilities	782	10,239	6,950	6,061
Total non-current liabilities	5,124	67,114	31,725	22,882
Total liabilities	7,597	99,512	61,275	48,657
Total equity	8,945	117,153	104,828	93,081
Equity attributable to equity holders of the parent	8,636	113,111	101,649	90,028
Non-controlling interest in consolidated subsidiaries	309	4,042	3,179	3,053
Financial Ratios (%)				
Current ⁽⁵⁾		1.33	1.55	1.27
Leverage ⁽⁶⁾		0.85	0.58	0.52
Capitalization ⁽⁷⁾		0.35	0.23	0.20
Coverage ⁽⁸⁾		8.22	15.45	12.48
Share Data				
A Shares		992,078,519	992,078,519	992,078,519
D Shares		583,545,678	583,545,678	583,545,678
L Shares		497,298,032	454,920,107	409,829,732
Number of outstanding shares		2,072,922,229	2,030,544,304	1,985,453,929

Data per share (U.S. dollars and Mexican pesos)

Book Value ⁽⁹⁾	4.17	54.57	50.06	45.34
Earnings per share ⁽¹⁰⁾	0.43	5.61	6.62	5.72
Ratio of Earnings to Fixed Charges ⁽¹¹⁾		5.71	9.81	8.09

- (1) Translation to U.S. dollar amounts at an exchange rate of Ps.13.10 to US\$1.00 solely for the convenience of the reader.
- (2) Includes results of Coca-Cola Bottlers Philippines, Inc., or CCBPI, from February 2013 using the equity method, results of Grupo Yoli, S.A. de C.V., or Grupo Yoli, from June 2013, Companhia Fluminense de Refrigerantes, or Companhia Fluminense, from September 2013 and Spaipa S.A. Industria Brasileira de Bebidas, or Spaipa, from November 2013. **See Item 4 Information on the Company The Company Corporate History.**
- (3) Includes results of Grupo Fomento Queretano, S.A.P.I. de C.V., or Grupo Fomento Queretano, from May 2012. **See Item 4 Information on the Company The Company Corporate History.**
- (4) Includes results of Administradora Acciones del Noreste, S.A.P.I. de C.V., or Grupo Tampico, from October 2011 and from Corporación de los Angeles, S.A. de C.V., or Grupo CIMSA, from December 2011. **See Item 4 Information on the Company The Company Corporate History.**
- (5) Computed by dividing Total current assets by Total current liabilities.
- (6) Computed by dividing Total liabilities by Total equity.
- (7) Computed by adding Current bank loans and notes payable, Current portion of non-current debt and Non-current bank loans and notes payable, and dividing such sum by the sum of Total equity and Non-current bank loans and notes payable.
- (8) Computed by dividing Net cash flows from operating activities by the difference between Interest expense and Interest income.
- (9) Based on 2,072.92 million, 2,030.54 million and 1,985.45 million ordinary shares as of December 31, 2013, 2012 and 2011, respectively.

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- (10) Computed of the basis of the weighted average number of shares outstanding during the period: 2,056.20 million, 2,015.14 million and 1,865.55 million in 2013, 2012 and 2011, respectively.
- (11) Exhibit 7.2 to this annual report on Form 20-F includes a calculation of Ratio of Earnings to Fixed Charges.

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The following table sets forth the nominal amount in Mexican pesos of dividends declared and paid per share each year and the U.S. dollar amounts on a per share basis actually paid to holders of American Depositary Shares, which we refer to as ADSs, on each of the respective payment dates.

Fiscal Year with Respect to which Dividend was Declared	Date Dividend Paid	Mexican Pesos per Share		U.S. Dollars per Share ⁽¹⁾	
		(Nominal)	Share ⁽¹⁾	(Nominal)	Share ⁽¹⁾
2010	April 27, 2011	2,360	0.204		
2011	May 30, 2012	2,770	0.121		
2012 ⁽²⁾	May 2, 2013 and November 5, 2013	1,450	0.119	1,450	0.112
2013 ⁽³⁾	May 2, 2014 ⁽⁴⁾ and November 5, 2014 ⁽⁴⁾	1,450		1,450	⁽⁵⁾

- (1) Expressed in U.S. dollars using the exchange rate applicable when the dividend was paid.
- (2) The dividend payment for the fiscal year 2012 was divided into two equal payments.
- (3) The dividend payment declared for the fiscal year 2013 was divided into two equal payments. The first payment is estimated to be payable on May 2, 2014, and the second payment is estimated to be payable on November 5, 2014.
- (4) Estimated payment date since dividends for 2013 have not been paid at the time of this annual report.
- (5) Since dividends for 2013 have not been paid at the time of this annual report, the U.S. dollar per share amount has not been determined.

The declaration, amount and payment of dividends are subject to approval by a simple majority of the shareholders up to an amount equivalent to 20% of the preceding years' retained earnings and by a majority of the shareholders of each of the Series A and Series D shares voting together as a single class above 20% of the preceding years' retained earnings, generally upon the recommendation of our board of directors, and will depend upon our results, financial condition, capital requirements, general business conditions and the requirements of Mexican law. Accordingly, our historical dividend payments are not necessarily indicative of future dividends.

Holders of Series L shares, including in the form of ADSs, are not entitled to vote on the declaration and payments of dividends.

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The following table sets forth, for the periods indicated, the high, low, average and period-end exchange rate expressed in Mexican pesos per U.S. dollar.

Period	Exchange Rate			End of Period
	High	Low	Average⁽¹⁾	
2009	Ps.15.41	Ps.12.63	Ps.13.58	Ps.13.06
2010	13.19	12.16	12.64	12.38
2011	14.25	11.51	12.43	13.95
2012	14.37	12.63	13.14	12.96
2013	13.43	11.98	12.76	13.10

Source: U.S. Federal Reserve Board.

(1) Average month-end rates.

	Exchange Rate		
	High	Low	End of Period
2012:			
First Quarter	Ps.13.75	Ps.12.63	Ps.12.81
Second Quarter	14.37	12.73	13.41
Third Quarter	13.72	12.74	12.86
Fourth Quarter	13.25	12.71	12.96
2013:			
First Quarter	Ps.12.88	Ps.12.32	Ps.12.32
Second Quarter	13.41	11.98	12.99
Third Quarter	13.43	12.50	13.16
Fourth Quarter	13.25	12.77	13.10
October	13.25	12.77	13.00
November	13.24	12.87	13.11
December	13.22	12.85	13.10
2014:			
January	13.46	13.00	13.36
February	13.51	13.20	13.23
March	13.33	13.06	13.06

Source: U.S. Federal Reserve Board.

On April 4, 2014, the exchange rate was Ps.13.03 to US\$1.00, according to the U.S. Federal Reserve Board.

We pay all cash dividends in Mexican pesos. As a result, exchange rate fluctuations will affect the U.S. dollar amounts received by holders of our ADSs, which represent ten Series L shares, on conversion by the depositary for our ADSs of cash dividends on the shares represented by such ADSs. In addition, fluctuations in the exchange rate between the Mexican peso and the U.S. dollar would affect the market price of our ADSs.

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RISK FACTORS

Risks Related to Our Company

Our business depends on our relationship with The Coca-Cola Company, and changes in this relationship may adversely affect our results and financial condition.

Substantially all of our sales are derived from sales of *Coca-Cola* trademark beverages. We produce, market, sell and distribute *Coca-Cola* trademark beverages through standard bottler agreements in certain territories in the countries in which we operate, which we refer to as our territories. See **Item 4. Information on the Company** **The Company** **Our Territories**. Through its rights under our bottler agreements and as a large shareholder, The Coca-Cola Company has the right to participate in the process for making important decisions related to our business.

The Coca-Cola Company may unilaterally set the price for its concentrate. In addition, under our bottler agreements, we are prohibited from bottling or distributing any other beverages without The Coca-Cola Company's authorization or consent, and we may not transfer control of the bottler rights of any of our territories without prior consent from The Coca-Cola Company.

The Coca-Cola Company also makes significant contributions to our marketing expenses, although it is not required to contribute a particular amount. Accordingly, The Coca-Cola Company may discontinue or reduce such contributions at any time.

We depend on The Coca-Cola Company to continue with our bottler agreements. As of December 31, 2013, we had nine bottler agreements in Mexico: (i) the agreements for Mexico's Valley territory, which expire in April 2016 and June 2023, (ii) the agreements for the Central territory, which expire in August 2014 (two agreements), May 2015 and July 2016, (iii) the agreement for the Northeast territory, which expires in September 2014, (iv) the agreement for the Bajío territory, which expires in May 2015, and (v) the agreement for the Southeast territory, which expires in June 2023. As of December 31, 2013, we had four bottler agreements in Brazil, two expiring in October 2017 and the other two expiring in April 2024. Our bottler agreements with The Coca-Cola Company will expire for our territories in other countries as follows: Argentina in September 2014; Colombia in June 2014; Venezuela in August 2016; Guatemala in March 2015; Costa Rica in September 2017; Nicaragua in May 2016 and Panama in November 2014. All of our bottler agreements are automatically renewable for ten-year terms, subject to the right of either party to give prior notice that it does not wish to renew the applicable agreement. In addition, these agreements generally may be terminated in the case of material breach. See **Item 4. Information on the Company** **Bottler Agreements**. Termination would prevent us from selling *Coca-Cola* trademark beverages in the affected territory and would have an adverse effect on our business, financial condition, results and prospects.

The Coca-Cola Company and FEMSA have substantial influence on the conduct of our business, which may result in us taking actions contrary to the interests of our remaining shareholders.

The Coca-Cola Company and Fomento Económico Mexicano, S.A.B. de C.V., which we refer to as FEMSA, have substantial influence on the conduct of our business. As of April 4, 2014, The Coca-Cola Company indirectly owned 28.1% of our outstanding capital stock, representing 37.0% of our capital stock with full voting rights. The Coca-Cola Company is entitled to appoint five of our maximum of 21 directors and the vote of at least two of them is required to approve certain actions by our board of directors. As of April 4, 2014, FEMSA indirectly owned 47.9% of our outstanding capital stock, representing 63.0% of our capital stock with full voting rights. FEMSA is entitled to appoint 13 of our maximum of 21 directors and all of our executive officers. The Coca-Cola Company and FEMSA together, or only FEMSA in certain circumstances, have the power to determine the outcome of all actions requiring approval

by our board of directors, and FEMSA and The Coca-Cola Company together, or only FEMSA in certain circumstances, have the power to determine the outcome of all actions requiring approval of our shareholders. **See**

Item 7. Major Shareholders and Related Party Transactions Major Shareholders The Shareholders Agreement. The interests of The Coca-Cola Company and FEMSA may be different from the interests of our remaining shareholders, which may result in us taking actions contrary to the interests of our remaining shareholders.

Changes in consumer preference and public concern about health related issues could reduce demand for some of our products.

The non-alcoholic beverage industry is evolving as a result of, among other things, changes in consumer preferences and regulatory actions. There have been different plans and actions adopted in recent years by governmental authorities in some of the countries where we operate that have resulted in increased taxes or the imposition of new taxes on the sale of beverages containing certain sweeteners, and other regulatory measures, such as restrictions on advertising for some of our products. Moreover, researchers, health advocates and dietary guidelines are encouraging consumers to reduce their consumption of certain types of beverages sweetened with sugar and High Fructose Corn Syrup, or HFCS. In addition, concerns over the environmental impact of plastic may reduce the consumption of our products sold in plastic bottles or result in additional taxes that would adversely affect consumer demand. Increasing public concern about these issues, possible new or increased taxes, regulatory measures and governmental regulations could reduce demand for some of our products which would adversely affect our results. We are currently undertaking a number of strategic initiatives and specific actions to address these concerns. **See Item 4. The Company Business Strategy.**

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Competition could adversely affect our financial performance.

The beverage industry in the territories in which we operate is highly competitive. We face competition from other bottlers of sparkling beverages, such as *Pepsi* products, and from producers of low cost beverages or B brands. We also compete in beverage categories other than sparkling beverages, such as water, juice-based beverages, teas, sport drinks and value-added dairy products. Although competitive conditions are different in each of our territories, we compete principally in terms of price, packaging, consumer sales promotions, customer service and product innovation. **See Item 4. Information on the Company The Company Competition.** There can be no assurances that we will be able to avoid lower pricing as a result of competitive pressure. Lower pricing, changes made in response to competition and changes in consumer preferences may have an adverse effect on our financial performance.

Water shortages or any failure to maintain existing concessions could adversely affect our business.

Water is an essential component of all of our products. We obtain water from various sources in our territories, including springs, wells, rivers and municipal and state water companies pursuant to either concessions granted by governments in our various territories or pursuant to contracts.

We obtain the vast majority of the water used in our production from municipal utility companies and pursuant to concessions to use wells, which are generally granted based on studies of the existing and projected groundwater supply. Our existing water concessions or contracts to obtain water may be terminated by governmental authorities under certain circumstances and their renewal depends on receiving necessary authorizations from local and/or federal water authorities. **See Item 4. Information on the Company Regulation Water Supply.** In some of our other territories, our existing water supply may not be sufficient to meet our future production needs, and the available water supply may be adversely affected by shortages or changes in governmental regulations and environmental changes.

We cannot assure you that water will be available in sufficient quantities to meet our future production needs or will prove sufficient to meet our water supply needs.

Increases in the prices of raw materials would increase our cost of goods sold and may adversely affect our results.

In addition to water, our most significant raw materials are (1) concentrate, which we acquire from affiliates of The Coca-Cola Company, (2) sweeteners and (3) packaging materials. Prices for sparkling beverages concentrate are determined by The Coca-Cola Company as a percentage of the weighted average retail price in local currency, net of applicable taxes. The Coca-Cola Company has unilaterally increased concentrate prices in the past and may do so again in the future. We cannot assure you that The Coca-Cola Company will not increase the price of the concentrate for sparkling beverages or change the manner in which such price will be calculated in the future. We may not be successful in negotiating or implementing measures to mitigate the negative effect this may have in the pricing of our products or our results. The prices for our remaining raw materials are driven by market prices and local availability, the imposition of import duties and restrictions and fluctuations in exchange rates. We are also required to meet all of our supply needs from suppliers approved by The Coca-Cola Company, which may limit the number of suppliers available to us. Our sales prices are denominated in the local currency in each country in which we operate, while the prices of certain materials, including those used in the bottling of our products, mainly resin, preforms to make plastic bottles, finished plastic bottles, aluminum cans and HFCS, are paid in or determined with reference to the U.S. dollar, and therefore may increase if the U.S. dollar appreciates against the currency of the countries in which we operate. We cannot anticipate whether the U.S. dollar will appreciate or depreciate with respect to such currencies in the future. **See Item 4. Information on the Company The Company Raw Materials.**

Our most significant packaging raw material costs arise from the purchase of resin and plastic preforms to make plastic bottles and from the purchase of finished plastic bottles, the prices of which are related to crude oil prices and global resin supply. The average prices that we paid for resin and plastic preforms in U.S. dollars in 2013, as compared to 2012 were lower in Central America, Brazil, Venezuela and Argentina, remained flat in Mexico and were higher in Colombia. We cannot provide any assurance that prices will not increase in future periods. During 2013, average sweetener prices, in almost all of our territories except Costa Rica, Nicaragua and Panama, were lower as compared to 2012 in all of the countries in which we operate. From 2010 through 2013, international sugar prices were volatile due to various factors, including shifting demands, availability and climate issues affecting production and distribution. In all of the countries in which we operate, other than Brazil, sugar prices are subject to local regulations and other barriers to market entry that cause us to pay in excess of international market prices. **See Item 4. Information on the Company**

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The Company Raw Materials. We cannot assure you that our raw material prices will not further increase in the future. Increases in the prices of raw materials would increase our cost of goods sold and adversely affect our financial performance.

Taxes could adversely affect our business.

The countries in which we operate may adopt new tax laws or modify existing laws to increase taxes applicable to our business.

On January 1, 2014, a general tax reform became effective in Mexico. This reform included the imposition of a new special tax on the production, sale and importation of beverages with added sugar, at the rate of Ps.1.00 per liter. This special tax will have a material adverse effect on our business, financial condition and results of operation; however, we are currently working on taking the necessary measures with respect to our operating structure and portfolio in order to mitigate this negative effect. Moreover, similar to other affected entities in the industry, we have filed constitutional challenges (*juicios de amparo*) against this special tax. We cannot assure you that these measures will have the desired effect or that we will prevail in our constitutional challenge. In addition, the tax reform in Mexico, as applicable to us, confirmed the income tax rate of 30%, eliminated the corporate flat tax, or IETU, imposed withholding taxes at a rate of 10% on the payment of dividends and capital gains from the sale of shares, limited the total compensation of income tax paid or retained on dividends paid outside of Mexico and limited the total amount that can be deducted from exempt payments to employees.

In Brazil, the federal taxes applied on the production and sale of beverages are based on the national average retail price, calculated based on a yearly survey of each Brazilian beverage brand, combined with a fixed tax rate and a multiplier specific for each different presentation (glass, plastic or can). Commencing on October 1, 2014 through October 1, 2018, the multiplier used to calculate taxes on soft drinks presented in cans and glasses will gradually increase per year from 31.9% and 37.2% to 38.0% and 44.4%, respectively, and the multiplier used to calculate taxes on energy and isotonic drinks presented in cans and glasses will gradually increase per year from 31.9% to 37.5%. The multipliers for other presentations of carbonated soft drinks, energy and isotonic drinks, such as plastic, cups and fountain, will not change.

In 2013, the government of Argentina imposed a withholding tax at a rate of 10% on dividends paid by Argentine companies to non-Argentine stakeholders. Similarly, in 2013, the government of Costa Rica repealed a tax exemption on dividends paid to Mexican residents. Future dividends paid to Mexican residents will be subject to withholding tax at a rate of 15% in Costa Rica.

Our products are also subject to certain taxes in many of the countries in which we operate. Certain countries in Central America, Mexico, Brazil, Venezuela and Argentina also impose taxes on sparkling beverages. **See Item 4. Information on the Company Regulation Taxation of Sparkling Beverages.** We cannot assure you that any governmental authority in any country where we operate will not impose new taxes or increase taxes on our products in the future. The imposition of new taxes or increases in taxes on our products may have a material adverse effect on our business, financial condition, prospects and results.

Regulatory developments may adversely affect our business.

We are subject to regulation in each of the territories in which we operate. The principal areas in which we are subject to regulation are water, environment, labor, taxation, health and antitrust. Regulation can also affect our ability to set prices for our products. **See Item 4. Information on the Company Regulation.** The adoption of new laws or regulations or a stricter interpretation or enforcement thereof in the countries in which we operate may increase our

operating costs or impose restrictions on our operations which, in turn, may adversely affect our financial condition, business and results. In particular, environmental standards are becoming more stringent in several of the countries in which we operate, and we are in the process of complying with these standards, although we cannot assure you that in any event we will be able to meet any timelines for compliance established by the relevant regulatory authorities. **See**

Item 4. Information on the Company Regulation Environmental Matters. Further changes in current regulations may result in an increase in compliance costs, which may have an adverse effect on our future results or financial condition.

Voluntary price restraints or statutory price controls have been imposed historically in several of the countries in which we operate. Currently, there are no price controls on our products in any of the territories in which we have operations, except for those in Argentina, where authorities directly supervise two of our products sold through supermarkets as a measure to control inflation, and Venezuela, where the government has imposed price controls on certain products, including bottled water, and has recently imposed a limit on profits earned on the sale of goods, including our products, seeking to maintain price stability of, and equal access to, goods and services. If we exceed such limit on profits, we may be forced to reduce the prices of our products in Venezuela, which would in turn adversely affect our business and results of operations. In addition, consumer protection laws in Venezuela are subject to continuing review and changes, and any such changes may have an adverse impact on us. We cannot assure you that existing or future regulations in Venezuela relating to goods and services will not result in increased limits on profits or a forced reduction of prices affecting our products, which could have a negative effect on our results of operations. The imposition of these restrictions or voluntary price restraints in other territories may have an adverse effect on our results and financial position. **See Item 4.**

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Information on the Company Regulation Price Controls. We cannot assure you that governmental authorities in any country where we operate will not impose statutory price controls or that we will not need to implement voluntary price restraints in the future.

In May 2012, the Venezuelan government adopted significant changes to labor regulations, which had a negative impact on our business and operations. The principal changes that impacted our operations are: (i) the requirement that employee terminations are now subject to governmental authorization; (ii) retroactive assessments for any modifications to our severance payment system; (iii) a reduction in the maximum daily and weekly working hours (from 44 to 40 weekly); (iv) an increase in mandatory weekly breaks, prohibiting a reduction in salaries as a result of such increase; and (v) the requirement that all third party contractors participating in the manufacturing and sales processes of our products be included in our payroll by no later than May 2015. We are currently in compliance with these labor regulations and expect to include all third party contractors to our payroll by the imposed deadline.

In January 2012, the Costa Rican government approved a decree, which regulates the sale of food and beverages in schools. The decree came into effect in 2012. Enforcement of this law has been gradual since it started in 2012 and until 2014, depending on the specific characteristics of the food and beverage in question. According to the decree, the sale of specific sparkling beverages and still beverages that contain sugar, syrup or HFCS in any type of presentation in schools is prohibited. We are still allowed to sell water and certain still beverages in schools. We cannot assure you that the Costa Rican government will not further restrict sales of other of our products in schools in the future; any such further restrictions could lead to an adverse impact on our results of operations.

Unfavorable results of legal proceedings could have an adverse effect on our results or financial condition.

Our operations have from time to time been and may continue to be subject to investigations and proceedings by antitrust authorities, and litigation relating to alleged anticompetitive practices. We have also been subject to investigations and proceedings on environmental and labor matters. We cannot assure you that these investigations and proceedings will not have an adverse effect on our results or financial condition. **See Item 8. Financial Information Legal Proceedings.**

Weather conditions may adversely affect our results.

Lower temperatures and higher rainfall may negatively impact consumer patterns, which may result in lower per capita consumption of our beverage offerings. Additionally, adverse weather conditions may affect road infrastructure and points of sale in the territories in which we operate and limit our ability to sell and distribute our products, thus affecting our results.

We conduct business in countries in which we had not previously operated and that presents different or greater risks than certain countries in Latin America.

As a result of the acquisition of 51% of the outstanding shares of CCBPI, we have expanded our geographic reach from Latin America to include the Philippines. The Philippines presents different risks and different competitive pressures than those we face in Latin America. In the Philippines, we are the only beverage company competing across categories, and we face competition in each category. In addition, the per capita income of the population in Philippines is lower than the average per capita income in the countries in which we currently operate, and the distribution and marketing practices in the Philippines differ from our historical practices. We may have to adapt our marketing and distribution strategies to compete effectively. Our inability to compete effectively may have an adverse effect on our future results.

We may not be able to successfully integrate our recent acquisitions and achieve the operational efficiencies and/or expected synergies.

We have and we may continue to acquire bottling operations and other businesses. A key element to achieve the benefits and expected synergies of our recent and future acquisitions and/or mergers is to integrate the operation of acquired or merged businesses into our operations in a timely and effective manner. We may incur unforeseen liabilities in connection with acquiring, taking control of or managing bottling operations and other businesses and may encounter difficulties and unforeseen or additional costs in restructuring and integrating them into our operating structure. We cannot assure you that these efforts will be successful or completed as expected by us, and our business, results and financial condition could be adversely affected if we are unable to do so.

Risks Related to the Series L shares and the ADSs

Holders of our Series L shares have limited voting rights.

Holders of our Series L shares are entitled to vote only in certain circumstances. In general terms, they may elect up to three of our maximum of 21 directors and are only entitled to vote on specific matters, including certain changes in our corporate form, mergers involving our company when our company is the merged entity or when the principal corporate purpose of the merged entity

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is not related to the corporate purpose of our company, the cancellation of the registration of our shares on the Mexican Stock Exchange or any other foreign stock exchange, and those matters for which the *Ley del Mercado de Valores* (Mexican Securities Market Law) expressly allows them to vote. As a result, Series L shareholders will not be able to influence our business or operations. See **Item 7. Major Shareholders and Related Party Transactions Major Shareholders** and **Item 10. Additional Information Bylaws Voting Rights, Transfer Restrictions and Certain Minority Rights**.

Holders of ADSs may not be able to vote at our shareholder meetings.

Our shares are traded on the New York Stock Exchange (NYSE) in the form of ADSs. Holders of our shares in the form of ADSs may not receive notice of shareholder meetings from our ADS depository in sufficient time to enable such holders to return voting instructions to the ADS depository in a timely manner.

The protections afforded to non-controlling interest shareholders in Mexico are different from those afforded to minority shareholders in the United States and investors may experience difficulties in enforcing civil liabilities against us or our directors, officers and controlling persons.

Under the Mexican Securities Market Law, the protections afforded to non-controlling interest shareholders are different from, and may be less than, those afforded to minority shareholders in the United States. Therefore, it may be more difficult for non-controlling interest shareholders to enforce their rights against us, our directors or our controlling interest shareholders than it would be for minority shareholders of a U.S. company.

In addition, we are organized under the laws of Mexico, and most of our directors, officers and controlling persons reside outside the United States, and all or a substantial portion of our assets and the assets of our directors, officers and controlling persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States on such persons or to enforce judgments against them, including in any action based on civil liabilities under the U.S. federal securities laws.

The enforceability against our directors, officers and controlling persons in Mexico in actions for enforcement of judgments of U.S. courts, and liabilities predicated solely upon the U.S. federal securities laws will be subject to certain requirements provided for in the Mexican Federal Civil Procedure Code and any applicable treaties. Some of the requirements may include personal service of process and that the judgments of U.S. courts are not against Mexican public policy. The Mexican Securities Market Law, which is considered Mexican public policy, provides that in the event of actions derived from any breach of the duty of care and the duty of loyalty against our directors and officers, any remedy would be exclusively for the benefit of our company. Therefore, investors would not be directly entitled to any remedies under such actions.

Developments in other countries may adversely affect the market for our securities.

The market value of securities of Mexican companies is, to varying degrees, influenced by economic and securities market conditions in other countries. Although economic conditions are different in each country, investors' reactions to developments in one country can have effects on the securities of issuers in other countries, including Mexico. We cannot assure you that events elsewhere will not adversely affect the market value of our securities.

Holders of Series L shares in the United States and holders of ADSs may not be able to participate in any capital offering and as a result may be subject to dilution of their equity interests.

Under applicable Mexican law, if we issue new shares for cash as a part of a capital increase, other than in connection with a public offering of newly issued shares or treasury stock, we are generally required to grant our shareholders the right to purchase a sufficient number of shares to maintain their existing ownership percentage. Rights to purchase shares in these circumstances are known as preemptive rights. By law, we may not allow holders of our shares or ADSs who are located in the United States to exercise any preemptive rights in any future capital increases unless (1) we file a registration statement with the United States Securities and Exchange Commission, or SEC, with respect to that future issuance of shares or (2) the offering qualifies for an exemption from the registration requirements of the U.S. Securities Act of 1933, as amended. At the time of any future capital increase, we will evaluate the costs and potential liabilities associated with filing a registration statement with the SEC, as well as the benefits of preemptive rights to holders of our shares in the form of ADSs in the United States and any other factors that we consider important in determining whether to file a registration statement.

We may decide not to file a registration statement with the SEC that would allow holders of our shares or ADSs who are located in the United States to participate in a preemptive rights offering. In addition, under current Mexican law, the sale by the ADS depository of preemptive rights and the distribution of the proceeds from such sales to the holders of our shares in the form of ADSs is

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not possible. As a result, the equity interest of holders of our shares in the form of ADSs would be diluted proportionately. See **Item 10. Additional Information Bylaws Preemptive Rights.**

Risks Related to the Countries in Which We Operate

Adverse economic conditions in the countries in which we operate may adversely affect our financial condition and results.

We are a Mexican corporation and our Mexican operations are our single most important geographic territory. We also conduct an important part of our operations in Brazil. For the year ended December 31, 2013, more than 50% of our total revenues were attributable to Mexico and Brazil. In addition to Mexico and Brazil, we conduct operations in Guatemala, Nicaragua, Costa Rica, Panama, Colombia, Venezuela, and Argentina. Our results are affected by the economic and political conditions in the countries where we conduct operations. Some of these economies continue to be heavily influenced by the U.S. economy, and therefore, deterioration in economic conditions in the U.S. economy may affect these economies. Deterioration or prolonged periods of weak economic conditions in the countries where we conduct operations may have, and in the past have had, a negative effect on our company and a material adverse effect on our results and financial condition.

Our business may also be significantly affected by the interest rates, inflation rates and exchange rates of the currencies of the countries in which we operate. Decreases in growth rates, periods of negative growth and/or increases in inflation or interest rates may result in lower demand for our products, lower real pricing of our products or a shift to lower margin products. See **Item 11. Quantitative and Qualitative Disclosures about Market Risk.** In addition, an increase in interest rates would increase the cost to us of variable rate funding, which constituted approximately 29.2% of our total debt as of December 31, 2013, which would have an adverse effect on our financial position. See **Item 5. Operating and Financial Review and Prospects Liquidity and Capital Resources.**

Consumer demand, preferences, real prices and the costs of raw materials are heavily influenced by macroeconomic and political conditions in the countries in which we operate. These conditions vary by country and may not be correlated. In Venezuela, for example, we continue to face exchange rate risk as well as scarcity of and restrictions on importing raw materials.

Depreciation of the local currencies of the countries in which we operate relative to the U.S. dollar could adversely affect our financial condition and results.

Depreciation of local currencies relative to the U.S. dollar increases the cost to us of some of the raw materials we acquire, the price of which may be paid in or determined with reference to U.S. dollars, and of our debt obligations denominated in U.S. dollars and may therefore negatively affect our results, financial position and equity. Significant fluctuations of local currencies relative to the U.S. dollar have occurred in the past and may continue in the future, negatively affecting our results. See **Item 3. Key Information Exchange Rate Information** and **Item 11. Quantitative and Qualitative Disclosures about Market Risk Foreign Currency Exchange Rate Risk.**

According to the U.S. Federal Reserve Board, the Mexican peso exchange rate relative to the U.S. dollar in 2013 registered a low of Ps.11.98 to US\$1.00 and a high of Ps.13.43 to US\$1.00. As of December 31, 2013, the Mexican peso exchange rate was Ps.13.10 to US\$1.00. As of April 4, 2014, the Mexican peso exchange rate was Ps.13.03 to US\$1.00.

According to the U.S. Federal Reserve Board, the Brazilian real exchange rate relative to the U.S. dollar in 2013 registered a low of reais 1.95 to US\$1.00, and a high of reais 2.45 to US\$1.00. As of December 31, 2013, the

Brazilian real exchange rate was 2.36 to US\$1.00. As of April 4, 2014, the Brazilian real exchange rate was reais 2.24 to US\$1.00.

At the end of January 2014, the exchange rate of the Argentine peso registered a devaluation of approximately 20% with respect to the U.S. dollar. As a result of this devaluation, the balance sheet of our subsidiary could reflect a reduction in shareholders' equity during 2014. As of December 31, 2013, our foreign direct investment in Argentina, using the exchange rate of 6.38 Argentine pesos per U.S. dollar, was Ps.945 million.

Depreciation of other local currencies of the countries in which we operate relative to the U.S. dollar may also potentially increase our operating costs. We have operated under exchange controls in Venezuela since 2003, which limit our ability to remit dividends abroad or make payments other than in local currency and that may increase the real price paid for raw materials and services purchased in local currency. We have historically used the official exchange rate (currently 6.30 bolivars to US\$1.00) in our Venezuelan operations; however, in January 2014, the Venezuelan government announced that certain transactions, such as payment of services and payments related to foreign investments in Venezuela, must be settled at an alternative exchange rate determined by the state-run system known as the *Sistema Complementario de Administración de Divisas*, or SICAD. The SICAD determines this

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alternative exchange rate based on limited periodic sales of U.S. dollars through auctions. The exchange rate based on the most recent SICAD auction, held on April 4, 2014, and in effect as of April 7, 2014, was 10.00 bolivars to US\$1.00. Imports of our raw materials into Venezuela qualify as transactions that may be settled using the official exchange rate of 6.30 bolivars to US\$1.00, thus, we will continue to account for these transactions using such official exchange rate. We will recognize in the cumulative translation account in our consolidated financial statements as of March 31, 2014 a reduction in equity as a result of the valuation of our net investment in Venezuela at the SICAD exchange rate (10.70 bolivars to US\$1.00 as of March 31, 2014). As of December 31, 2013, our foreign direct investment in Venezuela was Ps.13,788 million (at the official exchange rate of 6.30 bolivars per US\$1.00). In addition, in March 2014, the Venezuelan government enacted a new law that authorizes an additional method (known as SICAD II) of exchanging Venezuelan bolivars to U.S. dollars at rates other than the current official exchange and the existing SICAD rates for any other types of transaction different than those described above. As of April 4, 2014, the SICAD II exchange rate was 49.04 bolivars to US\$1.00. Future changes in the Venezuelan exchange control regime, and future currency devaluations or the imposition of exchange controls in any of the countries in which we operate could have an adverse effect on our financial position and results.

We selectively hedge our exposure to the U.S. dollar with respect to certain local currencies, our U.S. dollar-denominated debt obligations and the purchase of certain U.S. dollar-denominated raw materials. A severe depreciation of any currency of the countries in which we operate may result in a disruption of the international foreign exchange markets and may limit our ability to transfer or to convert such currencies into U.S. dollars or other currencies for the purpose of making timely payments of interest and principal on our U.S. dollar-denominated indebtedness or obligations in other currencies. While the Mexican government does not currently restrict, and since 1982 has not restricted, the right or ability of Mexican or foreign persons or entities to convert Mexican pesos into U.S. dollars or to transfer other currencies out of Mexico, the Mexican government could institute restrictive exchange rate policies in the future. Currency fluctuations may have an adverse effect on our results, financial condition and cash flows in future periods.

Political and social events in the countries in which we operate may significantly affect our operations.

In July 2012, the presidential election in Mexico led to the election of a new president and political party, Enrique Peña Nieto of the *Partido Revolucionario Institucional*. Mexico's new president has implemented and may continue to implement significant changes in laws, public policy and/or regulations that could affect Mexico's political and economic situation. Any such changes may have an adverse effect on our business. Political disagreements between the executive and the legislative branches in Mexico could result in deadlock and prevent the timely implementation of political and economic reforms. We cannot provide any assurances that political developments in Mexico, over which we have no control, will not have an adverse effect on our business, financial condition or results.

In April 2013, the presidential election in Venezuela led to the election of a new president, Nicolás Maduro Moros. In April 2014, the presidential election in Costa Rica led to the election of a new president, Luis Guillermo Solís. In 2014, Panama, Colombia and Brazil will hold presidential elections that will lead to the election of new presidents. The new administrations elected or to be elected in the countries in which we operate may implement significant changes in laws, public policy and/or regulations that could affect the political and economic conditions in these countries. Any such changes may have an adverse effect on our business, financial condition or results.

We cannot assure you that political or social developments in any of the countries in which we have operations, such as the recent civil disturbances in Venezuela, over which we have no control, will not have a corresponding adverse effect on the global market or on our business, financial condition or results.

Item 4. Information on the Company

THE COMPANY

Overview

We are the largest franchise bottler of *Coca-Cola* trademark beverages in the world. We operate in territories in the following countries:

Mexico a substantial portion of central Mexico, the southeast and northeast of Mexico (including the Gulf region).

Central America Guatemala (Guatemala City and surrounding areas), Nicaragua (nationwide), Costa Rica (nationwide) and Panama (nationwide).

Colombia most of the country.

Venezuela nationwide.

Brazil a major part of the states of São Paulo and Minas Gerais, the states of Paraná and Mato Grosso do Sul and part of the states of Rio de Janeiro and Goiás.

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Argentina Buenos Aires and surrounding areas.

Philippines nationwide (through a joint venture with The Coca-Cola Company).

Our company was organized on October 30, 1991 as a *sociedad anónima de capital variable* (a variable capital stock corporation) under the laws of Mexico with a duration of 99 years. On December 5, 2006, as required by amendments to the Mexican Securities Market Law, we became a *sociedad anónima bursátil de capital variable* (a listed variable capital stock corporation). Our legal name is Coca-Cola FEMSA, S.A.B. de C.V. Our principal executive offices are located at Calle Mario Pani No. 100, Colonia Santa Fe Cuajimalpa, Delegación Cuajimalpa de Morelos, 05348, México, D.F., México. Our telephone number at this location is (52-55) 1519-5000. Our website is www.coca-colafemsa.com.

The following is an overview of our operations by consolidated reporting segment in 2013.

Operations by Consolidated Reporting Segment Overview**Year Ended December 31, 2013**

	Total Revenues (millions of Mexican pesos)	Percentage of Total Revenues	Gross Profit (millions of Mexican pesos)	Percentage of Gross Profit
Mexico and Central America ⁽¹⁾	70,679	45.3%	34,941	47.9%
South America ⁽²⁾ (excluding Venezuela)	53,774	34.5%	22,374	30.7%
Venezuela	31,558	20.2%	15,620	21.4%
Consolidated	156,011	100.0%	72,935	100.0%

(1) Includes Mexico, Guatemala, Nicaragua, Costa Rica and Panama. Includes results of Grupo Yoli from June 2013.

(2) Includes Colombia, Brazil and Argentina. Includes results of Companhia Fluminense from September 2013 and Spaipa from November 2013.

Corporate History

We are a subsidiary of FEMSA, which also participates in the beer and retail industries. FEMSA participates in the beer industry through its ownership of the second largest equity stake in Heineken, one of the world's leading brewers with operations in over 70 countries. FEMSA participates in the retail industry through FEMSA Comercio, operating various small-format chain stores, including OXXO, the largest and fastest-growing chain of stores in Latin America. FEMSA's operations are supported by FEMSA's strategic business unit.

In 1979, a subsidiary of FEMSA acquired certain sparkling beverage bottlers that are now a part of our company. At that time, the acquired bottlers had 13 Mexican distribution centers operating 701 distribution routes, and their production capacity was 83 million cases. In 1991, FEMSA transferred its ownership in the bottlers to FEMSA Refrescos, S.A. de C.V., the corporate predecessor to Coca-Cola FEMSA, S.A.B. de C.V.

In June 1993, a subsidiary of The Coca-Cola Company subscribed for 30% of our capital stock in the form of Series D shares for US\$195 million. In September 1993, FEMSA sold Series L shares that represented 19% of our capital stock to the public, and we listed these shares on the Mexican Stock Exchange and, in the form of ADSs, on the New York Stock Exchange. In a series of transactions between 1994 and 1997, we acquired territories in Argentina and additional territories in southern Mexico.

In May 2003, we acquired Panamerican Beverages Inc., or Panamco, and began producing and distributing *Coca-Cola* trademark beverages in additional territories in the central and gulf regions of Mexico and in Central America (Guatemala, Nicaragua, Costa Rica and Panama), Colombia, Venezuela and Brazil, along with bottled water, beer and other beverages in some of these territories. As a result of the acquisition, the interest of The Coca-Cola Company in the capital stock of our company increased from 30.0% to 39.6%.

During August 2004, we conducted a rights offering to allow existing holders of our Series L shares and ADSs to acquire newly issued Series L shares in the form of Series L shares and ADSs, respectively, at the same price per share at which FEMSA and The Coca-Cola Company subscribed in connection with the Panamco acquisition.

In November 2006, FEMSA acquired, through a subsidiary, 148,000,000 of our Series D shares from certain subsidiaries of The Coca-Cola Company representing 9.4% of the total outstanding voting shares and 8.0% of the total outstanding equity of Coca-Cola FEMSA, at a price of US\$2.888 per share for an aggregate amount of US\$427.4 million. With this purchase, FEMSA increased its

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ownership to 53.7% of our capital stock. Pursuant to our bylaws, the acquired shares were converted from Series D shares to Series A shares.

In November 2007, Administración, S.A.P.I. de C.V., or Administración, a Mexican company owned directly and indirectly by us and The Coca-Cola Company, acquired 100% of the shares of capital stock of Jugos del Valle, S.A.P.I. de C.V., or Jugos del Valle. Jugos del Valle sells fruit juice-based beverages and fruit derivatives. The business of Jugos del Valle in the United States was acquired and sold by The Coca-Cola Company. In 2008, we, The Coca-Cola Company and all Mexican and Brazilian *Coca-Cola* bottlers entered into a joint business for the Mexican and Brazilian operations, respectively, of Jugos del Valle. Taking into account the participation held by Grupo Yoli, as of April 4, 2014, we held an interest of 26.2% in the Mexican joint business. In August 2010, we acquired from The Coca-Cola Company, along with other Brazilian Coca-Cola bottlers, Leão Alimentos e Bebidas, Ltda. or Leão Alimentos, manufacturer and distributor of the *Matte Leao* tea brand. In January 2013, our Brazilian joint business of Jugos del Valle merged with Leão Alimentos. Taking into account our participation and the participations held by Companhia Fluminense and Spaipa, as of April 4, 2014, we held a 26.1% indirect interest in the *Matte Leao* business in Brazil.

In December 2007 and May 2008, we sold most of our proprietary brands to The Coca-Cola Company. The proprietary brands are now being licensed back to us by The Coca-Cola Company pursuant to our bottler agreements. The December 2007 transaction was valued at US\$48 million and the May 2008 transaction was valued at US\$16 million. Revenues from the sale of proprietary brands in which we have a significant continuing involvement are deferred and amortized against the related costs of future sales over the estimated sales period.

In May 2008, we entered into a transaction with The Coca-Cola Company to acquire its wholly owned bottling franchise Refrigerantes Minas Gerais, Ltda., or REMIL, located in the State of Minas Gerais in Brazil, for a purchase price of US\$364.1 million. We began to consolidate REMIL in our financial statements in June 2008.

In July 2008, we acquired the Agua De Los Angeles bulk water business in the Valley of Mexico (Mexico City and surrounding areas) from Grupo Embotellador CIMSA, S.A. de C.V., at the time one of the Coca-Cola bottling franchises in Mexico, for a purchase price of US\$18.3 million. The trademarks remain with The Coca-Cola Company. We subsequently merged Agua De Los Angeles into our bulk water business under the *Ciel* brand.

In February 2009, we acquired with The Coca-Cola Company the *Brisa* bottled water business in Colombia from Bavaria, S.A., a subsidiary of SABMiller plc. We acquired the production assets and the distribution territory, and The Coca-Cola Company acquired the *Brisa* brand. We and The Coca-Cola Company equally shared in paying the purchase price of US\$92 million. Following a transition period, in June 2009, we started to sell and distribute the *Brisa* portfolio of products in Colombia.

In May 2009, we entered into an agreement to manufacture, distribute and sell the *Crystal* trademark water products in Brazil jointly with The Coca-Cola Company.

In March 2011, we acquired with The Coca-Cola Company, through Compañía Panameña de Bebidas, S.A.P.I. de C.V., Grupo Industrias Lacteas, S.A. (also known as Estrella Azul), a Panamanian conglomerate that participates in the dairy and juice-based beverage categories in Panama. We continue to develop this business with The Coca-Cola Company.

In October 2011, we closed our merger with Grupo Tampico, one of the largest family-owned *Coca-Cola* bottlers calculated by sales volume in Mexico. This franchise territory operates in the states of Tamaulipas, San Luis Potosí, and Veracruz, as well as in parts of the states of Hidalgo, Puebla and Queretaro. The aggregate enterprise value of this

transaction was Ps.9,300 million and we issued a total of 63.5 million new Series L shares in connection with this transaction. We began to consolidate Grupo Tampico in our financial statements in October 2011.

In December 2011, we closed our merger with Grupo CIMSA, and its shareholders, a Mexican family-owned *Coca-Cola* bottler with operations mainly in the states of Morelos and Mexico, as well as in parts of the states of Guerrero and Michoacán. The aggregate enterprise value of this transaction was Ps.11,000 million and we issued a total of 75.4 million new Series L shares in connection with this transaction. We began to consolidate Grupo CIMSA in our financial statements in December 2011. As part of our merger with Grupo CIMSA, we also acquired a 13.2% equity interest in Promotora Industrial Azucarera, S.A de C.V., or Piasa.

In May 2012, we closed our merger with Grupo Fomento Queretano, one of the oldest family-owned beverage players in the *Coca-Cola* system in Mexico, with operations mainly in the state of Querétaro, as well as in parts of the states of Mexico, Hidalgo and Guanajuato. The aggregate enterprise value of this transaction was Ps.6,600 million and we issued a total of 45.1 million new Series L shares in connection with this transaction. We began to consolidate Grupo Fomento Queretano in our financial statements in May 2012. As part of our merger with Grupo Fomento Queretano we also acquired an additional 12.9% equity interest in Piasa.

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In August 2012, we acquired, through Jugos del Valle, an indirect participation in Santa Clara Mercantil de Pachuca, S.A. de C.V., or Santa Clara, a producer of milk and dairy products in Mexico. As of April 4, 2014, we owned an indirect participation of 26.2% in Santa Clara.

On January 25, 2013, we closed the transaction with The Coca-Cola Company to acquire a 51% non-controlling majority stake in CCBPI for US\$688.5 million (Ps.8,904 million) in an all-cash transaction. We have an option to acquire the remaining 49% stake in CCBPI at any time during the seven years following the closing date. We also have a put option to sell our ownership in CCBPI to The Coca-Cola Company commencing on the fifth anniversary of the closing date and ending on the sixth anniversary of the closing date. We currently manage the day-to-day operations of the business; however, during a four year period ending January 25, 2017 the business plan and other operational decisions must be taken jointly with The Coca-Cola Company. We currently recognize the results of CCBPI using the equity method.

Recent Acquisitions

In May 2013, we closed our merger with Grupo Yoli, one of the oldest family-owned Coca-Cola bottlers in Mexico, operating mainly in the state of Guerrero as well as in parts of the state of Oaxaca. Grupo Yoli sold approximately 99 million unit cases in 2012. The aggregate enterprise value of this transaction was Ps.8,806 million and we issued a total of 42.4 million new Series L shares in connection with this transaction. As part of our merger with Grupo Yoli, we also acquired an additional 10.1% equity interest in Piasa for a total ownership above 36.3%. We began consolidating the results of Grupo Yoli in our financial statements in June 2013.

In August 2013, we closed our acquisition of Companhia Fluminense, a family owned franchise that operates in parts of the states of São Paulo, Minas Gerais and Rio de Janeiro in Brazil. Companhia Fluminense sold approximately 56.6 million unit cases (including beer) in the twelve months ended March 31, 2013. The aggregate enterprise value of this transaction was US\$448 million and was an all-cash transaction. As part of our acquisition of Companhia Fluminense, we also acquired an additional 1.20% equity interest in Leão Alimentos. We began consolidating the results of Companhia Fluminense in our financial statements in September 2013.

In October 2013, we closed our acquisition of Spaipa, the second largest family owned franchise in Brazil, with operations in the state of Paraná and in parts of the state of São Paulo. Spaipa sold approximately 233.3 million unit cases (including beer) in the twelve months ended June 30, 2013. The aggregate enterprise value of this transaction was US\$1,855 million and was an all-cash transaction. As part of our acquisition of Spaipa, we also acquired an additional 5.82% equity interest in Leão Alimentos, for a total ownership of 26.1%, and a 50% stake in Fountain Água Mineral Ltda., a joint venture to develop the water category together with The Coca-Cola Company. We began consolidating the results of Spaipa in our financial statements in November 2013.

Capital Stock

As of April 4, 2014, FEMSA indirectly owned Series A shares equal to 47.9% of our capital stock (63.0% of our capital stock with full voting rights). As of April 4, 2014, The Coca-Cola Company indirectly owned Series D shares equal to 28.1% of the capital stock of our company (37.0% of our capital stock with full voting rights). Series L shares with limited voting rights, which trade on the Mexican Stock Exchange and in the form of ADSs on the New York Stock Exchange, constitute the remaining 24.0% of our capital stock.

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Business Strategy

We operate with a large geographic footprint in Latin America. In January 2014, we restructured our operations under four new divisions: (1) Mexico and Central America (covering certain territories in Mexico and Guatemala, and all of Nicaragua, Costa Rica and Panama), (2) South America (covering certain territories in Argentina, most of Colombia and all of Venezuela), (3) Brazil (covering a major part of the states of São Paulo and Minas Gerais, the states of Paraná and Mato Grosso do Sul and part of the states of Rio de Janeiro and Goiás), and (4) Asia (covering all of the Philippines through a joint venture with The Coca-Cola Company). Through these divisions, we expect to create a more flexible structure to execute our strategies and extend our track record of growth. Through December 31, 2013, we managed our business under two divisions Mexico and Central America and South America. With this new business structure, we aligned our business strategies more efficiently, ensuring a faster introduction of new products and categories, and a more rapid and effective design and deployment of commercial models.

One of our goals is to maximize growth and profitability to create value for our shareholders. Our efforts to achieve this goal are based on: (1) transforming our commercial models to focus on our customers' value potential and using a value-based segmentation approach to capture the industry's value potential; (2) implementing multi-segmentation strategies in our major markets to target distinct market clusters divided by consumption occasion, competitive intensity and socioeconomic levels; (3) implementing well-planned product, packaging and pricing strategies through different distribution channels; (4) driving product innovation along our different product categories; (5) developing new businesses and distribution channels; and (6) achieving the full operating potential of our commercial models and processes to drive operational efficiencies throughout our company. In furtherance of these efforts, we intend to continue to focus on, among other initiatives, the following:

working with The Coca-Cola Company to develop a business model to continue exploring and participating in new lines of beverages, extending existing product lines and effectively advertising and marketing our products;

developing and expanding our still beverage portfolio through innovation, strategic acquisitions and by entering into agreements to acquire companies with The Coca-Cola Company;

expanding our bottled water strategy with The Coca-Cola Company through innovation and selective acquisitions to maximize profitability across our market territories;

strengthening our selling capabilities and go-to-market strategies, including pre-sale, conventional selling and hybrid routes, in order to get closer to our clients and help them satisfy the beverage needs of consumers;

implementing selective packaging strategies designed to increase consumer demand for our products and to build a strong returnable base for the *Coca-Cola* brand;

replicating our best practices throughout the value chain;

rationalizing and adapting our organizational and asset structure in order to be in a better position to respond to a changing competitive environment;

committing to building a multi-cultural collaborative team, from top to bottom; and

broadening our geographic footprint through organic growth and strategic joint ventures, mergers and acquisitions.

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We seek to increase per capita consumption of our products in the territories in which we operate. To that end, our marketing teams continuously develop sales strategies tailored to the different characteristics of our various territories and distribution channels. We continue to develop our product portfolio to better meet market demand and maintain our overall profitability. To stimulate and respond to consumer demand, we continue to introduce new categories, products and presentations. **See Product and Packaging Mix.** In addition, because we view our relationship with The Coca-Cola Company as integral to our business, we use market information systems and strategies developed with The Coca-Cola Company to improve our business and marketing strategies. **See Marketing.**

We also continuously seek to increase productivity in our facilities through infrastructure and process reengineering for improved asset utilization. Our capital expenditure program includes investments in production and distribution facilities, bottles, cases, coolers and information systems. We believe that this program will allow us to maintain our capacity and flexibility to innovate and to respond to consumer demand for our products.

We focus on management quality as a key element of our growth strategy and remain committed to fostering the development of quality management at all levels. Our Strategic Talent Management Model is designed to enable us to reach our full potential by developing the capabilities of our employees and executives. This holistic model works to build the skills necessary for our employees and executives to reach their maximum potential, while contributing to the achievement of our short- and long-term objectives. To support this capability development model, our board of directors has allocated a portion of our yearly operating budget to fund these management training programs.

Sustainable development is a comprehensive part of our strategic framework for business operation and growth. We base our efforts in our Corporate Values and Ethics. We focus on three core areas, (i) our people, by encouraging the development of our employees and their families; (ii) our communities, by promoting development in the communities we serve, an attitude of health, self-care, adequate nutrition and physical activity, and evaluating the impact of our value chain; and (iii) our planet, by establishing guidelines that we believe will result in efficient use of natural resources to minimize the impact that our operations might have on the environment and create a broader awareness of caring for our environment.

In our company we are conscious that weight issues and obesity are worldwide health problems, which need a collective effort for their solution. We believe that neither beverages nor any other product by itself is the direct cause of these problems, as they are complicated issues related to dietary habits and physical activity. However, as industry leaders, we would like to be a part of the solution. That is why we are committed to find, together with public and private institutions of the countries in which we operate, a comprehensive solution to this problem. Through innovation, we have developed new products and expanded the availability of low or zero calorie beverages as well as bottled water. Almost 40% of our product types are calorie free or low calorie beverages. In addition, we inform our consumers through front labeling on nutrient composition and caloric content of our beverages. We have been pioneers in the introduction of the Guideline Daily Amounts (GDA), and we perform responsible advertising practices and marketing. We voluntarily adhere to national and international codes of conduct in advertising and marketing, specifically when targeting children of less than 12 years of age, achieving full compliance with all such codes in all of the countries in which we operate. Moreover, we actively promote exercise, proper nutrition and healthy habits to promote an energetic balance, demonstrating our commitment to encourage physical activity among consumers. In general, more than 395,000 people benefited from our company's health and physical activity programs, and more than 2.6 million people through physical activity events where we had brand presence during 2013.

At Coca-Cola FEMSA, we pledge to continue working to innovate and take measures to help people lead active and healthy lifestyles.

Equity Method Investment in CCBPI

On January 25, 2013, as part of our efforts to expand our geographic reach, we acquired a 51% non-controlling majority stake in CCBPI. We currently manage the day-to-day operations of the business; however, during a four year period ending January 25, 2017 the business plan and other operational decisions must be taken jointly with The Coca-Cola Company. As of December 31, 2013, our investment under the equity method in CCBPI was Ps.9,398 million. See Notes 10 and 26 to our consolidated financial statements. Our product portfolio in the Philippines consists of *Coca-Cola* trademark beverages and our total sales volume in 2013 reached 515 million unit cases. The operations of CCBPI are comprised of 20 production plants and serve close to 925,000 customers.

The Philippines has one of the highest per capita consumption rates of *Coca-Cola* products in the region and presents significant opportunities for further growth. *Coca-Cola* has been present in the Philippines since the start of the 20th century and since 1912 it has been locally producing *Coca-Cola* products. The Philippines received the first Coca-Cola bottling and distribution franchise in Asia. Our strategic framework for growth in the Philippines is based on three pillars: portfolio, route to market and supply chain.

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Our Territories

The following map shows our territories, giving estimates in each case of the population to which we offer products, the number of retailers of our beverages and the per capita consumption of our beverages as of December 31, 2013:

Per capita consumption data for a territory is determined by dividing total beverage sales volume within the territory (in bottles, cans, and fountain containers) by the estimated population within such territory, and is expressed on the basis of the number of eight-ounce servings of our products consumed annually per capita. In evaluating the development of local volume sales in our territories and to determine product potential, we and The Coca-Cola Company measure, among other factors, the per capita consumption of all our beverages.

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We produce, market, sell and distribute *Coca-Cola* trademark beverages. The *Coca-Cola* trademark beverages include: sparkling beverages (colas and flavored sparkling beverages), waters and still beverages (including juice drinks, coffee, teas, milk, value-added dairy and isotonic drinks). The following table sets forth our main brands as of December 31, 2013:

	Mexico and Central America⁽¹⁾	South America⁽²⁾	Venezuela
Colas:			
<i>Coca-Cola</i>	ü	ü	ü
<i>Coca-Cola Light</i>	ü	ü	ü
<i>Coca-Cola Zero</i>	ü	ü	
<i>Coca-Cola Life</i>		ü	

	Mexico and Central America⁽¹⁾	South America⁽²⁾	Venezuela
Flavored sparkling beverages:			
<i>Ameyal</i>	ü		
<i>Canada Dry</i>	ü		
<i>Chinotto</i>			ü
<i>Crush</i>		ü	
<i>Escuis</i>	ü		
<i>Fanta</i>	ü	ü	
<i>Fresca</i>	ü		
<i>Frescolita</i>	ü		ü
<i>Hit</i>			ü
<i>Kist</i>	ü		
<i>Kuat</i>		ü	
<i>Lift</i>	ü		
<i>Mundet</i>	ü		
<i>Quatro</i>		ü	
<i>Schweppes</i>	ü	ü	ü
<i>Simba</i>		ü	
<i>Sprite</i>	ü	ü	
<i>Victoria</i>	ü		
<i>Yoli</i>	ü		

	Mexico and Central America⁽¹⁾	South America⁽²⁾	Venezuela
Water:			
<i>Alpina</i>	ü		
<i>Aquarius⁽³⁾</i>		ü	
<i>Bonaqua</i>		ü	

<i>Brisa</i>		ü
<i>Ciel</i>	ü	
<i>Crystal</i>		ü
<i>Dasani</i>	ü	
<i>Manantial</i>		ü
<i>Nevada</i>		ü

<i>Other Categories:</i>	Mexico and Central America⁽¹⁾	South America⁽²⁾	Venezuela
<i>Cepita⁽⁴⁾</i>		ü	
<i>Del Prado⁽⁵⁾</i>	ü		
<i>Estrella Azul⁽⁶⁾</i>	ü		
<i>FUZE Tea</i>	ü		ü
<i>Hi-C⁽⁷⁾</i>	ü	ü	
<i>Leche Santa Clara⁽⁸⁾</i>	ü		
<i>Jugos del Valle⁽⁴⁾</i>	ü	ü	ü
<i>Matte Leao⁽⁹⁾</i>		ü	

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<i>Other Categories:</i>	Mexico and Central America⁽¹⁾	South America⁽²⁾	Venezuela
<i>Powerade⁽¹⁰⁾</i>	ü	ü	ü
<i>Valle Frut⁽¹¹⁾</i>	ü	ü	ü

- (1) Includes Mexico, Guatemala, Nicaragua, Costa Rica and Panama.
(2) Includes Colombia, Brazil and Argentina.
(3) Flavored water. In Brazil, also a flavored sparkling beverage.
(4) Juice-based beverage.
(5) Juice-based beverage in Central America.
(6) Milk and value-added dairy and juices.
(7) Juice-based beverage. Includes *Hi-C* Orangeade in Argentina.
(8) Milk and value-added dairy.
(9) Ready to drink tea.
(10) Isotonic drinks.
(11) Orangeade. Includes *Del Valle Fresh* in Costa Rica, Nicaragua, Panama, Colombia and Venezuela.

Sales Overview

We measure total sales volume in terms of unit cases. Unit case refers to 192 ounces of finished beverage product (24 eight-ounce servings) and, when applied to soda fountains, refers to the volume of syrup, powders and concentrate that is required to produce 192 ounces of finished beverage product. The following table illustrates our historical sales volume for each of our consolidated territories.

	Sales Volume		
	Year Ended December 31,		
	2013⁽¹⁾	2012⁽²⁾	2011⁽³⁾
	(millions of unit cases)		
Mexico and Central America			
Mexico	1,798.0	1,720.3	1,366.5
Central America ⁽⁴⁾	155.6	151.2	144.3
South America (excluding Venezuela)			
Colombia	275.7	255.8	252.1
Brazil ⁽⁵⁾	525.2	494.2	485.3
Argentina	227.1	217.0	210.7
Venezuela	222.9	207.7	189.8
Consolidated Volume	3,204.6	3,046.2	2,648.7

- (1) Includes volume from the operations of Grupo Yoli from June 2013, Companhia Fluminense from September 2013 and Spaipa from November 2013.
(2) Includes volume from the operations of Grupo Fomento Queretano from May 2012.
(3) Includes volume from the operations of Grupo Tampico from October 2011 and Grupo CIMSA from December 2011.

- (4) Includes Guatemala, Nicaragua, Costa Rica and Panama.
- (5) Excludes beer sales volume.

Product and Packaging Mix

Out of the more than 116 brands and line extensions of beverages that we sell and distribute, our most important brand, *Coca-Cola*, together with its line extensions, *Coca-Cola Light*, *Coca-Cola Zero* and *Coca-Cola Life*, accounted for 60.2% of total sales volume in 2013. Our next largest brands, *Ciel* (a water brand from Mexico and its line extensions), *Fanta* (and its line extensions), *ValleFrut* (and its line extensions), and *Sprite* (and its line extensions) accounted for 12.6%, 4.7%, 2.8% and 2.6%, respectively, of total sales volume in 2013. We use the term line extensions to refer to the different flavors in which we offer our brands. We produce, market, sell and distribute *Coca-Cola* trademark beverages in each of our territories in containers authorized by The Coca-Cola Company, which consist of a variety of returnable and non-returnable presentations in the form of glass bottles, cans and plastic bottles mainly made of polyethylene terephthalate, which we refer to as PET.

We use the term presentation to refer to the packaging unit in which we sell our products. Presentation sizes for our *Coca-Cola* trademark beverages range from a 6.5-ounce personal size to a 3-liter multiple serving size. For all of our products excluding water, we consider a multiple serving size as equal to, or larger than, 1.0 liter. In general, personal sizes have a higher price per unit case as

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compared to multiple serving sizes. We offer both returnable and non-returnable presentations, which allow us to offer portfolio alternatives based on convenience and affordability to implement revenue management strategies and to target specific distribution channels and population segments in our territories. In addition, we sell some *Coca-Cola* trademark beverage syrups in containers designed for soda fountain use, which we refer to as fountain. We also sell bottled water products in bulk sizes, which refer to presentations equal to or larger than 5.0 liters, which have a much lower average price per unit case than our other beverage products.

The characteristics of our territories are very diverse. Central Mexico and our territories in Argentina are densely populated and have a large number of competing beverage brands as compared to the rest of our territories. Our territories in Brazil are densely populated but have lower per capita consumption of beverage products as compared to Mexico. Portions of southern Mexico, Central America and Colombia are large and mountainous areas with lower population density, lower per capita income and lower per capita consumption of beverages. In Venezuela, we face operational disruptions from time to time, which may have an effect on our volumes sold, and consequently, may result in lower per capita consumption.

The following discussion analyzes our product and packaging mix by consolidated reporting segment. The volume data presented is for the years 2013, 2012 and 2011.

Mexico and Central America. Our product portfolio consists of *Coca-Cola* trademark beverages, including the *Jugos del Valle* line of juice-based beverages. In 2012, we launched *FUZE* tea in the division. Per capita consumption of our beverage products in Mexico and Central America was 654.0 and 180.6 eight-ounce servings, respectively, in 2013.

The following table highlights historical sales volume and mix in Mexico and Central America for our products:

	Year Ended December 31,		
	2013⁽¹⁾	2012⁽²⁾	2011⁽³⁾
Total Sales Volume			
Total (millions of unit cases)	1,953.6	1,871.5	1,510.8
Growth (%)	4.4	23.9	9.5
(in percentages)			
Unit Case Volume Mix by Category			
Sparkling beverages	73.1	73.0	74.9
Water ⁽⁴⁾	21.2	21.4	19.7
Still beverages	5.7	5.6	5.4
Total	100.0	100.0	100.0

(1) Includes volume from the operations of Grupo Yoli from June 2013.

(2) Includes volume from the operations of Grupo Fomento Queretano from May 2012.

(3) Includes volume from the operations of Grupo Tampico from October 2011 and Grupo CIMSA from December 2011.

(4) Includes bulk water volumes.

In 2013, multiple serving presentations represented 66.2% of total sparkling beverages sales volume in Mexico (including Grupo Fomento Queretano and Grupo Yoli), a 10 basis points decrease compared to 2012; and 56.3% of total sparkling beverages sales volume in Central America, a 50 basis points increase compared to 2012. Our strategy is to foster consumption of single serve presentations while maintaining multiple serving volumes. In 2013, returnable packaging, as a percentage of total sparkling beverage sales volume, accounted for 35.0% in Mexico (including Grupo Fomento Queretano and Grupo Yoli), a 160 basis points increase compared to 2012; and 23.2% in Central America, a 160 basis points decrease compared to 2012.

In 2013, our sparkling beverages volume as a percentage of total sales volume in our Mexico and Central America division (including Grupo Fomento Queretano and Grupo Yoli) increased marginally to 73.1% as compared with 2012.

Total sales volume in our Mexico and Central America division (including Grupo Fomento Queretano and Grupo Yoli) reached 1,953.6 million unit cases in 2013, an increase of 4.4% compared to 1,871.5 million unit cases in 2012. The non-comparable effect of the integration of Grupo Fomento Queretano and Grupo Yoli in Mexico contributed 89.3 million unit cases in 2013 of which 72.2% were sparkling beverages, 9.9% was water, 13.4% were bulk water and 4.5% were still beverages. Excluding the integration of these territories, volume decreased 0.4% to 1,864.2 million unit cases. Organically, our bottled water portfolio grew 5.1%, mainly driven by the performance of the *Ciel* brand in Mexico. Our still beverage category grew 3.7% mainly due to the performance of the Jugos del Valle portfolio in the division. These increases partially compensated for the flat volumes in sparkling beverages and a 3.5% decline in the bulk water business.

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In 2012, multiple serving presentations represented 66.2% of total sparkling beverages sales volume in Mexico (including Grupo Tampico, Grupo CIMSA and Grupo Fomento Queretano), a 140 basis points decrease compared to 2011; and 56.1% of total sparkling beverages sales volume in Central America, a 30 basis points increase compared to 2011. In 2012, returnable packaging, as a percentage of total sparkling beverage sales volume, accounted for 33.7% in Mexico (including Grupo Tampico, Grupo CIMSA and Grupo Fomento Queretano), a 200 basis points increase compared to 2011; and 33.6% in Central America, a 190 basis points increase compared to 2011.

In 2012, our sparkling beverages volume as a percentage of total sales volume in our Mexico and Central America division (including Grupo Tampico, Grupo CIMSA and Grupo Fomento Queretano) decreased from 74.9% in 2011 to 73.0% in 2012, mainly due to the integration, in 2011, of Grupo Tampico and Grupo CIMSA in Mexico, which have a higher mix of bulk water in their portfolios.

Total sales volume in our Mexico and Central America division (including Grupo Tampico, Grupo CIMSA and Grupo Fomento Queretano) reached 1,871.5 million unit cases in 2012, an increase of 23.9% compared to 1,510.8 million unit cases in 2011. The non-comparable effect of the integration of Grupo Fomento Queretano, Grupo Tampico and Grupo CIMSA in Mexico contributed 322.7 million unit cases in 2012 of which 62.5% were sparkling beverages, 5.1% bottled water, 27.9% bulk water and 4.5% still beverages. Excluding the integration of these territories, volume grew 1.9% to 1,538.8 million unit cases. Organically sparkling beverages sales volume increased 2.5% as compared to 2011. The bottled water category, including bulk water, decreased 2.6%. The still beverage category increased 8.9%.

South America (Excluding Venezuela). Our product portfolio in South America consists mainly of *Coca-Cola* trademark beverages, including the *Jugos del Valle* line of juice-based beverages in Colombia and Brazil, and the *Kaiser* beer brands in Brazil, which we sell and distribute.

In 2010, we incorporated ready to drink beverages under the *Matte Leao* brand in Brazil. During 2011, as part of our continuous effort to develop non-carbonated beverages, we launched *Cepita* in non-returnable PET bottles and *Hi-C*, an orangeade, both in Argentina. During 2013, as part of our efforts to foster sparkling beverage per capita consumption in Brazil, we reinforced the 2.0-liter returnable plastic bottle for the *Coca-Cola* brand and introduced two single-serve 0.2 and 0.3 liter presentations. Per capita consumption of our beverages in Colombia, Brazil and Argentina was 150.7, 253.0 and 457.3 eight-ounce servings, respectively, in 2013.

The following table highlights historical total sales volume and sales volume mix in South America (excluding Venezuela), not including beer:

	Year Ended December 31,		
	2013⁽¹⁾	2012	2011
Total Sales Volume			
Total (millions of unit cases)	1,028.1	967.0	948.1
Growth (%)	6.3	2.0	4.3
(in percentages)			
Unit Case Volume Mix by Category			
Sparkling beverages	84.1	84.9	85.9
Water ⁽²⁾	10.1	10.0	9.2
Still beverages	5.8	5.1	4.9

Total	100.0	100.0	100.0
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(1) Includes volume from the operations of Companhia Fluminense from September 2013 and Spaipa from November 2013.

(2) Includes bulk water volume.

Total sales volume in our South America division, excluding Venezuela, increased 6.3% to 1,028.1 million unit cases in 2013 as compared to 2012, as a result of growth in Colombia and Argentina and the integration of Companhia Fluminense and Spaipa in our Brazilian territories. These effects compensated for an organic volume decline in Brazil. Excluding the non-comparable effect of Companhia Fluminense and Spaipa, volumes remained flat as compared with the previous year. On the same basis, the still beverage category grew 14.3%, mainly driven by the *Jugos del Valle* line of business in Colombia and Brazil and the performance of *FUZE tea* in the division. Our bottled water portfolio, including bulk water, increased 3.8% mainly driven by the *Bonaqua* brand in Argentina and the *Brisa* brand in Colombia. These increases compensated for a 1.2% decline in the sparkling beverage portfolio.

In 2013, returnable packaging, as a percentage of total sparkling beverage sales volume, accounted for 37.2% in Colombia, a decrease of 250 basis points as compared to 2012; 22.0% in Argentina, a decrease of 690 basis points and 16.0% in Brazil, excluding the non-comparable effect of Companhia Fluminense and Spaipa, a 170 basis points increase compared to 2012. In 2013, multiple

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serving presentations represented 66.7%, 85.2% and 72.9% of total sparkling beverages sales volume in Colombia, Argentina and Brazil on an organic basis, respectively.

Total sales volume in our South America division, excluding Venezuela, was 967.0 million unit cases in 2012, an increase of 2.0% compared to 948.1 million unit cases in 2011. Growth in sparkling beverages, mainly driven by sales of the *Coca-Cola* brand in Argentina and the *Fanta* brand in Brazil and Colombia, accounted for the majority of the growth during the year. Our growth in still beverages was primarily driven by the *Jugos del Valle* line of products in Brazil and the *Cepita* juice brand in Argentina. The growth in sales volume of our water portfolio, including bulk water, was driven mainly by the *Crystal* brand in Brazil and the *Brisa* brand in Colombia.

In 2012, returnable packaging, as a percentage of total sparkling beverage sales volume, accounted for 40.4% in Colombia, remaining flat as compared to 2011; 28.9% in Argentina, an increase of 110 basis points and 14.4% in Brazil, a 150 basis points decrease compared to 2011. In 2012, multiple serving presentations represented 62.9%, 85.2% and 72.5% of total sparkling beverages sales volume in Colombia, Argentina and Brazil, respectively.

We continue to distribute and sell the *Kaiser* beer portfolio in our Brazilian territories through the 20-year term, consistent with the arrangements in place with Cervejarias Kaiser, a subsidiary of the Heineken Group, since 2006, prior to the acquisition of Cervejarias Kaiser by Cuauhtémoc Moctezuma Holding, S.A. de C.V., formerly known as FEMSA Cerveza. Beginning in the second quarter of 2005, we ceased including beer that we distribute in Brazil in our reported sales volumes.

Venezuela. Our product portfolio in Venezuela consists of *Coca-Cola* trademark beverages. Per capita consumption of our beverages in Venezuela during 2013 was 184.8 eight-ounce servings. At the end of 2011, we launched *Del Valle Fresh*, an orangeade, in Venezuela, which contributed significantly to incremental volume growth in this country during 2012. During 2012, we launched two new presentations for our sparkling beverage portfolio: a 0.355-liter non-returnable PET presentation and a 1-liter non-returnable PET presentation.

The following table highlights historical total sales volume and sales volume mix in Venezuela:

	Year Ended December 31,		
	2013	2012	2011
Total Sales Volume			
Total (millions of unit cases)	222.9	207.7	189.8
Growth (%)	7.3	9.4	(10.0)
	(in percentages)		
Unit Case Volume Mix by Category			
Sparkling beverages	85.6	87.9	91.7
Water ⁽¹⁾	6.9	5.6	5.4
Still beverages	7.5	6.5	2.9
Total	100.0	100.0	100.0

(1) Includes bulk water volume.

We have implemented a product portfolio rationalization strategy that allows us to minimize the impact of certain operating disruptions that have been recurrent in Venezuela over the last several years related to difficulties in accessing raw materials due to the delay in obtaining the corresponding import authorizations. In addition, from time to time, we experience operating disruptions due to prolonged negotiations of collective bargaining agreements. Despite these difficulties, our beverage volume increased 7.3% in 2013 as compared to 2012.

Total sales volume increased 7.3% to 222.9 million unit cases in 2013, as compared to 207.7 million unit cases in 2012. The sales volume in the sparkling beverage category grew 4.5%, driven by the strong performance of the *Coca-Cola* brand, which grew 10.0%. The bottled water business, including bulk water, grew 33.2% mainly driven by the *Nevada* brand. The still beverage category increased 23.5%, due to the performance of the *Del Valle Fresh* orangeade and *Kapo*.

In 2013, multiple serving presentations represented 80.9% of total sparkling beverages sales volume in Venezuela, a 100 basis points increase compared to 2012. In 2013, returnable presentations represented 6.8% of total sparkling beverages sales volume in Venezuela, an 80 basis points decrease compared to 2012.

In 2012, multiple serving presentations represented 79.9% of total sparkling beverages sales volume in Venezuela, a 140 basis points increase compared to 2011. In 2012, returnable presentations represented 7.5% of total sparkling beverages sales volume in Venezuela, a 50 basis points decrease compared to 2011. Total sales volume was 207.7 million unit cases in 2012, an increase of 9.4% compared to 189.8 million unit cases in 2011.

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Seasonality

Sales of our products are seasonal, as our sales levels generally increase during the summer months of each country and during the Christmas holiday season. In Mexico, Central America, Colombia and Venezuela, we typically achieve our highest sales during the summer months of April through September as well as during the Christmas holidays in December. In Brazil and Argentina, our highest sales levels occur during the summer months of October through March and the Christmas holidays in December.

Marketing

We, in conjunction with The Coca-Cola Company, have developed a marketing strategy to promote the sale and consumption of our products. We rely extensively on advertising, sales promotions and retailer support programs to target the particular preferences of our consumers. Our consolidated marketing expenses in 2013, net of contributions by The Coca-Cola Company, were Ps.5,391 million. The Coca-Cola Company contributed an additional Ps.4,206 million in 2013, which mainly includes contributions for coolers, bottles and cases. Through the use of advanced information technology, we have collected customer and consumer information that allow us to tailor our marketing strategies to target different types of customers located in each of our territories and to meet the specific needs of the various markets we serve.

Retailer Support Programs. Support programs include providing retailers with point-of-sale display materials and consumer sales promotions, such as contests, sweepstakes and the giveaway of product samples.

Coolers. Coolers play an integral role in our clients' plans for success. Increasing both cooler coverage and the number of cooler doors among our retailers is important to ensure that our wide variety of products are properly displayed, while strengthening our merchandising capacity in the traditional sales channel to significantly improve our point-of-sale execution.

Advertising. We advertise in all major communications media. We focus our advertising efforts on increasing brand recognition by consumers and improving our customer relations. National advertising campaigns are designed and proposed by The Coca-Cola Company's local affiliates in the countries in which we operate, with our input at the local or regional level. Point-of-sale merchandising and advertising efforts are proposed and implemented by us, with a focus on increasing our connection with customers and consumers.

Channel Marketing. In order to provide more dynamic and specialized marketing of our products, our strategy is to classify our markets and develop targeted efforts for each consumer segment or distribution channel. Our principal channels are small retailers, on-premise consumption such as restaurants and bars, supermarkets and third party distributors. Presence in these channels entails a comprehensive and detailed analysis of the purchasing patterns and preferences of various groups of beverage consumers in each of the different types of locations or distribution channels. In response to this analysis, we tailor our product, price, packaging and distribution strategies to meet the particular needs of and exploit the potential of each channel.

Multi-Segmentation. We have implemented a multi-segmentation strategy in all of our markets. These strategies consist of the implementation of different product/price/package portfolios by market cluster or group. These clusters are defined based on consumption occasion, competitive intensity and socio-economic levels, rather than solely on the types of distribution channels.

Client Value Management. We have been transforming our commercial models to focus on our customers' value potential using a value-based segmentation approach to capture the industry's potential. We started the rollout of this

new model in our Mexico, Central America, Colombia and Brazil operations in 2009. As of the end of 2013, we have covered the totality of the volumes in every operation except for Venezuela and the recently integrated franchises of Grupo Yoli in Mexico and Companhia Fluminense and Spaipa in Brazil.

We believe that the implementation of these strategies described above also enables us to respond to competitive initiatives with channel-specific responses as opposed to market-wide responses. In addition, it allows us to be more efficient in the way we go to market and invest our marketing resources in those segments that could provide a higher return. Our marketing, segmentation and distribution activities are facilitated by our management information systems. We have invested significantly in creating these systems, including in hand-held computers to support the gathering of product, consumer and delivery information for most of our sales routes throughout our territories.

Table of Contents**Product Sales and Distribution**

The following table provides an overview of our distribution centers and the retailers to which we sell our products:

Product Distribution Summary as of December 31, 2013			
	Mexico and Central		
	America⁽¹⁾	South America⁽²⁾	Venezuela
Distribution centers	176	70	34
Retailers ⁽³⁾	993,522	769,955	183,879

(1) Includes Mexico, Guatemala, Nicaragua, Costa Rica and Panama.

(2) Includes Colombia, Brazil and Argentina.

(3) Estimated.

We continuously evaluate our distribution model in order to fit with the local dynamics of the marketplace and analyze the way we go to market, recognizing different service needs from our customers, while looking for a more efficient distribution model. As part of this strategy, we are rolling out a variety of new distribution models throughout our territories looking for improvements in our distribution network.

We use several sales and distribution models depending on market, geographic conditions and the customer's profile: (1) the pre-sale system, which separates the sales and delivery functions, permitting trucks to be loaded with the mix of products that retailers have previously ordered, thereby increasing both sales and distribution efficiency, (2) the conventional truck route system, in which the person in charge of the delivery makes immediate sales from inventory available on the truck, (3) a hybrid distribution system, where the same truck carries product available for immediate sale and product previously ordered through the pre-sale system, (4) the telemarketing system, which could be combined with pre-sales visits and (5) sales through third-party wholesalers of our products.

As part of the pre-sale system, sales personnel also provide merchandising services during retailer visits, which we believe enhance the shopper experience at the point of sale. We believe that an adequate number of service visits to retailers and frequency of deliveries are essential elements in an effective selling and distribution system for our products.

Our distribution centers range from large warehousing facilities and re-loading centers to small deposit centers. In addition to our fleet of trucks, we distribute our products in certain locations through electric carts and hand-trucks in order to comply with local environmental and traffic regulations. In some of our territories, we retain third parties to transport our finished products from the bottling plants to the distribution centers.

Mexico. We contract a subsidiary of FEMSA for the transportation of finished products to our distribution centers from our production facilities. **See Item 7. Major Shareholders and Related Party Transactions Related Party Transactions.** From the distribution centers, we then distribute our finished products to retailers through our own fleet of trucks.

In Mexico, we sell a majority of our beverages at small retail stores to consumers who may take the beverages for consumption at home or elsewhere. We also sell products through the on-premise consumption segment, supermarkets and other locations. The on-premise consumption segment consists of sales through sidewalk stands, restaurants, bars

and various types of dispensing machines as well as sales through point-of-sale programs in stadiums, concert halls, auditoriums and theaters.

Brazil. In Brazil, we sold 31.9% of our total sales volume through supermarkets in 2013. Also in Brazil, we distribute our finished products to retailers through a combination of our own fleet of trucks and third party distributors, while we maintain control over the selling function. In designated zones in Brazil, third-party distributors purchase our products at a discount from the wholesale price and resell the products to retailers.

Territories other than Mexico and Brazil. We distribute our finished products to retailers through a combination of our own fleet of trucks and third party distributors. In most of our territories, an important part of our total sales volume is sold through small retailers, with low supermarket penetration.

Competition

Although we believe that our products enjoy wider recognition and greater consumer loyalty than those of our principal competitors, the markets in the territories in which we operate are highly competitive. Our principal competitors are local *Pepsi* bottlers and other bottlers and distributors of national and regional beverage brands. We face increased competition in many of our territories from producers of low price beverages, commonly referred to as B brands. A number of our competitors in Central

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America, Venezuela, Brazil and Argentina offer beer in addition to sparkling beverages, still beverages, and water, which may enable them to achieve distribution efficiencies.

Price discounting and packaging have joined consumer sales promotions, customer service and non-price retailer incentives as the primary means of competition among bottlers. We compete by seeking to offer products at an attractive price in the different segments in our markets and by building on the value of our brands. We believe that the introduction of new products and new presentations has been a significant competitive technique that allows us to increase demand for our products, provide different options to consumers and increase new consumption opportunities. See **Sales Overview**.

Mexico and Central America. Our principal competitors in Mexico are bottlers of *Pepsi* products, whose territories overlap but are not co-extensive with our own. We compete with Organización Cultiba, S.A.B. de C.V., a joint venture formed by Grupo Embotelladoras Unidas, S.A.B. de C.V., the former *Pepsi* bottler in central and southeast Mexico, a subsidiary of *PepsiCo*, and Empresas Polar, S.A., the leading beer distributor and *Pepsi* bottler in Venezuela. Our main competition in the juice category in Mexico is Grupo Jumex. In the water category, *Bonafont*, a water brand owned by Grupo Danone, is our main competition. In addition, we compete with *Cadbury Schweppes* in sparkling beverages and with other national and regional brands in our Mexican territories, as well as B brand producers, such as Ajemex, S.A. de C.V. and Consorcio AGA, S.A. de C.V., that offer various presentations of sparkling and still beverages.

In the countries that comprise our Central America region, our main competitors are *Pepsi* and *Big Cola* bottlers. In Guatemala and Nicaragua, we compete with a joint venture between AmBev and The Central American Bottler Corporation. In Costa Rica, our principal competitor is Florida Bebidas S.A., subsidiary of Florida Ice and Farm Co. In Panama, our main competitor is Cervecería Nacional, S.A. We also face competition from B brands offering multiple serving size presentations in some Central American countries.

South America (excluding Venezuela). Our principal competitor in Colombia is Postobón, a well-established local bottler that sells flavored sparkling beverages (under the brands *Postobón* and *Colombiana*), some of which have a wide consumption preference, such as *manzana Postobón* (apple *Postobón*), which is the second most popular flavor in the Colombian sparkling beverage industry in terms of total sales volume. Postobón also sells *Pepsi* products. Postobón is a vertically integrated producer, the owners of which hold other significant commercial interests in Colombia. We also compete with low-price producers, such as the producers of *Big Cola*, which principally offer multiple serving size presentations in the sparkling and still beverage industry.

In Brazil, we compete against AmBev, a Brazilian company with a portfolio of brands that includes *Pepsi*, local brands with flavors such as guaraná, and proprietary beer brands. We also compete against B brands or Tubainas, which are small, local producers of low-cost flavored sparkling beverages in multiple serving presentations that represent a significant portion of the sparkling beverage market.

In Argentina, our main competitor is Buenos Aires Embotellador S.A. (BAESA), a *Pepsi* bottler, which is owned by Argentina's principal brewery, Quilmes Industrial S.A., and indirectly controlled by AmBev. In addition, we compete with a number of competitors offering generic, low-priced sparkling beverages as well as many other generic products and private label proprietary supermarket brands.

Venezuela. In Venezuela, our main competitor is *Pepsi-Cola Venezuela, C.A.*, a joint venture formed between *PepsiCo* and Empresas Polar, S.A., the leading beer distributor in the country. We also compete with the producers of *Big Cola* in part of this country.

Raw Materials

Pursuant to our bottler agreements, we are authorized to manufacture, sell and distribute *Coca-Cola* trademark beverages within specific geographic areas, and we are required to purchase in all of our territories for all *Coca-Cola* trademark beverages concentrate from companies designated by The Coca-Cola Company and sweeteners from companies authorized by The Coca-Cola Company. Concentrate prices for sparkling beverages are determined as a percentage of the weighted average retail price in local currency net of applicable taxes. Although The Coca-Cola Company has the right to unilaterally set the price of concentrates, in practice this percentage has historically been set pursuant to periodic negotiations with The Coca-Cola Company.

In the past, The Coca-Cola Company has increased concentrate prices for sparkling beverages in some of the countries in which we operate. Most recently, The Coca-Cola Company informed us that it will gradually increase concentrate prices for sparkling beverages over a five year period in Panama and Costa Rica beginning in 2014. Based on our estimates, we currently do not expect this increase to have a material effect in our results. The Coca-Cola Company may unilaterally increase concentrate prices again in the future and we may not be successful in negotiating or implementing measures to mitigate the negative effect this may have in the prices of our products or our results. **See Item 7. Major**

Table of Contents**Shareholders and Related Party Transactions Major Shareholders Cooperation Framework with The Coca-Cola Company.**

In addition to concentrate, we purchase sweeteners, carbon dioxide, resin and preforms to make plastic bottles, finished plastic and glass bottles, cans, caps and fountain containers, as well as other packaging materials and raw materials. Sweeteners are combined with water to produce basic syrup, which is added to the concentrate as the sweetener for most of our beverages. Our bottler agreements provide that, with respect to *Coca-Cola* trademark beverages, these materials may be purchased only from suppliers approved by The Coca-Cola Company, including affiliates of FEMSA. Prices for packaging materials and HFCS historically have been determined with reference to the U.S. dollar, although the local currency equivalent in a particular country is subject to price volatility in accordance with changes in exchange rates. Our most significant packaging raw material costs arise from the purchase of resin, plastic preforms to make plastic bottles and finished plastic bottles, which we obtain from international and local producers. The prices of these materials are related to crude oil prices and global resin supply. In recent years we have experienced volatility in the prices we pay for these materials. Across our territories, our average price for resin in U.S. dollars remained flat in 2013 as compared to 2012.

Under our agreements with The Coca-Cola Company, we may use raw or refined sugar or HFCS as sweeteners in our products. Sugar prices in all of the countries in which we operate, other than Brazil, are subject to local regulations and other barriers to market entry that cause us to pay in excess of international market prices for sugar in certain countries. In recent years, international sugar prices experienced significant volatility. Across our territories, our average price for sugar in U.S. dollars decreased approximately 15% in 2013 as compared to 2012.

We categorize water as a raw material in our business. We obtain water for the production of some of our natural spring water products, such as *Manantial* and *Crystal*, from spring water pursuant to concessions granted.

None of the materials or supplies that we use is presently in short supply, although the supply of specific materials could be adversely affected by strikes, weather conditions, governmental controls, national emergency situations, water shortages or the failure to maintain our existing water concessions.

Mexico and Central America. In Mexico, we purchase our returnable plastic bottles from Graham Packaging México, S.A. de C.V., known as Graham, which is the exclusive supplier of returnable plastic bottles to The Coca-Cola Company and its bottlers in Mexico. We mainly purchase resin from Indorama Ventures Polymers México, S. de R.L. de C.V. (formerly Arteva Specialties, S. de R.L. de C.V.), M. & G. Polímeros México, S.A. de C.V. and DAK Resinas Americas Mexico, S.A. de C.V., which ALPLA México, S.A. de C.V., known as ALPLA, and Envases Universales de México, S.A.P.I. de C.V. manufacture into non-returnable plastic bottles for us.

We purchase all of our cans from Fábricas de Monterrey, S.A. de C.V., known as FAMOSA, and Envases Universales de México, S.A.P.I. de C.V., through Promotora Mexicana de Embotelladoras, S.A. de C.V., known as PROMESA, a cooperative of *Coca-Cola* bottlers, in which, as of April 4, 2013, we held a 35.0% equity interest. We mainly purchase our glass bottles from EXCO Integral Services, S.A. de C.V. (formerly Compañía Vidriera, S.A. de C.V., or VITRO), FEVISA Industrial, S.A. de C.V., known as FEVISA, and Glass & Silice, S.A. de C.V., (formerly Vidriera de Chihuahua, S.A. de C.V., or VICHISA), a wholly owned subsidiary of Cuauhtémoc Moctezuma Holding, S.A. de C.V. (formerly FEMSA Cerveza), currently a wholly owned subsidiary of the Heineken Group.

We purchase sugar from, among other suppliers, Piasa and Beta San Miguel, S.A. de C.V., both sugar cane producers in which, as of April 4, 2013, we held an approximate 36.3% and 2.7% equity interest, respectively. We purchase HFCS from CP Ingredientes, S.A. de C.V. and Almidones Mexicanos, S.A. de C.V., known as Almex.

Sugar prices in Mexico are subject to local regulations and other barriers to market entry that cause us to pay higher prices than those paid in the international market for sugar. As a result, sugar prices in Mexico have no correlation to international market prices for sugar. In 2013, sugar prices in Mexico decreased approximately 17% as compared to 2012.

In Central America, the majority of our raw materials such as glass and plastic bottles are purchased from several local suppliers. We purchase all of our cans from PROMESA. Sugar is available from suppliers that represent several local producers. Local sugar prices, in the countries that comprise the region, have increased mainly due to volatility in international prices. In Costa Rica, we acquire plastic non-returnable bottles from ALPLA C.R. S.A., and in Nicaragua we acquire such plastic bottles from ALPLA Nicaragua, S.A.

South America (excluding Venezuela). In Colombia, we use sugar as a sweetener in most of our products, which we buy from several domestic sources. We purchase plastic bottles from Amcor and Tapón Corona de Colombia S.A. We purchase all our glass bottles from Peldar O-I and cans from Crown, both suppliers in which Grupo Ardila Lulle, owners of our competitor Postobón, own a

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minority equity interest. Glass bottles and cans are available only from these local sources; however, we are currently exploring alternative sources.

Sugar is available in Brazil at local market prices, which historically have been similar to international prices. Sugar prices in Brazil in recent periods have been volatile, mainly due to the increased demand for sugar cane for production of alternative fuels, and our average acquisition cost for sugar in 2013 decreased approximately 5.0% as compared to 2012. **See Item 11. Quantitative and Qualitative Disclosures about Market Risk Commodity Price Risk.** We purchase glass bottles, plastic bottles and cans from several domestic and international suppliers.

In Argentina, we mainly use HFCS that we purchase from several different local suppliers as a sweetener in our products. We purchase glass bottles, plastic cases and other raw materials from several domestic sources. We purchase plastic preforms, as well as returnable plastic bottles, at competitive prices from Embotelladora del Atlántico S.A., a local subsidiary of Embotelladora Andina S.A., a Coca-Cola bottler with operations in Argentina, Chile and Brazil, and other local suppliers. We also acquire plastic preforms from ALPLA Avellaneda S.A. and other suppliers.

Venezuela. In Venezuela, we use sugar as a sweetener in most of our products, which we purchase mainly from the local market. Since 2003, from time to time, we have experienced a sugar shortage due to lower domestic production and the inability of the predominant sugar importers to obtain permission to import in a timely manner. While sugar distribution to the food and beverages industry and to retailers is controlled by the government, we did not experience any disruptions during 2013 with respect to access to sufficient sugar supply. However, we cannot assure you that we will not experience disruptions in our ability to meet our sugar requirements in the future should the Venezuelan government impose restrictive measures. We buy glass bottles from one local supplier, Productos de Vidrio, S.A., but there are alternative suppliers authorized by The Coca-Cola Company. We acquire most of our plastic non-returnable bottles from ALPLA de Venezuela, S.A. and most of our aluminum cans from a local producer, Dominguez Continental, C.A.

Under current regulations promulgated by the Venezuelan authorities, our ability and that of our suppliers to import some of the raw materials and other supplies used in our production could be limited, and access to the official exchange rate for these items, including, among others, concentrate, resin, aluminum, plastic caps, distribution trucks and vehicles is only achieved by obtaining proper approvals from the relevant authorities.

REGULATION

We are subject to different regulations in each of the territories in which we operate. The adoption of new laws or regulations in the countries in which we operate may increase our operating costs, our liabilities or impose restrictions on our operations which, in turn, may adversely affect our financial condition, business and results. Further changes in current regulations may result in an increase in compliance costs, which may have an adverse effect on our future results or financial condition.

Price Controls

Voluntary price restraints or statutory price controls have been imposed historically in several of the countries in which we operate. Currently, there are no price controls on our products in any of the territories in which we have operations, except for those in Argentina, where authorities directly supervise two of our products sold through supermarkets as a measure to control inflation, and Venezuela, where the government has imposed price controls on certain products, including bottled water. In addition, in January 2014, the Venezuelan government passed the *Ley Orgánica de Precios Justos* (Fair Prices Law). This law substitutes both the *Ley para la Defensa y Acceso a las Personas a los Bienes y Servicios* (Access to Goods and Services Defense Law) and the *Ley de Costos y Precios*

Justos (Fair Costs and Prices Law), which have both been repealed. The purpose of this new law is to establish regulations and administrative processes to impose a limit on profits earned on the sale of goods, including our products, seeking to maintain price stability of, and equal access to, goods and services. The law also creates the National Office of Costs and Prices which main role is to oversee price controls and set maximum retail prices on certain consumer goods and services. Although we believe we are in compliance with this law, consumer protection and price control laws in Venezuela are subject to continuing review and changes, and any such changes may have an adverse impact on us. See **Item 3. Key Information Risk Factors** *Regulatory developments may adversely affect our business.*

Taxation of Sparkling Beverages

All the countries in which we operate, except for Panama, impose a value-added tax on the sale of sparkling beverages, with a rate of 16% in Mexico, 12% in Guatemala, 15% in Nicaragua, 13% in Costa Rica, 16% in Colombia (applied only to the first sale in the supply chain), 12% in Venezuela, 21% in Argentina, and in Brazil 17% in the states of Mato Grosso do Sul and Goiás and 18% in the states of São Paulo, Minas Gerais, Paraná and Rio de Janeiro. The state of Rio de Janeiro also charges an additional 1% as a contribution to a poverty eradication fund. In Brazil the value-added tax is grossed-up and added, along with federal sales tax, at the

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taxable basis. Also, in Brazil we are responsible for charging and collecting the value-added tax from each of our retailers, based on average retail prices for each state where we operate, defined primarily through a survey conducted by the government of each state and generally updated every six months, which in 2013 represented an average taxation of approximately 15.3% over net sales. In addition, several of the countries in which we operate impose the following excise or other taxes:

Mexico imposes an excise tax of Ps.1.00 per liter on the production, sale and importation of beverages with added sugar as of January 1, 2014. This tax is applied only to the first sale and we are responsible for charging and collecting this excise tax.

Guatemala imposes an excise tax of 0.18 cents in local currency (Ps.0.3002 as of December 31, 2013) per liter of sparkling beverage.

Costa Rica imposes a specific tax on non-alcoholic bottled beverages based on the combination of packaging and flavor, currently assessed at 17.32 colones (Ps.0.4460 as of December 31, 2013) per 250 ml, and an excise tax currently assessed at 6.02 colones (approximately Ps.0.1553 as of December 31, 2013) per 250 ml.

Nicaragua imposes a 9.0% tax on consumption, and municipalities impose a 1% tax on our Nicaraguan gross income.

Panama imposes a 5.0% tax based on the cost of goods produced and a 10% selective consumption tax on syrups, powders and concentrate.

Argentina imposes an excise tax of 8.7% on sparkling beverages containing less than 5.0% lemon juice or less than 10.0% fruit juice, and an excise tax of 4.2% on sparkling water and flavored sparkling beverages with 10.0% or more fruit juice, although this excise tax is not applicable to some of our products.

Brazil assesses an average production tax of approximately 9.1% and an average sales tax of approximately 13.5% over net sales. These taxes are fixed by the federal government based on national average retail prices obtained through surveys conducted on a yearly basis. The national average retail price of each product and presentation is multiplied by a fixed rate combined with specific multipliers for each presentation, to obtain a fixed tax per liter, per product and presentation. These taxes are applied only to the first sale and we are responsible for charging and collecting these taxes from each of our retailers.

Colombia's municipalities impose a sales tax that varies between 0.35% and 1.2% of net sales.

Venezuela's municipalities impose a variable excise tax applied only to the first sale that varies between 0.6% and 2.5% of net sales.

Water Supply

In Mexico, we obtain water directly from municipal utility companies and pump water from our own wells pursuant to concessions obtained from the Mexican government on a plant-by-plant basis. Water use in Mexico is regulated primarily by the *Ley de Aguas Nacionales de 1992* (as amended, the 1992 Water Law), and regulations issued thereunder, which created the *Comisión Nacional del Agua* (the National Water Commission). The National Water Commission is in charge of overseeing the national system of water use. Under the 1992 Water Law, concessions for the use of a specific volume of ground or surface water generally run from five to fifty-year terms, depending on the supply of groundwater in each region as projected by the National Water Commission. Concessionaires may request concession terms be extended before the expiration of the same. The Mexican government is authorized to reduce the volume of ground or surface water granted for use by a concession by whatever volume of water is not used by the concessionaire for two consecutive years. However, because the current concessions for each of our plants in Mexico do not match each plant's projected needs for water in future years, we have successfully negotiated with the Mexican government the right to transfer the unused volume under concessions from certain plants to other plants anticipating greater water usage in the future. Our concessions may be terminated if, among other things, we use more water than permitted or we fail to pay required concession-related fees and do not cure such situations in a timely manner. Although we have not undertaken independent studies to confirm the sufficiency of the existing groundwater supply, we believe that our existing concessions satisfy our current water requirements in Mexico.

In Brazil, we buy water directly from municipal utility companies and we also capture water from underground sources, wells, or surface sources (i.e., rivers), pursuant to concessions granted by the Brazilian government for each plant. According to the Brazilian Constitution, water is considered an asset of common use and can only be exploited for the national interest by Brazilians or companies formed under Brazilian law. Concessionaires and users have the responsibility for any damage to the environment. The exploitation and use of water is regulated by the *Código de Mineração* (Code of Mining, Decree Law No. 227/67), the *Código de Águas Minerais* (Mineral Water Code, Decree Law No. 7841/45), the National Water Resources Policy (Law No. 9433/97) and by

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regulations issued thereunder. The companies that exploit water are supervised by the *Departamento Nacional de Produção Mineiral* DNPM (National Department of Mineral Production) and the National Water Agency in connection with federal health agencies, as well as state and municipal authorities. In the Jundiá, Marília, Curitiba, Maringá, Porto Real and Belo Horizonte plants, we do not exploit spring water. In the Mogi das Cruzes, Bauru and Campo Grande plants, we have all the necessary permits for the exploitation of spring water.

In Argentina, a state water company provides water to our Alcorta plant on a limited basis; however, we believe the authorized amount meets our requirements for this plant. In our Monte Grande plant in Argentina, we pump water from our own wells, in accordance with Law No. 25.688.

In Colombia, in addition to natural spring water, we obtain water directly from our own wells and from utility companies. We are required to have a specific concession to exploit water from natural sources. Water use in Colombia is regulated by Law No. 9 of 1979 and Decrees No. 1594 of 1984 and No. 2811 of 1974. In addition, on February 6, 2012, Colombia promulgated Decree No. 303, which requires us to apply for (i) water concessions and (ii) authorization to discharge our water into public waterways. The National Institute of National Resources supervises companies that use water as a raw material for their businesses.

In Nicaragua, the use of water is regulated by the *Ley General de Aguas Nacionales* (National Water Law), and we obtain water directly from our own wells. In Costa Rica, the use of water is regulated by the *Ley de Aguas* (Water Law). In both of these countries, we own and exploit our own water wells granted to us through governmental concessions. In Guatemala, no license or permits are required to exploit water from the private wells in our own plants. In Panama, we acquire water from a state water company, and the use of water is regulated by the *Reglamento de Uso de Aguas de Panamá* (Panama Use of Water Regulation). In Venezuela, we use private wells in addition to water provided by the municipalities, and we have taken the appropriate actions, including actions to comply with water regulations, to have water supply available from these sources, regulated by the *Ley de Aguas* (Water Law).

In addition, we obtain water for the production of some of our natural spring water products, such as *Manantial* and *Crystal*, from spring water pursuant to concessions granted. **See Item 4. Information on the Company Regulation Water Supply.**

We cannot assure that water will be available in sufficient quantities to meet our future production needs, that we will be able to maintain our current concessions or that additional regulations relating to water use will not be adopted in the future in our territories. We believe we are in material compliance with the terms of our existing water concessions and that we are in compliance with all relevant water regulations currently in place. **See Item 3. Key Information Risk Factors Water shortages or any failure to maintain existing concessions could adversely affect our business.**

Environmental Matters

In all of our territories, our operations are subject to federal and state laws and regulations relating to the protection of the environment. In Mexico, the principal legislation is the *Ley General de Equilibrio Ecológico y Protección al Ambiente* (the Federal General Law for Ecological Equilibrium and Environmental Protection), or the Mexican Environmental Law, and the *Ley General para la Prevención y Gestión Integral de los Residuos* (the General Law for the Prevention and Integral Management of Waste) which are enforced by the *Secretaría del Medio Ambiente y Recursos Naturales* (the Ministry of the Environment and Natural Resources, or SEMARNAT). SEMARNAT can bring administrative and criminal proceedings against companies that violate environmental laws, and it also has the power to close non-complying facilities. Under the Mexican Environmental Law, rules have been promulgated concerning water, air and noise pollution and hazardous substances. In particular, Mexican environmental laws and

regulations require that we file periodic reports with respect to air and water emissions and hazardous wastes and set forth standards for waste water discharge that apply to our operations. We are also subject to certain minor restrictions on the operation of delivery trucks in Mexico City. We have implemented several programs designed to facilitate compliance with air, waste, noise and energy standards established by current Mexican federal and state environmental laws, including a program that installs catalytic converters and liquid petroleum gas in delivery trucks for our operations in Mexico City. **See The Company Product Sales and Distribution.**

In addition, we are subject to the 1992 Water Law, enforced by the Mexican National Water Commission. The 1992 Water Law, provides that plants located in Mexico that use deep water wells to supply their water requirements must pay a fee to the local governments for the discharge of residual waste water to drainage. Pursuant to this law, certain local authorities test the quality of the waste water discharge and charge plants an additional fee for measurements that exceed certain standards published by the Mexican National Water Commission; in case of non-compliance with the law, penalties may be imposed, including closures. All of our bottler plants located in Mexico have met these standards. In addition, our plants in Apizaco and San Cristóbal are certified with ISO 14001. **See Description of Property, Plant and Equipment.**

In our Mexican operations, we established a partnership with The Coca-Cola Company and ALPLA, our supplier of plastic bottles in Mexico, to create Industria Mexicana de Reciclaje (IMER), a PET recycling facility located in Toluca, Mexico. This facility began operations in 2005 and has a recycling capacity of approximately 25,000 metric tons per year from which 15,000 metric tons can be re-used in PET bottles for food packaging purposes. We have also continued contributing funds to a nationwide recycling

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company, ECOCE, or Ecología y Compromiso Empresarial (Environmentally Committed Companies). In addition, our plants located in Toluca, Reyes, Cuautitlán, Apizaco, San Cristobal, Morelia, Ixtacomitan, Coatepec, Poza Rica, Ojuelos, Pacífico and Cuernavaca have received or are in the process of receiving a *Certificado de Industria Limpia* (Certificate of Clean Industry).

As part of our environmental protection and sustainability strategies, in December 2009, we, jointly with strategic partners, entered into a wind energy supply agreement with a Mexican subsidiary of the Spanish wind farm developer, GAMESA Energía, S.A., or GAMESA, to supply green energy to our bottling facility in Toluca, Mexico, owned by our subsidiary, Propimex, S. de R.L. de C.V., or Propimex, and to some of our suppliers of PET bottles. The wind farm, which is located in La Ventosa, Oaxaca, is expected to generate approximately 100 thousand megawatt hours annually. The energy supply services began in April 2010. During 2012 and 2013, this wind farm provided us with approximately 88 thousand and 81 thousand megawatt hours, respectively. In 2010, GAMESA sold its interest in the Mexican subsidiary that owned the above mentioned wind farm to Iberdrola Renovables México, S.A. de C.V.

Additionally, several of our subsidiaries have entered into 20-year wind power supply agreements with Energía Alterna Istmeña, S. de R.L. de C.V. and Energía Eólica Mareña, S.A. de C.V. (together, the Mareña Renovables Wind Power Farm) to receive electrical energy for use at our production and distribution facilities throughout Mexico. The Mareña Renovables Wind Farm will be located in the state of Oaxaca and we expect that it will begin operations in 2016. Our Central American operations are subject to several federal and state laws and regulations relating to the protection of the environment, which have been enacted in the last ten years, as awareness has increased in this region about the protection of the environment and the disposal of hazardous and toxic materials, as well as water usage. Our Costa Rica and Panama operations have participated in a joint effort along with the local division of The Coca-Cola Company, Misión Planeta (*Mission Planet*), for the collection and recycling of non-returnable plastic bottles.

Our Colombian operations are subject to several Colombian federal, state and municipal laws and regulations related to the protection of the environment and the disposal of treated water and toxic and hazardous materials. These laws include the control of atmospheric emissions, noise emissions, disposal of treated water and strict limitations on the use of chlorofluorocarbons. For our plants in Colombia, we have obtained the *Certificación Ambiental Fase IV* (Phase IV Environmental Certificate) demonstrating our compliance at the highest level with relevant Colombian regulations. We are also engaged in nationwide reforestation programs, and national campaigns for the collection and recycling of glass and plastic bottles. In 2011, jointly with the FEMSA Foundation, we were commended with the Western Hemisphere Corporate Citizenship Award for the social responsibility programs we carried out to respond to the extreme weather experienced in Colombia in 2010 and 2011, known locally as the winter emergency. In addition, we also obtained the ISO 9001, ISO 22000, ISO 14001 and PAS 220 certifications for our plants located in Medellin, Cali, Bogota, Barranquilla, Bucaramanga and La Calera, as recognition for the highest quality and food harmlessness in our production processes. Our six plants joined a small group of companies that have obtained these certifications.

Our Venezuelan operations are subject to several Venezuelan federal, state and municipal laws and regulations related to the protection of the environment. The most relevant of these laws are the *Ley Orgánica del Ambiente* (the Organic Environmental Law), the *Ley Sobre Sustancias, Materiales y Desechos Peligrosos* (the Substance, Material and Dangerous Waste Law), the *Ley Penal del Ambiente* (the Criminal Environmental Law) and the *Ley de Aguas* (the Water Law). Since the enactment of the Organic Environmental Law in 1995, our Venezuelan subsidiary has presented the corresponding authorities with plans to bring our production facilities and distribution centers into compliance with applicable laws, which mainly consist of building or expanding the capacity of water treatment plants in our bottling facilities. Even though we have had to adjust some of the originally proposed timelines due to construction delays, in 2009, we completed the construction and received all the required permits to operate a new water treatment plant in our bottling facility located in the city of Barcelona. At the end of 2011, we concluded the construction of a new water treatment plant in our bottling plant in the city of Valencia, which started operations in

February 2012. During 2011, we also commenced construction of a new water treatment plant in our Antimano bottling plant in Caracas, which construction was concluded during the second quarter of 2012. We are also concluding the construction and expansion of our current water treatment plant in our bottling facility in Maracaibo, which we expect to commence operations during the first semester of 2014. In December 2011, we obtained ISO 14000 certification for all of our plants in Venezuela.

In addition, in December 2010, the Venezuelan government approved the *Ley Integral de Gestión de la Basura* (Comprehensive Waste Management Law), which regulates solid waste management and which may be applicable to manufacturers of products for mass consumption. The full scope of this law has not yet been established.

Our Brazilian operations are subject to several federal, state and municipal laws and regulations related to the protection of the environment. Among the most relevant laws and regulations are those dealing with the emission of toxic and hazardous gases and disposal of wastewater and solid waste, soil contamination by hazardous chemicals, which impose penalties, such as fines, facility closures or criminal charges depending upon the level of non-compliance.

Our production plant located in Jundiaí has been recognized by the Brazilian authorities for its compliance with environmental regulations and for having standards well above those imposed by the law. The plant has been certified for (i) ISO 9001 since 1993; (ii) ISO 14001 since March 1997; (iii) norm OHSAS 18001 since 2005; (iv) ISO 22000 since 2007; and (v) PAS: 220 since 2010. In

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2012, the Jundiaí, Campo Grande, Bauru, Marília, Curitiba, Maringá, Porto Real and Mogi das Cruzes plants were certified in standard FSSC22000.

In Brazil, a municipal regulation of the City of São Paulo, implemented pursuant to Law 13.316/2002, came into effect in May 2008. This regulation requires us to collect for recycling a specified annual percentage of plastic bottles made from PET sold in the City of São Paulo; such percentage increases each year. Beginning in May 2011, we were required to collect for recycling 90% of the PET bottles sold in the City of São Paulo. Currently, we are not able to collect the entire required volume of PET bottles we sell in the City of São Paulo for recycling. Since we do not meet the requirements of this regulation, which we believe to be more onerous than those imposed by the countries with the highest recycling standards, we could be fined and be subject to other sanctions, such as the suspension of operations in any of our plants and/or distribution centers located in the City of São Paulo.

In May 2008, we and other bottlers in the City of São Paulo, through the *Associação Brasileira das Indústrias de Refrigerantes e de Bebidas Não-alcoólicas* (Brazilian Soft Drink and Non-Alcoholic Beverage Association, or ABIR), filed a motion requesting a court to overturn this regulation due to the impossibility of compliance. In addition, in November 2009, in response to a municipal authority request for us to demonstrate the destination of the PET bottles sold in São Paulo, we filed a motion presenting all of our recycling programs and requesting a more practical timeline to comply with the requirements of the law. In October 2010, the municipal authority of São Paulo levied a fine on our Brazilian operating subsidiary of 250,000 Brazilian reais (approximately Ps.1.3 million as of December 31, 2013) on the grounds that the report submitted by our Brazilian operating subsidiary did not comply with the 75% proper disposal requirement for the period from May 2008 to May 2010. We filed an appeal against this fine, which was denied by the municipal authority in May 2013, and the administrative stage is therefore closed. We are currently evaluating next steps. In July 2012, the State Appellate Court of São Paulo rendered a decision admitting the interlocutory appeal filed on behalf of ABIR in order to suspend the fines and other sanctions to ABIR's associated companies, including our Brazilian subsidiary, for alleged noncompliance with the recycling municipal regulation up to the final resolution of the lawsuit. We are currently awaiting final resolution of the lawsuit filed on behalf of ABIR.

In August 2010, Law No. 12.305/2010 established the Brazilian National Solid Waste Policy. This policy is based on the principle of shared responsibility between the government, companies and the public, and provides for the post-consumption return of products to companies and requires public authorities to implement waste management programs. This law is regulated by Federal Decree No. 7.404/2010, and was published in December 2010. We are currently discussing with the relevant authorities the impact this law may have on Brazilian companies in complying with the regulation in effect in the City of São Paulo. In response to the Brazilian National Solid Waste Policy, in December 2012, a proposal was provided to the Ministry of the Environment by almost 30 associations involved in the packaging sector, including ABIR in its capacity as representative for The Coca-Cola Company, our Brazilian subsidiary and other bottlers. The agreement proposed creating a coalition to implement systems for reverse logistics packaging non-dangerous waste that make up the dry fraction of municipal solid waste or equivalent. The goal of the proposal is to create methodologies for sustainable development, and protect the environment, society and the economy. We are currently awaiting a final resolution from the Ministry of Environment, which we expect to receive during 2014.

Our Argentine operations are subject to federal and municipal laws and regulations relating to the protection of the environment. The most significant of these are regulations concerning waste water discharge, which are enforced by the *Secretaría de Ambiente y Desarrollo Sustentable* (the Ministry of Natural Resources and Sustainable Development) and the *Organismo Provincial para el Desarrollo Sostenible* (the Provincial Organization for Sustainable Development) for the province of Buenos Aires. Our Alcorta plant is in compliance with environmental standards and we have been certified for ISO 14001:2004 for the plants and operative units in Buenos Aires.

For all of our plant operations, we employ the following environmental management system: *Sistema de Administración Ambiental* (Environmental Administration System, or EKOSYSTEM) that is contained within the *Sistema Integral de Calidad* (Integral Quality System or SICKOF).

We have spent, and may be required to expend in the future, funds for compliance with and remediation under local environmental laws and regulations. Currently, we do not believe that such costs will have a material adverse effect on our results or financial condition. However, since environmental laws and regulations and their enforcement are becoming increasingly stringent in our territories, and there is increased recognition by local authorities of the need for higher environmental standards in the countries where we operate, changes in current regulations may result in an increase in costs, which may have an adverse effect on our future results or financial condition. Management is not aware of any significant pending regulatory changes that would require a significant amount of additional remedial capital expenditures.

We do not believe that our business activities pose a material risk to the environment, and we believe that we are in material compliance with all applicable environmental laws and regulations.

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Other regulations

In December 2009, the Venezuelan government issued a decree requiring a reduction in energy consumption by at least 20% for industrial companies whose consumption is greater than two megawatts per hour and to submit an energy-usage reduction plan. Some of our bottling operations in Venezuela outside of Caracas met this threshold and we submitted a plan, which included the purchase of generators for our plants. Since January 2010, the Venezuelan government has implemented power cuts and other measures for all industries in Caracas whose consumption is above 35 kilowatts per hour. In 2011 we installed electrical generators in our Antimano, Valencia and Maracaibo bottling facilities to mitigate any such risks and filed the respective energy-usage reduction plans with the authorities. We are also currently installing electrical generators in our Barcelona plant.

In January 2012, the Costa Rican government approved a decree which regulates the sale of food and beverages in schools. The decree came into effect in 2012. Enforcement of this law has been gradual since it started in 2012 and until 2014, depending on the specific characteristics of the food and beverage in question. According to the decree, the sale of specific sparkling beverages and still beverages that contain sugar, syrup or HFCS in any type of presentation in schools is prohibited. We are still allowed to sell water and certain still beverages in schools. We cannot assure you that the Costa Rican government will not further restrict sales of other of our products in schools in the future; any such further restrictions could lead to an adverse impact on our results of operations.

In May 2012, the Venezuelan government adopted significant changes to labor regulations. This amendment to Venezuela's labor regulations had a negative impact on our business and operations. The principal changes that impacted our operations are: (i) the requirement that employee terminations are now subject to governmental authorization; (ii) retroactive assessments for any modifications to our severance payment system; (iii) a reduction in the maximum daily and weekly working hours (from 44 to 40 weekly); (iv) an increase in mandatory weekly breaks, prohibiting a reduction in salaries as a result of such increase; and (v) the requirement that all third party contractors participating in the manufacturing and sales processes of our products be included in our payroll by no later than May 2015. We are currently in compliance with these labor regulations and expect to include all third party contractors to our payroll by the imposed deadline.

In September 2012, the Brazilian government issued Law No. 12,619 (Law of Professional Drivers), which regulates the working hours of professional drivers who distribute our products from our plants to the distribution centers and to retailers and points of sale. Pursuant to this law, employers must keep a record of working hours, including overtime hours, of professional drivers in a reliable manner, such as electronic logbooks or worksheets. This law may result in increased labor costs.

In June 2013, following a comprehensive amendment to the Mexican Constitution, a new antitrust authority with autonomy was created: the *Comisión Federal de Competencia Económica* (Federal Antitrust Commission, or CFCE). It is expected that Congress will enact legislation to adjust current legislation based on the amended constitutional provisions. As a result of these amendments, new antitrust and telecommunications specialized courts were created and commenced hearing cases in August 2013. We cannot assure you that these new amendments and the creation of new governmental bodies and courts will not have an adverse effect on our business.

In 2013, the government of Argentina imposed a withholding tax at a rate of 10% on dividends paid by Argentine companies to non-Argentine holders. Similarly, in 2013, the government of Costa Rica repealed a tax exemption on dividends paid to Mexican residents. Future dividends will be subject to withholding tax at a rate of 15%.

On January 1, 2014, a general tax reform became effective in Mexico. The tax reform in Mexico, as applicable to us, confirmed the income tax rate of 30%, eliminated the corporate flat tax (IETU), imposed withholding taxes at a rate of

10% on the payment of dividends and capital gains from the sale of shares, limited to 30% the total compensation of income tax paid or retained on dividends paid outside of Mexico and limited to 53% the total amount that can be deducted from exempt payments to employees.

In January 2014, the new Anti-Corruption Law in Brazil came into effect, which regulates bribery, corruption practices and fraud in connection with agreements entered into with governmental agencies. The main purpose of this law is to impose liability on companies carrying out such practices, establishing fines that can reach up to 20% of a company's sales volume in the previous fiscal year. Although we believe we are in compliance with this law, if we were found liable for any of these practices, this law may have an adverse effect on our business.

In Brazil, the federal taxes applied on the production and sale of beverages are based on the national average retail price, calculated based on a yearly survey of each Brazilian beverage brand, combined with a fixed tax rate and a multiplier specific for each different presentation (glass, plastic or can). Commencing on October 1, 2014 through October 1, 2018, the multiplier used to calculate taxes on soft drinks presented in cans and glasses will gradually increase from 31.9% and 37.2% to 38.0% and 44.4%, respectively, and the multiplier used to calculate taxes on energy and isotonic drinks presented in cans and glasses will gradually increase from 31.9% to 37.5%. The multipliers for other presentations of carbonated soft drinks, energy and isotonic drinks, such as plastic, cups and post mix, will not change.

Table of Contents**BOTTLER AGREEMENTS****Coca-Cola Bottler Agreements**

Bottler agreements are the standard agreements for each territory that The Coca-Cola Company enters into with bottlers. Pursuant to our bottler agreements, we are authorized to manufacture, sell and distribute *Coca-Cola* trademark beverages within specific geographic areas, and we are required to purchase in all of our territories for all *Coca-Cola* trademark beverages concentrate from companies designated by The Coca-Cola Company and sweeteners from companies authorized by The Coca-Cola Company.

These bottler agreements also provide that we will purchase our entire requirement of concentrate for *Coca-Cola* trademark beverages from The Coca-Cola Company and other authorized suppliers at prices, terms of payment and on other terms and conditions of supply as determined from time to time by The Coca-Cola Company at its sole discretion. Concentrate prices for sparkling beverages are determined as a percentage of the weighted average retail price in local currency, net of applicable taxes. Although the price multipliers used to calculate the cost of concentrate and the currency of payment, among other terms, are set by The Coca-Cola Company at its sole discretion, we set the price of products sold to customers at our discretion, subject to the applicability of price restraints. We have the exclusive right to distribute *Coca-Cola* trademark beverages for sale in our territories in authorized containers of the nature prescribed by the bottler agreements and currently used by our company. These containers include various configurations of cans and returnable and non-returnable bottles made of glass, aluminum and plastic and fountain containers.

The bottler agreements include an acknowledgment by us that The Coca-Cola Company is the sole owner of the trademarks that identify the *Coca-Cola* trademark beverages and of the secret formulas with which The Coca-Cola Company's concentrates are made. Subject to our exclusive right to distribute *Coca-Cola* trademark beverages in our territories, The Coca-Cola Company reserves the right to import and export *Coca-Cola* trademark beverages to and from each of our territories. Our bottler agreements do not contain restrictions on The Coca-Cola Company's ability to set the price of concentrates charged to our subsidiaries and do not impose minimum marketing obligations on The Coca-Cola Company. The prices at which we purchase concentrate under the bottler agreements may vary materially from the prices we have historically paid. However, under our bylaws and the shareholders agreement among certain subsidiaries of The Coca-Cola Company and certain subsidiaries of FEMSA, an adverse action by The Coca-Cola Company under any of the bottler agreements may result in a suspension of certain voting rights of the directors appointed by The Coca-Cola Company. This provides us with limited protection against The Coca-Cola Company's ability to raise concentrate prices to the extent that such increase is deemed detrimental to us pursuant to such shareholder agreement and our bylaws. **See Item 7. Major Shareholders and Related Party Transactions Major Shareholders The Shareholders Agreement.**

The Coca-Cola Company has the ability, at its sole discretion, to reformulate any of the *Coca-Cola* trademark beverages and to discontinue any of the *Coca-Cola* trademark beverages, subject to certain limitations, so long as all *Coca-Cola* trademark beverages are not discontinued. The Coca-Cola Company may also introduce new beverages in our territories in which case we have a right of first refusal with respect to the manufacturing, packaging, distribution and sale of such new beverages subject to the same obligations as then exist with respect to the *Coca-Cola* trademark beverages under the bottler agreements. The bottler agreements prohibit us from producing, bottling or handling beverages other than *Coca-Cola* trademark beverages, or other products or packages that would imitate, infringe upon, or cause confusion with the products, trade dress, containers or trademarks of The Coca-Cola Company, except under the authority of, or with the consent of, The Coca-Cola Company. The bottler agreements also prohibit us from acquiring or holding an interest in a party that engages in such restricted activities. The bottler agreements impose restrictions concerning the use of certain trademarks, authorized containers, packaging and labeling of The Coca-Cola

Company so as to conform to policies prescribed by The Coca-Cola Company. In particular, we are obligated to:

maintain plant and equipment, staff and distribution facilities capable of manufacturing, packaging and distributing the *Coca-Cola* trademark beverages in authorized containers in accordance with our bottler agreements and in sufficient quantities to satisfy fully the demand in our territories;

undertake adequate quality control measures prescribed by The Coca-Cola Company;

develop, stimulate and satisfy fully the demand for *Coca-Cola* trademark beverages using all approved means, which includes the investment in advertising and marketing plans;

maintain a sound financial capacity as may be reasonably necessary to assure performance by us and our affiliates of our obligations to The Coca-Cola Company; and

submit annually to The Coca-Cola Company our marketing, management, promotional and advertising plans for the ensuing year.

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The Coca-Cola Company contributed a significant portion of our total marketing expenses in our territories during 2013 and has reiterated its intention to continue providing such support as part of our cooperation framework. Although we believe that The Coca-Cola Company will continue to provide funds for advertising and marketing, it is not obligated to do so. Consequently, future levels of advertising and marketing support provided by The Coca-Cola Company may vary materially from the levels historically provided. **See Item 7. Major Shareholders and Related Party Transactions Major Shareholders The Shareholders Agreement and Item 7. Major Shareholders and Related Party Transactions Major Shareholders Cooperation Framework with The Coca-Cola Company.**

We have separate bottler agreements with The Coca-Cola Company for each of the territories in which we operate, on substantially the same terms and conditions. These bottler agreements are automatically renewable for ten-year terms, subject to the right of either party to give prior notice that it does not wish to renew a specific agreement.

As of December 31, 2013, we had nine bottler agreements in Mexico: (i) the agreements for Mexico's Valley territory, which expire in April 2016 and June 2023, (ii) the agreements for the Central territory, which expire in August 2014 (two agreements), May 2015 and July 2016, (iii) the agreement for the Northeast territory, which expires in September 2014, (iv) the agreement for the Bajío territory, which expires in May 2015, and (v) the agreement for the Southeast territory, which expires in June 2023. As of December 31, 2013, we had four bottler agreements in Brazil, two expiring in October 2017 and the other two expiring in April 2024. Our bottler agreements with The Coca-Cola Company will expire for our territories in other countries as follows: Argentina in September 2014; Colombia in June 2014; Venezuela in August 2016; Guatemala in March 2015; Costa Rica in September 2017; Nicaragua in May 2016 and Panama in November 2014.

The bottler agreements are subject to termination by The Coca-Cola Company in the event of default by us. The default provisions include limitations on the change in ownership or control of our company and the assignment or transfer of the bottler agreements and are designed to preclude any person not acceptable to The Coca-Cola Company from obtaining an assignment of a bottler agreement or from acquiring our company independently of other rights set forth in the shareholders' agreement. These provisions may prevent changes in our principal shareholders, including mergers or acquisitions involving sales or dispositions of our capital stock, which will involve an effective change of control, without the consent of The Coca-Cola Company. **See Item 7. Major Shareholders and Related Party Transactions Major Shareholders The Shareholders Agreement.**

We have also entered into tradename license agreements with The Coca-Cola Company pursuant to which we are authorized to use certain trademark names of The Coca-Cola Company with our corporate name. These agreements have a ten-year term and are automatically renewed for ten-year terms, but are terminated if we cease to manufacture, market, sell and distribute *Coca-Cola* trademark products pursuant to the bottler agreements or if the shareholders agreement is terminated. The Coca-Cola Company also has the right to terminate a license agreement if we use its trademark names in a manner not authorized by the bottler agreements.

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DESCRIPTION OF PROPERTY, PLANT AND EQUIPMENT

Over the past several years, we made significant capital investments to modernize our facilities and improve operating efficiency and productivity, including:

increasing the annual capacity of our bottling plants by installing new production lines;

installing clarification facilities to process different types of sweeteners;

installing plastic bottle-blowing equipment;

modifying equipment to increase flexibility to produce different presentations, including faster sanitation and changeover times on production lines; and

closing obsolete production facilities.

See Item 5. Operating and Financial Review and Prospects Capital Expenditures.

As of December 31, 2013, we owned 44 bottling plants company-wide. By country, as of such date, we had eighteen bottling facilities in Mexico, five in Central America, six in Colombia, four in Venezuela, nine in Brazil and two in Argentina.

As of December 31, 2013, we operated 280 distribution centers, approximately 51% of which were in our Mexican territories. As of such date, we owned more than 84% of these distribution centers and leased the remainder. **See The Company Product Sales and Distribution.**

We maintain an all risk insurance policy covering our properties (owned and leased), machinery and equipment and inventories as well as losses due to business interruptions. The policy covers damages caused by natural disaster, including hurricane, hail, earthquake and damages caused by human acts, including explosion, fire, vandalism and riot; we also maintain a freight transport insurance policy that covers damages to goods in transit. In addition, we maintain a liability insurance policy that covers product liability. We purchase our insurance coverage through an insurance broker. In 2013, the policies for all risk property insurance and freight transport insurance were issued by ACE Seguros, S.A. and the policy for liability insurance was issued by XL Insurance Mexico, S.A. de C.V.; all risk coverage was partially reinsured in the international reinsurance market. We believe that our coverage is consistent with the coverage maintained by similar companies.

The table below summarizes by country principal use, installed capacity and percentage utilization of our production facilities:

Bottling Facility Summary

As of December 31, 2013

Country	Installed Capacity (thousands of unit cases)	Utilization⁽¹⁾ (%)
Mexico	2,857,805	61%
Guatemala	36,770	77%
Nicaragua	68,961	59%
Costa Rica	78,740	57%
Panama	54,755	57%
Colombia	542,058	50%
Venezuela	249,373	88%
Brazil	794,214	61%
Argentina	364,612	61%

(1) Annualized rate.

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The table below summarizes by country plant location and facility area of our production facilities:

Bottling Facility by Location

As of December 31, 2013

Country	Plant	Facility Area(thousands of sq. meters)
Mexico	San Cristóbal de las Casas, Chiapas	45
	Cuautitlán, Estado de México	35
	Los Reyes la Paz, Estado de México	50
	Toluca, Estado de México	242
	León, Guanajuato	124
	Morelia, Michoacán	50
	Ixtacomitán, Tabasco	117
	Apizaco, Tlaxcala	80
	Coatepec, Veracruz	142
	La Pureza Altamira, Tamaulipas	300
	Poza Rica, Veracruz	42
	Pacífico, Estado de México	89
	Cuernavaca, Morelos	37
	Toluca, Estado de México (Ojuelos)	41
	San Juan del Río, Querétaro	84
	Querétaro, Querétaro	80
	Iguala, Guerrero	8
Cayaco, Acapulco	104	
Guatemala	Guatemala City	46
Nicaragua	Managua	54
Costa Rica	Calle Blancos, San José	52
	Coronado, San José	14
Panama	Panama City	29
Colombia	Barranquilla	37
	Bogotá, DC	105
	Bucaramanga	26
	Cali	76
	Manantial, Cundinamarca	67
	Medellín	47
Venezuela	Antímano	15
	Barcelona	141
	Maracaibo	68
	Valencia	100
Brazil	Campo Grande	36
	Jundiaí	191

	Mogi das Cruzes	119
	Belo Horizonte	73
	Porto Real	108
	Maringá	160
	Marilia	159
	Curitiba	65
	Baurú	111
Argentina	Alcorta, Buenos Aires	73
	Monte Grande, Buenos Aires	32

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The table below sets forth all of our direct and indirect significant subsidiaries and the percentage of equity of each subsidiary we owned directly or indirectly as of December 31, 2013:

Name of Company	Jurisdiction of Incorporation	Percentage Owned	Description
Propimex, S. de R.L. de C.V	Mexico	100.0%	Manufacturer and distributor of bottled beverages.
Controladora Interamericana de Bebidas, S. de R.L. de C.V.	Mexico	100.0%	Holding company of manufacturers and distributors of beverages.
Spal Industria Brasileira de Bebidas, S.A.	Brazil	96.1%	Manufacturer and distributor of bottled beverages.
Coca-Cola FEMSA de Venezuela S.A.	Venezuela	100.0%	Manufacturer and distributor of bottled beverages.
Servicios Refresqueros del Golfo, S. de R.L. de C.V.	Mexico	100.0%	Manufacturer and distributor of bottled beverages.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects**General**

The following discussion should be read in conjunction with, and is qualified in its entirety by reference to, our consolidated financial statements including the notes thereto. Our consolidated financial statements were prepared in accordance with IFRS as issued by the IASB.

Average Price Per Unit Case. We use average price per unit case to analyze average pricing trends in the different territories in which we operate. We calculate average price per unit case by dividing net sales by total sales volume. Sales of beer in Brazil, which are not included in our sales volumes, are excluded from this calculation.

Effects of Changes in Economic Conditions. Our results are affected by changes in economic conditions in Mexico, Brazil and in the other countries in which we operate. For the years ended December 31, 2013, more than 50% of our total revenues were attributable to Mexico and Brazil. In addition to Mexico and Brazil, we also conduct operations in Central America (including Guatemala, Nicaragua, Costa Rica and Panama), Colombia, Venezuela and Argentina.

Our results are affected by the economic conditions in the countries where we conduct operations. Most of these economies continue to be heavily influenced by the U.S. economy, and therefore, deterioration in economic conditions in the U.S. economy may affect these economies. Deterioration or prolonged periods of weak economic conditions in the countries where we conduct operations may have, and in the past have had, a negative effect on our company and

a material adverse effect on our results and financial condition. Our business may also be significantly affected by the interest rates, inflation rates and exchange rates of the currencies of the countries in which we operate. Decreases in growth rates, periods of negative growth and/or increases in inflation or interest rates may result in lower demand for our products, lower real pricing of our products or a shift to lower margin products. In addition, an increase in interest rates would increase the cost to us of variable rate funding, which would have an adverse effect on our financial position.

Recent Developments

On November 26, 2013, we issued (i) US\$1 billion aggregate principal amount of 2.375% senior notes due November 26, 2018, (ii) US\$750 million aggregate principal amount of 3.875% senior notes due November 26, 2023, and (iii) US\$400 million aggregate principal amount of 5.250% senior notes due November 26, 2043. **See Item 5. Operating and Financial Review and Prospects Summary of Significant Debt Instruments.** On January 21, 2014, we issued (i) US\$150 million aggregate principal amount of additional 3.875% senior notes and (ii) US\$200 million aggregate principal amount of additional 5.250% senior notes. These notes are guaranteed by Propimex, our main operating subsidiary in Mexico, Comercializadora La Pureza de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Servicios Integrados Inmuebles del Golfo, S. de R.L. de C.V., Yoli de Acapulco, S.A. de C.V. and Controladora Interamericana de Bebidas, S. de R.L. de C.V., or the Guarantors.

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In February 2014, we prepaid in full the following bank loans denominated in pesos (nominal amount): (i) Ps.250 million with a maturity date in 2015, (ii) Ps.1,000 million with a maturity date in 2015, (iii) Ps.375 million with a maturity date in 2015, (iv) Ps.1,100 million with a maturity date in 2014 and (v) Ps.1,450 million with a maturity date in 2015.

Recent Exchange Rate Development. At the end of January, 2014, the exchange rate of the Argentine peso registered a devaluation of approximately 20% with respect to the U.S. dollar. As a result of this devaluation, the balance sheet of our subsidiary in Argentina could reflect a reduction in shareholders' equity during 2014. As of December 31, 2013 our foreign direct investment in Argentina, using the exchange rate of 6.38 Argentine pesos per U.S. dollar, was Ps.945 million.

In January 2014, the Venezuelan government announced that certain transactions, such as payment of services and payments related to foreign investments in Venezuela, must be settled at an alternative exchange rate determined by the SICAD. The SICAD determines this alternative exchange rate based on limited periodic sales of U.S. dollars through auctions. The exchange rate based on the most recent SICAD auction, held on April 4, 2014, and in effect as of April 7, 2014, was 10.00 bolivars to US\$1.00. Imports of our raw materials into Venezuela qualify as transactions that may be settled using the official exchange rate of 6.30 bolivars to US\$1.00, thus, we will continue to account for these transactions using such official exchange rate. We will recognize in the cumulative translation account in our consolidated financial statements as of March 31, 2014 a reduction in equity as a result of the valuation of our net investment in Venezuela at the SICAD exchange rate (10.70 bolivars to US\$1.00 as of March 31, 2014). As of December 31, 2013, our foreign direct investment in Venezuela was Ps.13,788 million (at the official exchange rate of 6.30 bolivars per US\$1.00). In addition, in March 2014, the Venezuelan government enacted a new law that authorizes an additional method (known as SICAD II) of exchanging Venezuelan bolivars to U.S. dollars at rates other than the current official exchange and the existing SICAD rates, for any other types of transaction different than those described above. As of April 4, 2014, the SICAD II exchange rate was 49.04 bolivars to US\$1.00.

Recent Acquisitions. In May 2013, we closed our merger with Grupo Yoli, one of the oldest family-owned Coca-Cola bottlers in Mexico, operating mainly in the state of Guerrero as well as in parts of the state of Oaxaca. Grupo Yoli sold approximately 99 million unit cases in 2012. The aggregate enterprise value of this transaction was Ps.8,806 million and we issued a total of 42.4 million new Series L shares in connection with this transaction. As part of our merger with Grupo Yoli, we also acquired an additional 10.1% equity interest in Piasa for a total ownership above 36.3%. We began consolidating the results of Grupo Yoli in our financial statements in June 2013.

In August 2013, we closed our acquisition of Companhia Fluminense, a family owned franchise that operates in parts of the states of São Paulo, Minas Gerais and Rio de Janeiro in Brazil. Companhia Fluminense sold approximately 56.6 million unit cases (including beer) in the twelve months ended March 31, 2013. The aggregate enterprise value of this transaction was US\$448 million and was an all-cash transaction. As part of our acquisition of Companhia Fluminense, we also acquired an additional 1.20% equity interest in Leão Alimentos. We began consolidating the results of Companhia Fluminense in our financial statements in September 2013.

In October 2013, we closed our acquisition of Spaipa, the second largest family owned franchise in Brazil, with operations in the state of Paraná and in parts of the state of São Paulo. Spaipa sold approximately 233.3 million unit cases (including beer) in the twelve months ended June 30, 2013. The aggregate enterprise value of this transaction was US\$1,855 million and was an all-cash transaction. As part of our acquisition of Spaipa, we also acquired an additional 5.82% equity interest in Leão Alimentos, for a total ownership of 26.1%, and a 50% stake in Fountain Água Mineral Ltda., a joint venture to develop the water category jointly with The Coca-Cola Company. We began consolidating the results of Spaipa in our financial statements in November 2013.

Critical Accounting Estimates

In the application of our accounting policies, which are described in Note 2 to our audited consolidated financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Key sources of uncertainty of estimates. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond our control. Such changes are reflected in the assumptions when they occur.

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Impairment of indefinite lived intangible assets, goodwill and other depreciable long-lived assets. Intangible assets with indefinite lives, as well as goodwill, are subject to annual impairment tests. An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices, less incremental costs for disposing of the asset. In order to determine whether such assets are impaired, we initially calculate an estimation of the value in use of the cash-generating units to which such assets have been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. We review annually the carrying value of our intangible assets with indefinite lives and goodwill for impairment based on recognized valuation techniques. While we believe that our estimates are reasonable, different assumptions regarding such estimates could materially affect our evaluations. Impairment losses are recognized in current earnings in the period the related impairment is determined.

We assess at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, we estimate the asset's recoverable amount. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, or other available fair value indicators. The key assumptions used to determine the recoverable amount for our CGUs, including a sensitivity analysis, are further explained in Notes 3 and 12 to our consolidated financial statements.

Useful lives of property, plant and equipment and intangible assets with defined useful lives. Property, plant and equipment, including returnable bottles are expected to provide benefits over a period of more than one year, as well as intangible assets with defined useful lives are depreciated/amortized over their estimated useful lives. We base our estimates on the experience of our technical personnel as well as based on our experience in the industry for similar assets, see Notes 3, 11 and 12 to our consolidated financial statements.

Post-employment and other non-current employee benefits. We regularly evaluate the reasonableness of the assumptions used in our post-employment and other non-current employee benefit computations. Information about such assumptions is described in Note 16 to our consolidated financial statements.

Income taxes. Deferred income tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. We regularly review our deferred tax assets for recoverability, and record a deferred tax asset based on our judgment regarding the probability of historical taxable income, projected future taxable income and the expected timing of the reversals of existing temporary differences, see Note 24 to our consolidated financial statements.

Tax, labor and legal contingencies and provisions. We are subject to various claims and contingencies related to tax, labor and legal proceedings as described in Note 25 to our consolidated financial statements. Due to their nature, such legal proceedings involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties and governmental actions. Management periodically assesses the probability of loss for such contingencies and accrues a provision and/or discloses the relevant circumstances, as appropriate. If the potential loss of any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a

provision for the estimated loss.

Valuation of financial instruments. We are required to measure all derivative financial instruments at fair value. The fair values of derivative financial instruments are determined considering quoted prices in recognized markets. If such instruments are not traded, fair value is determined by applying techniques based upon technical models supported by sufficient, reliable and verifiable data, recognized in the financial sector. We base our forward price curves upon market price quotations. Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments. See Note 20 to our consolidated financial statements.

Business combinations. Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by us, liabilities assumed by us the former owners of the acquiree and the equity interests issued by us in exchange for control of the acquiree.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except for:

deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements, are recognized and measured in accordance with IAS 12, *Income Taxes* and IAS 19, *Employee Benefits*, respectively;

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liabilities or equity instruments related to share-based payment arrangements of the acquiree or our share-based payment arrangements entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2, Share-based Payment at the Acquisition Date, see Note 3 to our consolidated financial statements; and

assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of our company's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of our company's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

For each business combination, we elect whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Investments in associates. If we hold, directly or indirectly, 20 percent or more of the voting power of an investee, it is presumed that it has significant influence, unless it can be clearly demonstrated that this is not the case. If we hold, directly or indirectly, less than 20 percent of the voting power of a corporate investee, it is presumed that we do not have significant influence, unless such influence can be clearly demonstrated. Decisions regarding the propriety of utilizing the equity method of accounting for a less than 20 percent-owned corporate investee requires a careful evaluation of voting rights and their impact on our ability to exercise significant influence. Management considers the existence of the following circumstances, which may indicate that we are in a position to exercise significant influence over a less than 20 percent-owned corporate investee:

representation on the board of directors or equivalent governing body of the investee;

participation in policy-making processes, including participation in decisions about dividends or other distributions;

material transactions between our company and the investee;

interchange of managerial personnel; or

provision of essential technical information.

Management also considers the existence and effect of potential voting rights that are currently exercisable or currently convertible should also be considered when assessing whether we have significant influence.

In addition, we evaluate the indicators that provide evidence of significant influence:

our extent of ownership is significant relative to other shareholdings (i.e. a lack of concentration of other shareholders);

our significant shareholders, our parent, fellow subsidiaries, or our officers, hold additional investment in the investee; and

we are a part of significant investee committees, such as the executive committee or the finance committee.

Joint Arrangements. An arrangement can be a joint arrangement even though not all of its parties have joint control of the arrangement. When we are a party to an arrangement we assess whether the contractual arrangement gives all the parties, or a group of the parties, control of the arrangement collectively; joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that control the arrangement collectively. Management needs to apply judgment when assessing whether all the parties, or a group of the parties, have joint control of an arrangement. When assessing joint control, management considers the following facts and circumstances:

If all the parties, or a group of the parties, control the arrangement, considering the definition of joint control as described in Note 3 to our consolidated financial statements; and

If decisions about the relevant activities require the unanimous consent of all the parties, or of a group of the parties.

As mentioned in Note 10 to our consolidated financial statements, on January 25, 2013, we closed the acquisition of 51% of CCBPI. We jointly control CCBPI with The Coca-Cola Company. This is based on the following factors: (i) during the first three years some relevant activities require joint approval between us and The Coca-Cola Company; and (ii) potential rights to acquire the remaining 49% of CCBPI are not probable to be executed in the foreseeable future due to the fact that the call option is out of the money as of December 31, 2013.

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New Accounting Pronouncements

a) IAS 28, Investments in Associates and Joint Ventures (2011):
IAS 28, Investments in Associates and Joint Ventures (2011), (which we refer to as IAS 28 (2011)) prescribes the accounting for investments in associates and establishes the requirements to apply the equity method for those investments in associates and in joint ventures. The standard is applicable to all entities with joint control of, or significant influence over, an investee. This standard supersedes the previous version of IAS 28, Investments in Associates, which did not include jointly control investments under its scope for valuation purposes due to the existence of IAS 31, Interests in Joint Ventures, which required to apply either, proportionate consolidation or the equity method to value ownership in joint ventures. As our investments in associates and joint ventures were accounted for using the equity method since before the entry into force of IAS 28 (2011), the adoption of this standard did not impact on our consolidated financial statements.

b) IFRS 10, Consolidated Financial Statements :
IFRS 10, Consolidated Financial Statements , establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities. The standard requires the controlling company to present its consolidated financial statements and replaces IAS 27, Consolidated and Separate Financial Statements and SIC 12, Consolidation Special Purpose Entities. As a result of IFRS 10, we changed our accounting policy for determining whether we have control over, and consequently whether we consolidate our investees. IFRS 10 introduces a new control model that is applicable to all investees, by focusing on whether we have power over an investee, exposure or rights to variable returns from our involvement with the investee and ability to use our control to affect those returns. In accordance with the transitional provisions of IFRS 10, we reassessed the control conclusion for our investees at January 1, 2013 and concluded that the adoption of this standard had no impact on our consolidated financial statements.

c) IFRS 11, Joint Arrangements :
IFRS 11, Joint Arrangements , classifies joint arrangements as either joint operations (combining the existing concepts of jointly controlled assets and jointly controlled operations) or joint ventures (equivalent to the existing concept of a jointly controlled entity). Joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. IFRS 11 requires the use of the equity method of accounting for interests in joint ventures thereby eliminating the proportionate consolidation method. As a result of IFRS 11, we have changed our accounting policy for our interests in joint arrangements. Under IFRS 11, we classify our interests in joint arrangements as either joint operations or joint ventures depending on our rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, we consider the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the existence of a separate legal vehicle was the key factor of classification. We reassessed our involvement in our joint arrangements and concluded that the adoption of this standard had no impact on our consolidated financial statements.

d) IFRS 12, Disclosure of Interests in Other Entities :

IFRS 12, Disclosure of Interests in Other Entities , is a consolidated disclosure standard requiring a wide range of extensive disclosures about an entity s interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities and has the objective to require the disclosure of information to allow the users of financial information to evaluate the nature and risk associated with their interests in other entities, and the effects of such interests on their financial position, financial performance and cash flows. IFRS 12 requires to disclose whatever additional information is necessary to disclosures required by IFRS, together with disclosures of information required by other IFRS, to enable such evaluation. Disclosures in regards to interests in other entities were previously required by IAS 27 (2008), Consolidated and Separate Financial Statements , IAS 28, Investments in Associates and IAS 31, Interests in Joint Ventures . As a result of the adoption of IFRS 12 we added additional disclosures regarding the following items:

Joint ventures. As of December 31, 2013 and 2012, we do not have material joint ventures. We added additional summarized aggregate financial information for non-material joint ventures, such as: cash and cash equivalents, current financial liabilities (excluding trade and other payables and provisions), non-current financial liabilities (excluding trade and other payables and provisions), depreciation and amortization, interest income, interest expense, income tax expense or income. These disclosures are presented in Note 10 to our consolidated financial statements.

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Non-controlling interest. For each subsidiary that has material non-controlling interest, we disclosed summarized financial information about the assets, liabilities, profit or loss and cash flows of such subsidiary. As of December 31, 2013 and 2012, we do not have material non-controlling interest.

e) IFRS 13, Fair Value Measurement :

IFRS 13, Fair Value Measurement, establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, we re-assessed our policies for measuring fair values. IFRS 13 also requires additional disclosures. Application of IFRS 13 has not impacted our fair value measurements. Additional disclosures of information where required, and are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

f) Amendments to IFRS 7, Financial Instruments: Disclosures :

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. We evaluated the amendments to IFRS 7 and concluded that they do not impact our previous disclosures of financial instruments, as no enforceable master netting agreements exist for our financial instruments.

Results

The following table sets forth our consolidated income statements for the years ended December 31, 2013, 2012 and 2011.

	Year Ended December 31,			
	2013⁽¹⁾	2013⁽²⁾	2012⁽³⁾	2011⁽⁴⁾
	(in millions of Mexican pesos or millions of			
	U.S. dollars, except per share data)			
Revenues:				
Net sales	US\$ 11,847	Ps. 155,175	Ps. 146,907	Ps. 122,638
Other operating revenues	64	836	832	586
Total revenues	11,911	156,011	147,739	123,224
Cost of goods sold	6,343	83,076	79,109	66,693
Gross profit	5,568	72,935	68,630	56,531
Costs and expenses:				
Administrative expenses	495	6,487	6,217	5,140
Selling expenses	3,423	44,828	40,223	32,093
Other income	36	478	545	685
Other expenses	85	1,101	1,497	2,060
Interest expense	255	3,341	1,955	1,729
Interest income	50	654	424	616

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Foreign exchange (loss) gain, net	(56)	(739)	272	61
(Loss) gain on monetary position for subsidiaries in hyperinflationary economies	(29)	(393)		61
Market value (gain) loss on financial instruments	(4)	(46)	(13)	138
Income before income taxes and share of the profit of associates and joint ventures accounted for using the equity method	1,315	17,224	19,992	16,794
Income taxes	437	5,731	6,274	5,667
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	22	289	180	86
Consolidated net income	US\$ 900	Ps. 11,782	Ps. 13,898	Ps. 11,213
Equity holders of the parent	882	11,543	13,333	10,662
Non-controlling interest	18	239	565	551
Consolidated net income	US\$ 900	Ps. 11,782	Ps. 13,898	Ps. 11,213
Net equity holders of the parent (U.S. dollars and Mexican pesos) Earnings per share ⁽⁵⁾	0.43	5.61	6.62	5.72

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- (1) Translation to U.S. dollar amounts at an exchange rate of Ps.13.10 to US\$1.00 solely for the convenience of the reader.
- (2) Includes results of CCBPI from February 2013 using the equity method, results of Grupo Yoli from June 2013, Companhia Fluminense from September 2013 and Spaipa from November 2013. See **Item 4 Information on the Company The Company Corporate History.**
- (3) Includes results of Grupo Fomento Queretano from May 2012. See **Item 4 Information on the Company The Company Corporate History.**
- (4) Includes results of Grupo Tampico from October 2011 and from Grupo CIMSA from December 2011. See **Item 4 Information on the Company The Company Corporate History.**
- (5) Computed of the basis of the weighted average number of shares outstanding during the period: 2,056.20 million, 2,015.14 million and 1,865.55 million in 2013, 2012 and 2011, respectively.

Operations by Consolidated Reporting Segment

The following table sets forth certain financial information for each of our consolidated reporting segments for the years ended December 31, 2013, 2012 and 2011. See Note 26 to our consolidated financial statements for additional information about all of our consolidated reporting segments.

	Year Ended December 31,		
	2013	2012	2011
	(in millions of Mexican pesos)		
Total revenues			
Mexico and Central America ⁽¹⁾	70,679	66,141	51,662
South America (excluding Venezuela) ⁽²⁾	53,774	54,821	51,451
Venezuela	31,558	26,777	20,111
Gross profit			
Mexico and Central America ⁽¹⁾	34,941	31,643	24,576
South America (excluding Venezuela) ⁽²⁾	22,374	23,667	22,205
Venezuela	15,620	13,320	9,750

(1) Includes Mexico, Guatemala, Nicaragua, Costa Rica and Panama. Includes results of Grupo Yoli from June 2013.

(2) Includes Colombia, Brazil and Argentina. Includes results of Companhia Fluminense from September 2013 and Spaipa from November 2013.

Results for the Year Ended December 31, 2013 Compared to the Year Ended December 31, 2012**Consolidated Results**

Total Revenues. Consolidated total revenues increased 5.6% to Ps.156,011 million in 2013, as compared to 2012. Revenue growth of 6.9% in our Mexico and Central America division, including the integration of Grupo Fomento Queretano and Grupo Yoli in our Mexican operations, coupled with a 4.6% growth in our South America division (including Venezuela), including the integration of Spaipa and Companhia Fluminense in Brazil, compensated for the negative translation effect generated by the devaluation of the currencies in our South America division. Excluding the recently integrated territories in Mexico and Brazil, total revenues reached Ps.149,210 million, an increase of 1.0% with respect to 2012. On a currency neutral basis and excluding the non-comparable effect of Grupo Fomento Queretano, Grupo Yoli, Spaipa and Companhia Fluminense, total revenues increased 16.3% in 2013 as compared to

2012.

Total sales volume increased 5.2% to 3,204.6 million unit cases in 2013, as compared to 2012. Excluding the integration of Grupo Fomento Queretano and Grupo Yoli in our Mexican operations and Spaipa and Companhia Fluminense in our Brazilian operations, volumes remained flat at 3,055.2 million unit cases in 2013. On the same basis, the still beverage category grew 8.5%, mainly driven by the performance of the *Jugos del Valle* line of business, *Powerade* and *FUZE tea* across our territories. In addition and excluding the newly integrated territories, our bottled water portfolio grew 5.3%, driven by the performance of *Ciel*, *Bonaqua*, and *Brisa*. These increases compensated for flat volumes in our sparkling beverage category and a 2.2% decrease in our bulk water business.

Consolidated average price per unit case decreased 0.3%, reaching Ps.47.15 in 2013, as compared to Ps.47.27 in 2012, mainly due to the negative translation effect resulting from the depreciation of the currencies of our South America division, including Venezuela. In local currency, average price per unit case increased in most of our territories mainly driven by price increases implemented during the year.

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Gross Profit. Gross profit increased 6.3% to Ps.72,935 million in 2013, as compared to 2012. Cost of goods sold increased 5.0%, mainly as a result of lower sugar prices in most of our territories in combination with the appreciation of the average exchange rate of the Mexican peso, which compensated for the depreciation of the average exchange rate of the Venezuelan bolivar, the Argentine peso, the Brazilian real and the Colombian peso as applied to our U.S. dollar-denominated raw material costs. Gross margin reached 46.7%, an increase of 20 basis points as compared to 2012.

The components of cost of goods sold include raw materials (principally soft drink concentrate, sweeteners and packaging materials), depreciation costs attributable to our production facilities, wages and other employment costs associated with the labor force employed at our production facilities and certain overhead costs. Concentrate prices are determined as a percentage of the retail price of our products in local currency net of applicable taxes. Packaging materials, mainly PET and aluminum, and HFCS, used as a sweetener in some countries, are denominated in U.S. dollars.

Administrative and Selling Expenses. Administrative and selling expenses as a percentage of total revenues increased 150 basis points to 32.9% in 2013 as compared to 2012. Administrative and selling expenses in absolute terms increased 10.5%, mainly as a result of the integration of Grupo Fomento Queretano and Grupo Yoli in our Mexican operations and Spaipa and Companhia Fluminense in our Brazilian operations. In addition, administrative and selling expenses grew as a consequence of higher labor and freight costs in our South America division and continued marketing investments to support our marketplace execution and bolster our returnable packaging base across our territories.

Comprehensive Financing Result. The term comprehensive financing result refers to the combined financial effects of net interest expense, net financial foreign exchange gains or losses, and net gains or losses on monetary position from our Venezuelan operations, as the only hyperinflationary country in which we operate. Net financial foreign exchange gains or losses represent the impact of changes in foreign-exchange rates on financial assets or liabilities denominated in currencies other than local currencies and gains or losses resulting from derivative financial instruments. A financial foreign exchange loss arises if a liability is denominated in a foreign currency that appreciates relative to the local currency between the date the liability is incurred or the beginning of the period, whichever comes first, and the date it is repaid or the end of the period, whichever comes first, as the appreciation of the foreign currency results in an increase in the amount of local currency, which must be exchanged to repay the specified amount of the foreign currency liability.

Comprehensive financing result in 2013 recorded an expense of Ps.3,772 million as compared to an expense of Ps.1,246 million in 2012. This increase was mainly driven by higher interest expense due to a larger debt position and a foreign exchange loss mainly as a result of the depreciation of the end-of-period exchange rate of the Mexican peso during the year as applied to a higher U.S. dollar-denominated net debt position.

Income Taxes. Income taxes decreased to Ps.5,731 million in 2013, from Ps.6,274 million in 2012. In 2013, taxes as a percentage of income before taxes and share of profit of associates and joint ventures accounted for using the equity method were 33.3%, as compared to 31.4% in 2012. The difference was mainly driven by lower effective tax rates imposed in 2012 resulting from a tax benefit related to interest on capital derived from a dividend declared by our Brazilian subsidiary.

Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes. In 2013, we reported a gain of Ps.289 million in Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes mainly due to the effect of CCBPI, Jugos del Valle in Mexico and Leão Alimentos in Brazil in our equity method calculation.

On January 25, 2013, as part of our efforts to expand our geographic reach, we acquired a 51% non-controlling majority stake in CCBPI. We currently recognize the results of CCBPI using the equity method and reflect such results in our Mexico and Central America division. In 2013, we recognized equity income of Ps.108 million regarding our economic interest in CCBPI. We report our equity method investment in CCBPI as a separate reporting segment. For further information see Notes 10 and 26 to our consolidated financial statements.

Net Controlling Interest Income (Equity holders of the parent). Our consolidated net controlling interest income decreased 13.4% to Ps.11,543 million in 2013 as compared to 2012. Earnings per share in 2013 were Ps.5.61 (Ps.56.14 per ADS) computed on the basis of 2,056.0 million shares outstanding (each ADS represents 10 Series L shares) as of December 31, 2013.

Results by Consolidated Reporting Segment

Mexico and Central America

Total Revenues. Consolidated total revenues from our Mexico and Central America division increased 6.9% to Ps.70,679 million in 2013, as compared to 2012, mainly supported by the integration of Grupo Fomento Queretano and Grupo Yoli in our

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Mexican operations. Excluding the integration of Grupo Fomento Queretano and Grupo Yoli in Mexico, total revenues grew 1.8%. On a currency neutral basis and excluding the recently integrated territories in Mexico, total revenues in the division increased 2.3%.

Total sales volume increased 4.4% to 1,953.6 million unit cases in 2013, as compared to 2012. Excluding the integration of Grupo Fomento Queretano and Grupo Yoli, our bottled water portfolio grew 5.1%, mainly driven by the performance of the *Ciel* brand in Mexico. Our still beverage category grew 3.7% mainly due to the performance of the Jugos del Valle portfolio in the division. These increases partially compensated for the flat volumes in sparkling beverages and a 3.5% decline in the bulk water business.

Total sales volume in Mexico increased 4.5% to 1,798.0 million unit cases in 2013, as compared to 1,720.3 million unit cases in 2012. Excluding the non-comparable effect of Grupo Fomento Queretano and Grupo Yoli, volumes declined 0.7% to 1,708.7 million unit cases. On the same basis, our bottled water portfolio grew 4.8%, mainly driven by the performance of the *Ciel* brand. Sales volume in the still beverage category increased 2.3%, due to the performance of *Powerade*, the *Jugos del Valle* line of business and *FUZE tea*. These increases partially compensated for a 0.6% decrease in our sparkling beverage category and a 3.5% decline in the bulk water business.

Total sales volume in Central America increased 2.9% to 155.6 million unit cases in 2013, as compared to 151.2 million unit cases in 2012. The sales volume in the sparkling beverage category grew 1.5%, mainly driven by the strong performance of the *Coca-Cola* brand in Guatemala and Panama, which grew 4.6% and 5.3%, respectively. Sales volume in the still beverage category increased 12.1%, due to the performance of *Del Valle Fresh*, *FUZE tea* and the *Estrella Azul* portfolio. The bottled water business, including bulk water, grew 8.3% mainly driven by the performance of the *Alpina* and *Dasani* brands.

Gross Profit. Our gross profit increased 10.4% to Ps.34,941 million in 2013, as compared to 2012. Cost of goods sold increased 3.6%, mainly as a result of lower sugar prices in the division in combination with the average appreciation of the Mexican peso as applied to our U.S. dollar-denominated raw material costs. Gross margin reached 49.4% in 2013, an expansion of 160 basis points as compared with the previous year.

Administrative and Selling Expenses. Administrative and selling expenses as a percentage of total revenues increased 140 basis points to 33.1% in 2013, as compared with the same period in 2012. Administrative and selling expenses increased as a result of the integration of Grupo Fomento Queretano and Grupo Yoli in Mexico and continued investments in marketing across the division. Administrative and selling expenses in absolute terms increased 11.4% as compared to 2012.

South America (excluding Venezuela)

Total Revenues. Total revenues were Ps.53,774 million in 2013, a decrease of 1.9% as compared to 2012. The negative translation effect resulting from the devaluation of the Argentine peso, the Brazilian real and the Colombian peso compensated for the results of the recently integrated franchises of Companhia Fluminense and Spaipa in Brazil during the second half of the year. Excluding beer, which accounted for Ps.4,093 million during 2013, and the effect of integrating Spaipa and Companhia Fluminense in our Brazilian operations, revenues decreased 2.3% to Ps.49,681 million. On a currency neutral basis and excluding the non-comparable effect of Companhia Fluminense and Spaipa in Brazil, total revenues increased 6.0%, mainly due to average price per unit case increases in Argentina and Brazil, and volume growth in Colombia and Argentina which more than compensated for the decrease in average price per unit case in Colombia.

Total sales volume in our South America division, excluding Venezuela, increased 6.3% to 1,028.1 million unit cases in 2013 as compared to 2012, as a result of growth in Colombia and Argentina, which compensated for a volume decline in Brazil. Excluding the non-comparable effect of Companhia Fluminense and Spaipa volumes remained flat as compared with the previous year. On the same basis, the still beverage category grew 14.3%, mainly driven by the *Jugos del Valle* line of business in Colombia and Brazil and the performance of *FUZE tea* in the division. Our bottled water portfolio, including bulk water, increased 3.8% mainly driven by the *Bonaqua* brand in Argentina and the *Brisa* brand in Colombia. These increases compensated for a 1.2% decline in the sparkling beverage portfolio.

Total sales volume in Colombia increased 7.8% to 275.7 million unit cases in 2013, as compared to 255.8 million unit cases in 2012. The sales volume in the sparkling beverage category grew 5.4%, mainly driven by a 7% increase of brand Coca-Cola. Sales volume in the still beverage category increased 33.9%, mainly driven by *Del Valle Fresh* and *FUZE tea*. The bottled water business, including bulk water, grew 8.0% mainly driven by the *Brisa* brand.

Total sales volume in Argentina increased 4.7% to 227.1 million unit cases in 2013, as compared to 217.0 million unit cases in 2012. The sparkling beverage category grew 3.6%, mainly driven by the performance of *Coca-Cola*, *Sprite* and *Fanta*. The bottled water business, including bulk water, grew 18.4%, driven by the *Bonaqua* brand. Sales volume in the still beverage category increased 6.3%, driven by the launch of *FUZE tea* and the *Cepita* juice brand.

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Total sales volume in Brazil increased 6.3% to 525.2 million unit cases in 2013, as compared to 494.2 million unit cases in 2012. Excluding the integration of Companhia Fluminense and Spaipa volumes decreased 5.9%. On the same basis sales volume in the still beverage category increased 3.8%, due to the performance of the *Jugos del Valle* line of business. The sales volume in the sparkling beverage category decreased 6.2% and the bottled water business, including bulk water, decreased 8.9%.

Gross Profit. Gross profit reached Ps.22,374 million, a decrease of 5.5% in 2013, as compared to 2012, as a result of the negative translation effect generated by the devaluation of the Argentine peso, the Brazilian real and the Colombian peso during the year. In local currency, cost of goods sold increased as a result of the depreciation of the average exchange rate of the Argentine peso, the Brazilian real and the Colombian peso as applied to our U.S. dollar-denominated raw material costs, which compensated for lower PET prices in Brazil and lower sweetener prices in the division. Gross margin reached 41.6% in 2013.

Administrative and Selling Expenses. Administrative and selling expenses as a percentage of total revenues increased 160 basis points to 30.5% in 2013, as compared to 2012, mainly as a result of higher labor and freight costs in Brazil and Argentina, in combination with increased marketing investments to reinforce our execution in the marketplace, widen our cooler coverage and broaden our returnable base availability across the division, excluding Venezuela. Administrative and selling expenses in absolute terms increased 3.7% as compared to 2012.

Venezuela

Total Revenues. Total revenues in Venezuela reached Ps.31,558 million in 2013, an increase of 17.9% as compared to 2012. Average price per unit case was Ps.141.36 in 2013, an increase of 9.7% as compared to 2012, despite the devaluation of the Venezuelan bolivar. On a currency neutral basis, our revenues in Venezuela increased by 71.8%.

Total sales volume increased 7.3% to 222.9 million unit cases in 2013, as compared to 207.7 million unit cases in 2012. The sales volume in the sparkling beverage category grew 4.5%, driven by the strong performance of the *Coca-Cola* brand, which grew 10.0%. The bottled water business, including bulk water, grew 33.2% mainly driven by the *Nevada* brand. The still beverage category increased 23.5%, due to the performance of the *Del Valle Fresh* orangeade and *Kapo*.

Gross Profit. Gross profit was Ps.15,620 million in 2013, an increase of 17.3% as compared to 2012. Cost of goods sold increased 18.4%. The devaluation of the Venezuelan bolivar as applied to our U.S. dollar-denominated raw material costs compensated for lower sweetener and PET prices. Gross margin decreased to 49.5% in 2013, as compared to 49.7% in 2012.

Administrative and Selling Expenses. Administrative and selling expenses as a percentage of total revenues increased 60 basis points to 36.6% in 2013, as compared to 2012, mainly as a result of higher labor costs in the country. Administrative and selling expenses in absolute terms increased 19.6% as compared to 2012.

Results for the Year Ended December 31, 2012 Compared to the Year Ended December 31, 2011

Consolidated Results

Total Revenues. Consolidated total revenues increased 19.9% to Ps.147,739 million in 2012, as compared to 2011, driven by double-digit total revenue growth in both divisions, including Venezuela, and including the integration of Grupo Tampico, Grupo CIMSA and Grupo Fomento Queretano into our Mexican operations. Excluding the non-comparable effect of Grupo Tampico, Grupo CIMSA and Grupo Fomento Queretano in our Mexican operations,

total revenues grew 11.6%. On a currency neutral basis and excluding the non-comparable effect of Grupo Tampico, Grupo CIMSA and Grupo Fomento Queretano in Mexico, total revenues increased 15.0%.

Total sales volume increased 15.0% to 3,046.2 million unit cases in 2012, as compared to 2011. The integration of Grupo Tampico, Grupo CIMSA and Grupo Fomento Queretano in our Mexican operations accounted for 332.7 million unit cases, of which sparkling beverages represented 62.5%, water 5.1%, bulk water 27.9% and still beverages 4.5%. Excluding non-comparable effects of Grupo Tampico, Grupo CIMSA and Grupo Fomento Queretano in Mexico, total sales volumes grew 2.4% to 2,713.5 million unit cases. On the same basis, the sparkling beverage category grew 2.0%, mainly driven by the *Coca-Cola* brand, which accounted for more than 65% of incremental volumes. The still beverage category grew 13.5%, mainly driven by the performance of the *Jugos del Valle* line of business in Mexico, Venezuela and Brazil, and the Del Prado line of business in Central America, representing close to 30% of incremental volumes. Our bottled water portfolio, including bulk water, grew 0.9%, and contributed the balance.

Consolidated average price per unit case increased by 4.4%, reaching Ps.47.27 in 2012, as compared to Ps.45.29 in 2011. In local currency, average price per unit case increased in all of our territories mainly driven by price increases implemented during the year and higher volumes of sparkling beverages, which carry higher average prices per unit case.

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Gross Profit. Our gross profit increased 21.4% to Ps.68,630 million in 2012, as compared to 2011. Cost of goods sold increased 18.6%, mainly as a result of higher sweetener costs in Mexico during the first half of the year and the depreciation of the average exchange rate of the Brazilian real, the Argentine peso and the Mexican peso as applied to our U.S. dollar-denominated raw material costs. Gross margin reached 46.5% in 2012, an expansion of 60 basis points as compared to 2011.

The components of cost of goods sold include raw materials (principally soft drink concentrate, sweeteners and packaging materials), depreciation costs attributable to our production facilities, wages and other employment costs associated with the labor force employed at our production facilities and certain overhead costs. Concentrate prices are determined as a percentage of the retail price of our products in local currency net of applicable taxes. Packaging materials, mainly PET and aluminum, and HFCS, used as a sweetener in some countries, are denominated in U.S. dollars.

Administrative and Selling Expenses. Administrative and selling expenses, as a percentage of total revenues, increased 120 basis points to 31.4% in 2012, as compared to 2011. Administrative and selling expenses, in absolute terms, increased 24.7%, mainly as a result of the integration of Grupo Tampico, Grupo CIMSA and Grupo Fomento Queretano in Mexico. In addition, administrative and selling expenses grew as a consequence of higher labor costs in Venezuela and Brazil in combination with higher labor and freight costs in Argentina, and continued marketing investment to reinforce our execution in the marketplace, widen our cooler coverage and broaden our returnable base availability across our territories. During the year ended December 31, 2012, we also recorded additional expenses related to the development of information systems and commercial capabilities in connection with our commercial models, and certain investments related, among others, to the development of new lines of business and non-carbonated beverage categories.

Comprehensive Financing Result. The term comprehensive financing result refers to the combined financial effects of net interest expense, net financial foreign exchange gains or losses, and net gains or losses on monetary position from the hyperinflationary countries in which we operate. Net financial foreign exchange gains or losses represent the impact of changes in foreign-exchange rates on financial assets or liabilities denominated in currencies other than local currencies and gains or losses resulting from derivative financial instruments. A financial foreign exchange loss arises if a liability is denominated in a foreign currency that appreciates relative to the local currency between the date the liability is incurred or the beginning of the period, whichever comes first, and the date it is repaid or the end of the period, whichever comes first, as the appreciation of the foreign currency results in an increase in the amount of local currency, which must be exchanged to repay the specified amount of the foreign currency liability.

Comprehensive financing results in 2012 recorded an expense of Ps.1,246 million, as compared to an expense of Ps.1,129 million in 2011, mainly due to higher interest expenses.

Income Taxes. Income taxes increased to Ps.6,274 million in 2012, from Ps.5,667 million in 2011. During 2012, taxes as a percentage of income before taxes were 31.2% as compared to 33.7% in the previous year. The difference was mainly driven by the recording of an equity tax in our Colombian subsidiary during 2011.

Equity Holders of the Parent. Our consolidated equity holders of the parent increased 25.1% to Ps.13,333 million in 2012, as compared to the same period of 2011. Earnings per share in 2012 were Ps.6.62 (Ps.66.15 per ADS) computed on the basis of 2,015.14 million shares outstanding (each ADS represents 10 Series L Shares) as of December 31, 2012.

Results by Consolidated Reporting Segment

Mexico and Central America

Total Revenues. Total revenues from our Mexico and Central America division increased 28.0% to Ps.66,141 million in 2012, as compared to 2011. Such growth was supported by the integration of Grupo Tampico, Grupo CIMSA and Grupo Fomento Queretano in our Mexican operations in 2012. Higher volumes, including the recently integrated franchises into our Mexican operations, accounted for approximately 85% of incremental revenues during the year, and increased average price per unit case represented the balance. Average price per unit case reached Ps.35.11, an increase of 3.1%, as compared to 2011, mainly reflecting selective price increases across our product portfolio implemented in Mexico and Central America over the year. Excluding the non-comparable effect of Grupo Tampico, Grupo CIMSA and Grupo Fomento Queretano in Mexico, total revenues grew 8.3%. On a currency neutral basis and excluding the recently integrated territories into our Mexican territories, total revenues increased approximately 7.5%.

Total sales volume in this segment increased 23.9% to 1,871.5 million unit cases in 2012, as compared to 2011. Excluding the non-comparable effect of Grupo Tampico, Grupo CIMSA and Grupo Fomento Queretano in Mexico, volumes grew 1.9% to 1,538.8 million unit cases. On the same basis, sparkling beverage volume increased 2.5%, driven by a 2.7% growth of the *Coca-Cola* brand and a 1.8% increase in flavored sparkling beverages. Still beverages grew 8.9%, mainly driven by the *Jugos del Valle* line of products and *Powerade*. These increases compensated for a 2.6% decline in our bottled water business, including bulk water.

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Total sales volume in Mexico increased 25.9% to 1,720.3 million unit cases in 2012, as compared to 1,366.5 million unit cases in 2011. Excluding the non-comparable effect of Grupo Tampico, Grupo CIMSA and Grupo Fomento Queretano, volumes grew 1.5% to 1,387.6 million unit cases. On the same basis, sales volume in the sparkling beverage category grew 2.4%, driven by the strong performance of the *Coca-Cola* brand, which grew 2.5%. Sales volume in the still beverage category increased 7.9%, due to the performance of *Valle Frut* and *Powerade*. These increases compensated for a 2.8% decline in our bottled water category, including bulk water.

Total sales volume in Central America increased 4.8% to 151.2 million unit cases in 2012, as compared to 144.3 million unit cases in 2011. The sales volume in the sparkling beverage category grew 3.6%, driven by the strong performance of the *Coca-Cola* brand in Panama and Nicaragua, which grew 11.1% and 5.0% respectively. The bottled water business, including bulk water, grew 8.0% mainly driven by the performance of the *Alpina* brand. Sales volume in the still beverage category increased 13.8%, due to the introduction of the *Del Prado* brand.

Gross Profit. Gross profit increased 28.8% to Ps.31,643 million in 2012, as compared to the same period in 2011. Cost of goods sold increased 27.4%, mainly as a result of higher HFCS costs in Mexico during the first half of the year, in combination with the depreciation of the average exchange rate of the Mexican peso as applied to our U.S. dollar-denominated raw material costs, which were partially offset by lower PET and sugar prices. Gross margin increased from 47.6% in 2011 to 47.8% in 2012.

Administrative and Selling Expenses. Administrative and selling expenses in the Mexico and Central America division, as a percentage of total revenues, increased 90 basis points to 31.7% in 2012, as compared with 2011, mainly as a result of the integration of Grupo Tampico, Grupo CIMSA and Grupo Fomento Queretano in Mexico. Additionally, administrative and selling expenses increased as a result of continued investment in marketing across our territories in Mexico and Central America. During the year ended December 31, 2012, we also recorded additional expenses related to the development of information systems and commercial capabilities in connection with our commercial models and certain investments related, among others, to the development of new lines of business and non-carbonated beverage categories. Administrative and selling expenses in this division, in absolute terms, increased 32.0%, as compared to 2011.

South America (excluding Venezuela)

Total Revenues. Total revenues were Ps.54,821 million in 2012, an increase of 6.5% as compared to 2011 as a result of total revenue growth in Colombia, Argentina and Brazil, which was partially compensated by the negative translation effect of the devaluation of the Brazilian real. Excluding beer, which accounted for Ps.2,905 million during the year, revenues increased 6.4% to Ps.51,916 million. Excluding beer, higher average prices per unit case across our operations accounted for close to 70% of incremental revenues and volume growth in every territory contributed the balance. On a currency neutral basis, total revenues increased approximately 11.6%.

Total sales volume in our South America segment, excluding Venezuela, increased 2.0% to 967.0 million unit cases in 2012 as compared to 2011, as a result of growth in every operation. Our sparkling beverage portfolio grew 0.8%, driven by the strong performance of the *Coca-Cola* brand in Argentina, which grew 5.1% and 3.3% in flavored sparkling beverages. The still beverage category grew 5.8%, mainly driven by the *Jugos del Valle* line of business in Brazil and the *Cepita* juice brand and *Hi-C* orangeade in Argentina. Our bottled water portfolio increased 20.4% mainly driven by the *Crystal* brand in Brazil and the *Brisa* brand in Colombia. These increases compensated for a 5.9% decline in the bulk water portfolio.

Total sales volume in Colombia increased 1.5% to 255.8 million unit cases in 2012, as compared to 252.1 million unit cases in 2011. The sales volume in the sparkling beverage category grew 0.7%, driven by the introduction of the

Fanta brand and the performance of *Quatro*. The bottled water business, including bulk water, grew 4.4% mainly driven by the *Brisa* brand. Sales volume in the still beverage category increased 1.2%, mainly driven by the introduction of *FUZE* tea.

Total sales volume in Argentina increased 3.0% to 217.0 million unit cases in 2012, as compared to 210.7 million unit cases in 2011. The sales volume in the sparkling beverage category grew 2.5%, driven by the strong performance of the *Coca-Cola* brand, which grew 5.1%. Sales volume in the still beverage category increased 8.1%, mainly driven by the *Cepita* juice brand and *Hi-C* orangeade. The bottled water business, including bulk water, grew 7.0% mainly driven by the introduction of the *Bonaqua* brand.

Total sales volume in Brazil increased 1.8% to 494.2 million unit cases in 2012, as compared to 485.3 million unit cases in 2011. The bottled water business, including bulk water, grew 25.8%, mainly driven by the *Crystal* brand. Sales volume in the still beverage category increased 8.3%, due to the performance of the *Jugos del Valle* line of business. The sales volume in the sparkling beverage category remained flat as compared to 2011.

Gross Profit. Gross profit reached Ps.23,667 million, an increase of 6.6% in 2012, as compared to 2011. Cost of goods sold increased 6.5%, mainly driven by the depreciation of the average exchange rate of the Brazilian real and the Argentine peso as applied to our U.S. dollar-denominated raw material costs. Gross profit reached 43.2% in 2012, remaining flat as compared to 2011.

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Administrative and Selling Expenses. Administrative and selling expenses in South America, excluding Venezuela, as a percentage of total revenues, increased 130 basis points to 28.9% in 2012, as compared with 2011. This increase occurred mainly as a result of higher labor costs in Brazil and higher labor and freight costs in Argentina, in combination with increased marketing investment to reinforce our execution in the marketplace, widen our cooler coverage and broaden our returnable base availability across the division, excluding Venezuela. Administrative and selling expenses in South America, excluding Venezuela, in absolute terms increased 11.3%, as compared to 2011.

Venezuela

Total Revenues. Total revenues in Venezuela reached Ps.26,777 million in 2012, an increase of 33.1% as compared to 2011. Average price per unit case was Ps.128.8 in 2012, an increase of 21.7% as compared to 2011, accounting for close to 75% of incremental revenues. On a currency neutral basis, our revenues in Venezuela increased by 43.0%.

Total sales volume increased 9.4% to 207.7 million unit cases in 2012, as compared to 189.8 million unit cases in 2011. Sales volume in the still beverage category increased 150.0%, due to the introduction of the *Del Valle Fresh* orangeade. The sales volume in the sparkling beverage category grew 4.9%, driven by the strong performance of the *Coca-Cola* brand, which grew 7.7%. The bottled water business, including bulk water, grew 12.6% mainly driven by the *Nevada* brand.

Gross Profit. Gross profit was Ps.13,320 million in 2012, an increase of 36.6% compared to 2011. Cost of goods sold increased 29.9%. Lower sweetener and PET prices resulted in a gross margin expansion of 120 basis points, to 49.7% in 2012, as compared to 48.5% in 2011.

Administrative and Selling Expenses. Administrative and selling expenses in Venezuela, as a percentage of total revenues, increased 50 basis points to 36.0% in 2012, as compared with 2011. This increase occurred mainly as a result of higher labor costs, in combination with increased marketing investment to reinforce our execution in the marketplace and widen our cooler coverage across the country. Administrative and selling expenses in Venezuela, in absolute terms increased 35.2%, as compared to 2011.

Liquidity and Capital Resources

Liquidity. The principal source of our liquidity is cash generated from operations. A significant majority of our sales are on a cash basis with the remainder on a short-term credit basis. We have traditionally been able to rely on cash generated from operations to fund our working capital requirements and our capital expenditures. Our working capital benefits from the fact that most of our sales are made on a cash basis, while we generally pay our suppliers on credit. In recent periods, we have mainly used cash generated from operations to fund acquisitions. We have also used a combination of borrowings from Mexican and international banks and bond issuances in the Mexican and international capital markets.

Our total indebtedness was Ps.60,461 million as of December 31, 2013, as compared to Ps.29,914 million as of December 31, 2012. Short-term debt and long-term debt were Ps.3,586 million and Ps.56,875 million, respectively, as of December 31, 2013, as compared to Ps.5,139 million and Ps.24,775 million, respectively, as of December 31, 2012. Total debt increased Ps.30,547 million in 2013, compared to year end 2012. Net debt increased Ps.38,475 million in 2013 mainly as a result of the net difference between the proceeds obtained from financing transactions during 2013 and the cash outflows to fund the Spaipa, Companhia Fluminense, CCBPI and Grupo Yoli acquisitions. In addition, we had cash outflows in 2013 resulting from dividend payments and the prepayment of outstanding bank debt. As of December 31, 2013, our cash and cash equivalents were Ps.15,306 million, as compared to Ps.23,222 million as of December 31, 2012. As of December 31, 2013, our cash and cash equivalents were comprised of 24% U.S. dollars,

25% Mexican pesos, 9% Brazilian reais, 37% Venezuelan bolivars and 3% Colombian pesos. As of March 31, 2014, our cash and cash equivalents balance, including restricted cash, was Ps.20,746 million including US\$450 million denominated in U.S. dollars. We believe that these funds, in addition to the cash generated by our operations, are sufficient to meet our operating requirements.

Any further changes in the Venezuelan exchange control regime, and future currency devaluations or the imposition of exchange controls in any of the countries in which we have operations could have an adverse effect on our financial position and liquidity.

As part of our financing policy, we expect to continue to finance our liquidity needs with cash. Nonetheless, as a result of regulations in certain countries in which we operate, it may not be beneficial or, as in the case of exchange controls in Venezuela, practicable for us to remit cash generated in local operations to fund cash requirements in other countries. Exchange controls like those in Venezuela may also increase the real price of remitting cash to fund debt requirements in other countries. In the event that cash in these countries is not sufficient to fund future working capital requirements and capital expenditures, we may decide, or be required, to fund cash requirements in these countries through local borrowings rather than remitting funds from another country. In addition, our liquidity in Venezuela could be affected by changes in the rules applicable to exchange rates as well as other regulations,

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such as exchange controls. In the future we may finance our working capital and capital expenditure needs with short-term or other borrowings.

We continuously evaluate opportunities to pursue acquisitions or engage in strategic transactions. We would expect to finance any significant future transactions with a combination of any of cash, long-term indebtedness and the issuance of shares of our company.

Sources and Uses of Cash. The following table summarizes the sources and uses of cash for the years in the periods ended December 31, 2013, 2012 and 2011, from our consolidated statements of changes in cash flows:

	Year Ended December 31,		
	2013	2012	2011
	(in millions of Mexican pesos)		
Net cash flows from operating activities	22,097	23,650	13,893
Net cash flows used in investing activities ⁽¹⁾	(49,481)	(10,989)	(12,197)
Net cash flows from (used in) financing activities	23,506	60	(3,072)
Dividends paid	(6,002)	(5,733)	(4,366)

(1) Includes property, plant and equipment, investment in shares and other assets.

Contractual Obligations

The table below sets forth our contractual obligations as of December 31, 2013:

	Maturity					Total
	(in millions of Mexican pesos)					
	Less than 1 year	1 3 years	4 5 years	In excess of 5 years		
Debt⁽¹⁾						
Mexican pesos	Ps. 1,368	Ps. 5,281	Ps.	Ps. 9,987	Ps. 16,636	
U.S. dollars	97	1,592	17,299	21,250	40,238	
Brazilian reais	36	47	31	25	139	
Colombian pesos	913	543			1,456	
Argentine pesos	934	99			1,033	
Capital Leases						
Brazilian reais	238	555	124	42	959	
Interest Payments on Debt⁽²⁾						
Mexican pesos	905	2,080	1,233	1,675	5,893	
U.S. dollars	1,333	3,989	2,233	7,337	14,892	
Brazilian reais	43	65	10	3	121	
Colombian pesos	80	18			98	
Argentine pesos	126	10			136	
Interest Rate Swaps⁽³⁾						
Mexican pesos float to fixed	(18)	(122)			(140)	

Cross Currency Swaps					
Mexican pesos to U.S. dollars ⁽⁴⁾	76				76
Brazilian reais to U.S. dollars ⁽⁵⁾	5	11	(825)		(809)
Forwards					
U.S. dollars to Mexican pesos ⁽⁶⁾	10				10
U.S. dollars to Brazilian reais ⁽⁷⁾	16				16
U.S. dollars to Colombian pesos ⁽⁸⁾	2				2
Operating Leases					
Mexican pesos	237	591	5		833
Commodity Hedge Contracts					
Sugar ⁽⁹⁾	(246)	(46)			(292)
Aluminum ⁽¹⁰⁾	(10)				(10)
Expected Benefits to be Paid for Pension and Retirement Plans, Seniority Premiums and Post-employment					
	302	569	222	1,662	2,755
Other Long-Term Liabilities⁽¹¹⁾					

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- (1) Excludes the effect of cross currency swaps.
- (2) Interest was calculated using the contractual debt as of and nominal interest rate amounts in effect on December 31, 2013. Liabilities denominated in U.S. dollars were converted to Mexican pesos at an exchange rate of Ps.13.08 per U.S. dollar, the exchange rate reported by *Banco de México* quoted to us by dealers for the settlement of obligations in foreign currencies on December 31, 2013.
- (3) Reflects the market value as of December 31, 2013 of interest rates swaps that are considered hedges for accounting purposes. The amounts shown in the table are fair value figures as of December 31, 2013.
- (4) Cross-currency swaps used to convert U.S. dollar-denominated fixed rate debt into Mexican peso-denominated fixed rate debt with a notional amount of Ps.1,308 million with a maturity date as of 2014. These cross-currency swaps are considered hedges for accounting purposes, and are related to U.S. dollar-denominated loans. Cross-currency swaps used to convert U.S. dollar-denominated floating rate debt into Mexican peso-denominated floating rate debt with a notional amount of Ps.2,615 million with a maturity date as of 2014. These cross-currency swaps are no longer considered hedges for accounting purposes, and are related to U.S. dollar-denominated bilateral loans. The amounts shown in the table are fair value figures as of December 31, 2013.
- (5) Cross-currency swaps used to convert U.S. dollar-denominated floating rate debt into Brazilian real-denominated floating rate debt with a notional amount of Ps.18,046 million with a maturity date as of 2018; and cross-currency swaps used to convert Brazilian real-denominated floating rate into U.S. dollar-denominated fixed rate debt with a notional amount of Ps.5,884 million with a maturity date as of 2018, Ps.50 million and Ps.83 million with a maturity date as of 2014 and 2015, respectively. These cross-currency swaps are considered hedges for accounting purposes and the amounts shown in the table are fair value figures as of December 31, 2013.
- (6) Reflects the market value as of December 31, 2013 of forward derivative instruments used to hedge against fluctuation in the Mexican pesos. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures as of December 31, 2013.
- (7) Reflects the market value as of December 31, 2013 of forward derivative instruments used to hedge against fluctuation in the Brazilian real. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures as of December 31, 2013.
- (8) Reflects the market value as of December 31, 2013 of forward derivative instruments used to hedge against fluctuation in the Colombian pesos. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures as of December 31, 2013.
- (9) Reflects the market value as of December 31, 2013 of futures and forwards contracts used to hedge sugar cost. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures as of December 31, 2013.
- (10) Reflects the market value as of December 31, 2013 of futures and forward contracts used to hedge aluminum cost. These instruments are considered hedges for accounting purposes. The amounts shown in the table are fair value figures as of December 31, 2013.
- (11) Other long-term liabilities reflects liabilities whose maturity dates are undefined and depends on a series of circumstances out of our control, therefore these liabilities have been considered to have a maturity of more than five years.

Debt Structure

The following chart sets forth the debt breakdown of our company and its subsidiaries by currency and interest rate type as of December 31, 2013:

Currency	Percentage of Total Debt⁽¹⁾⁽²⁾	Average Nominal Rate⁽³⁾	Average Adjusted Rate⁽¹⁾⁽⁴⁾
Mexican pesos	33.7%	5.5%	6.0%
U.S. dollars	20.8%	2.2%	2.4%
Colombian pesos	2.4%	5.8%	5.8%
Brazilian reais	41.4%	7.9%	8.9%
Argentine pesos	1.7%	21.7%	21.7%
Venezuelan bolivar			

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- (1) Includes the effects of our derivative contracts as of December 31, 2013, including cross currency swaps from U.S. dollars to Mexican pesos and U.S. dollars to Brazilian reais.
- (2) Due to rounding, these figures may not equal 100%.
- (3) Annual weighted average interest rate per currency as of December 31, 2013.
- (4) Annual weighted average interest rate per currency as of December 31, 2013 after giving effect to interest rate swaps and cross currency swaps. See **Item 11. Quantitative and Qualitative Disclosures about Market Risk Interest Rate Risk.**

Summary of Significant Debt Instruments

The following is a brief summary of our significant long-term indebtedness with restrictive covenants outstanding as of April 4, 2014:

Mexican Peso-Denominated Bonds (Certificados Bursátiles).

On May 24, 2013, we issued Ps.7,500 million aggregate principal amount of *certificados bursátiles* bearing a 5.46% coupon and due May 2023. These *certificados bursátiles* are guaranteed by the Guarantors.

On April 18, 2011, we issued Ps.2,500 million aggregate principal amount of 5-year floating rate *certificados bursátiles*, priced at 28-day TIIE + 13 bps and Ps.2,500 million aggregate amount of 10-year fixed rate *certificados bursátiles* bearing a 8.27% coupon. These two series of *certificados bursátiles* are guaranteed by the Guarantors.

We have the following *certificados bursátiles* outstanding in the Mexican securities market:

Issue Date	Maturity	Amount	Rate
2013	May 12, 2023	Ps.7,500 million	5.46%
2011	April 11, 2016	Ps.2,500 million	28-day TIIE ⁽¹⁾ + 13 bps
2011	April 5, 2021	Ps.2,500 million	8.27%

(1) TIIE means the *Tasa de Interés Interbancaria de Equilibrio* (the Equilibrium Interbank Interest Rate).

Our *certificados bursátiles* contain reporting obligations pursuant to which we must furnish to the bondholders consolidated audited annual financial reports and consolidated quarterly financial reports.

2.375% Notes due 2018. On November 26, 2013, we issued US\$1 billion aggregate principal amount of 2.375% senior notes due November 26, 2018. These notes are guaranteed by the Guarantors. The indenture governing these notes imposes, among others, certain conditions upon a consolidation or merger by us and restricts the incurrence of liens and the entering into sale and leaseback transactions by us and our significant subsidiaries.

3.875% Notes due 2023. On November 26, 2013, we issued US\$750 million aggregate principal amount of 3.875% senior notes due November 26, 2023. On January 21, 2014, we issued US\$150 million aggregate principal amount of additional notes under this series. These notes are guaranteed by the Guarantors. The indenture governing these notes imposes, among others, certain conditions upon a consolidation or merger by us and restricts the incurrence of liens and the entering into sale and leaseback transactions by us and our significant subsidiaries.

5.250% Notes due 2043. On November 26, 2013, we issued US\$400 million aggregate principal amount of 5.250% senior notes due November 26, 2043. On January 21, 2014, we issued US\$200 million aggregate principal amount of

additional notes under this series. These notes are guaranteed by the Guarantors. The indenture governing these notes imposes, among others, certain conditions upon a consolidation or merger by us and restricts the incurrence of liens and the entering into sale and leaseback transactions by us and our significant subsidiaries.

4.625% Notes due 2020. On February 5, 2010, we issued US\$500 million aggregate principal amount of 4.625% senior notes due February 15, 2020. These notes are guaranteed by the Guarantors. The indenture governing these notes imposes, among others, certain conditions upon a consolidation or merger by us and restricts the incurrence of liens and the entering into sale and leaseback transactions by us and our significant subsidiaries.

Bank Loans. As of December 31, 2013, we had a number of bank loans in Mexican pesos, U.S. dollars, Colombian pesos, Brazilian reais, and Argentine pesos, with an aggregate principal amount of Ps.12,851 million. The bank loans denominated in Mexican pesos and U.S. dollars guaranteed by the Guarantors contain restrictions on liens, fundamental changes such as mergers and sale of certain assets. In addition, we are required to comply with a maximum net leverage ratio. Finally, some of our bank loans include a mandatory prepayment clause which gives the lender the option to require us to prepay such loans upon a change of control.

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We are in compliance with all of our restrictive covenants as of the date of filing of this annual report. A significant and prolonged deterioration in our consolidated results could cause us to cease to be in compliance under certain indebtedness in the future. We can provide no assurances that we will be able to incur indebtedness or to refinance existing indebtedness on similar terms in the future.

Off-Balance Sheet Arrangements

We do not have any material off-balance sheet arrangements.

Contingencies

We are subject to various claims and contingencies related to tax, labor and legal proceedings. Due to their nature, such legal proceedings involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties and governmental actions.

We have various losses related to tax, legal and labor proceedings, and have recorded reserves as other liabilities in those cases where we believe an unfavorable resolution is probable. We use outside legal counsel for certain complicated cases. The following table presents the nature and amount of the loss contingencies recorded as of December 31, 2013:

	Long-Term
Tax, primarily indirect taxes	Ps. 3,147
Legal	311
Labor	1,021
Total	Ps. 4,479

Management periodically assesses the probability of loss for such contingencies and accrues a provision and/or discloses the relevant circumstances, as appropriate. If the potential loss of any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we accrue a provision for the estimated loss. See Note 25 to our consolidated financial statements.

In recent years, our Mexican and Brazilian subsidiaries have been required to submit certain information to relevant authorities regarding alleged monopolistic practices. See **Item 8. Financial Information Legal Proceedings Mexico Antitrust Matters**. Such proceedings are a normal occurrence in the beverage industry and we do not expect any significant liability to arise from these contingencies.

As is customary in Brazil, we have been required by the relevant authorities to collateralize tax contingencies currently in litigation amounting to Ps.2,248, Ps.2,164 million and Ps.2,418 million as of December 31, 2013, 2012 and 2011, respectively, by pledging fixed assets, or providing bank guarantees.

In connection with certain past business combinations, we have been indemnified by the sellers for certain contingencies. We have agreed to comparable indemnifications provisions in our agreements in connection with our recent merger with Grupo Yoli and our recent acquisitions of Companhia Fluminense and Spaipa. See **Item 4. Information on the Company The Company Corporate History**.

Capital Expenditures

The following table sets forth our capital expenditures, including investment in property, plant and equipment, deferred charges and other investments for the periods indicated on a consolidated basis and by consolidated reporting segment:

	Year Ended December 31,		
	2013	2012	2011
	(millions of Mexican pesos)		
Capital expenditures, net ⁽¹⁾	11,703	10,259	7,862

- (1) Includes acquisitions and disposals of property, plant and equipment, intangible assets and other long-lived assets.

	Year Ended December 31,		
	2013	2012	2011
	(millions of Mexican pesos)		
Mexico and Central America ⁽¹⁾	5,287	5,350	4,120
South America (excluding Venezuela) ⁽²⁾	4,447	3,878	3,109
Venezuela	1,969	1,031	633
Total	11,703	10,259	7,862

- (1) Includes Mexico, Guatemala, Nicaragua, Costa Rica and Panama.

- (2) Includes Colombia, Brazil and Argentina.

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In 2013, we focused our capital expenditures on investments in (1) increasing production capacity, (2) placing coolers with retailers, (3) returnable bottles and cases, (4) improving the efficiency of our distribution infrastructure and (5) information technology. Through these measures, we strive to improve our profit margins and overall profitability.

We have budgeted approximately US\$850 million for our capital expenditures in 2014. Our capital expenditures in 2014 are primarily intended for:

investments in production capacity (primarily for a plant in Brazil and a plant in Colombia);

market investments (primarily for the placement of coolers);

returnable bottles and cases;

improvements throughout our distribution network; and

investments in information technology.

We estimate that of our projected capital expenditures for 2014, approximately 31% will be for our Mexican territories and the remaining will be for our non-Mexican territories. We believe that internally generated funds will be sufficient to meet our budgeted capital expenditure for 2014. Our capital expenditure plan for 2014 may change based on market and other conditions, our results and financial resources.

In 2013, we began the construction of a production plant in Tocancipá, Colombia. This project requires an investment of 320 million Colombian pesos (approximately US\$160 million). We expect that the construction will generate approximately 800 direct and indirect jobs. We anticipate that the new plant will be completed and will begin operations during the first quarter of 2015. Certain required permits and licenses, including the relevant water discharge and concession permits, are currently in process of being obtained. We expect to obtain these pending permits and licenses during 2014. The plant will be located on a parcel of land 300,000 square meters in size, and it is expected that by the end of 2015, the annual production capacity will be approximately 600 million liters of sparkling beverages (or approximately 150 million unit cases), representing an increase of approximately 22% as compared to the current installed capacity of our plants in Colombia. The new plant will produce all of our existing brands and PET presentations of *Coca-Cola* products.

In 2012, we began the construction of a production plant in Minas Gerais, Brazil. This project requires an investment of 520 million Brazilian reais (equivalent to approximately US\$260 million). We expect that the construction will generate 700 direct and indirect jobs. We anticipate that the new plant will be completed in July 2014 and will begin operations during the second semester of 2014. The plant will be located on a parcel of land 300,000 square meters in size, and it is expected that by 2015 the annual production capacity will be approximately 1.2 billion liters of sparkling beverages (or approximately 211 million unit cases), representing an increase of approximately 62% as compared to the current installed capacity of our plant in Belo Horizonte, Brazil. The new plant will produce all of our existing brands and presentations of *Coca-Cola* products.

Historically, The Coca-Cola Company has contributed resources in addition to our own capital expenditures. We generally utilize these contributions for initiatives that promote volume growth of *Coca-Cola* trademark beverages, including the placement of coolers with retailers. Such payments may result in a reduction in our selling expenses line. Contributions by The Coca-Cola Company are made on a discretionary basis. Although we believe that The Coca-Cola Company will make additional contributions in the future to assist our capital expenditure program based on past practice and the benefits to The Coca-Cola Company as owner of the *Coca-Cola* brands from investments that support the strength of the brands in our territories, we can give no assurance that any such contributions will be made.

Hedging Activities

We hold or issue derivative instruments to hedge our exposure to market risks related to changes in interest rates, foreign currency exchange rates and commodity price risk. See **Item 11. Quantitative and Qualitative Disclosures about Market Risk.**

The following table provides a summary of the fair value of derivative instruments as of December 31, 2013. The fair market value is estimated using market prices that would apply to terminate the contracts at the end of the period and are confirmed by external sources, which generally are also our counterparties to the relevant contracts.

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	Fair Value At December 31, 2013					Total fair value
	Maturity less than 1 year	Maturity 1 3 years	Maturity 4 5 years	Maturity in excess of 5 years		
Interest Rate Swaps						
Mexican pesos float to fixed	(18)	(122)				(140)
Cross Currency Swaps						
Mexican pesos to U.S. dollars	76					76
Brazilian reais to U.S. dollars	5	11	(825)			(809)
Forwards						
U.S. dollars to Mexican pesos	10					10
U.S. dollars to Brazilian reais	16					16
U.S. dollars to Colombian pesos	2					2
Commodity Hedge Contracts						
Sugar	(246)	(46)				(292)
Aluminum	(10)					(10)

In addition, our call option to acquire the remaining 49% stake in CCBPI and our put option to sell our ownership in CCBPI to The Coca-Cola Company are treated as derivative instruments for accounting purposes. See Note 20 of our consolidated financial statements for more information.

Item 6. Directors, Senior Management and Employees**Directors**

Management of our business is vested in our board of directors and in our chief executive officer. Our bylaws provide that our board of directors will consist of no more than 21 directors and their respective alternates, elected at the annual ordinary shareholders meeting for renewable terms of one year. Our board of directors currently consists of 21 directors and 17 alternate directors; 13 directors and their respective alternate directors are elected by holders of the Series A shares voting as a class; five directors and their respective alternate directors are elected by holders of the Series D shares voting as a class; and up to three directors and their respective alternate directors are elected by holders of the Series L shares voting as a class. Directors may only be elected by a majority of shareholders of the appropriate series, voting as a class.

In accordance with our bylaws and article 24 of the Mexican Securities Market Law, at least 25% of the members of our board of directors must be independent (as defined by the Mexican Securities Market Law). The board of directors may designate interim directors in the case that a director is absent or an elected director and corresponding alternate are unable to serve; the interim directors serve until the next shareholders meeting, at which the shareholders elect a replacement.

Our bylaws provide that when Series B shares are issued, which has not yet occurred, for every 10% of issued and paid shares of capital stock of our Company held by shareholders of such Series B, either individually or as a group, such shareholders shall have the right to designate and revoke one director and the corresponding alternate, pursuant to Article 50 of the Mexican Securities Market Law.

Our bylaws provide that the board of directors shall meet at least four times a year. Since our major shareholders amended their Shareholders Agreement in February 2010, our bylaws were modified accordingly establishing that actions by the board of directors must be approved by at least a majority of the directors present and voting, except under certain limited circumstances which must include the favorable vote of at least two directors elected by the Series D shares. **See Item 7. Major Shareholders and Related Party Transactions Major Shareholders The Shareholders Agreement.** The chairman of the board of directors, the chairman of our audit or Corporate Practices Committee, or at least 25% of our directors may call a board of directors meeting to include matters in the meeting agenda.

At our ordinary shareholders meeting held on March 6, 2014, the following directors were appointed or confirmed: 13 directors and their respective alternates as applicable, were appointed or confirmed by holders of Series A shares, five directors and their respective alternates as applicable, were appointed or confirmed by holders of Series D shares and three directors and their respective alternates as applicable, were appointed or confirmed by holders of Series L shares. We currently have appointed 21 of the maximum 21 directors that can be appointed pursuant to our bylaws.

See Item 7. Major Shareholders and Related Party Transactions Related Party Transactions for information on relationships with certain directors and senior management.

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As of the date of this annual report, our board of directors had the following members:

Series A Directors

<p>José Antonio Fernández Carbajal <i>Chairman</i></p>	<p>Born: February 1954 First elected: 1993, as director; 2001 as chairman. Term expires: 2015 P r i n c i p a l Executive Chairman of the Board of Directors of FEMSA. occupation: Other directorships: Chairman of the board of Fundación FEMSA A.C., vice-chairman of the supervisory board of Heineken N.V. and non-executive director of the board of Heineken Holding N.V., chairman of the board of Instituto Tecnológico y de Estudios Superiores de Monterrey, or ITESM, and member of the boards of Industrias Peñoles, S.A.B. de C.V., Grupo Televisa, S.A.B. de C.V., or Televisa, Controladora Vuela Compañía de Aviación, S.A. de C.V., chairman of the US-Mexico Foundation and co-chairman of the Advisory Board of Woodrow Wilson Center, Mexico Institute. B u s i n e s s Joined FEMSA s strategic planning department in 1988, held experience: managerial positions at FEMSA Cerveza s commercial division and OXXO, was appointed Deputy Chief Executive Officer of FEMSA in 1991 and was appointed Chief Executive Officer of FEMSA in 1995, which position he held until December 31, 2013. On January 1, 2014, he was named Executive Chairman of the board of directors of FEMSA. Education: Holds a degree in Industrial Engineering and a Masters in Business Administration, or MBA, from ITESM. Alternate director: Mariana Garza Lagüera Gonda⁽²⁾</p>
<p>Alfonso Garza Garza⁽¹⁾ <i>Director</i></p>	<p>Born: July 1962 First elected: 1996 Term expires: 2015 P r i n c i p a l Chief Officer of Strategic Business of FEMSA. occupation: Other directorships: Member of the boards of directors of ITESM, American School Foundation of Monterrey, A.C., Club Campestre de Monterrey, A.C. and Grupo Nutec, S.A. de C.V., and vice chairman of the executive commission of Confederación Patronal de la República Mexicana, S.P. and alternate member of the board of directors of FEMSA. B u s i n e s s Has experience in several FEMSA business units and experience: departments, including domestic sales, international sales, procurement and marketing, mainly at FEMSA Empaques, S.A. de C.V. or FEMSA Empaques and FEMSA Cerveza, and was Chief Executive Officer of FEMSA Empaques. Education:</p>

Holds a degree in Industrial Engineering from ITESM and an MBA from Instituto Panamericano de Alta Dirección de Empresa, or IPADE.

Alternate director: Eva María Garza Lagüera Gonda⁽³⁾

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<p>José Luis Cutrale <i>Director</i></p>	<p>Born: September 1946 First elected: 2004 Term expires: 2015 Principal occupation: Chief Executive Officer of Sucocítrico Cutrale, Ltda. Other directorships: Member of the boards of directors of Cutrale North America, Inc., Cutrale Citrus Juice USA, Inc., and Citrus Products. Business experience: Founding partner of Sucocitrico Cutrale and member of ABECITRUS (the Brazilian Association of Citrus Exporters) and CDES (the Brazilian Government's Counsel for Economic and Social Development). Education: Holds a degree in Business Administration. Alternate director: José Luis Cutrale, Jr.</p>
<p>Carlos Salazar Lomelín <i>Director</i></p>	<p>Born: April 1951 First elected: 2000 Term expires: 2015 Principal occupation: Chief Executive Officer of FEMSA. Other directorships: Member of the boards of FEMSA, BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, or Bancomer, Grupo Financiero BBVA Bancomer, S.A. de C.V., or BBVA Bancomer, AFORE Bancomer, S.A. de C.V., Seguros Bancomer, S.A. de C.V., ITESM and Fundación FEMSA, member of the advisory board of Premio Eugenio Garza Sada, Centro Internacional de Negocios Monterrey A.C., Asociación Promotora de Exposiciones, A.C. and the ITESM's EGADE Business School. Business experience: Has held managerial positions in several subsidiaries of FEMSA, including Grafo Regia, S.A. de C.V. and Plásticos Técnicos Mexicanos, S.A. de C.V., served as Chief Executive Officer of FEMSA Cerveza from 1992 until 2000 and Chief Executive Officer of Coca-Cola FEMSA from 2000 until 2013. Education: Holds a Bachelor's degree in economics from ITESM, and performed postgraduate studies in business administration at ITESM and economic development in Italy. Alternate director: Max Michel González</p>
<p>Ricardo Guajardo Touché <i>Director</i></p>	<p>Born: May 1948 First elected: 1993 Term expires: 2015 Principal occupation: Chairman of the board of directors of SOLFI, S.A., or Solfi. Other directorships: Member of the boards of directors of FEMSA, Grupo Valores Monterrey, S.A.B. de C.V., El Puerto de Liverpool, S.A.B. de C.V., Grupo Alfa, S.A.B. de C.V., or Alfa, Bancomer, BBVA Bancomer, Grupo Aeroportuario del Sureste, S.A. de C.V., Grupo Bimbo, S.A.B. de C.V., or Bimbo, Grupo Coppel, S.A. de C.V., ITESM and Vitro, S.A.B. de C.V. Education:</p>

Holds degrees in electrical engineering from ITESM and the University of Wisconsin and a

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	Alternate director:	Master's degree from the University of California at Berkeley. Eduardo Padilla Silva
Paulina Garza Lagüera Gonda ⁽²⁾ <i>Director</i>	Born:	March 1972
	First elected:	2009
	Term expires:	2015
	Business experience:	Private investor
	Other directorships:	Member of the board of directors of FEMSA.
	Education:	Holds a Business Administration degree from ITESM.
Federico Reyes García <i>Director</i>	Born:	September 1945
	First elected:	1992
	Term expires:	2015
	Principal occupation:	Corporate Development Officer of FEMSA.
	Business experience:	Held the position of executive vice-president of Corporate Development of FEMSA from 1992 to 1993, and Chief Financial Officer in FEMSA from 1999 until 2006.
	Other directorships:	Member of the board of directors of FEMSA and Optima Energía.
	Education:	Holds a degree in Business and Finance from ITESM.
	Alternate director:	Alejandro Bailleres Gual
Javier Gerardo Astaburuaga Sanjines <i>Director</i>	Born:	July 1959
	First elected:	2006
	Term expires:	2015
	Principal occupation:	Chief Financial and Strategic Development Officer of FEMSA.
	Business experience:	Joined FEMSA as a financial information analyst and later acquired experience in corporate development, administration and finance, held various senior positions at FEMSA Cerveza between 1993 and 2001, including Chief Financial Officer and for two years, he served as FEMSA Cerveza's Director of Sales for the north region of Mexico prior to his current position and until 2003, when he was appointed FEMSA Cerveza's Co-Chief Executive Officer.
	Other directorships:	Member of the supervisory board and audit committee of Heineken N.V.
	Education:	Holds a degree in Certified Public Accountant, or CPA, from ITESM.
	Alternate director:	Francisco José Calderón Rojas
Alfonso González Migoya <i>Independent Director</i>	Born:	January 1945
	First elected:	2006
	Term expires:	2015
	Principal occupation:	Chairman of the board of directors and Chief Executive Officer of Grupo Industrial Saltillo, S.A.B. de C.V., or GIS.
	Other directorships:	

Member of the board of directors of FEMSA, ITESM, Berel, S.A., member of the board and of the Corporate Practices and Meetings Committee of the Bolsa Mexicana de Valores, S.A.B. de C.V., member of the board and chairman of the Audit

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		Committee of Banregio Grupo Financiero, S.A. de C.V. and member of the board and of the Audit Committee of Servicios Corporativos JAVER, S.A.P.I. de C.V.
	Business experience:	Served from 1995 until 2005 as Corporate Director of Alfa.
	Education:	Holds a degree in Mechanical Engineering from ITESM and an MBA from the Stanford Graduate School of Business.
	Alternate director:	Ernesto Cruz Velázquez de León
Daniel Servitje Montull <i>Independent Director</i>	Born:	April 1959
	First elected:	1998
	Term expires:	2015
	Principal occupation:	Chief Executive Officer and Chairman of the board of directors of Bimbo.
	Other directorships:	Chairman of the board of directors of Corporación Aura Solar, S.A.P.I. de C.V. and Servicios Comerciales de Energía, S.A. de C.V., member of the boards of directors of Banco Nacional de Mexico, S.A., Instituto Mexicano para la Competitividad, A.C., The Consumer Goods Forum, The Nature Conservancy and member of Stanford GSB advisory council.
	Business experience:	Served as vice-president of Bimbo.
	Education:	Holds a degree in Business Administration from the Universidad Iberoamericana in Mexico and an MBA from the Stanford Graduate School of Business.
	Alternate director:	Sergio Deschamps Ebergenyi
Enrique F. Senior Hernández <i>Director</i>	Born:	August 1943
	First elected:	2004
	Term expires:	2015
	Principal occupation:	Managing Director of Allen & Company, LLC.
	Other directorship:	Member of the boards of directors of FEMSA, Televisa, Cinemark USA, Inc. and Univision Communications, Inc.
	Business experience:	Among other clients, has provided financial advisory services to FEMSA and Coca-Cola FEMSA.
	Alternate director:	Herbert Allen III
Alfredo Livas Cantú <i>Director</i>	Born:	July 1951
	First elected:	2014
	Term expires:	2015
	Principal occupation:	Private Investor
	Other directorships:	Member of the boards of directors of Grupo Senda Autotransporte, S.A. de C.V., Grupo Acosta Verde, S.A. de C.V., Evox, GIS, and Grupo Financiero Banorte, S.A.B. de C.V., alternate member of the board of directors of Gruma, S.A.B. de C.V. and member of the governance committee of Grupo Proeza, S.A. de C.V.
	Education:	Holds a degree in Economics from Universidad Autónoma de Nuevo León and an MBA and Master's degree in Economics from the University of Texas.

John Anthony Santa Maria
Otazua
Director

Born: August 1957

First elected: 2014

Term expires: 2015

Principal occupation: Chief Executive Officer of Coca-Cola FEMSA.

Business experience: Has served as Strategic Planning and Business Development Officer and Chief Operating Officer of Mexico of Coca-Cola FEMSA and as Strategic

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Planning & Commercial Development Officer & Chief Operating Officer of the South America division. As Strategic Planning Officer, he led the integration of the Panamco acquisition with our operations. He also has experience in several departments of Coca-Cola FEMSA, namely development of new products and mergers and acquisitions.

Other directorships: Member of the board of directors of Gentera, S.A.B. de C.V. (formerly Banco Compartamos, S.A.B. de C.V.), or Gentera.

Education: Holds a degree in Business Administration and an MBA with major in Finance from Southern Methodist University.

Alternate director: Héctor Treviño Gutiérrez

Series D Directors

Gary Fayard

Director

Born: April 1952

First elected: 2003

Term expires: 2015

Principal occupation: Executive vice-president and Chief Financial Officer of The Coca-Cola Company.

Other directorships: Member of the board of directors of Atlanta Symphony Orchestra.

Business experience: He served in Ernst & Young as a partner, area director of audit services and area director of manufacturing services.

Education: Holds a Bachelor of Science from the University of Alabama College and Business Administration and is licensed as a CPA.

Alternate director: Wendy Clark

Irial Finan

Director

Born: June 1957

First elected: 2004

Term expires: 2015

Principal occupation: Executive vice-president and president of Bottling Investments and Supply Chain of The Coca-Cola Company.

Other directorships: Member of the boards of directors of Coca-Cola Hellenic, Bottling Company AG, Coca-Cola East Japan Co., Ltd., Coca-Cola Foundation and Smurfit Kappa Group.

Business experience: He served as Chief Executive Officer of Coca-Cola Hellenic. Has experience in several Coca-Cola bottlers, mainly in Europe.

Education: Holds a Bachelor's degree in Commerce from National University of Ireland, Galway.

Alternate director: Sunil Ghatnekar

Charles H. McTier

Independent Director

Born: January 1939

First elected: 1998

Term expires: 2015

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Principal occupation: Trustee of Robert W. Woodruff Foundation.
 Other directorships: Member of the board of directors of AGL Resources, Inc. and advisory board member of Sun Trust Bank Atlanta.
 Business experience: Served as a President of Robert W. Woodruff Foundation during the period 1971-2007 and on the board of directors of nine U.S. Coca-Cola bottling companies in the 1970s and 1980s.
 Education: Holds a Bachelor's degree in Business Administration from Emory University.

Marie Quintero-Johnson
Director

Born: October 1966
 First elected: 2012
 Term expires: 2015
 Principal occupation: Corporate vice-president and Director of Mergers and Acquisitions of The Coca-Cola Company.
 Other directorships: Member of the board of directors of Zico Beverages LLC.
 Education: Holds a Bachelor's degree in accounting from Georgetown University and a Master's degree in Business Administration from the University of Virginia.
 Alternate director: Gloria Bowden

Bárbara Garza Lagüera Gonda⁽²⁾
Director

Born: December 1959
 First elected: 1999
 Term expires: 2015
 Principal occupation: Private investor.
 Other directorships: Member of the boards of directors of FEMSA, BBVA Bancomer, Solfi, ITESM Campus Mexico City, Fondo para la Paz, Museo Franz Mayer and Fundación Bancomer.
 Education: Holds a Business Administration degree from ITESM.
 Alternate director: Kathy Waller

Series L Directors

Robert A. Fleishman Cahn
Director

Born: May 1951
 First elected: 2012
 Term expires: 2015
 Principal occupation: Chief Executive Officer of Grupo Tampico.
 Other directorships: Secretary of the board of directors of Grupo Tampico, member of the regional boards of BBVA Bancomer and Banco Nacional de México, S.A.
 Education: Holds a Business Administration degree from the University of Texas and an Executive Development Program at Wharton School of University of Pennsylvania.
 Alternate: Herman Harris Fleishman Cahn

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José Manuel Canal Hernando <i>Independent Director</i>	Born:	February 1940
	First elected:	2003
	Term expires:	2015
	Principal occupation:	Private consultant.
	Other directorships:	Member of the board of directors of FEMSA, Genera, Grupo Kuo, S.A.B. de C.V., GIS, Grupo Acir, S.A. de C.V. and Statutory Auditor of BBVA Bancomer.
	Education:	Holds a CPA degree from the Universidad Nacional Autónoma de México.
Francisco Zambrano Rodríguez <i>Independent Director</i>	Born:	January 1953
	First elected:	2003
	Term expires:	2015
	Principal occupation:	Chief Executive Officer of Desarrollo de Fondos Inmobiliarios, S.A. de C.V., or DFI, vice-president of Desarrollo Inmobiliario y de Valores, S.A. de C.V., or DIV and chairman of Corporativo Zeta Divasa, S.A. de C.V. or CZD.
	Other directorships:	Member of the boards of directors of DFI, DIV and CZD, and member of the supervisory board of ITESM.
	Business experience:	Has extensive experience in investment banking and private investment services in Mexico.
	Education:	Holds a degree in Chemical Engineering from ITESM and an MBA from The University of Texas.
	Alternate director:	Karl Frei Buechi

- (1) Cousin of Eva María Garza Lagüera Gonda, Paulina Garza Lagüera Gonda, Mariana Garza Lagüera Gonda and Bárbara Garza Lagüera Gonda.
- (2) Sister of Eva Maria Garza Lagüera Gonda and sister-in-law of José Antonio Fernández Carbajal.
- (3) Wife of José Antonio Fernández Carbajal.

The secretary of the board of directors is Carlos Eduardo Aldrete Ancira and the alternate secretary of the board of directors is Carlos Luis Díaz Sáenz, our general counsel.

In June 2004, a group of Brazilian investors, among them José Luis Cutrale, a member of our board of directors, made a capital contribution equivalent to approximately US\$50 million to our Brazilian operations in exchange for approximately 16.9% equity stake in these operations. We have entered into an agreement with Mr. Cutrale pursuant to which he was invited to serve as a director of our company. The agreement also provides for a right of first offer on transfers by the investors, tag-along and drag-along rights and certain rights upon a change of control of either party, with respect to our Brazilian operations.

Pursuant to a shareholders' agreement dated October 10, 2011, by and among Mr. Herman Harris Fleishman Cahn, Mr. Robert Alan Fleishman Cahn and FEMSA, Mr. Herman Harris Fleishman Cahn and Mr. Robert Alan Fleishman Cahn will be elected as director and alternate director, of our board of directors for six consecutive one-year terms, beginning in October 2011. In addition, on such date, Mr. Herman Harris Fleishman Cahn was appointed for an initial period of six months, after which Mr. Robert Alan Fleishman Cahn's one year term began.

Table of Contents**Executive Officers**

The following are the principal executive officers of our company:

John Anthony Santa Maria Otazua <i>Chief Executive Officer</i>	<p>Born: August 1957</p> <p>Joined: 1995</p> <p>Appointed to current position: 2014</p> <p>Business experience with us: Served as Strategic Planning and Business Development Officer and Chief Operating Officer of Mexico. He has experience in several areas of our company, namely development of new products and mergers and acquisitions.</p> <p>Other business experience: Has served as Strategic Planning and Business Development Officer and Chief Operating Officer of the Mexican operations of Coca-Cola FEMSA and as Strategic Planning & Commercial Development Officer & Chief Operating Officer of the South America division. As Strategic Planning Officer, he led the integration of the Panamco acquisition with our operations. He also has experience in several departments of Coca-Cola FEMSA, namely development of new products and mergers and acquisitions.</p> <p>Education: Holds a degree in Business Administration and an MBA with a major in Finance from Southern Methodist University.</p>
Héctor Treviño Gutiérrez <i>Chief Financial Officer</i>	<p>Born: August 1956</p> <p>Joined: 1993</p> <p>Appointed to current position: 1993</p> <p>Other business experience: At FEMSA, was in charge of the International Financing department, served as Manager of Financial Planning and Manager of International Financing, Chief Officer of Strategic Planning and Chief Officer of Business Development and headed the Corporate Development department.</p> <p>Education: Holds a degree in Chemical Engineering from ITESM and an MBA from the Wharton School of Business.</p>
Alejandro Duncan Ancira <i>Technical Officer</i>	<p>Born: May 1957</p> <p>Joined: 1995</p> <p>Appointed to current position: 2002</p> <p>Business experience with us: Infrastructure Planning Director of Mexico.</p> <p>Other business experience: Has undertaken responsibilities in different production, logistics, engineering, project planning</p>

and manufacturing departments of FEMSA and was a Plant Manager in central Mexico and Manufacturing Director in Argentina.

Education:

Holds a degree in Mechanical Engineering from ITESM and an MBA from the Universidad de Monterrey.

Eulalio Cerda Delgadillo
Human Resources Officer

Born:

July 1958

Joined:

1996

Appointed to current position:

2001

Business experience with us:

Manager in several departments, including maintenance, projects, packaging and human resources.

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	Other business experience:	At FEMSA Cerveza, served as New Projects Executive and worked in several departments including marketing, maintenance, packaging, bottling, human resources, technical development and projects.
	Education:	Holds a degree in Mechanical Engineering from ITESM.
Martin Felipe Arias Yaniz <i>M&A and Strategic Planning Officer</i>	Born:	October 1967
	Joined:	2003
	Appointed to current position:	2014
	Business experience with us:	Has served as Corporate Finance and Treasury Director of Coca-Cola FEMSA.
	Other business experience:	Has worked as Executive Director in Latin American investment banking at Morgan Stanley and previously worked as an attorney at Cleary Gottlieb Steen & Hamilton.
	Education:	Holds a Bachelor's degree in Economics from Georgetown University and Juris Doctor in law from the University of Pennsylvania.
Ernesto Silva Almaguer <i>Chief Operating Officer Mexico / Central America</i>	Born:	March 1955
	Joined:	1996
	Appointed to current position:	2011
	Business experience with us:	Has served as Chief Operating Officer in Argentina and New Business Development and Information Technology Director.
	Other business experience:	Has worked as General Director of packaging subsidiaries of FEMSA (Fábricas de Monterrey, S.A. de C.V. and Quimiproducos), served as Vice President of International Sales at FEMSA Empaques and Manager of FEMSA's Corporate Planning and held several positions at Alfa.
	Education:	Holds a degree in Mechanical and Administrative Engineering from Universidad Autónoma de Nuevo León and an MBA from The University of Texas at Austin.
Rafael Alberto Suárez Olaguibel <i>Chief Operating Officer South America</i>	Born:	April 1960
	Joined:	1986
	Appointed to current position:	2014
	Business experience with us:	Corporate Special Projects Director, Chief Operating Officer Latincentro Division, Commercial Planning and Strategic Development

Officer, Chief Operating Officer of Mexico, Chief Operating Officer of Argentina, Distribution and Sales Director of Valley of Mexico, Marketing Director of Valley of Mexico.

Other business
experience:

Has worked as Franchises Manager and in other positions at Coca-Cola Company in Mexico.

Education:

Holds a degree in Economics from ITESM and an MBA from ITESM.

José Ramón de Jesús Martínez Alonso
Chief Operating Officer Brazil

Born:

July 1961

Joined:

2012

Appointed to current
position:

2013

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	Business experience with us:	Served as Corporate Affairs Director for Mexico and Central America and Strategic Planning Director of South America division.
	Other business experience:	Operations vice-president of Panamco from 1994 to 1999, Chief Operating Officer of Panamco from 1999 to 2002 and President of the National Association of Coca-Cola Bottlers in Mexico from 2005 to 2012.
	Education:	Holds a degree in Chemical Engineering from La Salle University and an MBA from IPADE.
Juan Ramón Felix Castañeda <i>Chief Operating Officer Philippines</i>	Born:	December 1961
	Joined:	1997
	Appointed to current position:	2012
	Business experience with us:	Has held several positions with us, including New Businesses and Commercial Development Officer, Commercial Director in Mexico, Commercial Development Director in Brazil, Commercial Director for the Bajío division in Mexico, Logistics Director and Sales Manager in Mexico.
	Other business experience:	Has worked in the Administrative, Distribution and Marketing departments of The Coca-Cola Export Company.
	Education:	Holds a degree in Economics from ITESM and an MBA from ITESM and the partner schools from each continent.

(1) See **Directors.**

Compensation of Directors and Officers

For the year ended December 31, 2013, the aggregate compensation of all of our executive officers paid or accrued for services in all capacities was approximately Ps.293.4 million. The aggregate compensation amount includes approximately Ps.204.9 million of cash bonus awards and bonuses paid to certain of our executive officers pursuant to our incentive plan for stock purchases. See **EVA-Based Bonus Program.**

The aggregate compensation for directors during 2013 was Ps.12.9 million. For each meeting attended we paid US\$10,000 to each director with foreign residence and US\$6,500 to all other directors with residence in Mexico in 2013.

We paid US\$3,500 to each of the members of the Audit Committee per each meeting attended, and we paid US\$3,000 per meeting attended to each of the members of the Finance and Planning and the Corporate Practices Committees.

Our senior management and executive officers participate in our benefit plans on the same basis as our other employees. Members of our board of directors do not participate in our benefit plans. As of December 31, 2013, amounts accrued for all employees under these pension and retirement plans were Ps.2,666 million, of which Ps.1,117 million is already funded.

EVA-Based Bonus Program

Our bonus program for executives is based on complying with certain goals established annually by management, which include quantitative and qualitative objectives as well as the completion of special projects.

The quantitative objectives represent approximately 50% of the bonus and are based on the Economic Value Added, or EVA, methodology. These quantitative objectives, established for the executives at each entity, are based on a combination of the EVA generated per entity and by our company and the EVA generated by our parent company, FEMSA. The qualitative objectives and special projects represent the remaining 50% of the annual bonus and are based on the critical success factors established at the beginning of the year for each executive.

The bonus amount is determined based on each eligible participant's level of responsibility and based on the EVA generated by the applicable business unit the employee works for. This formula is established by considering the level of responsibility within the organization, the employee's evaluation and competitive compensation in the market.

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The incentive plan target is expressed in months of salary, and the final amount payable is computed based on a percentage of compliance with the goals established every year. The bonuses are recorded as a part of the income statement and are paid in cash the following year. During the years ended December 31, 2013, 2012 and 2011, the bonus expense recorded amounted to Ps.533 million, Ps.375 million and Ps.599 million, respectively.

Share-based payment bonus plan. We have a stock incentive plan for the benefit of our executive officers. This plan uses as its main evaluation metric the EVA methodology. Under the EVA stock incentive plan, eligible executive officers are entitled to receive a special annual bonus (fixed amount), to purchase FEMSA and Coca-Cola FEMSA shares or options, based on the executive's responsibility in the organization, their business's EVA result and their individual performance. The acquired shares or options are deposited in a trust, and the executives may access them one year after they are vested, at 20% per year. Fifty percent of our annual executive bonus under our stock incentive plan is to be used to purchase FEMSA shares or options and the remaining 50% to purchase our company's shares or options. As of December 31, 2013, 2012 and 2011, no stock options had been granted to employees.

The special bonus is granted to eligible employees on an annual basis and after withholding applicable taxes. We contribute the individual employee's special bonus in cash to the Administrative Trust (which is controlled and consolidated by FEMSA), which then uses the funds to purchase FEMSA and Coca-Cola FEMSA shares (as instructed by the Corporate Practices Committee), which are then allocated to such employee.

Coca-Cola FEMSA accounts for its share-based payment bonus plan as an equity-settled share-based payment transaction, since it is its parent company, FEMSA, who ultimately grants and settles any shares due to executives.

Share Ownership

As of April 4, 2014, several of our directors and alternate directors were trust participants under the Irrevocable Trust No. 463 established at Banco Invex, S.A., Institución de Banca Múltiple, Invex Grupo Financiero, as Trustee, which is the owner of approximately 74.9% of the voting stock of FEMSA, which in turn owns 47.9% of our outstanding capital stock. As a result of the voting trust's internal procedures, the voting trust as a whole is deemed to have beneficial ownership with sole voting power of all the shares deposited in the voting trust, and each of the trust participants are deemed to have beneficial ownership with shared voting power over those same deposited shares. These directors and alternate directors are Alfonso Garza Garza, Paulina Garza Lagüera Gonda, Bárbara Garza Lagüera Gonda, Mariana Garza Lagüera Gonda and Eva María Garza Lagüera Gonda. **See Item 7. Major Shareholders and Related Party Transactions Major Shareholders.** None of our other directors, alternate directors or executive officers is the beneficial owner of more than 1% of any class of our capital stock. See Note 16 to our consolidated financial statements.

Board Practices

Our bylaws state that the board of directors will meet at least four times a year to discuss our operating results and progress in achieving strategic objectives. It is the practice of our board of directors to meet following the end of each quarter. Our board of directors can also hold extraordinary meetings. **See Item 10. Additional Information Bylaws.**

Under our bylaws, directors serve one-year terms although they continue in office for up to 30 days until successors are appointed. If no successor is appointed during this period, the board of directors may appoint interim members, who will be ratified or substituted at the next shareholders meeting after such event occurs. None of the members of our board of directors or senior management of our subsidiaries has service agreements providing for benefits upon termination of employment.

Our board of directors is supported by committees, which are working groups approved at our annual shareholders meeting that analyze issues and provide recommendations to the board of directors regarding their respective areas of focus. The executive officers interact periodically with the committees to address management issues. The following are the three committees of the board of directors:

Finance and Planning Committee. The Finance and Planning Committee works with management to set our annual and long-term strategic and financial plans and monitors adherence to these plans. It is responsible for setting our optimal capital structure and recommends the appropriate level of borrowing as well as the issuance of securities. Financial risk management is another responsibility of the Finance and Planning Committee. Irial Finan is the chairman of the Finance and Planning Committee. The other members include: Federico Reyes García, Ricardo Guajardo Touché and Enrique Senior Hernández. The secretary of the Finance and Planning Committee is Héctor Treviño Gutiérrez, our Chief Financial Officer.

Audit Committee. The Audit Committee is responsible for reviewing the accuracy and integrity of quarterly and annual financial statements in accordance with accounting, internal control and auditing requirements. The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the independent auditor, who reports directly to the Audit Committee; the

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internal auditing function also reports to the Audit Committee. The Audit Committee has implemented procedures for receiving, retaining and addressing complaints regarding accounting, internal control and auditing matters, including the submission of confidential, anonymous complaints from employees regarding questionable accounting or auditing matters. To carry out its duties, the Audit Committee may hire independent counsel and other advisors. As necessary, we compensate the independent auditor and any outside advisor hired by the Audit Committee and provide funding for ordinary administrative expenses incurred by the Audit Committee in the course of its duties. José Manuel Canal Hernando is the chairman of the Audit Committee and the audit committee financial expert. Pursuant to the Mexican Securities Market Law, the chairman of the Audit Committee is elected at our shareholders meeting. The other members are: Alfonso González Migoya, Charles H. McTier, Francisco Zambrano Rodríguez and Ernesto Cruz Velázquez de León. Each member of the Audit Committee is an independent director, as required by the Mexican Securities Market Law and applicable New York Stock Exchange listing standards. The secretary of the Audit Committee, who is not a member, is José González Ornelas, head of FEMSA's auditing and operating control area.

Corporate Practices Committee. The Corporate Practices Committee, which consists exclusively of independent directors, is responsible for preventing or reducing the risk of performing operations that could damage the value of our company or that benefit a particular group of shareholders. The committee may call a shareholders meeting and include matters on the agenda for that meeting that it deems appropriate, approve policies on related party transactions, approve the compensation plan of the chief executive officer and relevant officers, and support our board of directors in the elaboration of related reports. The chairman of the Corporate Practices Committee is Daniel Servitje Montull. Pursuant to the Mexican Securities Market Law, the chairman of the Corporate Practices Committee is elected at our shareholders meeting. The other members include: Alfredo Livas Cantú and Karl Frei Buechi. The secretaries of the Corporate Practices Committee are Gary Fayard and Javier Astaburuaga Sanjines.

Advisory Board. Our board of directors approved the creation of a committee whose main role will be to advise and propose initiatives to our board of directors through the Chief Executive Officer. This committee will mainly be comprised of former shareholders of the various bottling businesses that merged with us, whose experience will constitute an important contribution to our operations.

Employees

As of December 31, 2013, our headcount was as follows: 50,043 in Mexico and Central America, 26,631 in South America (excluding Venezuela) and 7,751 in Venezuela. In the headcount we include the employees of third party distributors. The table below sets forth headcount by category for the periods indicated:

	As of December 31,		
	2013	2012	2011
Executives	1,054	974	939
Non-union	24,955	21,989	22,380
Union	51,076	41,123	37,517
Employees of third party distributors	7,837	9,309	9,043
Total	84,922	73,395	69,879

As of December 31, 2013, approximately 60.1% of our employees, most of whom were employed in Mexico, were members of labor unions. We had 126 separate collective bargaining agreements with 82 labor unions. In general, we have a good relationship with the labor unions throughout our operations, except in Colombia, Venezuela and Guatemala, which are or have been the subjects of significant labor-related litigation. See **Item 8. Financial Information Consolidated Statements and Other Financial Information** and **Item 8. Financial Information Legal Proceedings**. We believe we have appropriate reserves for these litigation proceedings and do not currently expect them to have a material adverse effect.

Insurance Policies

We maintain a number of different types of insurance policies for all employees. These policies mitigate the risk of having to pay death benefits in the event of an industrial accident. We maintain directors and officers insurance policies covering all directors and certain key executive officers for liabilities incurred in their capacities as directors and officers.

Table of Contents**Item 7. Major Shareholders and Related Party Transactions****MAJOR SHAREHOLDERS**

Our outstanding capital stock consists of three classes of securities: Series A shares held by FEMSA, Series D shares held by The Coca-Cola Company and Series L shares held by the public. The following table sets forth our major shareholders as of April 4, 2014:

Owner	Outstanding Capital Stock	Percentage Ownership of Outstanding Capital Stock	Percentage of Voting Rights
FEMSA (Series A shares) ⁽¹⁾	992,078,519	47.9%	63.0%
The Coca-Cola Company (Series D Shares) ⁽²⁾	583,545,678	28.1%	37.0%
Public (Series L shares) ⁽³⁾	497,298,032	24.0%	
Total	2,072,922,229	100.0%	100.0%

- (1) FEMSA owns these shares through its wholly owned subsidiary Compañía Internacional de Bebidas, S.A. de C.V. Approximately 74.9% of the voting stock of FEMSA is owned by the technical committee and trust participants under Irrevocable Trust No. 463 established at Banco Invex, S.A. Institución de Banca Múltiple, Invex Grupo Financiero, as Trustee. As a consequence of the voting trust's internal procedures, the following trust participants are deemed to have beneficial ownership with shared voting power of the shares deposited in the voting trust: BBVA Bancomer, S.A., as Trustee under Trust No. F/25078-7 (controlled by Max Michel Suberville), J.P. Morgan (Suisse), S.A., as Trustee under a trust (controlled by Paulina Garza Lagüera Gonda), Bárbara Garza Lagüera Gonda, Mariana Garza Lagüera Gonda, Eva Maria Garza Lagüera Gonda, Consuelo Garza Lagüera de Garza, Alfonso Garza Garza, Patricio Garza Garza, Juan Carlos Garza Garza, Eduardo Garza Garza, Eugenio Garza Garza, Alberto Bailleres Gonzalez, Maria Teresa Gual Aspe de Bailleres, Inversiones Bursátiles Industriales, S.A. de C.V. (controlled by the Garza Lagüera family), Corbal, S.A. de C.V. (controlled by Alberto Bailleres González), Magdalena Michel de David, Alepage, S.A. (controlled by Consuelo Garza Lagüera de Garza), BBVA Bancomer, S.A. as Trustee under Trust No. F/29013-0 (controlled by the estate of José Calderón Ayala, late father of José Calderón Rojas), Max Michel Suberville, Max David Michel, Juan David Michel, Monique David de VanLathem, Renee Michel de Guichard, Magdalena Guichard Michel, Rene Guichard Michel, Miguel Guichard Michel, Graciano Guichard Michel, Juan Guichard Michel, Franca Servicios, S.A. de C.V. (controlled by the estate of José Calderón Ayala, late father of José Calderón Rojas), BBVA Bancomer, S.A., as Trustee under Trust No. F/29490-0 (controlled by Alberto, Susana and Cecilia Bailleres), BBVA Bancomer, S.A., as Trustee under Trust No. F/710004 (controlled by Magdalena Michel de David) and BBVA Bancomer, S.A., as Trustee under Trust No. F/700005 (controlled by Renee Michel de Guichard).
- (2) The Coca-Cola Company indirectly owns these shares through its wholly owned subsidiaries, The Inmex Corporation and Dulux CBAI 2003 B.V.
- (3)

Holders of Series L shares are only entitled to vote in limited circumstances. **See Item 10. Additional Information Bylaws.** Holders of ADSs are entitled, subject to certain exceptions, to instruct The Bank of New York, a depository, as to the exercise of the limited voting rights pertaining to the Series L shares underlying their ADSs.

Our Series A shares, owned by FEMSA, are held in Mexico and our Series D shares, owned by The Coca-Cola Company, are held outside of Mexico.

As of December 31, 2013, there were 15,993,703 of our ADSs outstanding, each ADS representing ten Series L shares, and 32.2% of our outstanding Series L shares were represented by ADSs. As of April 4, 2014, 32.1% of our outstanding Series L shares were represented by ADSs, held by 345 holders (including The Depository Trust Company) with registered addresses outside of Mexico.

The Shareholders Agreement

We operate pursuant to a shareholders agreement among two subsidiaries of FEMSA, The Coca-Cola Company and certain of its subsidiaries. This agreement, together with our bylaws, sets forth the basic rules under which we operate.

In February 2010, our main shareholders, FEMSA and The Coca-Cola Company, amended the shareholders agreement, and our bylaws were amended accordingly. The amendment mainly related to changes in the voting requirements for decisions on: (1) ordinary operations within an annual business plan and (2) appointment of the chief executive officer and all officers reporting to him, all of which now may be taken by the board of directors by simple

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majority voting. Also, the amendment provided that payment of dividends, up to an amount equivalent to 20% of the preceding years' retained earnings, may be approved by a simple majority of the shareholders. Any decision on extraordinary matters, as they are defined by our bylaws and which include any new business acquisition, business combinations or any change in the existing line of business, among other things, shall require the approval of the majority of the members of the board of directors, with the vote of two of the members appointed by The Coca-Cola Company. Also, any decision related to such extraordinary matters or any payment of dividends above 20% of the preceding years' retained earnings shall require the approval of a majority of Series A and Series D shares voting together as a single class.

Under our bylaws and shareholders agreement, our Series A shares and Series D shares are the only shares with full voting rights and, therefore, control actions by our shareholders.

The shareholders agreement also sets forth the principal shareholders' understanding as to the effect of adverse actions of The Coca-Cola Company under the bottler agreements. Our bylaws and shareholders agreement provide that a majority of the directors appointed by the holders of Series A shares, upon making a reasonable, good faith determination that any action of The Coca-Cola Company under any bottler agreement between The Coca-Cola Company and our company or any of our subsidiaries is materially adverse to our business interests and that The Coca-Cola Company has failed to cure such action within 60 days of notice, may declare a simple majority period, as defined in our bylaws, at any time within 90 days after giving notice. During the simple majority period certain decisions, namely the approval of material changes in our business plans, the introduction of a new, or termination of an existing line of business, and related party transactions outside the ordinary course of business, to the extent the presence and approval of at least two Series D directors would otherwise be required, can be made by a simple majority vote of our entire board of directors, without requiring the presence or approval of any Series D director. A majority of the Series A directors may terminate a simple majority period but, once having done so, cannot declare another simple majority period for one year after the termination. If a simple majority period persists for one year or more, the provisions of the shareholders agreement for resolution of irreconcilable differences may be triggered, with the consequences outlined in the following paragraph.

In addition to the rights of first refusal provided for in our bylaws regarding proposed transfers of Series A shares or Series D shares, the shareholders agreement contemplates three circumstances under which one principal shareholder may purchase the interest of the other in our company: (1) a change in control in a principal shareholder, (2) the existence of irreconcilable differences between the principal shareholders or (3) the occurrence of certain specified events of default.

In the event that (1) one of the principal shareholders buys the other's interest in our company in any of the circumstances described above or (2) the ownership of our shares of capital stock other than the Series L shares of the subsidiaries of The Coca-Cola Company or FEMSA is reduced below 20% and upon the request of the shareholder whose interest is not so reduced, the shareholders agreement requires that our bylaws be amended to eliminate all share transfer restrictions and all special-majority voting and quorum requirements, after which the shareholders agreement would terminate.

The shareholders agreement also contains provisions relating to the principal shareholders' understanding as to our growth. It states that it is The Coca-Cola Company's intention that we will be viewed as one of a small number of its anchor bottlers in Latin America. In particular, the parties agree that it is desirable that we expand by acquiring additional bottler territories in Mexico and other Latin American countries in the event any become available through horizontal growth. In addition, The Coca-Cola Company has agreed, subject to a number of conditions, that if it obtains ownership of a bottler territory that fits with our operations, it will give us the option to acquire such territory. The Coca-Cola Company has also agreed to support prudent and sound modifications to our capital structure to

support horizontal growth. The Coca-Cola Company's agreement as to horizontal growth expires upon either the elimination of the super-majority voting requirements described above or The Coca-Cola Company's election to terminate the agreement as a result of a default.

The Coca-Cola Memorandum

In connection with the acquisition of Panamco in 2003, we established certain understandings primarily relating to operational and business issues with both The Coca-Cola Company and FEMSA that were memorialized in writing prior to completion of the acquisition. Although The Coca-Cola Memorandum has not been amended, we continue to develop our relationship with The Coca-Cola Company (i.e. through, *inter alia*, acquisitions and taking on new product categories), and we therefore believe that The Coca-Cola Memorandum should be interpreted in the context of subsequent events, some of which have been noted in the description below. The terms are as follows:

The shareholder arrangements between directly wholly owned subsidiaries of FEMSA and The Coca-Cola Company will continue in place. On February 1, 2010, FEMSA amended its shareholders agreement with The Coca-Cola Company. See **The Shareholders Agreement**.

FEMSA will continue to consolidate our financial results under Mexican FRS. (We have complied with Mexican law by transitioning to IFRS as of 2012.)

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The Coca-Cola Company and FEMSA will continue to discuss in good faith the possibility of implementing changes to our capital structure in the future.

There were to be no changes in concentrate pricing or marketing support by The Coca-Cola Company up to May 2004. After such time, The Coca-Cola Company obtained complete discretion to implement any changes with respect to these matters, but any decision in this regard will be discussed with us and will take our operating condition into consideration.

The Coca-Cola Company may require the establishment of a different long-term strategy for Brazil. If, after taking into account our performance in Brazil, The Coca-Cola Company does not consider us to be part of this long-term strategic solution for Brazil, then we will sell our Brazilian franchise to The Coca-Cola Company or its designee at fair market value. Fair market value would be determined by independent investment bankers retained by each party at their own expense pursuant to specified procedures. We currently believe the likelihood of this term applying is remote.

FEMSA, The Coca-Cola Company and we will meet to discuss the optimal Latin American territorial configuration for the Coca-Cola bottler system. During these meetings, we will consider all possible combinations and any asset swap transactions that may arise from these discussions. In addition, we will entertain any potential combination as long as it is strategically sound and done at fair market value.

We would like to keep open strategic alternatives that relate to the integration of sparkling beverages and beer. The Coca-Cola Company, FEMSA and us would explore these alternatives on a market-by-market basis at the appropriate time.

The Coca-Cola Company agreed to sell to a subsidiary of FEMSA sufficient shares to permit FEMSA to beneficially own 51% of our outstanding capital stock (assuming that this subsidiary of FEMSA does not sell any shares and that there are no issuances of our stock other than as contemplated by the acquisition). As a result of this understanding, in November 2006, FEMSA acquired, through a subsidiary, 148,000,000 of our Series D shares from certain subsidiaries of The Coca-Cola Company, representing 9.4% of the total outstanding voting shares and 8.02% of the total outstanding equity of Coca-Cola FEMSA, at a price of US\$2.888 per share for an aggregate amount of US\$427.4 million. Pursuant to our bylaws, the acquired shares were converted from Series D shares to Series A shares.

We may be entering some markets where significant infrastructure investment may be required. The Coca-Cola Company and FEMSA will conduct a joint study that will outline strategies for these markets, as well as the investment levels required to execute these strategies. Subsequently, it is intended that FEMSA and The Coca-Cola Company will reach agreement on the level of funding to be provided by each of the partners. The parties intend that this allocation of funding responsibilities would not be overly burdensome for either partner.

We entered into a stand-by credit facility in December 2003 with The Coca-Cola Export Corporation, which expired in December 2006 and was never used.

Cooperation Framework with The Coca-Cola Company

In September 2006, we reached a comprehensive cooperation framework with The Coca-Cola Company for a new stage of collaboration going forward. This new framework includes the main aspects of our relationship with The Coca-Cola Company and defines the terms for the new collaborative business model. The framework is structured around three main objectives, which have been implemented as outlined below:

Sustainable growth of sparkling beverages, still beverages and waters: Together with The Coca-Cola Company, we have defined a platform to jointly pursue incremental growth in the sparkling beverages category, as well as accelerated development of still beverages and waters across Latin America. To this end, The Coca-Cola Company will provide a relevant portion of the funds derived from the concentrate increase for marketing support of the entire portfolio. In addition, the framework contemplates a new, all-encompassing business model for the development, organically and through acquisitions, of still beverages and waters that further aligns our and The Coca-Cola Company's objectives and should contribute to incremental long-term value creation for both companies. With this objective in mind, we have jointly acquired the *Brisa* bottled water business in Colombia, we have a joint venture for the *Jugos del Valle* products in Mexico and Brazil and we have certain agreements to develop the *Crystal* water business and the *Matte Leao* business in Brazil with other bottlers, and the business of Grupo Estrella Azul, a leading dairy and juice-based beverage company in Panama. During 2011 we entered into a joint venture to develop certain coffee products in our territories. In addition, during 2012, we acquired, through Jugos del Valle, an indirect participation in Santa Clara, a producer of milk and dairy products in Mexico.

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Our horizontal growth: The framework includes The Coca-Cola Company's endorsement of our aspiration to continue being a leading participant in the consolidation of the *Coca-Cola* system in Latin America, as well as our exploration of potential opportunities in other markets where our operating model and strong execution capabilities could be leveraged. For example, in 2008 we entered into a transaction with The Coca-Cola Company to acquire from it, REMIL, which was The Coca-Cola Company's wholly owned bottling franchise in the majority of the State of Minas Gerais, Brazil. On January 25, 2013 we closed the acquisition of 51% non-controlling majority stake of the outstanding shares of CCBPI. Finally, during 2013, we closed our merger with Grupo Yoli in Mexico and our acquisitions of Spaipa and Companhia Fluminense in Brazil.

Long-term vision in relationship economics: We and The Coca-Cola Company understand each other's business objectives and growth plans, and the 2006 framework provides a long-term perspective on the economics of our relationship. This will allow us and The Coca-Cola Company to focus on continuing to drive the business forward and generating profitable growth.

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RELATED PARTY TRANSACTIONS

We believe that our transactions with related parties are on terms comparable to those that would result from arm's length negotiations with unaffiliated parties and are reviewed and approved by our Corporate Practices Committee.

FEMSA

We regularly engage in transactions with FEMSA and its subsidiaries.

We sell our products to certain FEMSA subsidiaries, substantially all of which consists of our sales to a chain of convenience stores under the name Oxxo. The aggregate amount of these sales to Oxxo was Ps.3,078 million, Ps.2,853 million and Ps.2,088 million in 2013, 2012 and 2011, respectively.

We also purchase products from FEMSA and its subsidiaries. The aggregate amount of these purchases was Ps.5,200 million, Ps.4,484 million and Ps.3,652 million in 2013, 2012 and 2011, respectively. These amounts principally relate to raw materials, beer, assets and services provided to us by FEMSA. In January 2008, we renewed our service agreement with another subsidiary of FEMSA, which provides for the continued provision of administrative services relating to insurance, legal and tax advice, relations with governmental authorities and certain administrative and internal auditing services that it has been providing since June 1993. In November 2000, we entered into a service agreement with a subsidiary of FEMSA for the transportation of finished products from our production facilities to our distribution centers within Mexico. In September 2010, FEMSA sold the *Mundet* brand in Mexico to The Coca-Cola Company through The Coca-Cola Company's acquisition of 100% of the equity interest of Promotora de Marcas Nacionales, S.A. de C.V. We remain the licensee of the *Mundet* trademark under the license agreements with Promotora de Marcas Nacionales, S.A. de C.V. Both agreements are renewable for ten-year terms, subject to non-renewal by either party with notice to the other party. We recently expanded the territories covered by these agreements to certain of our operations outside of Mexico. We primarily purchase our glass bottles in Mexico from Glass & Silice S.A. de C.V. (formerly VICHISA), a wholly owned subsidiary of Cuauhtémoc Moctezuma Holding, S.A. de C.V. (formerly FEMSA Cerveza), currently a wholly owned subsidiary of the Heineken Group. The aggregate amount of our purchases from Glass & Silice S.A. de C.V. (formerly VICHISA) amounted to Ps.265.7 million, Ps.292.0 million and Ps.320.0 million in 2013, 2012 and 2011, respectively. Finally, we continue to distribute and sell the Kaiser beer portfolio in our Brazilian territories through the 20-year term, consistent with arrangements in place with Cervejarias Kaiser since 2006, prior the acquisition of Cervejarias Kaiser by Cuauhtémoc Moctezuma Holding, S.A. de C.V., formerly known as FEMSA Cerveza. On April 30, 2010, the transaction pursuant to which FEMSA agreed to exchange 100% of its beer operations for a 20% economic interest in the Heineken Group closed.

We also purchase products from Heineken and its subsidiaries. The aggregate amount of these purchases was Ps.3,734 million, Ps.2,598 million and Ps.3,343 million in 2013, 2012 and 2011, respectively. These amounts principally relate to raw materials and beer.

FEMSA is also a party to the understandings we have with The Coca-Cola Company relating to specified operational and business issues. A summary of these understandings is set forth under **Major Shareholders The Coca-Cola Memorandum**.

The Coca-Cola Company

We regularly engage in transactions with The Coca-Cola Company and its affiliates. We purchase all of our concentrate requirements for *Coca-Cola* trademark beverages from The Coca-Cola Company. Total expenses charged to us by The Coca-Cola Company for concentrates were approximately Ps.22,988 million, Ps.23,886 million and

Ps.20,882 million in 2013, 2012 and 2011, respectively. Our company and The Coca-Cola Company pay and reimburse each other for marketing expenditures. The Coca-Cola Company also contributes to our coolers, bottles and case investment program. We received contributions to our marketing expenses of Ps.4,206 million, Ps.3,018 million and Ps.2,595 million in 2013, 2012 and 2011, respectively.

In December 2007 and May 2008, we sold most of our proprietary brands to The Coca-Cola Company. The proprietary brands are licensed back to us by The Coca-Cola Company pursuant to our bottler agreements. The December 2007 transaction was valued at US\$48 million and the May 2008 transaction was valued at US\$16 million. Revenues from the sale of proprietary brands realized in prior years in which we have a significant continuing involvement are deferred and amortized against the related costs of future sales over the estimated sales period. The balance to be amortized amounted to Ps.37 million, Ps.98 million and Ps.302 million as of December 31, 2013, 2012 and 2011, respectively. The short-term portions to be amortized amounted to Ps.37 million, Ps.61 million and Ps.197 million at December 31, 2013, 2012 and 2011, respectively. The short-term portions are included in other current liabilities. The long-term positions are included in other liabilities.

In Argentina, we purchase plastic preforms, as well as returnable plastic bottles from Embotelladora del Atlántico S.A., a local subsidiary of Embotelladora Andina S.A., a Coca-Cola bottler with operations in Argentina, Chile and Brazil in which The Coca-Cola Company has a substantial interest.

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In Argentina, we mainly use HFCS that we purchase from several different local suppliers as a sweetener in our products. We purchase glass bottles, plastic cases and other raw materials from several domestic sources. We purchase plastic preforms, as well as returnable plastic bottles, at competitive prices from Embotelladora del Atlántico S.A., a local subsidiary of Embotelladora Andina S.A., a bottler of The Coca-Cola Company with operations in Argentina, Chile and Brazil, and other local suppliers. We also acquire plastic preforms from ALPLA Avellaneda S.A. and other suppliers.

In November 2007, Administración, a Mexican company owned directly or indirectly by us and The Coca-Cola Company, acquired 100% of the shares of capital stock of Jugos del Valle. Jugos del Valle sells fruit juice-based beverages and fruit derivatives. The business of Jugos del Valle in the United States was acquired and sold by The Coca-Cola Company. In 2008, we, The Coca-Cola Company and all Mexican and Brazilian Coca-Cola bottlers entered into a joint business for the Mexican and the Brazilian operations, respectively, of Jugos del Valle. Taking into account the participation held by Grupo Yoli, as of April 4, 2014, we held an interest of 26.2% in the Mexican joint business. In August 2010, we acquired from The Coca-Cola Company, along with other Brazilian Coca-Cola bottlers, Leão Alimentos, manufacturer and distributor of the *Matte Leao* tea brand. In January 2013, our Brazilian joint business of Jugos del Valle merged with Leão Alimentos. Taking into account our participation and the participations held by Companhia Fluminense and Spaipa, as of April 4, 2014, we had a 26.1% indirect interest in the *Matte Leao* business in Brazil.

In February 2009, we acquired with The Coca-Cola Company the *Brisa* bottled water business in Colombia from Bavaria, S.A. a subsidiary of SABMiller plc. We acquired the production assets and the distribution territory, and The Coca-Cola Company acquired the *Brisa* brand. We and The Coca-Cola Company equally shared in paying the purchase price of US\$92 million. Following a transition period, in June 2009, we started to sell and distribute the *Brisa* portfolio of products in Colombia.

In May 2009, we entered into an agreement to begin selling the *Crystal* trademark water products in Brazil jointly with The Coca-Cola Company.

In March 2011, we acquired with The Coca-Cola Company, through Compañía Panameña de Bebidas, S.A.P.I. de C.V., Estrella Azul, a Panamanian conglomerate that participates in the dairy and juice-based beverage categories in Panama. We continue to develop this business with The Coca-Cola Company.

In March 2011, we entered along with The Coca-Cola Company, through Compañía Panameña de Bebidas S.A.P.I. de C.V., into several credit agreements, or the Credit Facilities, the proceeds of which were used to lend an aggregate amount of US\$112,257,620 to Estrella Azul. Subject to certain events which could lead to an acceleration of payments, the principal balance of the Credit Facilities is payable in one installment on March 24, 2021. In March 2014, these Credit Facilities were paid in full.

In August 2012, we acquired, through Jugos del Valle, an indirect participation in Santa Clara, a producer of milk and dairy products in Mexico. As of April 4, 2014, we owned an indirect participation of 26.2% in Santa Clara.

On January 25, 2013, we closed the transaction with The Coca-Cola Company to acquire a 51% non-controlling majority stake in CCBPI for US\$688.5 million (Ps.8,904 million) in an all-cash transaction. We have an option to acquire the remaining 49% stake in CCBPI at any time during the seven years following the closing date. We also have a put option to sell our ownership in CCBPI to The Coca-Cola Company commencing on the fifth anniversary of the closing date and ending on the sixth anniversary of the closing date. We currently manage the day-to-day operations of the business; however, during a four year period ending January 25, 2017 the business plan and other operational decisions must be taken jointly with The Coca-Cola Company. We currently recognize the results of

CCBPI using the equity method.

Associated Companies

We also regularly engage in transactions with companies in which we own an equity interest that are not affiliated with The Coca-Cola Company, as described under The Coca-Cola Company. We believe these transactions are on terms comparable to those that would result from arm's length negotiations with unaffiliated third parties.

In Mexico, we purchase sparkling beverages in cans from Industria Envasadora de Querétaro, S.A. de C.V., or IEQSA, in which we hold an equity interest of 32.8%. We paid IEQSA Ps.615 million, Ps.483 million and Ps.262 million in 2013, 2012 and 2011, respectively. IEQSA purchases aluminum cans from FEMSA. We also purchase sugar from Beta San Miguel and Piasa, both sugar-cane producers in which, as of April 4, 2014, we held a 2.7% and 36.3% equity interest, respectively. We paid Ps.1,557 million, Ps.1,439 million and Ps.1,398 million to Beta San Miguel in 2013, 2012 and 2011, respectively. We paid Ps.956 million, Ps.423 million and Ps.52 million to Piasa in 2013, 2012 and 2011, respectively.

In Mexico, we participate with certain Coca-Cola bottlers in PROMESA, in which, as of April 4, 2014, we held a 35.0% interest. Through PROMESA, we purchase our cans for our Mexican operations, which are manufactured by Fábricas de Monterrey, S.A. de C.V., or FAMOSA, a wholly owned subsidiary of Cuauhtémoc Moctezuma Holding, S.A. de C.V. (formerly FEMSA)

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Cerveza), currently a wholly owned subsidiary of the Heineken Group. We purchased from PROMESA approximately Ps.670 million, Ps.711 million and Ps.701 million in 2013, 2012 and 2011, respectively.

Other Related Party Transactions

José Antonio Fernández Carbajal, the chairman of the board of directors of Coca-Cola FEMSA, is also the chairman of the board of directors of ITESM, a Mexican private university that routinely receives donations from us.

Carlos Salazar Lomelín, a member of the board of directors of Coca-Cola FEMSA, is also CEO of FEMSA and chairman of the consultant committee of EGADE, the graduate business school of ITESM, which is a prestigious university system with headquarters in Monterrey, Mexico. ITESM routinely receives donations from us and our subsidiaries.

Ricardo Guajardo Touché, a member of the board of directors of Coca-Cola FEMSA, is also a member of the board of directors of ITESM.

Allen & Company LLC provides investment banking services to us and our affiliates in the ordinary course of its business. Enrique Senior, one of our directors, is a Managing Director of Allen & Company LLC, and Herbert Allen III, an alternate director, is the president of Allen & Company LLC.

We are insured in Mexico primarily under certain of FEMSA's insurance policies with Grupo Nacional Provincial S.A., of which the son of the chairman of its board of directors, Alejandro Bailleres Gual is one of our alternate members of the board of directors. The policies were purchased pursuant to a competitive bidding process.

In October 2011, we executed certain agreements with affiliates of Grupo Tampico that are still in effect, to acquire specific products and services such as plastic cases, certain trucks and car brands, as well as autoparts exclusively for the territories of Grupo Tampico, which agreements provide for certain preferences to be elected as suppliers in our suppliers' bidding processes.

Item 8. Financial Information

CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

Consolidated Financial Statements

See **Item 18. Financial Statements** beginning on page F-1.

Dividend Policy

For a discussion of our dividend policy, see **Item 3. Key Information Dividends and Dividend Policy**.

Significant Changes

Except as disclosed under **Recent Developments** in Item 5, no significant changes have occurred since the date of the annual financial statements included in this annual report.

Table of Contents**LEGAL PROCEEDINGS**

We are party to various legal proceedings in the ordinary course of business. Other than as disclosed in this annual report, we are not currently involved in any litigation or arbitration proceeding, including any proceeding that is pending or threatened of which we are aware, which we believe will have, or has had, a material adverse effect on our company. Other legal proceedings that are pending against or involve us and our subsidiaries are incidental to the conduct of our and their business. We believe that the ultimate disposition of such other proceedings individually or in an aggregate basis will not have a material adverse effect on our consolidated financial condition or results.

Mexico

Antitrust Matters. During 2000, the CFCE, motivated by complaints filed by PepsiCo and certain of its bottlers in Mexico, began an investigation of The Coca-Cola Company Export Corporation and the Mexican Coca-Cola bottlers for alleged monopolistic practices through exclusivity arrangements with certain retailers. Nine of our Mexican subsidiaries, including those acquired through our merger with Grupo Tampico, Grupo CIMSA and Grupo Fomento Queretano, are involved in this matter. After the corresponding legal proceedings in 2008, a Mexican Federal Court rendered an adverse judgment against three of our nine Mexican subsidiaries involved in the proceedings, upholding a fine of approximately Ps.10.5 million imposed by CFCE on each of the three subsidiaries and ordering the immediate suspension of such practices of alleged exclusivity arrangements and conditional dealings. On August 7, 2012, a Federal Court dismissed and denied an appeal that we filed on behalf of one of our subsidiaries after the merger with Grupo Fomento Queretano, which had received an adverse judgment. We filed a motion for reconsideration on September 12, 2012, which was resolved on March 22, 2013 confirming the Ps.10.5 million fine imposed by the CFCE. With respect to the complaints against the remaining six subsidiaries, a favorable resolution was issued in the Mexican Federal Courts and, consequently, the CFCE withdrew the fines and ruled in favor of six of our subsidiaries on the grounds of insufficient evidence to prove individual and specific liability in the alleged antitrust violations.

In addition, among the companies involved in the 2000 complaint filed by PepsiCo and other bottlers in Mexico, were some of our less significant subsidiaries acquired with the Grupo Yoli merger. On June 30, 2005, the CFCE imposed a fine on one of our subsidiaries for approximately Ps.10.5 million. A motion for reconsideration on this matter was filed on September 21, 2005, which was resolved by the CFCE confirming the original resolution on December 1, 2005. An *amparo* claim was filed against said resolution and a Federal Court issued a favorable resolution in our benefit. Both the CFCE and PepsiCo filed appeals against said resolution and a Circuit Court in Acapulco, Guerrero resolved to request the CFCE to issue a new resolution regarding the Ps.10.5 million fine. CFCE then fined our subsidiary again, for the same amount. A new *amparo* claim was filed against said resolution. On May 17, 2012, such new *amparo* claim was resolved, again in favor of one of our subsidiaries, requesting the CFCE to recalculate the amount of the fine. The CFCE maintained the amount of the fine in a new resolution which we challenged through a new *amparo* claim filed on July 31, 2013 before a District Judge in Acapulco, Guerrero and are awaiting final resolution.

In February 2009, the CFCE began a new investigation of alleged monopolistic practices consisting of sparkling beverage sales subject to exclusivity agreements and the granting of discounts and/or benefits in exchange for exclusivity arrangements with certain retailers. In December 2011, the CFCE closed this investigation on the grounds of insufficient evidence of monopolistic practices by The Coca-Cola Company and its bottlers. However, on February 9, 2012 the plaintiff appealed the decision of the CFCE. The CFCE confirmed its initial ruling. A Federal Circuit Court has ruled that the CFCE must examine evidence provided by a plaintiff for purposes of determining if bottlers complied with the resolution issued in 2005 in an investigation carried out by the CFCE. It is currently unclear how the CFCE will rule upon these proceedings once the CFCE provides the bottlers with the opportunity to provide evidence on this matter.

Venezuela

Tax Matters. In 1999, some of our Venezuelan subsidiaries received notice of indirect tax claims asserted by the Venezuelan tax authorities. These subsidiaries have taken the appropriate measures against these claims at the administrative level and filed appeals with the Venezuelan courts. Due to the devaluation of the Bolivar with respect to the U.S. dollar in recent years, the claims currently amount to approximately US\$3.5 million. We believe that the ultimate resolution of these cases will not have a material adverse effect on our financial condition or results.

Brazil

Antitrust Matters. Several claims have been filed against us by private parties that allege anticompetitive practices by our Brazilian subsidiaries. The plaintiffs are Ragi (Dolly), a Brazilian producer of B Brands, and PepsiCo, alleging anticompetitive practices by Spal Indústria Brasileira de Bebidas, S.A. and Recofarma Indústria do Amazonas Ltda. Of the four claims Dolly filed against us, the only one that remained concerns a denial of access to common suppliers. The competent authorities established an administrative proceeding against our Brazilian subsidiary and Coca-Cola Indústrias Ltda. for alleged unfair competition practices. In

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September 2013, the Administrative Council of Economic Defense, or CADE, issued a final decision dismissing the claim for lack of evidence.

Of the two claims made by PepsiCo, the first concerns exclusivity arrangements at the point of sale, and the second is an alleged corporate espionage allegation against the Pepsi bottler, BAESA, which the Ministry of Economy recommended to be dismissed for lack of evidence. Under Brazilian law, each of these claims could result in substantial monetary fines and other penalties. Regarding the claims made by PepsiCo, in December 2012, the CADE issued a final decision dismissing the claim related to exclusivity arrangements at the point of sale. Also in December 2012, CADE issued a technical note advocating dismissal of the claim related to an alleged corporate espionage against the Pepsi bottler, BAESA, for lack of evidence. In December 2013, CADE rendered final decision dismissing the claim.

Item 9. The Offer and Listing

The following table sets forth, for the periods indicated, the reported high and low nominal sale prices for the Series L shares on the Mexican Stock Exchange and the reported high and low nominal sale prices for the ADSs on the New York Stock Exchange:

	Mexican Stock Exchange Mexican pesos per Series L Share		New York Stock Exchange U.S. dollars per ADS	
	High ⁽¹⁾	Low ⁽¹⁾	High ⁽¹⁾	Low ⁽¹⁾
2009:				
Full year	Ps. 86.71	Ps. 40.96	US\$ 66.87	US\$ 26.41
2010:				
Full year	Ps. 103.37	Ps. 72.24	US\$ 83.61	US\$ 57.67
2011:				
Full year	Ps. 135.91	Ps. 87.40	US\$ 98.90	US\$ 72.08
2012:				
Full year	Ps. 191.34	Ps. 125.61	US\$ 149.43	US\$ 94.30
First quarter	Ps. 135.92	Ps. 125.61	US\$ 105.91	US\$ 94.30
Second quarter	174.46	134.28	130.88	101.83
Third quarter	184.71	148.17	133.32	111.19
Fourth quarter	191.34	163.59	149.43	123.73
2013:				
Full year	Ps. 219.70	Ps. 146.23	US\$ 178.66	US\$ 111.66
First quarter	Ps. 215.88	Ps. 191.81	US\$ 168.64	US\$ 149.99
Second quarter	219.70	170.37	178.66	128.10
Third quarter	189.32	159.17	149.00	120.02
Fourth quarter	171.00	146.23	129.55	111.66
October	171.00	157.23	129.55	121.54
November	159.84	146.23	121.15	111.66
December	159.45	152.76	122.35	117.26

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January	Ps. 156.68	Ps. 137.72	US\$ 120.27	US\$ 103.08
February	143.60	125.05	108.91	93.49
March	137.38	124.12	105.52	93.67

(1) High and low closing prices for the periods presented.

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TRADING ON THE MEXICAN STOCK EXCHANGE

The Mexican Stock Exchange or the *Bolsa Mexicana de Valores, S.A.B. de C.V.*, located in Mexico City, is the only stock exchange in Mexico. Trading takes place principally through automated systems that are open between the hours of 8:30 a.m. and 3:00 p.m. Mexico City time, each business day. Beginning in March 2008, during daylight savings time, trading hours change to match the New York Stock Exchange trading hours, opening at 7:30 a.m. and closing at 2:00 p.m. local time. The Mexican Stock Exchange operates a system of automatic suspension of trading in shares of a particular issuer as a means of controlling excessive price volatility, but under current regulations this system does not apply to securities such as the Series L shares in the form of ADSs that are directly or indirectly quoted on a stock exchange outside of Mexico.

Settlement is effected three business days after a share transaction on the Mexican Stock Exchange. Deferred settlement, even by mutual agreement, is not permitted without the approval of the Mexican Stock Exchange. Most securities traded on the Mexican Stock Exchange, including our shares, are on deposit with S.D. Indeval Instituto para el Depósito de Valores, S.A. de C.V., which we refer to as Indeval, a privately owned securities depository that acts as a clearinghouse for Mexican Stock Exchange transactions.

Item 10. Additional Information

BYLAWS

The following is a summary of the material provisions of our bylaws and applicable Mexican law. The last amendment of our bylaws was approved on October 10, 2011. For a description of the provisions of our bylaws relating to our board of directors and executive officers, see **Item 6. Directors, Senior Management and Employees.**

The main changes made to our bylaws on October 10, 2011, were to Article 25 which increased the number of our board members from 18 to 21 and the number of directors that each series is entitled to appoint, and Article 26 which provides that the shareholders meeting that approves Series B shares issuance will determine which series of shares is to reduce the number of directors that such series is entitled to appoint. Article 6 of our bylaws was also amended to include the number of shares included in our minimum fixed capital stock without the right to withdraw.

Organization and Register

We were incorporated on October 30, 1991, as a *sociedad anónima de capital variable* (Mexican variable stock corporation) in accordance with the *Ley General de Sociedades Mercantiles* (Mexican General Corporations Law). On December 5, 2006, we became a *sociedad anónima bursátil de capital variable* (Mexican variable capital listed stock company) and amended our bylaws in accordance with the Mexican Securities Market Law. We were registered in the *Registro Público de la Propiedad y del Comercio* (Public Registry of Property and Commerce) of Monterrey, Nuevo León, Mexico on November 22, 1991 under mercantile number 2986, folio 171, volume 365, third book of the commerce section. In addition, due to the change of address of our company to Mexico City, we have also been registered in the Public Registry of Property and Commerce of Mexico City since June 28, 1993 under mercantile number 176,543.

Purposes

The main corporate purposes of our company include the following:

to establish, promote and organize corporations or companies of any type, as well as to acquire and possess shares or equity participations in such entities;

to carry out all types of transactions involving bonds, shares, equity, participations and securities of any type;

to provide or receive advisory, consulting or other types of services in different business matters;

to conduct business with equipment, raw materials and any other items necessary to the companies in which we have an interest in or with whom we have commercial relations;

to acquire and dispose of trademarks, tradenames, commercial names, copyrights, patents, inventions, franchises, distributions, concessions and processes;

to possess, build, lease and operate real and personal property, install or by any other title operate plants, warehouses, workshops, retail or deposits necessary to comply with our corporate purpose;

to subscribe, buy and sell stocks, bonds and securities among other things; and

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to draw, accept, make, endorse or guarantee negotiable instruments, issue bonds secured with real property or unsecured, and to make us jointly liable, to grant security of any type with regard to obligations entered into by us or by third parties, and in general, to perform the acts, enter into the agreements and carry out other transactions as may be necessary or conducive to our business purpose.

Voting Rights, Transfer Restrictions and Certain Minority Rights

Series A and Series D shares have full voting rights and are subject to transfer restrictions. Although no Series B shares have been issued, our bylaws provide for the issuance of Series B shares with full voting rights that are freely transferable. Series L shares are freely transferable but have limited voting rights. None of our shares are exchangeable for shares of a different series. The rights of all series of our capital stock are substantially identical except for:

restrictions on transfer of the Series A and Series D shares;

limitations on the voting rights of Series L shares;

the respective rights of the Series A, Series D and Series L shares, voting as separate classes in a special meeting, to elect specified numbers of our directors and alternate directors;

the respective rights of Series D shares to participate in the voting of extraordinary matters, as they are defined by our bylaws; and

prohibitions on non-Mexican ownership of Series A shares. **See Item 6. Directors, Senior Management and Employees, and Additional Transfer Restrictions Applicable to Series A and Series D shares.**

Under our bylaws, holders of Series L shares are entitled to vote in limited circumstances. They may appoint for election and elect up to three of our maximum of 21 directors and, in certain circumstances where holders of Series L shares have not voted for the director elected by holders of the majority of these series of shares, they may be entitled to elect and remove one director, through a general shareholders meeting, for every 10% they own of all issued, subscribed and paid shares of the capital stock of our company, pursuant to the Mexican Securities Market Law. **See Item 6. Directors, Senior Management and Employees.** In addition, they are entitled to vote on certain matters, including certain changes in our corporate form, mergers involving our company when our company is the merged entity or when the principal corporate purpose of the merged entity is not related to the corporate purpose of our company, the cancellation of the registration of the Series L shares in the Mexican Stock Exchange or any other foreign stock exchange and those matters for which the Mexican Securities Market Law expressly allow them to vote.

Holders of our shares in the form of ADSs will receive notice of shareholders meetings from our ADS depository in sufficient time to enable such holders to return voting instructions to the ADS depository in a timely manner. Our past practice, which we intend to continue, has been to inform the depository to timely notify holders of our shares in the form of ADSs of upcoming votes and ask for their instructions.

A quorum of 82% of our subscribed and paid shares of capital stock (including the Series L shares) and the vote of at least a majority of our capital stock voting (and not abstaining) at such extraordinary meeting is required for:

the transformation of our company from one type of company to another (other than changing from a variable capital to fixed-capital corporation and vice versa);

any merger where we are not the surviving entity or any merger with an entity whose principal corporate purposes are different from those of our company or our subsidiaries; and

cancellation of the registration of our Series L shares with the Mexican Registry of Securities, or RNV, maintained by the CNBV or with other foreign stock exchanges on which our shares may be listed.

In the event of cancellation of the registration of any of our shares in the RNV, whether by order of the CNBV or at our request with the prior consent of 95% of the holders of our outstanding capital stock, our bylaws and the Mexican Securities Market Law require us to make a public offer to acquire these shares prior to their cancellation.

Holders of Series L shares may attend, but not address, meetings of shareholders at which they are not entitled to vote.

Under our bylaws and the Mexican General Corporations Law, holders of shares of any series are entitled to vote as a class in a special meeting governed by the same rules that apply to extraordinary meetings on any action that would have an effect on the rights of holders of shares of such series. There are no procedures for determining whether a particular proposed shareholder action requires a class vote, and Mexican law does not provide extensive guidance on the criteria to be applied in making such a determination.

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Pursuant to the Mexican Securities Market Law, we are subject to a number of minority shareholder protections. These minority protections include provisions that permit:

for every 10% of our outstanding capital stock entitled to vote (including in a limited or restricted manner) held by holders, either individually or as a group, such holders may require the chairman of the board of directors or of the Audit or Corporate Practices Committees to call a shareholders meeting;

holders of at least 5% of our outstanding capital stock may bring an action for liability against our directors, the secretary of the board of directors or certain key officers;

for every 10% of our outstanding capital stock who are entitled to vote, including limited or restricted vote, held by holders, either individually or as a group, such holders at any shareholders meeting to request that resolutions with respect to any matter on which they considered they were not sufficiently informed be postponed;

holders of 20% of our outstanding capital stock to oppose any resolution adopted at a shareholders meeting in which they are entitled to vote and file a petition for a court order to suspend the resolution temporarily within 15 days following the adjournment of the meeting at which the action was taken, provided that (1) the challenged resolution violates Mexican law or our bylaws, (2) the opposing shareholders neither attended the meeting nor voted in favor of the challenged resolution and (3) the opposing shareholders deliver a bond to the court to secure payment of any damages that we may suffer as a result of suspending the resolution in the event that the court ultimately rules against the opposing shareholder; and

for every 10% of our outstanding capital stock who are entitled to vote, including limited or restricted vote, held by holders, either individually or as a group, such holders to appoint one member of our board of directors and one alternate member of our board of directors up to the maximum number of directors that each series is entitled to appoint under our bylaws.

Shareholders Meetings

General shareholders meetings may be ordinary meetings or extraordinary meetings. Extraordinary meetings are those called to consider certain matters specified in Article 182 of the Mexican General Corporations Law, Article 53 of the Mexican Securities Market Law and in our bylaws. These matters include, among others: amendments to the bylaws, liquidation, dissolution, merger and transformation from one form of company to another, issuance of preferred stock and increases and reductions of the fixed portion of our capital stock. In addition, our bylaws require an extraordinary meeting to consider the cancellation of the registration of our shares with the RNV or with other foreign stock exchanges on which our shares may be listed, the amortization of distributable earnings into capital stock, and an increase in our capital stock. All other matters, including increases or decreases affecting the variable portion of our capital stock, are considered at an ordinary meeting.

An ordinary meeting of the holders of Series A and Series D shares must be held at least once each year (1) to consider the approval of the financial statements of our company for the preceding fiscal year and (2) to determine the allocation of the profits of the preceding year. Further, any transaction to be entered into by us or our subsidiaries

within the next fiscal year that represents 20% or more of our consolidated assets must be approved at an ordinary shareholders meeting at which holders of Series L shares shall be entitled to vote.

Mexican law provides for a special meeting of shareholders to allow holders of shares of a series to vote as a class on any action that would prejudice exclusively the rights of holders of such series. Holders of Series A, Series D and Series L shares at their respective special meetings must appoint, remove or ratify directors, as well as determine their compensation.

The quorum for ordinary and extraordinary meetings at which holders of Series L shares are not entitled to vote is 76% of the holders of subscribed and paid Series A and Series D shares, and the quorum for an extraordinary meeting at which holders of Series L shares are entitled to vote is 82% of the subscribed and paid shares of capital stock.

The quorum for special meetings of any series of shares is 75% of the holders of the subscribed and paid capital stock of such shares, and action may be taken by holders of a majority of such series of shares.

Resolutions adopted at an ordinary or extraordinary shareholders meeting are valid when adopted by holders of at least a majority of the subscribed and paid in capital stock voting (and not abstaining) at the meeting, unless in the event of any decisions defined as extraordinary matters by the bylaws or any payment of dividends above 20% of the preceding years retained earnings, which shall require the approval of a majority of shareholders of each of Series A and Series D shares voting together as a single class. Resolutions adopted at a special shareholders meeting are valid when adopted by the holders of at least a majority of the subscribed and paid shares of the series of shares entitled to attend the special meeting.

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Shareholders meetings may be called by the board of directors, the Audit Committee or the Corporate Practices Committee and, under certain circumstances, a Mexican court. For every 10% or more of our capital stock held by holders, either individually or as a group, such holders may require the chairman of the board of directors, or the chairmen of the Audit Committee or Corporate Practices Committee to call a shareholders meeting. A notice of meeting and an agenda must be published in a newspaper of general circulation in Mexico City at least 15 days prior to the meeting. Notices must set forth the place, date and time of the meeting and the matters to be addressed and must be signed by whomever convened the meeting. All relevant information relating to the shareholders meeting must be made available to shareholders starting on the date of publication of the notice. To attend a meeting, shareholders must deposit their shares with us or with Indeval or an institution for the deposit of securities prior to the meeting as indicated in the notice. If entitled to attend the meeting, a shareholder may be represented by an attorney-in-fact.

Additional Transfer Restrictions Applicable to Series A and Series D Shares

Our bylaws provide that no holder of Series A or Series D shares may sell its shares unless it has disclosed the terms of the proposed sale and the name of the proposed buyer and has previously offered to sell the shares to the holders of the other series for the same price and terms as it intended to sell the shares to a third party. If the shareholders being offered shares do not choose to purchase the shares within 90 days of the offer, the selling shareholder is free to sell the shares to the third party at the price and under the specified terms. In addition, our bylaws impose certain procedures in connection with the pledge of any Series A or Series D shares to any financial institution that are designed, among other things, to ensure that the pledged shares will be offered to the holders of the other series at market value prior to any foreclosure. Finally, a proposed transfer of Series A or Series D shares other than a proposed sale or a pledge, or a change of control of a holder of Series A or Series D shares that is a subsidiary of a principal shareholder, would trigger rights of first refusal to purchase the shares at market value. **See Item 7. Major Shareholders and Related Party Transactions Major Shareholders The Shareholders Agreement.**

Dividend Rights

At the annual ordinary meeting of holders of Series A and Series D shares, the board of directors submits our financial statements for the previous fiscal year, together with a report thereon by the board of directors. Once the holders of Series A and Series D shares have approved the financial statements, they determine the allocation of our net income for the preceding year. Mexican law requires the allocation of at least 5% of net income to a legal reserve, which is not subsequently available for distribution until the amount of the legal reserve equals 20% of our capital stock. Thereafter, the holders of Series A and Series D shares may determine and allocate a certain percentage of net income to any general or special reserve, including a reserve for open-market purchases of our shares. The remainder of net income is available for distribution in the form of dividends to the shareholders.

All shares outstanding and fully paid (including Series L shares) at the time a dividend or other distribution is declared are entitled to share equally in the dividend or other distribution. No series of shares is entitled to a preferred dividend. Shares that are only partially paid participate in a dividend or other distributions in the same proportion that the shares have been paid at the time of the dividend or other distributions. Treasury shares are not entitled to dividends or other distributions.

Change in Capital

According to our bylaws, any change in our authorized capital stock requires a resolution of an extraordinary meeting of shareholders. We are permitted to issue shares constituting fixed capital and shares constituting variable capital. The fixed portion of our capital stock may be increased or decreased only by amendment of our bylaws adopted by a resolution at an extraordinary meeting of the shareholders. The variable portion of our capital stock may be increased

or decreased by resolution of an ordinary meeting of the shareholders without amending our bylaws. All changes in the fixed or variable capital have to be registered in our capital variation registry, as required by the applicable law.

A capital stock increase may be effected through the issuance of new shares for payment in cash or in kind, or by capitalization of indebtedness or of certain items of equity. Treasury stock may only be sold pursuant to a public offering.

Preemptive Rights

The Mexican Securities Market Law permits the issuance and sale of shares through a public offering without granting shareholders preemptive rights, if permitted by the bylaws and upon, among other things, express authorization of the CNBV and the approval of the extraordinary shareholders meeting called for such purpose. Under Mexican law and our bylaws, except in these circumstances and other limited circumstances (including mergers, sales of repurchased shares, conversion into shares of convertible securities and capital increases by means of payment in kind for shares or shares issued in return for the cancellation of debt), in the event of an increase in our capital stock, a holder of record generally has the right to subscribe shares of a series held by such holder sufficient to maintain such holder's existing proportionate holding of shares of that series. Preemptive rights must be exercised during a term fixed by the shareholders at the meeting declaring the capital increase, which term must last at least 15 days following the publication of notice of the capital increase in the Mexican Official State Gazette. As a result of applicable United States securities

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laws, holders of ADSs may be restricted in their ability to participate in the exercise of preemptive rights under the terms of the deposit agreement. Shares subject to a preemptive rights offering, with respect to which preemptive rights have not been exercised, may be sold by us to third parties on the same terms and conditions previously approved by the shareholders or the board of directors. Under Mexican law, preemptive rights cannot be waived in advance or be assigned, or be represented by an instrument that is negotiable separately from the corresponding shares.

Limitations on Share Ownership

Ownership by non-Mexican nationals of shares of Mexican companies is regulated by the 1993 Foreign Investment Law and its regulations, as amended. The Mexican Foreign Investment Commission is responsible for administering and supervising compliance with the Mexican Foreign Investment Law and its regulations.

As a general rule, the Mexican Foreign Investment Law allows foreign holdings of up to 100% of the capital stock of Mexican companies, except for those companies engaged in certain specified restricted industries. The Mexican Foreign Investment Law and its regulations require that Mexican shareholders retain the power to determine the administrative control and the management of corporations in industries in which special restrictions on foreign holdings are applicable. Foreign investment in our shares is not limited under either the Mexican Foreign Investment Law or its regulations.

Although the Mexican Foreign Investment Law grants broad authority to the Mexican Foreign Investment Commission to allow foreign investors to own more than 49% of the capital of Mexican enterprises after taking into consideration public policy and economic concerns, our bylaws provide that Series A shares must at all times constitute no less than 51% of all outstanding common shares with full voting rights (excluding Series L shares) and may only be held by Mexican investors. Under our bylaws, in the event Series A shares are subscribed or acquired by any other shareholders holding shares of any other series, and the shareholder is of a nationality other than Mexican, these Series A shares are automatically converted into shares of the same series of stock that this shareholder owns, and this conversion will be considered perfected at the same time as the subscription or acquisition.

Other Provisions

Authority of the Board of Directors. The board of directors is our legal representative and is authorized to take any action in connection with our operations not expressly reserved to our shareholders. Pursuant to the Mexican Securities Market Law, the board of directors must approve, observing at all moments their duty of care and duty of loyalty, among other matters the following:

any transactions with related parties outside the ordinary course of our business;

significant asset transfers or acquisitions;

material guarantees or collateral;

appointment of officers and managers deemed necessary, as well as the necessary committees;

the annual business plan and the five-year business plan; internal policies; and

other material transactions.

Meetings of the board of directors are validly convened and held if a majority of the members are present. Resolutions passed at these meetings will be valid if approved by a majority of the directors voting (and not abstaining). The majority of the members, which shall include the vote of at least two Series D Shares directors, shall approve any extraordinary decision including any new business acquisition or combination or any change in the existing line of business, among others. If required, the chairman of the board of directors may cast a tie-breaking vote.

See Item 6. Directors, Senior Management and Employees Directors and Item 6. Directors, Senior Management and Employees Board Practices.

Redemption. Our fully paid shares are subject to redemption in connection with either (1) a reduction of capital stock or (2) a redemption with distributable earnings, which, in either case, must be approved by our shareholders at an extraordinary shareholders meeting. The shares subject to any such redemption would be selected by us by lot or in the case of redemption with distributable earnings, by purchasing shares by means of a tender offer conducted on the Mexican Stock Exchange, in accordance with the Mexican General Corporations Law and the Mexican Securities Market Law.

Repurchase of Shares. According to our bylaws, and subject to the provisions of the Mexican Securities Market Law and under rules promulgated by the CNBV, we may repurchase our shares.

In accordance with the Mexican Securities Market Law, our subsidiaries may not purchase, directly or indirectly, shares of our capital stock or any security that represents such shares.

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Forfeiture of Shares. As required by Mexican law, our bylaws provide that non-Mexican holders of our shares are (1) considered to be Mexican with respect to such shares that they acquire or hold and (2) may not invoke the protection of their own governments in respect of the investment represented by those shares. Failure to comply with our bylaws may result in a penalty of forfeiture of a shareholder's capital stock in favor of the Mexican state. Under this provision, a non-Mexican holder of our shares (including a non-Mexican holder of ADSs) is deemed to have agreed not to invoke the protection of its own government by asking such government to interpose a diplomatic claim against the Mexican state with respect to its rights as a shareholder, but is not deemed to have waived any other rights it may have, including any rights under the United States securities laws, with respect to its investment in our company. If a shareholder should invoke governmental protection in violation of this agreement, its shares could be forfeited to the Mexican state.

Duration. Our bylaws provide that our company's term is for 99 years from its date of incorporation, unless extended through a resolution of an extraordinary shareholders meeting.

Fiduciary Duties Duty of Care. The Mexican Securities Market Law provides that the directors shall act in good faith and in our best interest and in the best interest of our subsidiaries. In order to fulfill its duty, the board of directors may:

request information about us or our subsidiaries that is reasonably necessary to fulfill its duties;

require our officers and certain other persons, including the external auditors, to appear at board of directors meetings to report to the board of directors;

postpone board of directors meetings for up to three days when a director has not been given sufficient notice of the meeting or in the event that a director has not been provided with the information provided to the other directors; and

require a matter be discussed and voted upon by the full board of directors in the presence of the secretary of the board of directors.

Our directors may be liable for damages for failing to comply their duty of care if such failure causes economic damage to us or our subsidiaries and the director (1) failed to attend, board of directors or committee meetings and as a result of, such failure, the board of directors was unable to take action, unless such absence is approved by the shareholders meeting, (2) failed to disclose to the board of directors or the committees material information necessary for the board of directors to reach a decision, unless legally prohibited from doing so or required to do so to maintain confidentiality, and (3) failed to comply with the duties imposed by the Mexican Securities Market Law or our bylaws.

Fiduciary Duties Duty of Loyalty. The Mexican Securities Market Law provides that the directors and secretary of the board of directors shall keep confidential any non-public information and matters about which they have knowledge as a result of their position. Also, directors should abstain from participating, attending or voting at meetings related to matters where they have a conflict of interest.

The directors and secretary of the board of directors will be deemed to have violated the duty of loyalty, and will be liable for damages, when they obtain an economic benefit by virtue of their position. Further, the directors will fail to comply with their duty of loyalty if they:

vote at a board of directors meeting or take any action on a matter involving our assets where there is a conflict of interest;

fail to disclose a conflict of interest during a board of directors meeting;

enter into a voting arrangement to support a particular shareholder or group of shareholders against the other shareholders;

approve transactions without complying with the requirements of the Mexican Securities Market Law;

use company property in violation of the policies approved by the board of directors;

unlawfully use material non-public information; and

usurp a corporate opportunity for their own benefit or the benefit of a third party, without the prior approval of the board of directors.

Appraisal Rights. Whenever the shareholders approve a change of corporate purpose, change of nationality or the transformation from one form of company to another, any shareholder entitled to vote on such change that has voted against it, may withdraw as a shareholder of our company and have its shares redeemed at a price per share calculated as specified under applicable Mexican law, provided that it exercises its right within 15 days following the adjournment of the meeting at which the change was approved. In this case, the shareholder would be entitled to the reimbursement of its shares, in proportion to our assets in accordance with the last approved balance sheet. Because holders of Series L shares are not entitled to vote on certain types of these changes, these withdrawal rights are available to holders of Series L shares in fewer cases than to holders of other series of our capital stock.

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Liquidation. Upon our liquidation, one or more liquidators may be appointed to wind up our affairs. All fully paid and outstanding shares of capital stock (including Series L shares) will be entitled to participate equally in any distribution upon liquidation. Shares that are only partially paid participate in any distribution upon liquidation in the proportion that they have been paid at the time of liquidation. There are no liquidation preferences for any series of our shares.

Actions Against Directors. Shareholders (including holders of Series L shares) representing, in the aggregate, not less than 5% of the capital stock may directly bring an action against directors.

In the event of actions derived from any breach of the duty of care and the duty of loyalty, liability is exclusively in our favor. The Mexican Securities Market Law establishes that liability may be imposed on the members and the secretary of the board of directors, as well as to the relevant officers.

Notwithstanding, the Mexican Securities Market Law provides that the members of the board of directors will not incur, individually or jointly, in liability for damages and losses caused to our company, when their acts were made in good faith, provided that (1) the directors complied with the requirements of the Mexican Securities Market Law and with our bylaws, (2) the decision making or voting was based on information provided by the relevant officers, the external auditor or the independent experts, whose capacity and credibility do not offer reasonable doubt; (3) the negative economic effects could not have been foreseen, based on the information available; and (4) the resolutions of the shareholders meeting were observed.

Limited Liability. The liability of shareholders for our company's losses is limited to their shareholdings in our company.

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MATERIAL AGREEMENTS

We manufacture, package, distribute and sell sparkling beverages, still beverages, value-added dairy products, coffee products, and bottled water under bottler agreements with The Coca-Cola Company. In addition, pursuant to a tradename license agreement with The Coca-Cola Company, we are authorized to use certain trademark names of The Coca-Cola Company. For a discussion of the terms of these agreements, see **Item 4. Information on the Company Bottler Agreements**.

We operate pursuant to a shareholders agreement, as amended from time to time, among two subsidiaries of FEMSA, The Coca-Cola Company and certain of its subsidiaries. For a discussion of the terms of this agreement, see **Item 7. Major Shareholders and Related Party Transactions Major Shareholders The Shareholders Agreement**.

We purchase the majority of our non-returnable plastic bottles from ALPLA, a provider authorized by The Coca-Cola Company, pursuant to an agreement we entered into in April 1998 for our original operations in Mexico. Under this agreement, we rent plant space to ALPLA, where it produces plastic bottles to certain specifications and quantities for our use.

In September 2010, we renewed and extended our existing agreements with Hewlett Packard (formerly known as Electronic Data Systems before acquisition by Hewlett Packard), for the outsourcing of technology services in all of our territories. These agreements are valid until August 2015, unless terminated by us through previous notice to Hewlett Packard.

See **Item 5. Operating and Financial Review and Prospects Summary of Significant Debt Instruments** for a brief discussion of certain terms of our significant debt agreements.

See **Item 7. Major Shareholders and Related Party Transactions Related Party Transactions** for a discussion of other transactions and agreements with our affiliates and associated companies.

Table of Contents**TAXATION**

The following summary contains a description of certain U.S. federal income and Mexican federal tax consequences of the purchase, ownership and disposition of our Series L shares or ADSs by a holder that is a citizen or resident of the United States, a U.S. domestic corporation or a person or entity that otherwise will be subject to U.S. federal income tax on a net income basis in respect of the Series L shares or ADSs, which we refer to as a U.S. holder, but it does not purport to be a description of all of the possible tax considerations that may be relevant to a decision to purchase, hold or dispose of the Series L shares or ADSs. In particular, this discussion does not address all Mexican or U.S. federal income tax considerations that may be relevant to a particular investor, nor does it address the special tax rules applicable to certain categories of investors, such as banks, dealers, traders who elect to mark to market, tax-exempt entities, insurance companies, certain short-term holders of Series L shares or ADSs or investors who hold the Series L shares or ADSs as part of a hedge, straddle, conversion or integrated transaction, partnerships or partners therein or investors who have a functional currency other than the U.S. dollar. U.S. holders should be aware that the tax consequences of holding the Series L shares or ADSs may be materially different for investors described in the preceding sentence. This summary deals only with U.S. holders that will hold the Series L shares or ADSs as capital assets and does not address the tax treatment of a U.S. holder that owns or is treated as owning 10% or more of the voting shares (including Series L shares) of our company.

This summary is based upon the federal tax laws of the United States and Mexico as in effect on the date of this annual report, including the provisions of the income tax treaty between the United States and Mexico and the protocols thereto, which we refer to in this annual report as the Tax Treaty, which are subject to change. The summary does not address any tax consequences under the laws of any state or locality of Mexico or the United States or the laws of any taxing jurisdiction other than the federal laws of Mexico and the United States. Holders of the Series L shares or ADSs should consult their tax advisers as to the U.S., Mexican or other tax consequences of the purchase, ownership and disposition of Series L shares or ADSs, including, in particular, the effect of any foreign, state or local tax laws.

Mexican Taxation

For purposes of this summary, the term *non-resident holder* means a holder that is not a resident of Mexico and that does not hold the Series L shares, or ADSs in connection with the conduct of a trade or business through a permanent establishment in Mexico. For purposes of Mexican taxation, an individual is a resident of Mexico if he or she has established his or her home in Mexico, or if he or she has another home outside Mexico but his or her center of vital interests (as defined in the Mexican Tax Code) is located in Mexico. The center of vital interests of an individual is situated in Mexico when, among other circumstances, more than 50% of that person's total income during a calendar year originates from within Mexico. A legal entity is a resident of Mexico if it has its principal place of business or its place of effective management in Mexico. A Mexican citizen is presumed to be a resident of Mexico unless such a person can demonstrate that the contrary is true. If a legal entity or an individual is deemed to have a permanent establishment in Mexico for tax purposes, all income attributable to such a permanent establishment will be subject to Mexican taxes, in accordance with applicable tax laws.

Tax Considerations Relating to the Series L shares and the ADSs

Taxation of Dividends. Effective as of January 1, 2014, under Mexican income tax law, dividends, either in cash or in kind, paid to individuals that are Mexican residents, and to individuals and companies that are non-Mexican residents on our Series L shares and our Series L shares represented by ADSs are subject to a 10% Mexican withholding tax. However, profits that were earned and subject to income tax before January 1, 2014 are exempt from this withholding tax.

Taxation of Dispositions of ADSs or Series L shares. Effective as of January 1, 2014, gains from the sale or disposition of ADSs or Series L shares by individuals that are Mexican residents, and by individuals and companies that are non-Mexican residents will be subject to a 10% Mexican withholding tax. The cost at which shares were acquired prior to January 1, 2014, is calculated by using the average closing price per share in the last twenty-two days. If the closing price per share in the last twenty-two days is considered unusual as compared to the closing prices in the last six months, then the calculation is made using the average closing price per share in the last six months. However, a holder that is eligible to claim benefits from any tax treaty will be exempt from Mexican withholding tax on gains realized on a sale or other disposition of Series L shares or ADSs, provided certain additional requirements are met.

Gains on the sale or other disposition of Series L shares or ADSs made in other circumstances generally would be subject to Mexican tax, regardless of the nationality or residence of the transferor. However, under the Tax Treaty, a holder that is eligible to claim the benefits of the Tax Treaty will be exempt from Mexican tax on gains realized on a sale or other disposition of Series L shares or ADSs in a transaction that is not carried out through the Mexican Stock Exchange or other approved securities markets, so long as the holder did not own, directly or indirectly, 25% or more of our total capital stock (including Series L shares represented by ADSs) within the 12-month period preceding such sale or other disposition and provided that the gains are not attributable to a permanent establishment or a fixed base in Mexico. Deposits of Series L shares in exchange for ADSs and withdrawals of Series L shares in exchange for ADSs will not give rise to Mexican tax.

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Other Mexican Taxes

There are no Mexican inheritance, gift, succession or value added taxes applicable to the ownership, transfer, exchange or disposition of the ADSs or the Series L shares, although gratuitous transfers of Series L shares may in certain circumstances cause a Mexican federal tax to be imposed upon the recipient. There are no Mexican stamp, issue, registration or similar taxes or duties payable by holders of the ADSs or Series L shares.

United States Taxation

Tax Considerations Relating to the Series L shares and the ADSs

In general, for U.S. federal income tax purposes, holders of ADSs will be treated as the owners of the Series L shares represented by those ADSs.

Taxation of Dividends. The gross amount of any dividends paid with respect to the Series L shares represented by ADSs or the Series L shares generally will be included in the gross income of a U.S. holder as foreign source dividend income on the day on which the dividends are received by the U.S. holder, in the case of the Series L shares, or by the depositary, in the case of the Series L shares represented by ADSs, and will not be eligible for the dividends received deduction allowed to corporations under the Internal Revenue Code of 1986, as amended. Dividends, which will be paid in Mexican pesos, will be includible in the income of a U.S. holder in a U.S. dollar amount calculated, in general, by reference to the exchange rate in effect on the date that they are received by the U.S. holder, in the case of the Series L shares, or by the depositary, in the case of the Series L shares represented by the ADSs (regardless of whether such Mexican pesos are in fact converted into U.S. dollars on such date). If such dividends are converted into U.S. dollars on the date of receipt, a U.S. holder generally should not be required to recognize foreign currency gain or loss in respect of the dividends. Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual U.S. holder in respect of Series L shares or ADSs generally is subject to taxation at the preferential rates applicable to long-term capital gains if the dividends are qualified dividends. Dividends paid on the ADSs will be treated as qualified dividends if (1) the issuer is eligible for the benefits of a comprehensive income tax treaty with the United States that the Internal Revenue Service has approved for the purposes of the qualified dividend rules and (2) the issuer was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid a passive foreign investment company. The income tax treaty between Mexico and the United States has been approved for the purposes of the qualified dividend rules. Based on our audited consolidated financial statements and relevant market and shareholder data, we believe that we were not treated as a passive foreign investment company for U.S. federal income tax purposes with respect to our 2013 taxable year. In addition, based on our audited financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we do not anticipate becoming a passive foreign investment company for our 2014 taxable year. U.S. holders should consult their tax advisers regarding the treatment of the foreign currency gain or loss, if any, on any Mexican pesos received that are converted into U.S. dollars on a date subsequent to the date of receipt. Dividends generally will constitute foreign source passive income for U.S. foreign tax credit purposes.

Distributions to holders of additional Series L shares with respect to their Series L shares or ADSs that are made as part of a pro rata distribution to all of our shareholders generally will not be subject to U.S. federal income tax.

A holder of Series L shares or ADSs that is, with respect to the United States, a foreign corporation or non-U.S. holder generally will not be subject to U.S. federal income or withholding tax on dividends received on Series L shares or ADSs unless such income is effectively connected with the conduct by the non-U.S. holder of a trade or business in the United States.

Taxation of Capital Gains. A gain or loss realized by a U.S. holder on the sale or other disposition of ADSs or Series L shares will be subject to U.S. federal income taxation as capital gain or loss in an amount equal to the difference between the amount realized on the disposition and such U.S. holder's tax basis in the ADSs or the Series L shares. Any such gain or loss will be a long-term capital gain or loss if the ADSs or Series L shares were held for more than one year on the date of such sale. Long-term capital gain recognized by a U.S. holder that is an individual is subject to reduced rates of federal income taxation. The deduction of capital loss is subject to limitations for U.S. federal income tax purposes. Deposits and withdrawals of Series L shares by U.S. holders in exchange for ADSs will not result in the realization of gain or loss for U.S. federal income tax purposes.

Gain, if any, realized by a U.S. holder on the sale or other disposition of Series L shares or ADSs will be treated as U.S. source income for U.S. foreign tax credit purposes.

A non-U.S. holder of Series L shares or ADSs will not be subject to U.S. federal income or withholding tax on any gain realized on the sale of Series L shares or ADSs, unless (1) such gain is effectively connected with the conduct by the non-U.S. holder of a trade or business in the United States, or (2) in the case of gain realized by an individual non-U.S. holder, the non-U.S. holder is present in the United States for 183 days or more in the taxable year of the sale and certain other conditions are met.

Table of Contents**United States Backup Withholding and Information Reporting**

A U.S. holder of Series L shares or ADSs may, under certain circumstances, be subject to information reporting and backup withholding with respect to certain payments to such U.S. holder, such as dividends or the proceeds of a sale or disposition of Series L shares or ADSs unless such holder (1) is a corporation or comes within certain exempt categories, and demonstrates this fact when so required, or (2) in the case of backup withholding, provides a correct taxpayer identification number, certifies that it is not subject to backup withholding and otherwise complies with applicable requirements of the backup withholding rules. Any amount withheld under these rules does not constitute a separate tax and will be creditable against the holder's U.S. federal income tax liability. While non-U.S. holders generally are exempt from information reporting and backup withholding, a non-U.S. holder may, in certain circumstances, be required to comply with certain information and identification procedures in order to prove this exemption.

DOCUMENTS ON DISPLAY

We file reports, including annual reports on Form 20-F, and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. You may read and copy any materials filed with the SEC at its public reference room in Washington, D.C., at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Filings we make electronically with the SEC are also available to the public on the Internet at the SEC's website at www.sec.gov and at our website at www.coca-colafemsa.com. (This URL is intended to be an inactive textual reference only. It is not intended to be an active hyperlink to our website. The information on our website, which might be accessible through a hyperlink resulting from this URL, is not and shall not be deemed to be incorporated into this annual report.)

Item 11. Quantitative and Qualitative Disclosures about Market Risk

As a part of our risk management strategy, we use derivative financial instruments with the purpose of (1) achieving a desired liability structure with a balanced risk profile, (2) managing the exposure to production input and raw material costs and (3) hedging balance sheet and cash flow exposures to foreign currency fluctuation. We do not use derivative financial instruments for speculative or profit-generating purposes. We track the fair value (mark to market) of our derivative financial instruments and its possible changes using scenario analyses.

Interest Rate Risk

Interest rate risk exists principally with respect to our indebtedness that bears interest at floating rates. At December 31, 2013, we had total indebtedness of Ps.60,461 million, of which 76.6% bore interest at fixed interest rates and 23.4% bore interest at variable interest rates. After giving effect to our swap and forward contracts, as of December 31, 2013, 70.8% of our debt was fixed-rate and 29.2% of our debt was variable-rate. The interest rate on our variable rate debt denominated in U.S. dollars is generally determined by reference to the London Interbank Offer Rate, or LIBOR, and the interest rate on our variable rate debt denominated in Mexican pesos is generally determined by reference to the *Tasa de Interés Interbancaria de Equilibrio* (the Equilibrium Interbank Interest Rate), or TIIE. If these reference rates increase, our interest payments would consequently increase.

The table below provides information about our financial instruments that are sensitive to changes in interest rates, without giving effect to interest rate swaps. The table presents weighted average interest rates by expected contractual maturity dates. Weighted average variable rates are based on the reference rates on December 31, 2013, plus spreads, contracted by us. The instruments' actual payments are denominated in U.S. dollars, Mexican pesos, Brazilian reais, Colombian pesos and Argentine pesos. All of the payments in the table are presented in Mexican pesos, our reporting

currency, assuming the foreign exchange of Ps.13.08 Mexican pesos per U.S. dollar reported by *Banco de México* quoted to us by dealers for the settlement of obligations in foreign currencies on December 31, 2013.

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The table below also includes the fair value of long-term debt based on the discounted value of contractual cash flows. The discount rate is estimated using rates currently offered for debt with similar terms and remaining maturities. Furthermore, the fair value of long-term notes payable is based on quoted market prices on December 31, 2013. As of December 31, 2013, the fair value represents a loss amount of Ps.390 million.

Principal by Year of Maturity

	At December 31, 2013						At December 31, 2012		
	2014	2015	2016	2017	2018	2019 and thereafter	Total Carrying Value	Total Fair Value	Total Carrying Value
	(Currency in millions)								
Long-Term Debt and Notes:									
Fixed Rate Debt and Notes									
U.S. dollars (Notes)									
					13,022	21,250	34,272	35,327	6,458
<i>Interest Rate</i> ⁽¹⁾					2.4%	4.4%	3.7%		4.6%
U.S. dollars (Bank Loans)									
	97	26					123	125	
<i>Interest Rate</i> ⁽¹⁾	3.8%	3.8%					3.8%		
Mexican pesos (domestic senior notes)									
						9,987	9,987	9,427	2,495
<i>Interest Rate</i> ⁽¹⁾						6.2%	6.2%		8.3%
Brazilian reais (Bank loans)									
	8	15	16	16	15	41	111	85	65
<i>Interest Rate</i> ⁽¹⁾	4.3%	3.5%	3.5%	3.5%	3.5%	3.1%	3.4%		4.5%
Brazilian reais (Obligations under finance leases)									
	238	214	184	157	84	82	959	811	11
<i>Interest Rate</i> ⁽¹⁾	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%		4.5%
Argentine pesos									
	259	71	28				358	327	529
<i>Interest Rate</i> ⁽¹⁾	21.8%	16.8%	15.3%				20.3%		19.9%
Total Fixed Rate	602	326	228	173	13,121	31,360	45,810	46,102	9,558
Variable Rate Debt									
U.S. dollars									
			1,566		4,277		5,843	5,897	7,990
<i>Interest Rate</i> ⁽¹⁾			1.1%		0.8%		0.9%		0.9%
Mexican pesos									
	1,368	2,764					4,132	4,205	4,380

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<i>Interest Rate</i> ⁽¹⁾	4.0%	4.0%				4.0%		5.1%
Mexican pesos (domestic senior notes)			2,517			2,517	2,500	2,511
<i>Interest Rate</i> ⁽¹⁾			3.9			3.9%		5.0%
Brazilian reais	28					28	28	
<i>Interest Rate</i> ⁽¹⁾	9.8%					9.8%		
Colombian pesos	913	543				1,456	1,451	990
<i>Interest Rate</i> ⁽¹⁾	5.6%	5.6%				5.6%		6.8%
Colombian pesos (obligations under finance leases)								185
<i>Interest Rate</i> ⁽¹⁾								6.8%
Argentine pesos	180					180	179	106
<i>Interest Rate</i> ⁽¹⁾	25.7%					25.7%		22.9%
Total Variable Rate	2,489	3,307	4,083	4,277		14,156	14,260	16,161
Long-Term Debt	3,091	3,633	4,311	173	17,398	31,360	59,966	60,361
Current Portion of Long-Term Debt	3,091						3,091	945
Total Long-Term Debt		3,633	4,311	173	17,398	31,360	56,875	60,361
Derivative Instruments:								
Interest Rate Swaps (Mexican pesos)								
Variable to fixed ⁽³⁾	575	1,963				2,538	(140)	3,825
Interest pay rate	8.43%	8.63%				8.58%		8.55%
Interest receive rate	4.04%	4.01%				4.01%		5.06%
								28dTIIE +0.22% ⁽²⁾

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	At December 31, 2013					At December 31, 2012			
	2014	2015	2016	2017	2018	2019 thereafter	Total Carrying Value	Total Fair Value	Total Carrying Value
	(Currency in millions)								
Cross-Currency Swaps (Mexican pesos)									
Variable to variable ⁽³⁾	2,615						2,615	63	2,553
Interest pay rate	3.25%						3.25%		4.83%
Interest receive rate	0.82%						0.82%		0.97%
Fix to fix ⁽³⁾	1,308						1,308	13	
Interest pay rate	8.67%						8.67%		
Interest receive rate	4.63%						4.63%		
Cross-Currency Swaps (Brazilian reais)									
Variable to variable ⁽³⁾					18,046		18,046	(981)	
Interest pay rate					9.53%		9.53%		
Interest receive rate					1.55%		1.55%		
Variable to fix ⁽³⁾	50	83			5,884		6,017	172	
Interest pay rate	12.13%	12.00%			9.49%		9.54%		
Interest receive rate	3.62%	3.86%			2.69%		2.71%		

(1) Interest rates are weighted average contractual annual rates.

(2) Forward starting swaps in which the receive rate is not known, until the start of the validity period.

(3) Notional amount.

A hypothetical, instantaneous and unfavorable change of 100 basis points in the average interest rate applicable to our floating-rate financial instruments held during 2013 would have increased our interest expense by approximately Ps.239 million, or 14% over our interest expense of 2013, assuming no additional debt is incurred during such period, in each case after giving effect to all of our interest rate swap and cross-currency swap agreements.

Foreign Currency Exchange Rate Risk

Our principal exchange rate risk involves changes in the value of the local currencies of each country in which we operate, relative to the U.S. dollar. In 2013, the percentage of our consolidated total revenues was denominated as follows:

Total Revenues by Currency**At December 31, 2013**

Currency	%
Mexican peso	40.0%
Colombian peso	8.2%
Venezuelan bolivar	20.2%
Argentine peso	6.9%
Brazilian real	19.4%
Other (Central America)	5.3%

We estimate that approximately 17.9% of our consolidated costs of goods sold are denominated in U.S. dollars for Mexican subsidiaries and in the aforementioned currencies for our non-Mexican subsidiaries. Substantially all of our costs denominated in a foreign currency, other than the functional currency of each country in which we operate, are denominated in U.S. dollars. During 2013, we entered into forward derivative instruments and options to hedge part of our Mexican peso, Brazilian real, and Colombian peso fluctuation risk relative to our raw material costs denominated in U.S. dollars. These instruments are considered hedges for accounting purposes. As of December 31, 2013, 21% of our indebtedness was denominated in U.S. dollars, 34% in Mexican pesos and the remaining 45% in Brazilian reais, Colombian pesos and Argentine pesos (including the effects of our derivative contracts as of December 31, 2013, including cross currency swaps from U.S. dollars to Mexican pesos and U.S. dollars to Brazilian reais). Decreases in the value of the different currencies relative to the U.S. dollar will increase the cost of our foreign currency-denominated operating costs and expenses and of the debt service obligations with respect to our foreign currency-denominated debt. A depreciation of the Mexican peso relative to the U.S. dollar will also result in foreign exchange losses, as the Mexican peso value of our foreign currency

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denominated-indebtedness is increased. **See also Item 3. Key Information Risk Factors Depreciation of the local currencies of the countries in which we operate relative to the U.S. dollar could adversely affect our financial condition and results.**

A hypothetical, instantaneous and unfavorable 10% devaluation in the value of each local currency in the countries where we operate relative to the U.S. dollar occurring on December 31, 2013, would have resulted in an increase in our foreign exchange (loss) gain, net of approximately Ps.918 million, reflecting higher foreign exchange gain generated by the cash balances held in U.S. dollars as of that date, net of the loss based on our U.S. dollar-denominated indebtedness at December 31, 2013, after giving effect to all of our interest rate swap and cross-currency swap agreements.

As of April 4, 2014, the exchange rates relative to the U.S. dollar of all the countries in which we operate have appreciated or depreciated compared to December 31, 2013 as follows:

	Exchange Rate As of April 4, 2014	(Depreciation) or Appreciation
Mexico	13.03	0.4%
Guatemala	7.77	0.9%
Nicaragua	25.65	(1.3)%
Costa Rica	542.81	(6.9)%
Panama	1.00	
Colombia	1,966.40	(2.1)%
Venezuela	10.70	(69.8)%
Brazil	2.24	4.3%
Argentina	8.00	(22.7)%

A hypothetical, instantaneous and unfavorable 10% devaluation in the value of the currencies of each of the countries in which we operate relative to the U.S. dollar at December 31, 2013, would produce a reduction in equity of approximately the following amounts:

	Reduction in Equity (millions of Mexican pesos)
Mexico	1,068
Colombia	951
Venezuela	1,253
Brazil	1,511
Argentina	86
Other (Central America)	556

Equity Risk

As of December 31, 2013 we did not have any equity risk.

Commodity Price Risk

During 2013, we entered into futures and forwards contracts to hedge the cost of sugar in Brazil and Colombia, as well as futures and forward contracts to hedge the cost of aluminum in Brazil. The notional value of the sugar hedges was Ps.2,016 million as of December 31, 2013, with a fair value of Ps.(292) million with maturities ranging from 2014 to 2016. The notional value of the aluminum hedges was Ps.205 million as of December 31, 2013, with a fair value of Ps.(10) million with maturities in 2014. See Note 20 to our consolidated financial statements.

Item 12. Description of Securities Other than Equity Securities

Item 12.A. Debt Securities

Not applicable.

Item 12.B. Warrants and Rights

Not applicable.

Item 12.C. Other Securities

Not applicable.

Table of Contents**Item 12.D. American Depositary Shares**

The Bank of New York Mellon serves as the depository for our ADSs. Holders of our ADSs, evidenced by American Depositary Receipts, or ADRs, are required to pay various fees to the depository, and the depository may refuse to provide any service for which a fee is assessed until the applicable fee has been paid.

ADS holders are required to pay the depository amounts in respect of expenses incurred by the depository or its agents on behalf of ADS holders, including expenses arising from compliance with applicable law, taxes or other governmental charges, cable, telex and facsimile transmission, or conversion of foreign currency into U.S. dollars. The depository may decide in its sole discretion to seek payment by either billing holders or by deducting the fee from one or more cash dividends or other cash distributions.

ADS holders are also required to pay additional fees for certain services provided by the depository, as set forth in the table below.

Depository service	Fee payable by ADS holders
Issuance and delivery of ADRs, including in connection with share distributions	Up to US\$5.00 per 100 ADSs (or portion thereof)
Withdrawal of shares underlying ADSs	Up to US\$5.00 per 100 ADSs (or portion thereof)
Registration for the transfer of shares	Registration or transfer fees that may from time to time be in effect

In addition, holders may be required to pay a fee for the distribution or sale of securities. Such fee (which may be deducted from such proceeds) would be for an amount equal to the lesser of (1) the fee for the issuance of ADSs that would be charged as if the securities were treated as deposited shares and (2) the amount of such proceeds.

Direct and indirect payments by the depository

The depository reimburses us for certain expenses we incur in connection with the ADS program, subject to a ceiling agreed between us and the depository. These reimbursable expenses include listing fees and fees payable to service providers for the distribution of material to ADR holders. For the year ended December 31, 2013, this amount was approximately US\$42,000.

Item 13. Defaults, Dividend Arrearages and Delinquencies.

Not applicable.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.

Not applicable.

Item 15. Controls and Procedures

(a) Disclosure Controls and Procedures

We have evaluated, with the participation of our chief executive officer and chief financial officer, the effectiveness of our disclosure controls and procedures as of December 31, 2013. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms, and that it is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we conducted an evaluation of

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effectiveness of our internal control over financial reporting based on the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Our internal control over financial reporting includes those policies and procedures that (i) pertain to maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based on our evaluation under the framework in Internal Controls Integrated framework issued by the Committee of Sponsoring Organizations of the Tread way Commission (1992 Framework), our management concluded that our internal control over financial reporting was effective as of December 31, 2013.

Our management assessment and conclusion on the effectiveness of internal control over financial reporting as of December 31, 2013 excludes, in accordance with applicable guidance provided by the SEC, an assessment of the internal control over financial reporting of Grupo Yoli, which we acquired in May 2013, Companhia Fluminense, which we acquired in August 2013 and Spaipa, which we acquired in October 2013. Grupo Yoli, Companhia Fluminense and Spaipa collectively represented 3.7% and 0.5% of our total and net assets, respectively, as of December 31, 2013, and 3.6% and 3.1% of our revenues and net income, respectively, for the year ended December 31, 2013. No material changes in our internal control over financial reporting were identified as a result of these transactions.

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(c) Attestation Report of the Registered Public Accounting Firm
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

THE BOARD OF DIRECTORS AND SHAREHOLDERS OF Coca-Cola FEMSA, S.A.B. DE C.V.:

We have audited Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries' internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the 1992 Framework) (the COSO criteria). Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards, as issued by the International Accounting Standard Board. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As indicated in the accompanying Management's Annual Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Grupo Yoli and its subsidiaries (collectively - Grupo Yoli, a Mexican subsidiary), Companhia Fluminense de Refrigerantes (collectively - Companhia Fluminense, a Brazilian subsidiary) and Spaipa S.A. Industria Brasileira de Bebidas (collectively - Spaipa, a Brazilian subsidiary), acquired in May 2013, August 2013 and October 2013, respectively, which are included in the 2013 consolidated financial statements of Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries, and constituted 3.7% and 0.5% of total and net assets, respectively, as of December 31, 2013 and 3.6% and 3.1% of revenues and net income, respectively, for the year then ended. Our audit of internal control over financial reporting of Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries, also did not

include an evaluation of the internal control over financial reporting of Grupo Yoli, Companhia Fluminense and Spaipa.

In our opinion, Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statement of financial position of Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries as of December 31, 2013 and 2012, and the related consolidated income statements, changes in equity, and cash flows for each of the three years in the period ended December 31, 2013 and our report dated April 11, 2014 expressed an unqualified opinion thereon.

Mancera, S.C.

A member practice of

Ernst & Young Global

/s/ Adan Aranda

Adan Aranda

Mexico City, Mexico

April 11, 2014

Table of Contents**(d) Changes in Internal Control Over Financial Reporting.**

There has been no change in our internal control over financial reporting during 2013 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 16A. Audit Committee Financial Expert

Our shareholders and our board of directors have designated José Manuel Canal Hernando, an independent director as required by the Mexican Securities Market Law and applicable New York Stock Exchange listing standards, as an audit committee financial expert within the meaning of this Item 16A. See **Item 6. Directors, Senior Management and Employees Directors.**

Item 16B. Code of Ethics

We have adopted a code of ethics, within the meaning of this Item 16B of Form 20-F under the Securities Exchange Act of 1934, as amended. Our code of ethics applies to our chief executive officer, chief financial officer and persons performing similar functions as well as to our directors and other officers and employees. Our code of ethics is available on our website at www.coca-colafemsa.com. If we amend the provisions of our code of ethics that apply to our chief executive officer, chief financial officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website at the same address. In accordance with our code of ethics, we have developed a voice mailbox available to our employees to which complaints may be reported.

Item 16C. Principal Accountant Fees and Services**Audit and Non-Audit Fees**

The following table summarizes the aggregate fees billed to us by Mancera, S.C. and other Ernst & Young practices (collectively, Ernst and Young) during the fiscal years ended December 31, 2013, December 31, 2012 and December 31, 2011:

	Year ended December 31,		
	2013	2012	2011
	(millions of Mexican pesos)		
Audit fees	68	58	53
Audit-related fees	6	3	4
Tax fees	6	3	5
Total fees	80	64	62

Audit Fees. Audit fees in the above table are the aggregate fees billed by Ernst & Young in connection with the audit of our annual financial statements and the review of our quarterly financial information and statutory audits.

Audit-related Fees. Audit-related fees in the above table are the aggregate fees billed by Ernst & Young for assurance and other services related to the performance of the audit, mainly in connection with bond issuances and other audit related services.

Tax Fees. Tax fees in the above table are fees billed by Ernst & Young for services based upon existing facts and prior transactions in order to assist us in documenting, computing and obtaining government approval for amounts included in tax filings such as transfer pricing documentation and requests for technical advice from taxing authorities.

All Other Fees. For the years ended December 31, 2013, 2012 and 2011, there were no other fees.

Audit Committee Pre-Approval Policies and Procedures

We have adopted pre-approval policies and procedures under which all audit and non-audit services provided by our external auditors must be pre-approved by the Audit Committee as set forth in the Audit Committee's charter. Any service proposals submitted by external auditors need to be discussed and approved by the Audit Committee during its meetings, which take place at least four times a year. Once the proposed service is approved, we or our subsidiaries formalize the engagement of services. The approval of any audit and non-audit services to be provided by our external auditors is specified in the minutes of our Audit Committee. In addition, the members of our Audit Committee are briefed on matters discussed by the different committees of our board of directors.

Table of Contents**Item 16D. Exemptions from the Listing Standards for Audit Committees**

Not applicable.

Item 16E. Purchases of Equity Securities by the Issuer and Affiliated Purchasers

We did not directly purchase any of our equity securities in 2013. The following table presents purchases by trusts that FEMSA administers in connection with our bonus incentive plans, which purchases may be deemed to be purchases by an affiliated purchaser of us. See **Item 6. Directors, Senior Management and Employees EVA-Based Bonus Program.**

Purchases of Equity Securities

Period	Total Number of Series L shares Purchased by trusts that FEMSA administers in connection with our bonus incentive plans	Average Price Paid per Series L Share	Total Number of Shares Purchased as part of Publicly Announced Plans or Programs	Maximum Number (or Appropriate U.S. Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
March 2013	407,487	Ps. 187.58		
Total	407,487	Ps. 187.58		

Item 16F. Change in Registrant's Certifying Accountant

Not applicable.

Item 16G. Corporate Governance

Pursuant to Rule 303A.11 of the Listed Company Manual of the New York Stock Exchange (NYSE), we are required to provide a summary of the significant ways in which our corporate governance practices differ from those required for U.S. companies under the NYSE listing standards. We are a Mexican corporation with shares listed on the Mexican Stock Exchange. Our corporate governance practices are governed by our bylaws, the Mexican Securities Market Law and the regulations issued by the CNBV. We also disclose the extent to which we comply with the *Código de Mejores Prácticas Corporativas* (Mexican Code of Best Corporate Practices), which was created by a group of Mexican business leaders and was endorsed by the BMV.

The table below discloses the significant differences between our corporate governance practices and the NYSE standards.

NYSE Standards

Directors Independence: A majority of the board of directors must be independent. There is an exemption for controlled companies (companies in which more than 50% of the voting power is held by an individual, group or another company rather than the public), which would include our company if we were a U.S. issuer.

Our Corporate Governance Practices

Directors Independence: Pursuant to the Mexican Securities Market Law, we are required to have a board of directors with a maximum of 21 members, 25% of whom must be independent.

The Mexican Securities Market Law sets forth, in article 26, the definition of independence, which differs from the one set forth in Section 303A.02 of the Listed Company Manual of the NYSE. Generally, under the Mexican Securities Market Law, a director is not independent if such director: (i) is an employee or a relevant officer of the company or its subsidiaries; (ii) is an individual with significant influence over the company or its subsidiaries; (iii) is a shareholder or participant of the controlling group of the company; (iv) is a client, supplier, debtor, creditor, partner or employee of an important client, supplier, debtor or creditor of the company; or (v) is a family member of any of the aforementioned persons.

In accordance with the Mexican Securities Market Law, our shareholders are required to make a determination as to the independence of our directors at an ordinary meeting of our shareholders, though the CNBV may challenge that determination. Our board of directors is not required to make a determination as to the independence of our directors.

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NYSE Standards

Executive sessions: Non-management directors must meet at regularly scheduled executive sessions without management.

Nominating/Corporate Governance Committee: A nominating/corporate governance committee composed entirely of independent directors is required. As a controlled company, we would be exempt from this requirement if we were a U.S. issuer.

Compensation committee: A compensation committee composed entirely of independent directors is required. As a controlled company, we would be exempt from this requirement if we were a U.S. issuer.

Audit committee: Listed companies must have an audit committee satisfying the independence and other requirements of Rule 10A-3 under the Exchange Act and the NYSE independence standards.

Equity compensation plan: Equity compensation plans require shareholder approval, subject to limited exemptions.

Code of business conduct and ethics: Corporate governance guidelines and a code of conduct and ethics are

Our Corporate Governance Practices

Executive sessions: Under our bylaws and applicable Mexican law, our non-management and independent directors are not required to meet in executive sessions.

Our bylaws state that the board of directors will meet at least four times a year, following the end of each quarter, to discuss our operating results and progress in achieving strategic objectives. Our board of directors can also hold extraordinary meetings.

Nominating/Corporate Governance Committee: We are not required to have a nominating committee, and the Mexican Code of Best Corporate Practices does not provide for a nominating committee.

However, Mexican law requires us to have a Corporate Practices Committee. Our Corporate Practices Committee is composed of three members, and as required by the Mexican Securities Market Law and our bylaws, the three members are independent and the chairman of this committee is elected by our shareholders meeting.

Compensation committee: We do not have a committee that exclusively oversees compensation issues. Our Corporate Practices Committee, composed entirely of independent directors, reviews and recommends management compensation programs in order to ensure that they are aligned with shareholders interests and corporate performance.

Audit committee: We have an Audit Committee of five members. As required by the Mexican Securities Market Law, each member of the Audit Committee is an independent director, and its chairman is elected by our shareholders meeting.

Equity compensation plan: Shareholder approval is not required under Mexican law or our bylaws for the adoption and amendment of an equity compensation plan. Such plans should provide for general application to all executives.

Code of business conduct and ethics: We have adopted a code of ethics, within the meaning of Item

required, with disclosure of any waiver for directors or executive officers.

16B of SEC Form 20-F. Our code of ethics applies to our chief executive officer, chief financial officer and persons performing similar functions as well as to our directors and other officers and employees. Our code of ethics is available on our website at www.coca-colafemsa.com. If we amend the provisions of our code of ethics that apply to our chief executive officer, chief financial officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website at the same address.

Item 16H. Mine Safety Disclosure

Not applicable.

Item 17. Financial Statements

Not applicable.

Item 18. Financial Statements

Reference is made to Item 19(a) for a list of all financial statements filed as part of this annual report.

Table of Contents**Item 19. Exhibits****(a) List of Financial Statements**

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<u>Consolidated Statements of Financial Position at December 31, 2013 and 2012</u>	F-2
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* All supplementary schedules relating to the registrant are omitted because they are not required or because the required information, where material, is contained in the Financial Statements or Notes thereto.

(b) List of Exhibits

Exhibit No:	Description
Exhibit 1.1	Amended and restated bylaws (<i>Estatutos Sociales</i>) of Coca-Cola FEMSA, S.A.B. de C.V., approved February 16, 2012 (English translation) (incorporated by reference to Exhibit 1.1 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on April 26, 2012 (File No. 1-2260)).
Exhibit 2.1	Deposit Agreement, dated as of September 1, 1993, among Coca-Cola FEMSA, S.A.B. de C.V., the Bank of New York, as Depositary, and Holders and Beneficial Owners of American Depository Receipts (incorporated by reference to Exhibit 3.5 to the Registration Statement of FEMSA on Form F-4 filed on April 9, 1998 (File No. 333-8618)).
Exhibit 2.2	Indenture dated as of February 5, 2010 among Coca-Cola FEMSA, S.A.B. de C.V., and The Bank of New York Mellon (incorporated by reference to Exhibit 2.2 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 10, 2010 (File No. 1-12260)).
Exhibit 2.3	First Supplemental Indenture dated as of February 5, 2010 among Coca-Cola FEMSA, S.A.B. de C.V., and The Bank of New York Mellon and The Bank of New York Mellon (Luxembourg) S.A. (incorporated by reference to Exhibit 2.3 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 10, 2010 (File No. 1-12260)).
Exhibit 2.4	Second Supplemental Indenture dated as of April 1, 2011 among Coca-Cola FEMSA, S.A.B. de C.V., Propimex, S. de R.L. de C.V. (formerly Propimex, S.A. de C.V., as Guarantor, and The Bank of New York Mellon (incorporated by reference to Exhibit 2.4 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 17, 2011 (File No. 1-12260)).
Exhibit 2.5	

Third Supplemental Indenture dated as of September 6, 2013 among Coca-Cola FEMSA, S.A.B. de C.V., as issuer, Propimex, S. de R.L. de C.V. (formerly Propimex, S.A. de C.V.), as existing guarantor, Comercializadora La Pureza de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Servicios Integrados Inmuebles del Golfo, S. de R.L. de C.V. and Yoli de Acapulco, S.A. de C.V., as additional guarantors, and The Bank of New York Mellon, as trustee, security registrar, paying agent and transfer agent (incorporated by reference to Exhibit 4.7 to Coca-Cola FEMSA's Registration Statement on Form F-3 filed on November 8, 2013 (File No.333-187275)).

Exhibit 2.6 Fourth Supplemental Indenture dated as of October 18, 2013 among Coca-Cola FEMSA, S.A.B. de C.V., as issuer, Propimex, S. de R.L. de C.V., Comercializadora La Pureza de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Servicios Integrados Inmuebles del Golfo, S. de R.L. de C.V. and Yoli de Acapulco, S.A. de C.V., as existing guarantors, Controladora Interamericana de Bebidas, S. de R.L. de C.V., as additional guarantor, and The Bank of New York Mellon, as trustee, security registrar, paying agent and transfer agent (incorporated by reference to Exhibit 4.8 to Coca-Cola FEMSA's Registration Statement on Form F-3 filed on November 8, 2013 (File No.333-187275)).

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Exhibit No:	Description
Exhibit 2.7	Fifth Supplemental Indenture dated as of November 26, 2013 among Coca-Cola FEMSA, S.A.B. de C.V., as issuer, Propimex, S. de R.L. de C.V., Comercializadora La Pureza de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Servicios Integrados Inmuebles del Golfo, S. de R.L. de C.V., Yoli de Acapulco, S.A. de C.V. and Controladora Interamericana de Bebidas, S. de R.L. de C.V., as guarantors, The Bank of New York Mellon, as trustee, security registrar, paying agent and transfer agent and The Bank of New York Mellon SA/NV, Dublin Branch, as Irish paying agent (incorporated by reference to Exhibit 4.1 to Coca-Cola FEMSA s Form 6-K filed on December 5, 2013 (File No.1-12260)).
Exhibit 2.8	Sixth Supplemental Indenture dated as of January 21, 2014 among Coca-Cola FEMSA, S.A.B. de C.V., as issuer, Propimex, S. de R.L. de C.V., Comercializadora La Pureza de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Servicios Integrados Inmuebles del Golfo, S. de R.L. de C.V., Yoli de Acapulco, S.A. de C.V. and Controladora Interamericana de Bebidas, S. de R.L. de C.V., as guarantors, The Bank of New York Mellon, as trustee, security registrar, paying agent and transfer agent and The Bank of New York Mellon SA/NV, Dublin Branch, as Irish paying agent (incorporated by reference to Exhibit 4.1 to Coca-Cola FEMSA s Form 6-K filed on January 27, 2014 (File No.1-12260)).
Exhibit 4.1	Amended and Restated Shareholders Agreement dated as of July 6, 2002, by and among Compañía Internacional de Bebidas, S.A. de C.V., Grupo Industrial Emprex, S.A. de C.V., The Coca-Cola Company and The Inmex Corporation, (incorporated by reference to Exhibit 4.13 to Coca-Cola FEMSA s Annual Report on Form 20-F filed on June 27, 2003 (File No. 1-12260)).
Exhibit 4.2	First Amendment, dated May 6, 2003, to the Amended and Restated Shareholders Agreement, dated as of July 6, 2002, among Compañía Internacional de Bebidas, S.A. de C.V., Grupo Industrial Emprex, S.A. de C.V., The Coca-Cola Company, The Inmex Corporation, Atlantic Industries, Dulux CBAI 2003 B.V. and Dulux CBEXINMX 2003 B.V. (incorporated by reference to Exhibit 4.14 to Coca-Cola FEMSA s Annual Report on Form 20-F filed on June 27, 2003 (File No. 1-12260)).
Exhibit 4.3	Second Amendment, dated as of February 1, 2010, to the to the Amended and Restated Shareholders Agreement, dated as of July 6, 2002, by and among Compañía Internacional de Bebidas, S.A. de C.V., Grupo Industrial Emprex, S.A. de C.V., The Coca-Cola Company, The Inmex Corporation and Dulux CBAI 2003 B.V. (incorporated by reference to Exhibit 4.3 to Coca-Cola FEMSA s Annual Report on Form 20-F filed on June 10, 2010 (File No. 1-12260)).
Exhibit 4.4	Amended and Restated Bottler Agreement, dated June 21, 2003, between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company with respect to operations in the valley of Mexico (incorporated by reference to Exhibit 4.3 to Coca-Cola FEMSA s Annual Report on Form 20-F filed on April 5, 2004 (File No. 1-12260)).
Exhibit 4.5	Supplemental Agreement, dated June 21, 1993, between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company with respect to operations in the valley of Mexico (with English translation) (incorporated by reference to Exhibit 10.3 to Coca-Cola FEMSA s Registration Statement on Form F-1 filed on August 13, 1993 (File No. 333-67380)).
Exhibit 4.6	Amended and Restated Bottler Agreement, dated June 21, 2003, between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company with respect to operations in the southeast of Mexico (incorporated by reference to Exhibit 4.5 to Coca-Cola FEMSA s Annual Report on Form 20-F filed on April 5, 2004 (File No. 1-12260)).
Exhibit 4.7	

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Supplemental Agreement, dated June 21, 1993, between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company with respect to operations in the southeast of Mexico (with English translation) (incorporated by reference to Exhibit 10.4 to Coca-Cola FEMSA's Registration Statement on Form F-1 filed on August 13, 1993 (File No. 333-67380)).

- Exhibit 4.8 Bottler Agreement and Side Letter dated June 1, 2005, between Panamco Golfo, S.A. de C.V. and The Coca-Cola Company with respect to operations in Golfo, Mexico (English translation) (incorporated by reference to Exhibit 4.7 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on April 18, 2006 (File No. 1-12260)).
- Exhibit 4.9 Bottler Agreement and Side Letter dated June 1, 2005, between Panamco Bajio, S.A. de C.V., and The Coca-Cola Company with respect to operations in Bajio, Mexico (English translation) (incorporated by reference to Exhibit 4.8 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on April 18, 2006 (File No. 1-12260)).
- Exhibit 4.10 Bottler Agreement, dated August 22, 1994, between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company with respect to operations in Argentina (with English translation) (incorporated by reference to Exhibit 10.1 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 30, 1995 (File No. 1-12260)).

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Exhibit No:	Description
Exhibit 4.11	Supplemental Agreement, dated August 22, 1994, between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company with respect to operations in Argentina (with English translation) (incorporated by reference to Exhibit 10.2 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 30, 1995 (File No. 1-12260)).
Exhibit 4.12	Amendments, dated May 17 and July 20, 1995, to Bottler Agreement and Letter of Agreement, dated August 22, 1994, each with respect to operations in Argentina, between Coca-Cola FEMSA and The Coca-Cola Company (with English translation) (incorporated by reference to Exhibit 10.3 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)).
Exhibit 4.13	Bottler Agreement, dated December 1, 1995, between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company with respect to operations in SIRSA (with English translation) (incorporated by reference to Exhibit 10.4 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)).
Exhibit 4.14	Supplemental Agreement, dated December 1, 1995, between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company with respect to operations in SIRSA (with English translation) (incorporated by reference to Exhibit 10.6 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)).
Exhibit 4.15	Amendment, dated February 1, 1996, to Bottler Agreement between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company with respect to operations in SIRSA, dated December 1, 1995 (with English translation) (incorporated by reference to Exhibit 10.5 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 28, 1996 (File No. 1-12260)).
Exhibit 4.16	Amendment, dated May 22, 1998, to Bottler Agreement with respect to the former SIRSA territory, dated December 1, 1995, between Coca-Cola FEMSA and The Coca-Cola Company (with English translation) (incorporated by reference to Exhibit 4.12 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 20, 2001 (File No. 1-12260)).
Exhibit 4.17	Coca-Cola Tradename License Agreement dated June 21, 1993, between Coca-Cola FEMSA, S.A.B. de C.V. and The Coca-Cola Company (with English translation) (incorporated by reference to Exhibit 10.40 to FEMSA's Registration Statement on Form F-4 filed on April 9, 1998 (File No. 333-8618)).
Exhibit 4.18	Amendment to the Trademark License Agreement, dated December 1, 2002, entered by and among Administración de Marcas S.A. de C.V., as proprietor, and The Coca-Cola Export Corporation Mexico branch, as licensee (incorporated by reference to Exhibit 10.3 of Propimex's (formerly Panamerican Beverages Inc.) Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).
Exhibit 4.19	Trademark Sub-License Agreement, dated January 4, 2003, entered by and among Panamco Golfo S.A. de C.V., as licensor, and The Coca-Cola Company, as licensee (incorporated by reference to Exhibit 10.6 of Propimex's (formerly Panamerican Beverages Inc.) Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).
Exhibit 4.20	Trademark Sub-License Agreement, dated January 4, 2003, entered by and among Panamco Bajío S.A. de C.V., as licensor, and The Coca-Cola Company, as licensee (incorporated by reference to Exhibit 10.7 of Propimex's (formerly Panamerican Beverages Inc.) Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).
Exhibit 4.21	Supply Agreement dated June 21, 1993, between Coca-Cola FEMSA, S.A.B. de C.V. and FEMSA Empaques, (incorporated by reference to Exhibit 10.7 to Coca-Cola FEMSA's Registration Statement

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on Form F-1 filed on August 13, 1993 (File No. 333-67380)).

- Exhibit 4.22 Supply Agreement dated April 3, 1998, between ALPLA Fábrica de Plásticos, S.A. de C.V. and Industria Embotelladora de México, S.A. de C.V. (with English translation) (incorporated by reference to Exhibit 4.18 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on July 1, 2002 (File No. 1-12260)).*
- Exhibit 4.23 Services Agreement, dated November 7, 2000, between Coca-Cola FEMSA, S.A.B. de C.V. and FEMSA Logística (with English translation) (incorporated by reference to Exhibit 4.15 to Coca-Cola FEMSA's Annual Report on Form 20-F filed on June 20, 2001 (File No. 1-12260)).
- Exhibit 4.24 Promotion and Non-Compete Agreement, dated March 11, 2003, entered by and among The Coca-Cola Export Corporation Mexico branch and Panamco Bajío S.A. de C.V. (with English translation) (incorporated by reference to Exhibit 10.8 of Propimex's (formerly Panamerican Beverages Inc.) Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).

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Exhibit No:	Description
Exhibit 4.25	Promotion and Non-Compete Agreement, dated March 11, 2003, entered by and among The Coca-Cola Export Corporation Mexico branch and Panamco Golfo S.A. de C.V. (with English translation) (incorporated by reference to Exhibit 10.9 of Propimex's (formerly Panamerican Beverages Inc.) Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).
Exhibit 4.26	Memorandum of Understanding, dated as of March 11, 2003, by and among Panamerican Beverages, S.A. de C.V., as seller, and The Coca-Cola Company, as buyer (incorporated by reference to Exhibit 10.14 of Propimex's (formerly Panamerican Beverages Inc.) Quarterly Report on Form 10-Q for the period ended March 31, 2003 (File No. 1-12290)).
Exhibit 4.27	Shareholders Agreement dated as of January 25, 2013, by and among CCBPI, Coca-Cola South Asia Holdings, Inc., Coca-Cola Holdings (Overseas) Limited and Controladora de Inversiones en Bebidas Refrescantes, S.L. (incorporated by reference to Exhibit 4.27 of Coca-Cola Femsa's Annual Report on Form 20-F filed on March 15, 2013 (File No. 1-12260))
Exhibit 7.1	The Coca-Cola Company memorandum, to Steve Heyer from José Antonio Fernández, dated December 22, 2002 (incorporated by reference to Exhibit 10.1 to FEMSA's Registration Statement on Amendment No. 1 to the Form F-3 filed on September 20, 2004 (File No. 333-117795)).
Exhibit 7.2	Calculation of Ratio of Earnings to Fixed Charges.
Exhibit 8.1	Significant Subsidiaries.
Exhibit 12.1	CEO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated April 11, 2014.
Exhibit 12.2	CFO Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated April 11, 2014.
Exhibit 13.1	Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated April 11, 2014.
Exhibit 23.1	Consent of Mancera, S.C., a member practice of Ernst & Young Global

* Portions of Exhibit 4.22 were omitted pursuant to a request for confidential treatment. Such omitted portions were filed separately with the Securities and Exchange Commission.

Omitted from the exhibits filed with this annual report are certain instruments and agreements with respect to long-term debt of Coca-Cola FEMSA, none of which authorizes securities in a total amount that exceeds 10% of the total assets of Coca-Cola FEMSA. We hereby agree to furnish to the SEC copies of any such omitted instruments or agreements as the SEC requests.

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SIGNATURE

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Coca-Cola FEMSA, S.A.B. de C.V.

By: /s/ Héctor Treviño Gutiérrez
Héctor Treviño Gutiérrez
Chief Financial Officer

Date: April 11, 2014

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders of

Coca-Cola FEMSA, S.A.B. de C.V.

We have audited the accompanying consolidated statements of financial position of Coca-Cola FEMSA, S.A.B. de C.V. and its subsidiaries as of December 31, 2013 and 2012, and the related consolidated income statements, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Coca-Cola FEMSA, S.A.B. de C.V. and its subsidiaries as of December 31, 2013 and 2012, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Coca-Cola FEMSA, S.A.B. de C.V. and subsidiaries' internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control- Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 11, 2014 expressed an unqualified opinion thereon.

Mancera, S.C.

A member practice of

Ernst & Young Global

/s/ Adan Aranda Suárez

Adan Aranda Suárez

Mexico City, Mexico

April 11, 2014

Table of Contents**Consolidated Statements of Financial Position***At December 31, 2013 and 2012**Amounts expressed in millions of U.S. dollars (\$) and in millions of Mexican pesos (Ps.)*

	Note	December 2013 (*)	December 2013	December 2012
ASSETS				
Current assets:				
Cash and cash equivalents	5	\$ 1,169	Ps. 15,306	Ps. 23,222
Marketable securities	6			12
Accounts receivable, net	7	760	9,958	9,329
Inventories	8	697	9,130	8,103
Recoverable taxes		315	4,120	2,673
Other current financial assets	9	239	3,134	1,523
Other current assets	9	121	1,583	1,035
Total current assets		3,301	43,231	45,897
Non-current assets:				
Investments in associates and joint ventures	10	1,280	16,767	5,352
Property, plant and equipment, net	11	3,954	51,785	42,517
Intangible assets, net	12	7,556	98,974	67,013
Deferred tax assets	24	101	1,326	1,576
Other non-current financial assets	13	100	1,319	925
Other non-current assets, net	13	250	3,263	2,823
Total non-current assets		13,241	173,434	120,206
TOTAL ASSETS		\$ 16,542	Ps. 216,665	Ps. 166,103
LIABILITIES AND EQUITY				
Current liabilities:				
Bank loans and notes payable	18	\$ 38	Ps. 495	Ps. 4,194
Current portion of non-current debt	18	236	3,091	945
Interest payable		25	324	194
Suppliers		1,238	16,220	14,221
Accounts payable		378	4,950	4,563
Taxes payable		426	5,575	4,162
Other current financial liabilities	25	132	1,743	1,271
Total current liabilities		2,473	32,398	29,550
Non-current liabilities:				

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Bank loans and notes payable	18	4,342	56,875	24,775
Post-employment and other non-current employee benefits	16	195	2,555	2,188
Deferred tax liabilities	24	68	887	979
Other non-current financial liabilities	25	96	1,263	476
Provisions and other non-current liabilities	25	423	5,534	3,307
Total non-current liabilities		5,124	67,114	31,725
Total liabilities		7,597	99,512	61,275
Equity:				
Capital stock	22	156	2,048	2,029
Additional paid-in capital		3,168	41,490	33,488
Retained earnings		5,352	70,094	64,501
Cumulative other comprehensive (loss) income		(40)	(521)	1,631
Equity attributable to equity holders of the parent		8,636	113,111	101,649
Non-controlling interest in consolidated subsidiaries	21	309	4,042	3,179
Total equity		8,945	117,153	104,828
TOTAL LIABILITIES AND EQUITY		\$ 16,542	Ps. 216,665	Ps. 166,103

(*) Convenience translation to U.S. dollars (\$) See Note 2.2.3

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

Table of Contents**Consolidated Income Statements**

For the years ended December 31, 2013, 2012 and 2011

Amounts expressed in millions of U.S. dollars (\$) and in millions of Mexican pesos (Ps.), except per share amounts

	Note	2013 (*)	2013	2012	2011
Net sales		\$ 11,847	Ps. 155,175	Ps. 146,907	Ps. 122,638
Other operating revenues		64	836	832	586
Total revenues		11,911	156,011	147,739	123,224
Cost of goods sold		6,343	83,076	79,109	66,693
Gross profit		5,568	72,935	68,630	56,531
Administrative expenses		495	6,487	6,217	5,140
Selling expenses		3,423	44,828	40,223	32,093
Other income	19	36	478	545	685
Other expenses	19	85	1,101	1,497	2,060
Interest expense		255	3,341	1,955	1,729
Interest income		50	654	424	616
Foreign exchange (loss) gain, net		(56)	(739)	272	61
(Loss) gain on monetary position for subsidiaries in hyperinflationary economies		(29)	(393)		61
Market value (gain) loss on financial instruments	20	(4)	(46)	(13)	138
Income before income taxes and share of the profit of associates and joint ventures accounted for using the equity method		1,315	17,224	19,992	16,794
Income taxes	24	437	5,731	6,274	5,667
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	10	22	289	180	86
Consolidated net income		\$ 900	Ps. 11,782	Ps. 13,898	Ps. 11,213
Attributable to:					
Equity holders of the parent		\$ 882	Ps. 11,543	Ps. 13,333	Ps. 10,662
Non-controlling interest		18	239	565	551
Consolidated net income		\$ 900	Ps. 11,782	Ps. 13,898	Ps. 11,213
Net equity holders of the parent (U.S. dollars and Mexican pesos):					
Earnings per share	23	\$ 0.43	Ps. 5.61	Ps. 6.62	Ps. 5.72

(*) Convenience translation to U.S. dollars (\$) See Note 2.2.3

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

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Table of Contents**Consolidated Statements of Comprehensive Income***For the years ended December 31, 2013, 2012 and 2011**Amounts expressed in millions of U.S. dollars (\$) and in millions of Mexican pesos (Ps.)*

	Note	2013 (*)	2013	2012	2011
Consolidated net income		\$ 900	Ps. 11,782	Ps. 13,898	Ps. 11,213
Other comprehensive income:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods					
Unrealized gain on available-for sale securities, net of taxes	6		(2)	(2)	4
Valuation of the effective portion of derivative financial instruments, net of taxes	20	(21)	(279)	(201)	(3)
Exchange differences on translation of foreign operations		(120)	(1,565)	(2,361)	4,073
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		(141)	(1,846)	(2,564)	4,074
Items that will not be reclassified to profit or loss in subsequent periods:					
Remeasurements of the net defined benefit liability, net of taxes	16	(11)	(145)	(125)	(6)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		(11)	(145)	(125)	(6)
Total other comprehensive (loss) income, net of tax		(152)	(1,991)	(2,689)	4,068
Consolidated comprehensive income for the year, net of tax		\$ 748	Ps. 9,791	Ps. 11,209	Ps. 15,281
Attributable to:					
Equity holders of the parent		\$ 717	Ps. 9,391	Ps. 10,967	Ps. 14,752
Non-controlling interest		31	400	242	529
Consolidated comprehensive income for the year, net of tax		\$ 748	\$ 9,791	Ps. 11,209	Ps. 15,281

(*) Convenience translation to U.S. dollars (\$) See Note 2.2.3

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

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Table of Contents**Consolidated Statements of Changes in Equity***For the years ended December 31, 2013, 2012 and 2011**Amounts expressed in millions of U.S. dollars (\$) and in millions of Mexican pesos (Ps.)*

	Attributable to Capital Stock	Additional Paid-in Capital	Retained Earnings	Valuation of the Effective Portion of Unrealized Gain on Available for- Sale Securities	Derivative Financial Instrument Int	Exchange Differences Translation of Foreign Operations	Remeasurements Net Benefit Liability	Equity Attributable To Equity Holders of the Parent	Non- Controlling Interest	Total Equity
Balances at January 1, 2011	Ps. 1,947	Ps. 10,533	Ps. 50,488	Ps.	Ps. 17	Ps.	Ps. (110)	Ps. 62,875	Ps. 2,560	Ps. 65,4
Income			10,662					10,662	551	11,2
Other comprehensive income, net of				4	27	4,073	(14)	4,090	(22)	4,0
Other comprehensive income			10,662	4	27	4,073	(14)	14,752	529	15,2
Dividends paid			(4,358)					(4,358)	(8)	(4,3
Acquisition of Tampico	28	7,799						7,827		7,8
Acquisition of CIMSA	34	8,984						9,018		9,0
Acquisition of non-controlling interest		(86)						(86)	(28)	(1
Balances at December 31, 2011	2,009	27,230	56,792	4	44	4,073	(124)	90,028	3,053	93,0

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Income			13,333					13,333	565	13,898
Other comprehensive income, net of				(2)	(179)	(2,054)	(131)	(2,366)	(323)	(2,689)
Total comprehensive income			13,333	(2)	(179)	(2,054)	(131)	10,967	242	11,209
Dividends declared			(5,624)					(5,624)	(109)	(5,733)
Acquisition of Grupo Fomento Retano	20	6,258						6,278		6,298
Acquisition of non-controlling interest									(7)	(7)
Balances at December 31, 2012	2,029	33,488	64,501	2	(135)	2,019	(255)	101,649	3,179	104,828
Income			11,543					11,543	239	11,782
Other comprehensive income, net of				(2)	(233)	(1,777)	(140)	(2,152)	161	(1,991)
Total comprehensive income			11,543	(2)	(233)	(1,777)	(140)	9,391	400	9,791
Decrease in share										
Non-controlling interest									515	515
Dividends declared			(5,950)					(5,950)	(52)	(6,002)
Acquisition of Grupo Yoli	19	8,002						8,021		8,040
Balances at December 31, 2013	Ps. 2,048	Ps. 41,490	Ps. 70,094	Ps. 2	Ps. (368)	Ps. 242	Ps. (395)	Ps. 113,111	Ps. 4,042	Ps. 117,102

(*) Convenience translation to U.S. dollars (\$) See Note 2.2.3

The accompanying notes are an integral part of these consolidated statements of changes in equity.

Table of Contents**Consolidated Statements of Cash Flows***For the years ended December 31, 2013, 2012 and 2011**Amounts expressed in millions of U.S. dollars (\$) and in millions of Mexican pesos (Ps.)*

	2013 (*)	2013	2012	2011
Cash flows from operating activities:				
Income before income taxes	\$ 1,337	Ps. 17,513	Ps. 20,172	Ps. 16,880
Adjustments for:				
Non-cash operating expenses	(3)	(42)	218	(9)
Unrealized gain on marketable securities			(2)	(4)
Depreciation	486	6,371	5,078	3,850
Amortization	59	761	614	369
(Gain) loss on disposal of long-lived assets	(2)	(27)	(99)	35
Write-off of long-lived assets	3	39	14	625
Share of the profit of associates and joint ventures accounted for using the equity method, net of taxes	(23)	(289)	(180)	(86)
Interest income	(50)	(654)	(424)	(616)
Interest expense	199	2,604	1,796	1,609
Foreign exchange loss (gain), net	56	739	(272)	(61)
Non-cash movements in post-employment and other non-current employee benefits obligations	16	216	571	118
Monetary position loss (gain), net	31	393		(61)
Market value loss on financial instruments	80	1,053	138	1
(Increase) decrease:				
Accounts receivable and other current assets	(82)	(1,072)	(1,545)	(2,272)
Other current financial assets	(235)	(3,094)	(1,218)	(575)
Inventories	(48)	(623)	(731)	(1,828)
Increase (decrease):				
Suppliers and other accounts payable	222	2,921	5,231	850
Other liabilities	8	89	(346)	(224)
Employee benefits paid	(11)	(127)	(88)	(143)
Income taxes paid	(357)	(4,674)	(5,277)	(4,565)
Net cash flows from operating activities	1,686	22,097	23,650	13,893
Investing activities:				
Acquisition of Grupo Tampico, net of cash acquired (Note 4)				(2,414)
Acquisition of Grupo CIMSA, net of cash acquired (Note 4)				(1,912)
Acquisition of Grupo Fomento Queretano, net of cash acquired (Note 4)			(1,114)	
	(80)	(1,046)		

Acquisition of Grupo Yoli, net of cash acquired (Note 4)				
Acquisition of Companhia Fluminense de Refrigerantes, net of cash acquired (Note 4)	(355)	(4,648)		
Acquisition of Grupo Spaipa, net of cash acquired (Note 4)	(1,760)	(23,056)		
Purchase of marketable securities				(326)
Proceeds from the sale of marketable securities			273	
Interest received	50	654	424	639
Acquisitions of long-lived assets	(810)	(10,615)	(9,741)	(6,855)
Proceeds from the sale of long-lived assets	15	195	293	375
Acquisition of intangible assets	(97)	(1,256)	(235)	(944)
Other non-current assets	(56)	(734)	(420)	(140)
Investment in shares Coca-Cola Bottlers Philippines, Inc. (Note 10)	(680)	(8,904)		
Investment in shares	(6)	(71)	(469)	(620)
Net cash flows used in investing activities	(3,779)	(49,481)	(10,989)	(12,197)
Financing activities:				
Proceeds from borrowings	5,096	66,748	16,429	6,934
Repayment of borrowings	(2,805)	(36,744)	(8,464)	(2,733)
Interest paid	(178)	(2,328)	(1,694)	(1,580)
Dividends paid	(458)	(6,002)	(5,733)	(4,366)
Acquisition of non-controlling interests			(7)	(114)
Increase in shares of non-controlling interest	39	515		
Other financing activities	118	1,546	(270)	(1,176)
Payments under finance leases	(17)	(229)	(201)	(37)
Net cash flows from / (used in) financing activities	1,795	23,506	60	(3,072)
Net (decrease) increase in cash and cash equivalents	(298)	(3,878)	12,721	(1,376)
Initial balance of cash and cash equivalents	1,773	23,222	11,843	12,142
Effects of exchange rate changes and inflation effects on cash and cash equivalents held in foreign currencies	(306)	(4,038)	(1,342)	1,077
Ending balance of cash and cash equivalents	\$ 1,169	Ps. 15,306	Ps. 23,222	Ps. 11,843

(*) Convenience translation to U.S. dollars (\$) See Note 2.2.3

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

Table of Contents**Notes to the Consolidated Statements**

As of December 31, 2013, 2012 and 2011

Amounts expressed in millions of U.S. dollars (\$) and in millions of Mexican pesos (Ps.)

Note 1. Activities of the Company

Coca-Cola FEMSA, S.A.B. de C.V. (Coca-Cola FEMSA or the Company) is a Mexican corporation, mainly engaged in acquiring, holding and transferring all types of bonds, capital stock, shares and marketable securities.

Coca-Cola FEMSA is indirectly owned by Fomento Economico Mexicano, S.A.B. de C.V. (FEMSA), which holds 47.9% of its capital stock and 63% of its voting shares and The Coca-Cola Company (TCCC), which indirectly owns 28.1% of its capital stock and 37% of its voting shares. The remaining 24.0% of Coca-Cola FEMSA's shares trade on the Bolsa Mexicana de Valores, S.A.B. de C.V. (BMV: KOFL). Its American Depositary shares (ADS) trade on the New York Stock Exchange, Inc. The address of its registered office and principal place of business is Mario Pani No. 100 Col. Santa Fe Cuajimalpa Delegacion Cuajimalpa de Morelos, Mexico D.F. 05348, Mexico.

Coca-Cola FEMSA and its subsidiaries (the Company), as an economic unit, are engaged in the production, distribution and marketing of certain Coca-Cola trademark beverages in Mexico, Central America (Guatemala, Nicaragua, Costa Rica and Panama), Colombia, Venezuela, Brazil and Argentina.

As of December 31, 2013 and 2012 the most significant subsidiaries over which the Company exercises control are:

Company	Activity	Country	Ownership percentage 2013	Ownership percentage 2012
Propimex, S. de R.L. de C.V.	Manufacturing and distribution	Mexico	100.00%	100.00%
Controladora Interamericana de Bebidas, S. de R.L. de C.V.	Holding	Mexico	100.00%	100.00%
Spal Industria Brasileira de Bebidas, S.A.	Manufacturing and distribution	Brazil	96.06%	98.25%
Coca-Cola FEMSA de Venezuela, S.A.	Manufacturing and distribution	Venezuela	100.00%	100.00%
Servicios Refresqueros del Golfo, S. de R.L. de C.V.	Manufacturing and distribution	Mexico	100.00%	100.00%

Note 2. Basis of Preparation**2.1 Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Company's consolidated financial statements and notes were authorized for issuance by the Company's Chief Executive Officer John Santa Maria Otazua and Chief Financial and Administrative Officer Héctor Treviño Gutiérrez on February 19, 2014. Those consolidated financial statements and notes were then approved by the Company's Board

of Directors on February 25, 2014 and by the Shareholders on March 6, 2014. The accompanying consolidated financial statements were approved for issuance in the Company's annual report on Form 20-F by the Company's Chief Executive Officer and Chief Financial Officer on April 11, 2014, and subsequent events have been considered through that date (See Note 29).

2.2 Basis of measurement and presentation

The consolidated financial statements have been prepared on the historical cost basis except for the following:

Available-for-sale investments

Derivative financial instruments

Trust assets of post-employment and other non-current employee benefit plans

The financial statements of subsidiaries whose functional currency is the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the end of the reporting period.

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2.2.1 Presentation of consolidated income statement

The Company classifies its costs and expenses by function in the consolidated income statement, in order to conform to the industry practices where the Company operates.

2.2.2 Presentation of consolidated statements of cash flows.

The Company's consolidated statement of cash flows is presented using the indirect method.

2.2.3 Convenience translation to U.S. dollars (\$)

The consolidated financial statements are stated in millions of Mexican pesos (Ps.) and rounded to the nearest million unless stated otherwise. However, solely for the convenience of the readers, the consolidated balance sheet as of December 31, 2013, the consolidated income statement, the consolidated statement of comprehensive income and consolidated statement of cash flows for the year ended December 31, 2013 were converted into U.S. dollars at the exchange rate of Ps. 13.0980 per U.S. dollar as published by the Federal Reserve Bank of New York as of that date. This arithmetic conversion should not be construed as representations that the amounts expressed in Mexican pesos may be converted into U.S. dollars at that or any other exchange rate.

2.3 Critical accounting judgments and estimates

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2.3.1 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

2.3.1.1 Impairment of indefinite lived intangible assets, goodwill and other depreciable long-lived assets

Intangible assets with indefinite lives as well as goodwill are subject to annual impairment tests. An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. In order to determine whether such assets are impaired, the Company initially calculates an estimation of the value in use of the cash-generating units to which such assets have been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The Company reviews

annually the carrying value of its intangible assets with indefinite lives and goodwill for impairment based on recognized valuation techniques. While the Company believes that its estimates are reasonable, different assumptions regarding such estimates could materially affect its evaluations. Impairment losses are recognized in current earnings in the period the related impairment is determined.

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. The key assumptions used to determine the recoverable amount for the Company's CGUs, including a sensitivity analysis, are further explained in Notes 3.16 and 12.

Table of Contents***2.3.1.2 Useful lives of property, plant and equipment and intangible assets with defined useful lives***

Property, plant and equipment, including returnable bottles are expected to provide benefits over a period of more than one year, as well as intangible assets with defined useful lives are depreciated/amortized over their estimated useful lives. The Company bases its estimates on the experience of its technical personnel as well as based on its experience in the industry for similar assets, see Notes 3.12, 11 and 12.

2.3.1.3 Post-employment and other non-current employee benefits

The Company regularly evaluates the reasonableness of the assumptions used in its post-employment and other non-current employee benefit computations. Information about such assumptions is described in Note 16.

2.3.1.4 Income taxes

Deferred income tax assets and liabilities are determined based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities. The Company regularly reviews its deferred tax assets for recoverability, and records a deferred tax asset based on its judgment regarding the probability of historical taxable income, projected future taxable income and the expected timing of the reversals of existing temporary differences, see Note 24.

2.3.1.5 Tax, labor and legal contingencies and provisions

The Company is subject to various claims and contingencies related to tax, labor and legal proceedings as described in Note 25. Due to their nature, such legal proceedings involve inherent uncertainties including, but not limited to, court rulings, negotiations between affected parties and governmental actions. Management periodically assesses the probability of loss for such contingencies and accrues a provision and/ or discloses the relevant circumstances, as appropriate. If the potential loss of any claim or legal proceeding is considered probable and the amount can be reasonably estimated, the Company accrues a provision for the estimated loss.

2.3.1.6 Valuation of financial instruments

The Company is required to measure all derivative financial instruments at fair value.

The fair values of derivative financial instruments are determined considering quoted prices in recognized markets. If such instruments are not traded, fair value is determined by applying techniques based upon technical models supported by sufficient, reliable and verifiable data, recognized in the financial sector. The Company bases its forward price curves upon market price quotations. Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments, see Note 20.

2.3.1.7 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities assumed by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12, Income Taxes and IAS 19, Employee Benefits, respectively;

liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2, Share-based Payment at the acquisition date, see Note 3.24; and

assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Company previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Company previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

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For each business combination, the Company elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

2.3.1.8 Investments in associates

If the Company holds, directly or indirectly, 20 per cent or more of the voting power of the investee, it is presumed that it has significant influence, unless it can be clearly demonstrated that this is not the case. If the Company holds, directly or indirectly, less than 20 per cent of the voting power of the investee, it is presumed that the Company does not have significant influence, unless such influence can be clearly demonstrated. Decisions regarding the propriety of utilizing the equity method of accounting for a less than 20 per cent-owned corporate investee requires a careful evaluation of voting rights and their impact on the Company's ability to exercise significant influence. Management considers the existence of the following circumstances, which may indicate that the Company is in a position to exercise significant influence over a less than 20 per cent-owned corporate investee:

representation on the board of directors or equivalent governing body of the investee;

participation in policy-making processes, including participation in decisions about dividends or other distributions;

material transactions between the Company and the investee;

interchange of managerial personnel; or

provision of essential technical information.

Management also considers the existence and effect of potential voting rights that are currently exercisable or currently convertible should also be considered when assessing whether the Company has significant influence.

In addition, the Company evaluates the indicators that provide evidence of significant influence:

the Company's extent of ownership is significant relative to other shareholdings (i.e. a lack of concentration of other shareholders);

the Company's significant shareholders, its parent, fellow subsidiaries, or officers of the Company, hold additional investment in the investee; and

the Company is a part of significant investee committees, such as the executive committee or the finance committee.

2.3.1.9 Joint Arrangements

An arrangement can be a joint arrangement even though not all of its parties have joint control of the arrangement. When the Company is a party to an arrangement it shall assess whether the contractual arrangement gives all the parties, or a group of the parties, control of the arrangement collectively; joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that control the arrangement collectively. Management needs to apply judgment when assessing whether all the parties, or a group of the parties, have joint control of an arrangement. When assessing joint control, management considers the following facts and circumstances:

- a) If all the parties, or a group of the parties, control the arrangement, considering definition of joint control, as described in note 3.1; and
- b) If decisions about the relevant activities require the unanimous consent of all the parties, or of a group of the parties

As mentioned in Note 10, on January 25, 2013, the Company finalized the acquisition of 51% of Coca-Cola Bottlers Philippines (CCBPI). The Company currently jointly controls CCBPI with TCCC. This is based on the following factors: (i) during the initial four-year period some relevant activities require joint approval between the Company and TCCC; and (ii) potential voting rights to acquire the remaining 49% of CCBPI are not probable to be executed in the foreseeable future due to the fact the call option is out of the money as of December 31, 2013.

2.4 Changes in accounting policies

The Company has adopted the following new IFRS and amendments to IFRS during 2013:

IAS 28, Investments in Associates and Joint Ventures (2011)

IFRS 10, Consolidated Financial Statements

IFRS 11, Joint Arrangements

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IFRS 12, Disclosure of Interests in Other Entities

IFRS 13, Fair Value Measurement

Amendments to IFRS 7, Financial Instruments: Disclosures
The nature and the effect of the changes are further explained below.

IAS 28, Investments in Associates and Joint Ventures (2011):

IAS 28, Investments in Associates and Joint Ventures (2011), (which the Company refers to as IAS 28 (2011)) prescribes the accounting for investments in associates and establishes the requirements to apply the equity method for those investments in associates and in joint ventures. The standard is applicable to all entities with joint control of, or significant influence over, an investee. This standard supersedes the previous version of IAS 28, Investments in Associates, which did not include jointly control investments under its scope for valuation purposes due to the existence of IAS 31, Interests in Joint Ventures, which required apply either, proportionate consolidation or the equity method to value ownership in joint ventures. As the Company's investments in associates and joint ventures were accounted for using the equity method since before the entry into force of IAS 28 (2011), the adoption of this standard did not impact the Company's consolidated financial statements.

IFRS 10, Consolidated Financial Statements :

IFRS 10, Consolidated Financial Statements, establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities. The standard requires the controlling company to present its consolidated financial statements and replaces IAS 27, Consolidated and Separate Financial Statements and SIC 12, Consolidation – Special Purpose Entities. As a result of IFRS 10, the Company changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that is applicable to all investees, by focusing on whether the Company has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. In accordance with the transitional provisions of IFRS 10, the Company reassessed the control conclusion for its investees as at January 1, 2013 and concluded that the adoption of this standard had no impact on the Company's consolidated financial statements.

IFRS 11, Joint Arrangements :

IFRS 11, Joint Arrangements, classifies joint arrangements as either joint operations (combining the existing concepts of jointly controlled assets and jointly controlled operations) or joint ventures (equivalent to the existing concept of a jointly controlled entity). Joint operation is a joint arrangement whereby the parties that have joint control have rights to the assets and obligations for the liabilities. Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. IFRS 11 requires the use of the equity method of accounting for interests in joint ventures thereby eliminating the proportionate consolidation method. As a result of IFRS 11, the Company has changed its accounting policy for its interests in joint arrangements. Under IFRS 11, the Company classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Company's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Company considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the existence of a separate legal vehicle was the key factor of classification. The Company reassessed its involvement in its joint arrangements and

concluded that the adoption of this standard had no impact on the Company's consolidated financial statements.

IFRS 12, Disclosure of Interests in Other Entities :

IFRS 12, *Disclosure of Interests in Other Entities*, is a consolidated disclosure standard requiring a wide range of extensive disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities and has the objective to require the disclosure of information to allow the users of financial information to evaluate the nature and risk associated with their interests in other entities, and the effects of such interests on their financial position, financial performance and cash flows. IFRS 12 requires to disclose whatever additional information is necessary to disclosures required by IFRS, together with disclosures required by other IFRS to enable such evaluation. Disclosures in regards to interests in other entities were previously required by IAS 27 (2008), *Consolidated and Separate Financial Statements*, IAS 28, *Investments in Associates* and IAS 31, *Interests in Joint Ventures*. As a result of the adoption of IFRS 12 the Company added additional disclosures regarding to the following items:

Joint ventures.- At December 31, 2013 and 2012, the Company does not have material joint ventures. Additional summarized aggregate financial information for non-material joint ventures, such as: cash and cash equivalents, current financial liabilities (excluding trade and other payables and provisions), non-current financial liabilities (excluding trade and other payables and provisions), depreciation and amortization, interest income, interest expense, income tax expense or income. These disclosures are presented in Note 10.

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Non-controlling interest.- For each subsidiary that has non-controlling interest that are material to the Company, it disclosed summarized financial information about the assets, liabilities, profit or loss and cash flows of the subsidiary. At December 31, 2013 and 2012, the Company does not have material non-controlling interest.

IFRS 13, Fair Value Measurement :

IFRS 13, Fair Value Measurement , establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Company re-assessed its policies for measuring fair values. IFRS 13 also requires additional disclosures. Application of IFRS 13 has not impacted the fair value measurements of the Company. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

Amendments to IFRS 7, Financial Instruments: Disclosures :

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The Company evaluated the amendments to IFRS 7 and concluded that they do not impact its previous disclosures of financial instruments, as no enforceable master netting agreements exist for its financial instruments.

Note 3. Significant Accounting Policies

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2013. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Company controls an investee if and only if the Company has:

Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)

Exposure, or rights, to variable returns from its involvement with the investee, and

The ability to use its power over the investee to affect its returns

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

The contractual arrangement with the other vote holders of the investee

Rights arising from other contractual arrangements

The Company's voting rights and potential voting rights

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Company are eliminated in full on consolidation.

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A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Company loses control over a subsidiary, it:

Derecognizes the assets (including goodwill) and liabilities of the subsidiary

Derecognizes the carrying amount of any non-controlling interests

Derecognizes the cumulative translation differences recorded in equity

Recognizes the fair value of the consideration received

Recognizes the fair value of any investment retained

Recognizes any surplus or deficit in profit or loss

Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Company had directly disposed of the related assets or liabilities

3.1.1 Acquisitions of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are measured at carrying amount and reflected in equity, as part of additional paid in capital.

3.1.2 Loss of control

Upon the loss of control, the Company derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in consolidated net income. If the Company retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity method or as a financial asset depending on the level of influence retained.

3.2 Business combinations

Business combinations are accounted for using the acquisition method at the acquisition date, which is the date on which control is transferred to the Company. In assessing control, the Company takes into consideration substantive potential voting rights.

The Company measures goodwill at the acquisition date as the fair value of the consideration transferred plus the fair value of any previously-held equity interest in the acquiree and the recognized amount of any non-controlling

interests in the acquiree (if any), less the net recognized amount of the identifiable assets acquired and liabilities assumed. If after reassessment, the excess is negative, a bargain purchase gain is recognized in consolidated net income at the time of the acquisition.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, if after reassessment subsequent changes to the fair value of the contingent considerations are recognized in consolidated net income.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete, and discloses that its allocation is preliminary in nature. Those provisional amounts are adjusted during the measurement period (not greater than 12 months), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

3.3 Foreign currencies and consolidation of foreign subsidiaries, investments in associates and joint ventures

In preparing the financial statements of each individual subsidiary, associate and joint venture, transactions in currencies other than the individual entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not remeasured.

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Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

The variations in the net investment in foreign subsidiaries generated by exchange rate fluctuation are included in the cumulative translation adjustment, which is recorded in equity as part of the cumulative translation adjustment within the cumulative other comprehensive income.

Intercompany financing balances with foreign subsidiaries that are considered as non-current investments, since there is no plan to pay such financing in the foreseeable future. Monetary position and exchange rate fluctuation regarding this financing is included in the cumulative translation adjustment, which is recorded in equity as part of the cumulative translation adjustment within the cumulative other comprehensive income.

Exchange differences on transactions entered into in order to hedge certain foreign currency risks. For incorporation into the Company's consolidated financial statements, each foreign subsidiary, associate or joint venture's individual financial statements are translated into Mexican pesos, as described as follows:

For hyperinflationary economic environments, the inflation effects of the origin country are recognized, and subsequently translated into Mexican pesos using the year-end exchange rate for the consolidated statements of financial position and consolidated income statement and comprehensive income; and

For non-inflationary economic environments, assets and liabilities are translated into Mexican pesos using the year-end exchange rate, equity is translated into Mexican pesos using the historical exchange rate, and the income statement and comprehensive income is translated using the exchange rate at the date of each transaction. The Company uses the average exchange rate of each month only if the exchange rate does not fluctuate significantly.

Exchange Rates of Local Currencies Translated to Mexican Pesos

Country or Zone	Functional/ Currency	Average Exchange Rate for			Exchange Rate as of	
		2013	2012	2011	2013	2012
Mexico	Mexican peso	Ps. 1.00	Ps. 1.00	Ps. 1.00	Ps. 1.00	Ps. 1.00
Guatemala	Quetzal	1.62	1.68	1.59	1.67	1.65
Costa Rica	Colon	0.03	0.03	0.02	0.03	0.03
Panama	U.S. dollar	12.77	13.17	12.43	13.08	13.01
Colombia	Colombian peso	0.01	0.01	0.01	0.01	0.01
Nicaragua	Cordoba	0.52	0.56	0.55	0.52	0.54
Argentina	Argentine peso	2.34	2.90	3.01	2.01	2.65
Venezuela	Bolivar	2.13	3.06	2.89	2.08	3.03
Brazil	Reais	5.94	6.76	7.42	5.58	6.37
Philippines	Philippines peso	0.30	0.31	0.29	0.29	0.32

The Company has operated under exchange controls in Venezuela since 2003 that affect its ability to remit dividends abroad or make payments other than in local currencies and that may increase the real price of raw materials

purchased in local currency.

In February 2013, the Venezuelan government announced a devaluation of its official exchange rates from 4.30 to 6.30 bolivars per U.S. dollar. Because the financial statements of the Venezuelan subsidiary are translated from Bolivar to Peso for the purposes of group consolidation, as a result of this devaluation, the statement of financial position of the Company's Venezuelan subsidiary reflected a reduction in shareholders' equity of Ps. 3,700, approximately, which was accounted since February 2013 as part of other comprehensive income.

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in other comprehensive income in respect of that operation attributable to the owners of the Company are recognized in the consolidated income statement.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e., partial disposals of associates or joint ventures that do not result in the Company losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Foreign exchange differences arising are recognized in equity as part of the cumulative translation adjustment.

The translation of assets and liabilities denominated in foreign currencies into Mexican pesos is for consolidation purposes and does not indicate that the Company could realize or settle the reported value of those assets and liabilities in Mexican pesos. Additionally, this does not indicate that the Company could return or distribute the reported Mexican peso value equity to its shareholders.

3.4 Recognition of the effects of inflation in countries with hyperinflationary economic environments

The Company recognizes the effects of inflation on the financial information of its Venezuelan subsidiary that operates in hyperinflationary economic environments (when cumulative inflation of the three preceding years is approaching, or exceeds, 100% or more in addition to other qualitative factors), which consists of:

Using inflation factors to restate non-monetary assets, such as inventories, property, plant and equipment, intangible assets, including related costs and expenses when such assets are consumed or depreciated.

Applying the appropriate inflation factors to restate capital stock, additional paid-in capital, net income, retained earnings and items of other comprehensive income by the necessary amount to maintain the purchasing power equivalent in the currency of the corresponding hyperinflationary country on the dates such capital was contributed or income was generated up to the date of these consolidated financial statements are presented; and

Including the monetary position gain or loss in consolidated net income.

The Company restates the financial information of subsidiaries that operate in hyperinflationary economic environment using the consumer price index of each country.

As of December 31, 2013, 2012, and 2011, the operations of the Company are classified as follows:

Country	Cumulative Inflation	Type of Economy	Cumulative Inflation	Type of Economy	Cumulative Inflation	Type of Economy
	2011- 2013		2010- 2012		2009- 2011	
Mexico	12.2%	Non-hyperinflationary	12.3%	Non-hyperinflationary	12.3%	Non-hyperinflationary
Guatemala	14.8%	Non-hyperinflationary	15.8%	Non-hyperinflationary	11.6%	Non-hyperinflationary
Costa Rica	13.1%	Non-hyperinflationary	15.9%	Non-hyperinflationary	15.3%	Non-hyperinflationary
Panama	15.2%	Non-hyperinflationary	16.7%	Non-hyperinflationary	13.7%	Non-hyperinflationary
Colombia	7.8%	Non-hyperinflationary	9.6%	Non-hyperinflationary	9.1%	Non-hyperinflationary
Nicaragua	20.7%	Non-hyperinflationary	25.7%	Non-hyperinflationary	18.6%	Non-hyperinflationary
Argentina	34.0%	Non-hyperinflationary	34.6%	Non-hyperinflationary	30.8%	Non-hyperinflationary
Venezuela	139.3%	Hyperinflationary	94.8%	Hyperinflationary	102.9%	Hyperinflationary
Brazil	18.9%	Non-hyperinflationary	19.4%	Non-hyperinflationary	17.4%	Non-hyperinflationary

Philippines
(equity
method

investment) 11.3% Non-hyperinflationary 11.1% Non-hyperinflationary 12.7% Non-hyperinflationary
While the Venezuelan economy's cumulative inflation rate for the period 2010-2012 was less than 100%, it was approaching 100%, and qualitative factors support its continued classification as a hyper-inflationary economy.

3.5 Cash and cash equivalents

Cash is measured at nominal value and consists of non-interest bearing bank deposits. Cash equivalents consist principally of short-term bank deposits and fixed rate investments, both with maturities of three months or less at the acquisition date and are recorded at acquisition cost plus interest income not yet received, which is similar to market prices.

The Company also maintains restricted cash held as collateral to meet certain contractual obligations (see Note 9). Restricted cash is presented within other current financial assets given that the restrictions are short-term in nature.

3.6 Financial assets

Financial assets are classified into the following specified categories: fair value through profit or loss (FVTPL) , held-to-maturity investments , available-for-sale and loans and receivables . The classification depends on the nature and purpose of holding the financial assets and is determined at the time of initial recognition.

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When a financial asset or financial liability is recognized initially, the Company measures it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company's financial assets include cash and cash equivalents, marketable securities, loans and receivables, derivative financial instruments and other financial assets.

3.6.1 Effective interest rate method

The effective interest rate method is a method of calculating the amortized cost of loans and receivables and other financial assets (designated as held to maturity) and of allocating interest income/expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.6.2 Marketable securities

Marketable securities consist of debt securities and bank deposits with maturities of more than three months at the acquisition date. Management determines the appropriate classification of investments at the time of purchase and assesses such designation as of each reporting date, see Note 6.

3.6.2.1 Available-for-sale marketable securities are carried at fair value, with the unrealized gains and losses, net of tax, reported in other comprehensive income. Interest and dividends on investments classified as available-for-sale are included in interest income. The fair values of the investments are readily available based on quoted market prices. The exchange effects of securities available for sale are recognized in the consolidated income statement in the period in which they arise.

3.6.2.2 Held-to maturity marketable securities are those that the Company has the positive intent and ability to hold to maturity, and are carried at acquisition cost which includes any cost of purchase and premium or discount related to the investment which is amortized over the life of the investment based on its outstanding balance utilizing the effective interest method less any impairment. Interest and dividends on investments classified as held-to maturity are included in interest income. As of December 31, 2013, and 2012 there were no investments classified as held to maturity.

3.6.2.3 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of profit or loss.

3.6.3 Loans and receivables

Loans and receivables are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. Loans and receivables with a relevant period (including trade and other receivables) are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. For the years ended December 31, 2013, 2012 and 2011 the interest income on loans and receivables recognized in the interest income line item within the consolidated income statements is Ps. 61, Ps. 58 and Ps. 40, respectively.

3.6.4 Other financial assets

Other financial assets are non-current accounts receivable and derivative financial instruments. Other financial assets with a relevant period are measured at amortized cost using the effective interest method, less any impairment.

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3.6.5 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial assets that can be reliably estimated.

Evidence of impairment may include indicators as follows:

Significant financial difficulty of the issuer or counterparty; or

Default or delinquent in interest or principal payments; or

It becoming probable that the borrower will enter bankruptcy or financial re-organization; or

The disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance for doubtful accounts. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in consolidated net income.

3.6.6 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

The rights to receive cash flows from the financial asset have expired, or

The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3.6.7 Offsetting of financial instruments

Financial assets are required to be offset against financial liabilities and the net amount reported in the consolidated statement of financial position if, and only when the Company:

Currently has an enforceable legal right to offset the recognized amounts, and

Intends to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

3.7 Derivative financial instruments

The Company is exposed to different risks related to cash flows, liquidity, market and third party credit. As a result, the Company contracts different derivative financial instruments in order to reduce its exposure to the risk of exchange rate fluctuations between the Mexican peso and other currencies, and interest rate fluctuations associated with its borrowings denominated in foreign currencies and the exposure to the risk of fluctuation in the costs of certain raw materials.

The Company values and records all derivative financial instruments and hedging activities, in the consolidated statement of financial position as either an asset or liability measured at fair value, considering quoted prices in recognized markets. If such instruments are not traded in a formal market, fair value is determined by applying techniques based upon technical models supported by sufficient, reliable and verifiable market data, recognized in the financial sector. Changes in the fair value of derivative financial instruments are recorded each year in current earnings or as a component of cumulative other comprehensive income based on the item being hedged and the effectiveness of the hedge.

Table of Contents***3.7.1 Hedge accounting***

The Company designates certain hedging instruments, which include derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

3.7.2 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading valuation of the effective portion of derivative financial instruments. The gain or loss relating to the ineffective portion is recognized immediately in consolidated net income, and is included in the market value (gain) loss on financial instruments line item within the consolidated statements of income.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to consolidated net income in the periods when the hedged item is recognized in consolidated net income, in the same line of the consolidated statement of income as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in cumulative other comprehensive income in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in consolidated net income. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in consolidated net income.

3.7.3 Fair value hedges

The change in the fair value of a hedging derivative is recognized in the statement of profit or loss as foreign exchange gain. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the statement of profit or loss as foreign exchange gain.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit and loss.

3.8 Fair value measurement

The Company measures financial instruments, such as, derivatives, and non-financial assets such, at fair value at each balance sheet date. Also, fair values of bank loans and notes payable carried at amortized cost are disclosed in Note 18.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

In the principal market for the asset or liability, or

In the absence of a principal market, in the most advantageous market for the asset or liability
A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period

The Company determines the policies and procedures for both recurring fair value measurement, such as those described in Note 20 and unquoted liabilities such as Debt described in Note 18.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

3.9 Inventories and cost of goods sold

Inventories are measured at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Inventories represent the acquisition or production cost which is incurred when purchasing or producing a product, and are based on the weighted average cost formula.

Cost of goods sold is based on average cost of the inventories at the time of sale. Cost of goods sold includes expenses related to the purchase of raw materials used in the production process, as well as labor costs (wages and other benefits), depreciation of production facilities, equipment and other costs, including fuel, electricity, equipment maintenance, inspection and plant transfer costs.

3.10 Other current assets

Other current assets, which will be realized within a period of less than one year from the reporting date, are comprised of prepaid assets and agreements with customers.

Prepaid assets principally consist of advances to suppliers of raw materials, advertising, promotional, leasing and insurance expenses, and are recognized as other current assets at the time of the cash disbursement, and are unrecognized in the consolidated statement of financial position or consolidated income statement caption when the risks and rewards of the related goods have been transferred to the Company or services have been received, respectively.

The Company has prepaid advertising costs which consist of television and radio advertising airtime paid in advance. These expenses are generally amortized over the period based on the transmission of the television and radio spots. The related production costs are recognized in consolidated net income as incurred.

The Company has agreements with customers for the right to sell and promote the Company's products over a certain period. The majority of these agreements have terms of more than one year, and the related costs are amortized using the straight-line method over the term of the contract, with amortization presented as a reduction of net sales. During the years ended December 31, 2013, 2012 and 2011, such amortization aggregated to Ps. 696, Ps. 970 and Ps. 793, respectively.

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3.11 Investments in associates and joint arrangements

3.11.1 Investments in associates

Associates are those entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

Investments in associates are accounted for using the equity method and initial recognition comprises the investment's purchase price and any directly attributable expenditure necessary to acquire it.

When the Company's share of losses exceeds the carrying amount of the associate, including any non-current investments, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has a legal or constructive obligation or has made payments on behalf of the associate.

Goodwill identified at the acquisition date is presented as part of the investment in shares of the associate in the consolidated statement of financial position. Any goodwill arising on the acquisition of the Company's interest in associate is accounted for in accordance with the Company's accounting policy for goodwill arising in a business combination, see Note 3.2.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on its investment in its associate. The Company determines at each reporting date whether there is any objective evidence that the investment in the associates is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the share of the profit or loss of associates accounted for using the equity method in the consolidated statements of income.

3.11.2 Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The Company classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Company's rights to the assets and obligations for the liabilities of the arrangements.

Joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Company recognizes its interest in the joint ventures as an investment and accounts for that investment using the equity method. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. As of December 31, 2013 and 2012 the Company does not have an interest in joint operations.

After application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on its investment in its joint venture. The Company determines at each reporting date whether there is any objective evidence that the investment in the joint ventures is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognizes the amount in the share of the profit or loss of joint ventures accounted for using the equity method in the consolidated statements of income.

3.12 Property, plant and equipment

Property, plant and equipment are initially recorded at their cost of acquisition and/or construction and are presented net of accumulated depreciation and/or accumulated impairment losses, if any. The borrowing costs related to the acquisition or construction of qualifying asset is capitalized as part of the cost of that asset.

Major maintenance costs are capitalized as part of total acquisition cost. Routine maintenance and repair costs are expensed as incurred.

Investments in progress consist of long-lived assets not yet in service, in other words, that are not yet used for the purpose that they were bought, built or developed. The Company expects to complete those investments during the following 12 months.

Depreciation is computed using the straight-line method over acquisition cost. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted and depreciated for as separate items (major components) of property, plant and equipment. The Company estimates depreciation rates, considering the estimated useful lives of the assets.

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The estimated useful lives of the Company's principal assets are as follows:

	Years
Buildings	40 - 50
Machinery and equipment	10 - 20
Distribution equipment	7 - 15
Refrigeration equipment	5 - 7
Returnable bottles	1.5 - 4
Other equipment	3 - 10

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds (if any) and the carrying amount of the asset and is recognized in consolidated net income.

Returnable and non-returnable bottles:

The Company has two types of bottles: returnable and non-returnable.

Non-returnable: Are recorded in consolidated net income at the time of product sale.

Returnable: Are classified as long-lived assets as a component of property, plant and equipment. Returnable bottles are recorded at acquisition cost; for countries with hyperinflationary economies, restated according to IAS 29. Depreciation of returnable bottles is computed using the straight-line method considering their estimated useful lives.

There are two types of returnable bottles:

Those that are in the Company's control within its facilities, plants and distribution centers; and

Those that have been placed in the hands of customers, but still belong to the Company.

Returnable bottles that have been placed in the hands of customers are subject to an agreement with a retailer pursuant to which the Company retains ownership. These bottles are monitored by sales personnel during periodic visits to retailers and the Company has the right to charge any breakage identified to the retailer. Bottles that are not subject to such agreements are expensed when placed in the hands of retailers.

The Company's returnable bottles are depreciated according to their estimated useful lives. Deposits received from customers are amortized over the same useful estimated lives of the bottles.

3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs may include:

interest expense; and

exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in consolidated net income in the period in which they are incurred.

Table of Contents***3.14 Intangible assets***

Intangible assets are identifiable non-monetary assets without physical substance and represent payments whose benefits will be received in future years. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful lives of intangible assets are assessed as either finite or indefinite, in accordance with the period over which the Company expects to receive the benefits.

Intangible assets with finite useful lives are amortized and mainly consist of information technology and management system costs incurred during the development stage which are currently in use. Such amounts are capitalized and then amortized using the straight-line method over their expected useful lives. Expenses that do not fulfill the requirements for capitalization are expensed as incurred.

Amortized intangible assets, such as finite lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable through its expected future cash flows.

Intangible assets with an indefinite life are not amortized and are subject to impairment tests on an annual basis as well as whenever certain circumstances indicate that the carrying amount of those intangible assets exceeds their recoverable value.

The Company's intangible assets with an indefinite life mainly consist of rights to produce and distribute Coca-Cola trademark products in the Company's territories. These rights are contained in agreements that are standard contracts that The Coca-Cola Company has with its bottlers.

As of December 31, 2013, the Company had nine bottler agreements in Mexico: (i) the agreements for Mexico's Valley territory, which expire in April 2016 and June 2023, (ii) the agreements for the Central territory, which expire in August 2014 (two agreements), May 2015 and July 2016, (iii) the agreement for the Northeast territory, which expires in September 2014, (iv) the agreement for the Bajío territory, which expires in May 2015, and (v) the agreement for the Southeast territory, which expires in June 2023. As of December 31, 2013, the Company had four bottler agreements in Brazil, two expiring in October 2017 and the other two expiring in April 2024. The bottler agreements with The Coca-Cola Company will expire for territories in other countries as follows: Argentina in September 2014; Colombia in June 2014; Venezuela in August 2016; Guatemala in March 2015; Costa Rica in September 2017; Nicaragua in May 2016 and Panama in November 2014. All of these bottler agreements are automatically renewable for ten-year terms, subject to the right of either party to give prior notice that it does not wish to renew the applicable agreement. In addition, these agreements generally may be terminated in the case of material breach.

3.15 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3.16 Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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For goodwill and other indefinite lived intangible assets, the Company tests for impairment on an annual basis and whenever certain circumstances indicate that the carrying amount of the cash generating unit might exceed its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in consolidated net income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in consolidated net income. Impairment losses related to goodwill are not reversible.

As of December, 31 2013 and 2012 there was no impairment recognized in non-financial assets.

3.17 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in consolidated net income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Leasehold improvements, on operating leases are amortized using the straight-line method over the shorter of either the useful life of the assets or the related lease term.

3.18 Financial liabilities and equity instruments

3.18.1 Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.18.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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3.18.3 Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at FVTPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Company financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments, see Note 3.7.

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

3.18.4 Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statements of income when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest method. The effective interest method amortization is included in interest expense in the consolidated statements of income.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of income.

3.19 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The Company recognizes a provision for a loss contingency when it is probable (i.e. the probability that the event will occur is greater than the probability that it will not) that certain effects related to past events, would materialize and can be reasonably quantified. These events and their financial impact are also disclosed as loss contingencies in the consolidated financial statements when the risk of loss is deemed to be other than remote. The Company does not recognize an asset for a gain contingency until the gain is realized, see Note 25.

Restructuring provisions are recognized only when the recognition criteria for provisions are fulfilled. The Company has a constructive obligation when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline. Furthermore, the employees affected must have been notified of the plans main features.

Table of Contents***3.20 Post-employment and other non-current employee benefits***

Post-employment and other non-current employee benefits, which are considered to be monetary items, include obligations for pension and post-employment plans and seniority premiums, all based on actuarial calculations, using the projected unit credit method.

In Mexico and Brazil, the economic benefits and retirement pensions are granted to employees with 10 years of service and minimum age of 60 and 65, respectively. In accordance with Mexican Labor Law, the Company provides seniority premium benefits to its employees under certain circumstances. These benefits consist of a one-time payment equivalent to 12 days wages for each year of service (at the employee's most recent salary, but not to exceed twice the legal minimum wage), payable to all employees with 15 or more years of service, as well as to certain employees terminated involuntarily prior to the vesting of their seniority premium benefit.

For defined benefit retirement plans and other non-current employee benefits, such as the Company's sponsored pension and retirement plans and seniority premiums, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. All remeasurements of the Company's defined benefit obligation such as actuarial gains and losses and return on plan assets are recognized directly in other comprehensive income (OCI). The Company presents service costs within cost of goods sold, administrative and selling expenses in the consolidated statements of income. The Company presents net interest cost within interest expense in the consolidated statements of income. The projected benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation as of the end of each reporting period. Certain subsidiaries of the Company have established plan assets for the payment of pension benefits and seniority premiums through irrevocable trusts of which the employees are named as beneficiaries, which serve to increase the funded status of such plans' related obligations.

Costs related to compensated absences, such as vacations and vacation premiums, are recognized on an accrual basis. Cost for mandatory severance benefits are recorded as incurred.

The Company recognizes a liability and expense for termination benefits at the earlier of the following dates:

- a. When it can no longer withdraw the offer of those benefits; and
- b. When it recognizes costs for a restructuring that is within the scope of IAS 37, Provisions, Contingent Liabilities and Contingent Assets, and involves the payment of termination benefits.

The Company is demonstrably committed to a termination when, and only when, the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal.

A settlement occurs when an employer enters into a transaction that eliminates all further legal or constructive obligations for part or all of the benefits provided under a defined benefit plan. A curtailment arises from an isolated event such as closing of a plant, discontinuance of an operation or termination or suspension of a plan. Gains or losses on the settlement or curtailment of a defined benefit plan are recognized when the settlement or curtailment occurs.

3.21 Revenue recognition

Sales of products are recognized as revenue upon delivery to the customer, and once all the following conditions are satisfied:

The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

The amount of revenue can be measured reliably;

It is probable that the economic benefits associated with the transaction will flow to the Company; and

The costs incurred or to be incurred in respect of the transaction can be measured reliably.

All of the above conditions are typically met at the point in time that goods are delivered to the customer at the customers facilities. Net sales reflect units delivered at list prices reduced by promotional allowances, discounts and the amortization of the agreements with customers to obtain the rights to sell and promote the Company s products.

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Rendering of services and other

Revenue arising from services of sales of waste material and packing of raw materials are recognized in the other operating income caption in the consolidated income statement.

The Company recognized these transactions as revenues in accordance with the requirements established in the IAS 18, delivery of goods and rendering of services, which are:

- a) The amount of revenue can be measured reliably;
 - b) It is probable that the economic benefits associated with the transaction will flow to the entity;
 - c) The stage of completion of the transaction at the end of the reporting period can be measured reliably; and
 - d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.
- Interest income Revenue arising from the use by others of entity assets yielding interest is recognized once all the following conditions are satisfied:

It is probable that the economic benefits associated with the transaction will flow to the entity; and

The amount of the revenue can be measured reliably.

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. The related Interest income is included in the consolidated statements of income.

3.22 Administrative and selling expenses

Administrative expenses include labor costs (salaries and other benefits, including employee profit sharing PTU of employees not directly involved in the sale of the Company's products, as well as professional service fees, the depreciation of office facilities, amortization of capitalized information technology system implementation costs and any other similar costs.

Selling expenses include:

Distribution: labor costs (salaries and other related benefits), outbound freight costs, warehousing costs of finished products, write off of returnable bottles in the distribution process, depreciation and maintenance of

trucks and other distribution facilities and equipment. For the years ended December 31, 2013, 2012 and 2011, these distribution costs amounted to Ps. 17,971, Ps. 16,839 and Ps. 14,967, respectively;

Sales: labor costs (salaries and other benefits including PTU) and sales commissions paid to sales personnel;

Marketing: labor costs (salaries and other benefits), promotional expenses and advertising costs.

PTU is paid by the Company's Mexican and Venezuelan subsidiaries to its eligible employees. In Mexico, employee profit sharing is computed at the rate of 10% of the individual company taxable income, except for considering cumulative dividends received from resident legal persons in Mexico, depreciation of historical rather tax restated values, foreign exchange gains and losses, which are not included until the asset is disposed of or the liability is due and other effects of inflation are also excluded. As of January 1, 2014, PTU in Mexico will be calculated from the same taxable income for income tax, except for the following: a) neither tax losses from prior years nor the PTU paid during the year are being decrease; and b) payments exempt from taxes for the employees are fully deductible in the PTU computation.

In Venezuela, employee profit sharing is computed at a rate equivalent to 15% of after tax income, and it is no more than four months of salary.

3.23 Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. Income taxes are charged to consolidated net income as they are incurred, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

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3.23.1 Current income taxes

Income taxes are recorded in the results of the year they are incurred.

3.23.2 Deferred income taxes

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized and if any, future benefits from tax loss carry forwards and certain tax credits. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, except in the case of Brazil, where certain goodwill amounts are at times deductible for tax purposes.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred income taxes are classified as a non-current asset or liability, regardless of when the temporary differences are expected to reverse. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

In Mexico, the income tax rate is 30% for 2011, 2012 and 2013. As a result of the Mexican Tax Reform discussed below, it will also be 30% for 2014.

3.24 Share-based payments transactions

Senior executives of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments. The equity instruments are granted and then held by a trust controlled by FEMSA. They are accounted for as equity settled transactions. The award of equity instruments is granted to a fixed value.

Share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the share-based payments is expensed and recognized based on the graded vesting method over the vesting period.

3.25 Earnings per share

The Company presents basic earnings per share (EPS) data for its shares. The Company does not have potentially dilutive shares and therefore its basic earnings per share is equivalent to its diluted earnings per share. Basic EPS is calculated by dividing the net income attributable to controlling interest by the weighted average number of shares outstanding during the period adjusted for the weighted average of own shares purchased in the year.

3.26 Issuance of stock

The Company recognizes the issuance of own stock as an equity transaction. The difference between the book value of the shares issued and the amount contributed by the non-controlling interest holder or third party is recorded as additional paid-in capital.

Table of Contents**Note 4. Mergers and Acquisitions*****4.1 Mergers and Acquisitions***

The Company has certain business mergers and acquisitions that were recorded using the acquisition method of accounting. The results of the acquired operations have been included in the consolidated financial statements since the date on which the Company obtained control of the business, as disclosed below. Therefore, the consolidated statements of income and the consolidated statements of financial position in the years of such acquisitions are not comparable with previous periods. The consolidated statements of cash flows for the years ended December 31, 2013, 2012 and 2011 show the merged and acquired operations net of the cash related to those mergers and acquisitions.

While all of the acquired companies disclosed below represent bottlers of Coca-Cola trademarked beverages, such acquired entities were not under common ownership control prior to their acquisition.

4.1.1 Acquisition of Grupo Spaipa

On October 29, 2013, the Company through its Brazilian subsidiary Spal Industria Brasileira de Bebidas, S.A. completed the acquisition of 100% of Grupo Spaipa. Grupo Spaipa is comprised of the bottler entity Spaipa S.A. Industria Brasileira de Bebidas and three Holding Companies (collectively Spaipa) for Ps. 26,856 in an all cash transaction. Spaipa is a bottler of Coca-Cola trademark products which operates mainly in Sao Paulo and Paraná, Brazil. This acquisition was made to reinforce the Company's leadership position in South America and throughout Latin America. Transaction related costs of Ps. 8 were expensed by the Company as incurred, and recorded as a component of administrative expenses in the accompanying consolidated income statements. Spaipa was included in operating results from November 2013.

As of December 31, 2013 the Company is still in the process of completing its purchase price allocation of this transaction. Specifically, it is in the process of evaluating the fair value of the net assets acquired which are in the process of completion with the assistance of a third party valuation expert. The Company ultimately anticipates allocating a large component of this purchase price to the value of the distribution agreement with the Coca-Cola Company, which will be an indefinite life intangible asset.

The Company preliminary estimate of fair value of Spaipa's net assets acquired is as follows:

	2013
Total current assets, including cash acquired of Ps. 3,800	Ps. 5,918
Total non-current assets	5,390
Distribution rights	13,731
Total assets	25,039
Total liabilities	(5,734)
Net assets acquired	19,305
Goodwill	7,551
Total consideration transferred	Ps. 26,856

The Company expects to recover the amount recorded as goodwill through synergies related to the available production capacity. Goodwill has been allocated to the Company's cash generating unit in Brazil. The goodwill recognized and expected to be deductible for income tax purposes according to Brazil tax law, is for an amount of Ps.22,202.

Selected income statement information of Spaipa for the period from to the acquisition date through to December 31, 2013 is as follows:

Income statement	2013
Total revenues	Ps. 2,466
Income before taxes	354
Net income	Ps. 311

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Table of Contents**4.1.2 Acquisition of Companhia Fluminense de Refrigerantes**

On August 22, 2013, the Company through its Brazilian subsidiary Spal Industria Brasileira de Bebidas S.A., completed the acquisition of 100% of Companhia Fluminense de Refrigerantes (Companhia Fluminense) for Ps. 4,657 in an all cash transaction. Companhia Fluminense is a bottler of Coca-Cola trademark products which operates in the states of Minas Gerais, Rio de Janeiro, and Sao Paulo, Brazil. This acquisition was made to reinforce the Company's leadership position in South America and throughout Latin America. Transaction related costs of Ps. 11 were expensed by the Company as incurred, and recorded as a component of administrative expenses in the accompanying consolidated income statements. Companhia Fluminense was included in operating results from September 2013.

As of December 31, 2013 the Company is still in the process of completing its purchase price allocation of this transaction. Specifically, it is in the process of evaluating the fair value of the net assets acquired which are in the process of completion with the assistance of a third party valuation expert. The Company ultimately anticipates allocating a large component of this purchase price to the value of the distribution agreement with the Coca-Cola Company, which will be an indefinite life intangible asset.

The Company preliminary estimate of fair value of Companhia Fluminense's net assets acquired is as follows:

	2013
Total current assets, including cash acquired of Ps. 9	Ps. 515
Total non-current assets	1,467
Distribution rights	2,634
Total assets	4,616
Total liabilities	(1,581)
Net assets acquired	3,035
Goodwill	1,622
Total consideration transferred	Ps. 4,657

The Company expects to recover the amount recorded as goodwill through synergies related to the available production capacity. Goodwill has been allocated to the Company cash generating unit in Brazil. The goodwill recognized is expected to be deductible for income tax purposes according to Brazil tax law is for an amount of Ps.4,581.

Selected income statement information of Companhia Fluminense for the period from the acquisition date through to December 31, 2013 is as follows:

Income statement	2013
Total revenues	Ps. 981
Loss before taxes	(39)
Net loss	Ps. (34)

4.1.3 Merger with Grupo Yoli

On May 24, 2013, the Company completed the merger of 100% of Grupo Yoli. Grupo Yoli comprises the bottler entity Yoli de Acapulco, S.A. de C.V. and nine other entities. Grupo Yoli is a bottler of Coca-Cola trademark products which operates mainly in the state of Guerrero, as well as in parts of the state of Oaxaca in Mexico. This merger was made to reinforce the Company's leadership position in Mexico and throughout Latin America. The transaction involved the issuance of 42,377,925 new L shares of Coca-Cola FEMSA, along with a cash payment immediately prior to closing of Ps. 1,109, in exchange for 100% share ownership of Grupo Yoli, which was accomplished through a merger. The total purchase price was Ps. 9,130 based on a share price of Ps. 189.27 per share on May 24, 2013. Transaction related costs of Ps. 82 were expensed by the Company as incurred, and recorded as a component of administrative expenses in the accompanying consolidated income statements. Grupo Yoli was included in operating results from June 2013.

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The fair value of Grupo Yoli net assets acquired is as follows:

	2013
Total current assets, including cash acquired of Ps. 63	Ps. 837
Total non-current assets	2,144
Distribution rights	3,503
Total assets	6,484
Total liabilities	(1,487)
Net assets acquired	4,997
Goodwill	4,133
Total consideration transferred	Ps. 9,130

The Company expects to recover the amount recorded as goodwill through synergies related to the available production capacity. Goodwill has been allocated to the Company's cash generating unit in Mexico. The entire amount of goodwill will not be tax deductible.

Selected income statement information of Grupo Yoli for the period from to the acquisition date through December 31, 2013 is as follows:

Income statement	2013
Total revenues	Ps. 2,240
Income before taxes	70
Net income	Ps. 44

4.1.4 Merger with Grupo Fomento Queretano

On May 4, 2012, Coca-Cola FEMSA completed the merger of 100% of Grupo Fomento Queretano. Grupo Fomento Queretano comprises the bottler entity Refrescos Victoria del Centro, S. de R.L. de C.V. and three other entities. Grupo Fomento Queretano is a bottler of Coca-Cola trademark products in the state of Queretaro in Mexico. This merger was made to reinforce the Company's leadership position in Mexico and throughout Latin America. The transaction involved the issuance of 45,090,375 new L shares of Coca-Cola FEMSA, along with a cash payment prior to closing of Ps. 1,221, in exchange for 100% share ownership of Grupo Fomento Queretano, which was accomplished through a merger. The total purchase price was Ps. 7,496 based on a share price of Ps. 139.22 per share on May 4, 2012. Transaction related costs of Ps. 12 were expensed by the Company as incurred, and recorded as a component of administrative expenses in the accompanying consolidated statements of income. Grupo Fomento Queretano was included in operating results from May 2012.

The fair value of the Grupo Fomento Queretano's net assets acquired is as follows:	2012
Total current assets, including cash acquired of Ps. 107	Ps. 445
Total non-current assets	2,123

Distribution rights	2,921
Total assets	5,489
Total liabilities	(598)
Net assets acquired	4,891
Goodwill	2,605
Total consideration transferred	Ps. 7,496

The Company expects to recover the amount recorded as goodwill through synergies related to the available production capacity. Goodwill has been allocated to Coca-Cola FEMSA's cash generating unit in Mexico. The entire amount of goodwill will not be tax deductible.

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Selected income statement information of Grupo Fomento Queretano from the acquisition date through to December 31, 2012 is as follows:

Statement of income	2012
Total revenues	Ps. 2,293
Income before taxes	245
Net income	Ps. 186

4.1.5 Acquisition of Grupo CIMSA

On December 9, 2011, the Company completed the merger of 100% of Grupo CIMSA. Grupo CIMSA comprises the bottler entity Grupo Embotellador CIMSA, S.A. de C.V. and four other entities. Grupo CIMSA is a bottler of Coca-Cola trademark products, which operates mainly in the states of Morelos and Mexico, as well as in parts of the states of Guerrero and Michoacan in Mexico. This merger was also made to reinforce the Company's leadership position in Mexico and throughout Latin America. The transaction involved the issuance of 75,423,728 new L shares of Coca-Cola FEMSA along with a cash payment prior to closing of Ps. 2,100 in exchange for 100% share ownership of Grupo CIMSA, which was accomplished through a merger. The total purchase price was Ps. 11,117 based on a share price of Ps. 119.55 per share on December 9, 2011. Transaction related costs of Ps. 24 were expensed by the Company as incurred, and recorded as a component of administrative expenses in the accompanying consolidated statements of income. Grupo CIMSA was included in operating results from December 2011.

The fair value of Grupo CIMSA's net assets acquired is as follows:

	2011
Total current assets, including cash acquired of Ps. 188	Ps. 603
Total non-current assets	3,055
Distribution rights	6,186
Total assets	9,844
Total liabilities	(558)
Net assets acquired	9,286
Goodwill	1,831
Total consideration transferred	Ps. 11,117

The Company expects to recover the amount recorded as goodwill through synergies related to the available production capacity. Goodwill has been allocated to Coca-Cola FEMSA's cash generating unit in Mexico. The entire amount of goodwill will not be tax deductible.

Selected statement of income information of Grupo CIMSA for the one month of December 31, 2011 is as follows:

2011

Total revenues	Ps. 429
Income before taxes	32
Net income	23

4.1.6 Acquisition of Grupo Tampico

On October 10, 2011, the Company completed the merger of 100% of Grupo Tampico. Grupo Tampico comprises the bottler entity Comercializadora la Pureza S.A. de C.V. and another entity. Grupo Tampico is a bottler of Coca-Cola trademark products in the states of Tamaulipas, San Luis Potosí and Veracruz; as well as in parts of the states of Hidalgo, Puebla and Queretaro in Mexico. This merger also was made to reinforce the Company's leadership position in Mexico and throughout Latin America. The transaction involved the issuance of 63,500,000 new L shares of Coca-Cola FEMSA along with a cash payment prior to closing of Ps. 2,436, in exchange for 100% share ownership of Grupo Tampico, which was accomplished through a merger. The total purchase price was Ps. 10,264 based on a share price of Ps. 123.27 per share on October 10, 2011. Transaction related costs of Ps. 20 were expensed by the Company as incurred, and recorded as a component of administrative expenses in the accompanying consolidated statements of income. Grupo Tampico was included in operating results from October 2011.

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The fair value of the Grupo Tampico's net assets acquired is as follows:

	2011
Total current assets, including cash acquired of Ps. 22	Ps. 461
Total non-current assets	2,512
Distribution rights	5,499
Total assets	8,472
Total liabilities	(744)
Net assets acquired	7,728
Goodwill	2,536
Total consideration transferred	Ps. 10,264

The Company expects to recover the amount recorded as goodwill through synergies related to the available production capacity. Goodwill has been allocated to the Company's cash generating unit in Mexico. The entire amount of goodwill will not be tax deductible.

Selected statement of income information of Grupo Tampico for the period from the acquisition date through December 31, 2011 is as follows:

Statement of income	2011
Total revenues	Ps. 1,056
Income before taxes	43
Net income	31

Unaudited Pro Forma Financial Data.

The following unaudited 2013 consolidated pro forma financial data represent the Company's historical financial statements, adjusted to give effect to ⁽ⁱ⁾ the acquisition of Spaipa, Companhia Fluminense and merger of Grupo Yoli, mentioned in the preceding paragraphs as if they occurred on January 1, 2013; and ⁽ⁱⁱ⁾ certain accounting adjustments mainly related to the pro forma depreciation of fixed assets of the acquired companies.

	Unaudited Pro Forma Financial Information for the year ended December 31, 2013
Total revenues	Ps. 168,618
Income before taxes	15,958

Net income	10,357
Earnings per share	4.88

Below are pro-forma 2012 results as if Grupo Fomento Queretano was acquired on January 1, 2012.

	Unaudited Pro Forma Financial Information for the year ended December 31, 2012
Total revenues	Ps. 148,727
Income before taxes	20,080
Net income	13,951
Earnings per share	6.64

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Below are pro-forma results as if Grupo Tampico and Grupo CIMSA were acquired on January 1, 2011.

	Unaudited Pro Forma Financial Information for the year ended December 31, 2011	
Total revenues	Ps.	132,552
Income before taxes		17,866
Net income		12,019
Earnings per share		6.15

Note 5. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and cash equivalents, which are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with a maturity date of less than three months at their acquisition date. Cash at the end of the reporting period consists of the following:

	2013	2012
Cash and bank balances	Ps. 10,542	Ps. 5,520
Cash equivalents (see Note 3.5)	4,764	17,702
	Ps. 15,306	Ps. 23,222

Note 6. Marketable Securities

As of December 31, 2013 and 2012 the marketable securities are classified as available-for-sale. The detail is as follows:

Available-for sale ⁽¹⁾

Debt Securities	2013	2012
Acquisition cost	Ps	Ps. 10
Unrealized gain recognized in other comprehensive income		2
Total marketable securities at fair value	Ps.	Ps. 12

(1) Denominated in U.S. dollars as of December 31, 2012.

For the years ended December 31, 2013, 2012 and 2011, the effect of the marketable securities available for sale in the consolidated income statements under the interest income caption was Ps. , Ps. 4 and Ps. 34, respectively.

Note 7. Accounts Receivable

	2013	2012
Trade receivables	Ps. 7,406	Ps. 6,361
Current trade customer notes receivable	184	377
The Coca-Cola Company (related party) (Note 14)	1,700	1,835
Loans to employees	211	172
Travel advances to employees	47	18
FEMSA and subsidiaries (related parties) (Note 14)	27	379
Other related parties (Note 14)	199	181
Other	583	335
Allowance for doubtful accounts on trade receivables	(399)	(329)
	Ps. 9,958	Ps. 9,329

Table of Contents**7.1 Trade receivables**

Accounts receivable representing rights arising from sales and loans to employees or any other similar concept, are presented net of discounts and the allowance for doubtful accounts.

Coca-Cola FEMSA has accounts receivable from The Coca-Cola Company arising from the latter's participation in advertising and promotional programs and investment in refrigeration equipment and returnable bottles made by Coca-Cola FEMSA.

The carrying value of accounts receivable approximates its fair value as of December 31, 2013 and 2012.

	2013	2012
Aging of past due but not impaired		
60-90 days	Ps. 20	Ps. 174
90-120 days	8	46
120 + days	34	7
Total	Ps. 62	Ps. 227

7.2 Movement in the allowance for doubtful accounts

	2013	2012	2011
Balance at beginning of the year	Ps. 329	Ps. 298	Ps. 223
Allowance for the year	138	280	126
Charges and write-offs of uncollectible accounts	(24)	(221)	(83)
Restatement of beginning balance in hyperinflationary economies and effects of changes in foreign exchange rates	(44)	(28)	32
Balance at end of the year	Ps. 399	Ps. 329	Ps. 298

In determining the recoverability of trade receivables, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

	2013	2012
Aging of impaired trade receivables		
60-90 days	Ps. 67	Ps. 2
90-120 days	11	10
120+ days	321	317
Total	Ps. 399	Ps. 329

7.3 Payments from The Coca-Cola Company:

The Coca-Cola Company participates in certain advertising and promotional programs as well as in the Company's refrigeration equipment and returnable bottles investment program. Contributions received by the Company for advertising and promotional incentives are recognized as a reduction in selling expenses and contributions received for the refrigeration equipment and returnable bottles investment program are recorded as a reduction in the investment in refrigeration equipment and returnable bottles items. For the years ended December 31, 2013, 2012 and 2011 contributions received were Ps.4,206, Ps.3,018 and Ps.2,595, respectively.

Note 8. Inventories

	2013	2012
Finished products	Ps. 2,402	Ps. 2,302
Raw materials	4,295	3,911
Non strategic spare parts	1,232	802
Inventories in transit	946	1,014
Packing materials	92	59
Other	163	15
	Ps. 9,130	Ps. 8,103

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As of December 31, 2013, 2012 and 2011, the Company recognized write-downs of its inventories for Ps. 457, Ps. 95 and Ps. 106 to net realizable value for any periods presented in these consolidated financial statements.

For the years ended at 2013, 2012 and 2011, changes in inventories are comprised as follows and included in the consolidated income statement under the cost of goods sold caption:

	2013	2012	2011
Changes in inventories of finished goods and work in progress	Ps. 9,247	Ps. 9,606	Ps. 10,685
Raw materials and consumables used	49,075	50,363	49,931
Balance at end of the year	Ps. 58,322	Ps. 59,969	Ps. 54,616

Note 9. Other Current Assets and Other Current Financial Assets**9.1 Other Current Assets:**

	2013	2012
Prepaid expenses	Ps. 1,334	Ps. 906
Agreements with customers	148	128
Other	101	1
	Ps. 1,583	Ps. 1,035

Prepaid expenses as of December 31, 2013 and 2012 are as follows:

	2013	2012
Advances for inventories	Ps. 469	Ps. 47
Advertising and promotional expenses paid in advance	141	284
Advances to service suppliers	212	289
Prepaid insurance	28	57
Others	484	229
	Ps. 1,334	Ps. 906

Amortization of advertising and deferred promotional expenses recorded in the consolidated income statements for the years ended December 31, 2013, 2012 and 2011 amounted to Ps. 5,391, Ps. 3,681 and Ps. 4,121, respectively.

9.2 Other Current Financial Assets:

	2013	2012
Restricted cash	Ps. 3,106	Ps. 1,465
Derivative financial instruments (See note 20)	28	58
	Ps. 3,134	Ps. 1,523

The Company has pledged part of its short-term deposits in order to fulfill the collateral requirements for the accounts payable in different currencies. As of December 31, 2013 and 2012, the fair value of the short-term deposit pledged were:

	2013	2012
Venezuelan bolivars	Ps. 2,658	Ps. 1,141
Brazilian reais	340	183
Colombian pesos	108	141
Total restricted cash	Ps. 3,106	Ps. 1,465

Table of Contents**Note 10. Investments in Associates and Joint Ventures**

Details of the investments accounted for under the equity method at the end of the reporting period are as follows:

Investee	Principal Activity	Place of Incorporation	Ownership Percentage		Carrying Amount	
			2013	2012	2013	2012
Joint ventures:						
Compañía de Bebidas Panameñas, S.A.P.I. de C.V.	Beverages	Mexico	50.0%	50.0%	Ps. 892	Ps. 756
Dispensadoras de Café, S.A.P.I. de C.V.	Services	Mexico	50.0%	50.0%	187	167
Estancia Hidromineral Itabirito, LTDA	Bottling and distribution	Brazil	50.0%	50.0%	142	147
Coca-Cola Bottlers Philippines, Inc. (CCBPI)	Bottling	Philippines	51.0%		9,398	
Associates:						
Jugos del Valle S.A.P.I de C.V. (1)	Beverages	Mexico	26.2%	25.1%	1,470	1,351
Holdfab2 Participações Societárias, LTDA (Holdfab2 ⁽¹⁾⁽²⁾)	Beverages	Brazil		27.7%		205
SABB Sistema de Alimentos e Bebidas Do Brasil LTDA (formerly Sucos del Valle do Brasil LTDA) (1) (2)	Beverages	Brazil		19.7%		902
Leao Alimentos e Bebidas, LTDA (1) (2)	Beverages	Brazil	26.1%		2,176	
Industria Envasadora de Querétaro, S.A. de C.V. (IEQSA ⁽¹⁾)	Caned bottling	Mexico	32.8%	27.9%	181	141
Industria Mexicana de Reciclaje, S.A. de C.V. (IMER ⁽¹⁾)	Recycling	Mexico	35.0%	35.0%	90	74
Promotora Industrial Azucarera, S.A. de C.V. (1)	Sugar production	Mexico	36.3%	26.1%	2,034	1,447
KSP Participacoes LTDA (1)	Beverages	Brazil	38.7%	38.7%	85	93
Other Coca-Cola FEMSA	Various	Various	Various	Various	112	69
					Ps. 16,767	Ps. 5,352

Accounting method:

- (1) The Company has significant influence due to the fact that it has power to participate in the financial and operating policy decisions of the investee.
- (2) During March 2013, Holdfab2 Participações Societárias, LTDA and SABB- Sistema de Alimentos e Bebidas Do Brasil, LTDA. were merged into Leao Alimentos e Bebidas, Ltda.

As mentioned in Note 4, on May 24, 2013 and May 4, 2012, Coca-Cola FEMSA completed the acquisition of 100% of Grupo Yoli and Grupo Fomento Queretano, respectively. As part of these acquisitions, the Company increased its equity interest to 36.3% and 26.1% in Promotora Industrial Azucarera, S.A de C.V., respectively. The Company has recorded the incremental interest acquired at its estimated fair value.

During 2013 the Company made capital contributions to Jugos del Valle S.A.P.I. de C.V. in the amount of Ps. 27.

During 2012 the Company made capital contributions to Jugos del Valle S.A.P.I. de C.V in the amount of Ps. 469. The funds were mainly used by Jugos del Valle to acquire Santa Clara in Mexico (a dairy products Company).

On January 25, 2013, the Company finalized the acquisition of 51% of Coca-Cola Bottlers Philippines, Inc. (CCBPI) for an amount of \$688.5 U.S. dollars (Ps. 8,904) in an all-cash transaction. As part of the agreement, the Company obtained a call option to acquire the remaining 49% of CCBPI at any time during the seven years following the closing. The Company also has a put option to sell its 51% ownership to The Coca-Cola Company at any time from the fifth anniversary of the date of acquisition until the sixth anniversary, at a price which is based in part on the fair value of CCBPI at the date of acquisition (See Note 20.7).

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From the date of the investment acquisition through December 31, 2013, the results of CCBPI have been recognized by the Company using the equity method, this is based on the following factors: (i) during the initial four-year period some relevant activities require joint approval between the Company and TCCC; and (ii) potential voting rights to acquire the remaining 49% of CCBPI are not probable to be executed in the foreseeable future due to the fact the call option is out of the money as of December 31, 2013.

Summarized financial information for individually immaterial Company's associates accounted for under the equity method is set out below.

	2013	2012	2011
Total current assets	Ps. 8,232	Ps. 6,958	Ps. 7,038
Total non-current assets	11,750	12,023	9,843
Total current liabilities	4,080	3,363	3,376
Total non-current liabilities	3,575	2,352	2,067
Total revenue	20,889	16,609	16,087
Total cost and expenses	20,581	15,514	14,894
Net income	497	858	1,053

Summarized financial information for individually immaterial Company's joint ventures accounted for under the equity method is set out below.

	2013	2012	2011
Total current assets	Ps. 8,622	Ps. 1,612	Ps. 1,091
Total non-current assets	13,561	2,616	3,097
Total current liabilities	6,547	1,977	2,053
Total non-current liabilities	960	106	140
Total revenue	16,844	2,187	2,095
Total cost and expenses	16,622	2,262	2,093
Net income (loss)	125	(77)	(7)

Table of Contents**Note 11. Property, Plant and Equipment, net**

Cost	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progress	Leasehold Improvements	Other	Total
Cost as of January 1, 2011	Ps. 2,492	Ps. 8,337	Ps. 22,957	Ps. 8,979	Ps. 2,930	Ps. 2,298	Ps. 459	Ps. 613	Ps. 49,065
Additions	1	131	1,188	1,103	1,236	3,510	5	104	7,278
Additions from business combinations	597	1,103	2,309	314	183	202			4,708
Transfer of completed projects in progress	23	271	1,829	421	521	(3,113)	49	(1)	
Transfer to/(from) assets classified as held for sale	111	144	(14)					(67)	174
Disposals	(52)	(4)	(1,939)	(325)	(901)	5	(98)	(160)	(3,474)
Effects of changes in foreign exchange rates	141	408	1,147	536	143	76	10	81	2,542
Changes in value on the recognition of inflation effects	91	497	1,150	268	3	50		11	2,070
Capitalization of borrowing costs			17						17
Cost as of December 31, 2011	Ps. 3,404	Ps. 10,887	Ps. 28,644	Ps. 11,296	Ps. 4,115	Ps. 3,028	Ps. 425	Ps. 581	Ps. 62,380

Cost	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets in Progress	Leasehold Improvements	Other	Total
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Cost as of January 1, 2012	Ps. 3,404	Ps. 10,887	Ps. 28,644	11,296	Ps. 4,115	Ps. 3,028	Ps. 425	Ps. 581	Ps. 62,380
Additions	97	214	2,262	1,544	1,434	3,838	166	186	9,741
Additions from business combinations	206	390	486	84	18				1,184
Adjustments of fair value of past business combinations	57	312	(462)	(39)	(77)		(1)		(210)
Transfer of completed projects in progress	137	210	1,106	901	765	(3,125)	6		
Transfer (to)/from assets classified as held for sale			(27)						(27)
Disposals	(16)	(99)	(847)	(591)	(324)	(14)	(1)	(69)	(1,961)
Effects of changes in foreign exchange rates	(107)	(485)	(1,475)	(451)	(134)	(28)	(58)	(41)	(2,779)
Changes in value on the recognition of inflation effects	85	471	1,138	275	17	(31)		83	2,038
Capitalization of borrowing costs			16						16
Cost as of December 31, 2012	Ps. 3,863	Ps. 11,900	Ps. 30,841	Ps. 13,019	Ps. 5,814	Ps. 3,668	Ps. 537	Ps. 740	Ps. 70,382

Cost	Investments in Fixed Assets in Leasehold								Total
	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Progressive Improvements	Other		
Cost as of January 1, 2013	Ps. 3,863	Ps. 11,900	Ps. 30,841	Ps. 13,019	Ps. 5,814	Ps. 3,668	Ps. 537	Ps. 740	Ps. 70,382
Additions	77	120	1,512	1,445	1,435	5,685		341	10,615
Additions from business combinations	534	2,268	2,414	428	96	614		264	6,618
Transfer of completed projects in progress	389	750	875	1,144	785	(3,991)	48		
Transfer (to)/from assets classified as held for sale			(189)						(189)
Disposals	(1)	(168)	(968)	(749)	(324)	(332)	(12)	(14)	(2,568)
Effects of changes in foreign exchange rates	(250)	(1,331)	(3,588)	(1,135)	(466)	(208)	(99)	(55)	(7,132)
Changes in value on the recognition of inflation effects	228	1,191	2,252	603	46	165		277	4,762
Capitalization of borrowing costs			32						32
Cost as of December 31, 2013	4,840	Ps. 14,730	Ps. 33,181	Ps. 14,755	Ps. 7,386	Ps. 5,601	Ps. 474	Ps. 1,553	Ps. 82,520

Accumulated Depreciation	Investments in Fixed Assets								Total
	Land	Buildings	Machinery and Equipment	Refrigeration Equipment	Returnable Bottles	Progressive Improvements	Other		
Accumulated depreciation as of January 1, 2011	Ps.	Ps. (2,762)	Ps. (11,923)	(5,068)	Ps. (478)	Ps. (190)	Ps. (174)	Ps. (20,595)	
Depreciation for the year		(233)	(1,670)	(1,033)	(853)	(14)	(47)	(3,850)	

Transfer (to)/from assets classified as held for sale	(41)	(3)						(44)
Disposals		1,741	154	335	89	67		2,386
Effects of changes in foreign exchange rates	(169)	(512)	(270)	(35)		(29)		(1,015)
Changes in value on the recognition of inflation effects	(280)	(653)	(202)			(25)		(1,160)
Accumulated depreciation as of December 31, 2011	Ps.	Ps. (3,485)	Ps. (13,020)	Ps. (6,419)	Ps. (1,031)	Ps. (115)	Ps. (208)	Ps. (24,278)

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Accumulated Depreciation	Land	Buildings	Machinery and Refrigeration		Returnable in Leasehold		Investments in Fixed Assets		Other	Total
			Equipment	Equipment	Bottles	Programs	Improvements			
Accumulated depreciation as of January 1, 2012	Ps.	Ps. (3,485)	Ps. (13,020)	(6,419)	Ps. (1,031)	Ps.	Ps. (115)	Ps. (208)	Ps. (24,278)	
Depreciation for the year		(252)	(2,279)	(1,301)	(1,149)		(25)	(72)	(5,078)	
Transfer (to)/from assets classified as held for sale			12					(26)	(14)	
Disposals		138	520	492	200		7	1	1,358	
Effects of changes in foreign exchange rates		200	754	303	(5)		68	(5)	1,315	
Changes in value on the recognition of inflation effects		(288)	(672)	(200)	(3)			(5)	(1,168)	
Accumulated depreciation as of December 31, 2012	Ps.	Ps. (3,687)	Ps. (14,685)	Ps. (7,125)	Ps. (1,988)	Ps.	Ps. (65)	Ps. (315)	Ps. (27,865)	

Accumulated Depreciation	Land	Buildings	Machinery and Refrigeration		Returnable in Leasehold		Investments in Fixed Assets		Other	Total
			Equipment	Equipment	Bottles	Programs	Improvements			
Accumulated depreciation as of January 1, 2013	Ps.	Ps. (3,687)	Ps. (14,685)	Ps. (7,125)	Ps. (1,988)	Ps.	Ps. (65)	Ps. (315)	Ps. (27,865)	
Depreciation for the year		(297)	(2,639)	(1,631)	(1,662)		(46)	(96)	(6,371)	
Transfer (to)/from assets classified as held for sale			88						88	
Disposals		160	953	785	33		12	6	1,949	
Effects of changes in foreign exchange rates		587	2,044	755	143		8	73	3,610	
Changes in value on the recognition of inflation effects		(583)	(993)	(442)	(6)			(122)	(2,146)	
Accumulated depreciation as of December 31, 2013	Ps.	Ps. (3,820)	Ps. (15,232)	Ps. (7,658)	Ps. (3,480)	Ps.	Ps. (91)	Ps. (454)	Ps. (30,735)	

Carrying Amount	Land	Buildings	Machinery and Refrigeration Equipment	Returnable Bottles	Investments in Fixed Assets			Other	Total
					Progressive	Improvements	Leasehold		
As of December 31, 2011	Ps. 3,404	Ps. 7,402	Ps. 15,624	Ps. 4,877	Ps. 3,084	Ps. 3,028	Ps. 310	Ps. 373	Ps. 38,102
As of December 31, 2012	Ps. 3,863	Ps. 8,213	Ps. 16,156	Ps. 5,894	Ps. 3,826	Ps. 3,668	Ps. 472	Ps. 425	Ps. 42,517
As of December 31, 2013	Ps. 4,840	Ps. 10,910	Ps. 17,949	Ps. 7,097	Ps. 3,906	Ps. 5,601	Ps. 383	Ps. 1,099	Ps. 51,785

During the years ended December 31, 2013, 2012 and 2011 the Company capitalized Ps. 32, Ps. 16 and Ps. 17, respectively of borrowing costs in relation to Ps. 790, Ps. 196 and Ps. 256 in qualifying assets. The effective interest rates used to determine the amount of borrowing costs eligible for capitalization were 4.1%, 4.3% and 5.8% respectively.

For the years ended December 31, 2013, 2012 and 2011 interest expenses and net foreign exchange losses (gains) are analyzed as follows:

	2013	2012	2011
Interest expense and foreign exchange, net	Ps. 3,830	Ps. 1,284	Ps. 1,313
Amount capitalized ⁽¹⁾	57	38	185
Net amount in consolidated statements of income	Ps. 3,773	Ps. 1,246	Ps. 1,128

⁽¹⁾ Amount capitalized in property, plant and equipment and amortized intangible assets. Commitments related to acquisitions of property, plant and equipment are disclosed in Note 25.

Table of Contents**Note 12. Intangible Assets**

	Rights to Produce and Distribute Coca-Cola trademark	Goodwill	Other indefinite lived intangible assets	Technology Costs and management Development systems	Other Development systems	Other amortizables	Total
Cost							
Balance as of January 1, 2011	Ps. 41,173	Ps.	Ps. 11	Ps. 1,152	Ps. 1,389	Ps. 87	Ps. 43,812
Purchases			85	196	300	48	629
Acquisition from business combinations	11,878	4,515		66	3		16,462
Transfer of completed development systems				261	(261)		
Effect of movements in exchange rates	1,072			30		7	1,109
Changes in value on the recognition of inflation effects	815						815
Capitalization of borrowing cost				168			168
Cost as of December 31, 2011	Ps. 54,938	Ps. 4,515	Ps. 96	Ps. 1,873	Ps. 1,431	Ps. 142	Ps. 62,995
Cost as of							
Balance as of January 1, 2012	Ps. 54,938	Ps. 4,515	Ps. 96	Ps. 1,873	Ps. 1,431	Ps. 142	Ps. 62,995
Purchases			6	34	90	105	235
Acquisition from business combinations	2,973	2,605					5,578
Changes in fair value of past acquisitions	(42)	(148)					(190)
Internally development					38		38
Transfer of completed development systems				559	(559)		
Effect of movements in exchange rates	(478)			(97)	(3)	(3)	(581)
Changes in value on the recognition of inflation effects	(121)						(121)
Capitalization of borrowing cost					22		22
	Ps. 57,270	Ps. 6,972	Ps. 102	Ps. 2,369	Ps. 1,019	Ps. 244	Ps. 67,976

**Cost as of
December 31, 2012**

Balance as of January 1, 2013	Ps. 57,270	Ps. 6,972	Ps. 102	Ps. 2,369	Ps. 1,019	Ps. 244	Ps. 67,976
Purchases				107	565	82	754
Acquisition from business combinations	19,868	13,306	55	43		17	33,289
Transfer of completed development systems				172	(172)		
Effect of movements in exchange rates	(1,828)	(356)	(10)	(75)		(14)	(2,283)
Changes in value on the recognition of inflation effects	417						417
Capitalization of borrowing cost				25			25

**Cost as of
December 31, 2013**

	Ps. 75,727	Ps. 19,922	Ps. 147	Ps. 2,641	Ps. 1,412	Ps. 329	Ps. 100,178
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Amortization expense

Balances as of January 1, 2011	Ps.	Ps.	Ps.	Ps. (588)	Ps.	Ps. (3)	Ps. (591)
Amortization expense				(187)		(41)	(228)
Disposals				2			2
Effect of movements in exchange rate				(15)			(15)

Balances as of December 31, 2011				(788)		(44)	(832)
Amortization expense				(158)		(60)	(218)
Disposals				25			25
Effect of movements in exchange rate				65		(3)	62

Balances as of December 31, 2012				(856)		(107)	(963)
Amortization expense				(223)		(64)	(287)
Disposals				2			2
Effect of movements in exchange rate				35		9	44

Balances as of December 31, 2013	Ps.	Ps.	Ps.	Ps. (1,042)	Ps.	Ps. (162)	Ps. (1,204)
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Balance as of December 31, 2011	Ps. 54,938	Ps. 4,515	Ps. 96	Ps. 1,085	Ps. 1,431	Ps. 98	Ps. 62,163
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Balance as of December 31, 2012	57,270	6,972	102	1,513	1,019	137	67,013
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Balance as of December 31, 2013	Ps. 75,727	Ps. 19,922	Ps. 147	Ps. 1,599	Ps. 1,412	Ps. 167	Ps. 98,974
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During the years ended December 31, 2013, 2012 and 2011 the Company capitalized Ps. 25, Ps. 22 and Ps. 168, respectively of borrowing costs in relation to Ps.630, Ps. 674 and Ps. 1,761 in qualifying assets. The effective interest rates used to determine the amount of borrowing costs eligible for capitalization were 4.1%, 4.3% and 5.8%.

For the year ended in December 31, 2013, the amortization of intangible assets is recognized in cost of goods sold, selling expenses and administrative expenses and amounted to Ps. 1, Ps. 80 and Ps. 206, respectively.

For the year ended in December 31, 2012, the amortization of intangible assets is recognized in cost of goods sold, selling expenses and administrative expenses and amounted to Ps. 1, Ps. 56 and Ps. 161, respectively.

For the year ended in December 31, 2011, the amortization of intangible assets is recognized in cost of goods sold, selling expenses and administrative expenses and amounted to Ps. 3, Ps. 59 and Ps. 166, respectively.

The Company's intangible assets such as technology costs and management systems are subject to amortization with a range in useful lives from 3 to 10 years.

Table of Contents**Impairment Tests for Cash-Generating Units Containing Goodwill and Distribution Rights**

For the purpose of impairment testing, goodwill and distribution rights are allocated and monitored on an individual country basis, which is considered to be the CGU.

The aggregate carrying amounts of goodwill and distribution rights allocated to each CGU are as follows:

In millions of Ps.	2013	2012
Mexico	Ps. 55,126	Ps. 47,492
Guatemala	303	299
Nicaragua	390	407
Costa Rica	1,134	1,114
Panama	785	781
Colombia	5,895	6,387
Venezuela	3,508	3,236
Brazil	28,405	4,416
Argentina	103	110
Total	Ps. 95,649	Ps. 64,242

Goodwill and distribution rights are tested for impairments annually. The recoverable amounts of the CGUs are based on value-in-use calculations. Value in use was determined by discounting the future cash flows generated from the continuing use of the CGU.

The key assumptions used for the value-in-use calculations are as follows:

Cash flows were projected based on actual operating results and the five-year business plan. Cash flows for a further five-year were forecasted maintaining the same stable growth and margins per country of the last year base. The Company believes that this forecasted period is justified due to the non-current nature of the business and past experiences.

Cash flows after the first ten-year period were extrapolated using a perpetual growth rate equal to the expected annual population growth, in order to calculate the terminal recoverable amount.

A per CGU-specific Weighted Average Cost of Capital (WACC) was applied as a hurdle rate to discount cash flows to get the recoverable amount of the units; the calculation assumes, size premium adjusting.

The key assumptions by CGU for impairment test as of December 31, 2012 were as follows:

CGU	WACC	Real Expected Annual Long-Term Inflation	Expected Volume
------------	-------------	---	------------------------

	2013-2023		Growth Rates 2013-2023
Mexico	5.5%	3.6%	2.8%
Colombia	5.8%	3.0%	6.1%
Venezuela	11.3%	25.8%	2.8%
Costa Rica	7.7%	5.7%	2.8%
Guatemala	8.1%	5.3%	4.0%
Nicaragua	9.5%	6.6%	5.1%
Panama	7.7%	4.6%	3.6%
Argentina	10.7%	10.0%	4.2%
Brazil	5.5%	5.8%	3.8%

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The key assumptions by CGU for impairment test as of December 31, 2013 were as follows:

CGU	WACC Real	Expected Annual Long-Term Inflation 2014-2023	Expected Volume Growth Rates 2014-2023
Mexico	5.1%	3.9%	1.3%
Colombia	6.0%	3.0%	5.0%
Venezuela	10.8%	32.2%	2.5%
Costa Rica	7.2%	5.0%	2.4%
Guatemala	9.7%	5.2%	5.2%
Nicaragua	12.5%	6.3%	4.1%
Panama	7.1%	4.2%	5.7%
Argentina	10.9%	11.1%	3.8%
Brazil	5.9%	6.0%	4.4%

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on both external sources and internal sources (historical data). The Company consistently applied its methodology to determine CGU specific WACC's to perform its annual impairment testing.

Sensitivity to Changes in Assumptions

At December 31, 2013 the Company performed an additional impairment sensitivity calculation, taking into account an adverse change in WACC, according to the country risk premium, using for each country the relative standard deviation between equity and sovereign bonds and an additional sensitivity to the volume of a 100 basis points, except in Mexico and concluded that no impairment would be recorded.

CGU	Change in WACC	Change in Volume Growth CAGR ⁽¹⁾	Effect on Valuation
Mexico	+2.5%	0.25%	Passes by 2.9x
Colombia	+0.9%	1.0%	Passes by 4.6x
Venezuela	+5.5%	1.0%	Passes by 7.4x
Costa Rica	+0.3%	1.0%	Passes by 2.6x
Guatemala	+2.0%	1.0%	Passes by 3.5x
Nicaragua	+4.1%	1.0%	Passes by 1.5x
Panama	+1.8%	1.0%	Passes by 8.4x
Argentina	+3.8%	1.0%	Passes by 78.8x
Brazil	+3.7%	1.0%	Passes by 8.1x

(1) Compound Annual Growth Rate (CAGR)

Note 13. Other non-current assets and other non-current financial assets**13.1 Other Assets:**

	2013	2012
Agreement with customers, net	Ps. 314	Ps. 278
Non-current prepaid advertising expenses	102	78
Guarantee deposits ⁽¹⁾	991	947
Prepaid bonuses	116	117
Advances to acquire property, plant and equipment	866	716
Share based payments	306	306
Other	568	381
	Ps. 3,263	Ps. 2,823

- (1) As it is customary in Brazil, the Company is required to collateralize tax, legal and labor contingencies by guarantee deposits.

Table of Contents**13.2 Other Financial Assets:**

	2013	2012
Non-current accounts receivable to Compañía de Bebidas Panameñas, S.A.P.I. de C.V., due 2021	Ps. 893	Ps. 828
Other non-current financial assets	176	32
Derivative financial instruments	250	65
	Ps. 1,319	Ps. 925

As of December 31, 2013 and 2012, the fair value of long term accounts receivable amounted to Ps. 957 and Ps. 994, respectively. The fair value is calculated based on the discounted value of contractual cash flows whereby the discount rate is estimated using rates currently offered for receivable of similar amounts and maturities, which is considered to be level 2 in the fair value hierarchy.

Note 14. Balances and Transactions with Related Parties and Affiliated Companies

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this Note.

The consolidated statements of financial position and consolidated statements of income include the following balances and transactions with related parties and affiliated companies:

	2013	2012
Balances:		
Assets (current included in accounts receivable)		
Due from FEMSA and Subsidiaries (see Note 7) ^{(1) (4)}	Ps. 27	Ps. 379
Due from The Coca-Cola Company (see Note 7) ^{(1) (4)}	1,700	1,835
Due from Heineken Group ⁽¹⁾	163	141
Other receivables ⁽¹⁾	36	40
Assets (non-current included in other non-current financial assets)		
Compañía de Bebidas Panameñas, S.A.P.I. de C.V. ⁽⁵⁾	893	828
	Ps. 2,819	Ps. 3,223

Liabilities (included in suppliers and other liabilities and loans)	2013	2012
Liabilities (current liabilities)		
Due to FEMSA and Subsidiaries (see Note 7.3) ^{(3) (4)}	Ps. 877	Ps. 1,057
Due to The Coca-Cola Company ^{(3) (4)}	5,562	4,088

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Due to Heineken Group ⁽³⁾	291	235
Banco Nacional de México, S.A. ^{(2) (6)}	1,962	
Grupo Tampico ⁽⁶⁾		7
Compañía de Bebidas Panameñas, S.A.P.I. de C.V. ⁽⁵⁾	2	
Other payables ⁽³⁾	395	429
Liabilities (non-current liabilities)		
BBVA Bancomer, S.A. ^{(2) (6)}	979	981
	Ps. 10,068	Ps. 6,797

- (1) Presented within accounts receivable.
- (2) Recorded within bank loans.
- (3) Recorded within accounts payable.
- (4) Holding
- (5) Joint venture
- (6) Board member

Balances due from related parties are considered to be recoverable. Accordingly, for the years ended December 31, 2013 and 2012, there was no expense resulting from the uncollectibility of balances due from related parties.

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Details of transactions between the Company and other related parties are disclosed as follows:

Transactions	2013	2012	2011
Income:			
Sales to affiliated parties	Ps. 3,271	Ps. 5,111	Ps. 2,186
Interest income received from Compañía de Bebidas Panameñas, S.A.P.I. de C.V.	61	58	40
Interest income received from Grupo Financiero Banamex S.A. de C.V.	34		
Interest income received from BBVA Bancomer S.A. de C.V.	36		
Expenses:			
Purchases and other expenses of FEMSA	5,200	4,484	3,652
Purchases of concentrate from The Coca-Cola Company	22,988	23,886	20,882
Purchases of raw material, beer and operating expenses from Heineken	3,734	2,598	3,343
Advertisement expense paid to The Coca-Cola Company	1,291	1,052	872
Interest expense and fees paid to BBVA Bancomer, S.A. de C.V. ⁽¹⁾	46	51	51
Purchases from Jugos del Valle	1,814	1,577	1,248
Purchase of sugar from Promotora Industrial Azucarera, S.A. de C.V.	956	423	52
Purchase of sugar from Beta San Miguel	1,557	1,439	1,398
Purchase of sugar, cans and aluminum lids from Promotora Mexicana de Embotelladores, S.A. de C.V.	670	711	701
Purchase of canned products from IEQSA	615	483	262
Purchases of raw material and operating expenses from affiliated companies of Grupo Tampico			175
Interest expense paid to Grupo Financiero Banamex, S.A. de C.V. ⁽¹⁾	19		6
Purchase of plastic bottles from Embotelladora del Atlantico, S.A. (formerly Complejo Industrial Pet, S.A.)	124	99	56
Purchases of juice and milk powder from Compañía de Bebidas Panameñas, S.A.P.I. de C.V.			60
Donations to Instituto Tecnológico y de Estudios Superiores de Monterrey, A.C. ⁽¹⁾	69	68	37
Interest expense paid to The Coca-Cola Company	60	24	7
Insurance premiums for policies with Grupo Nacional Provincial, S.A.B. ⁽¹⁾	16	17	20
Other expenses with related parties	44	191	83

(1) One or more members of the Board of Directors or senior management of the Company are also members of the Board of Directors or senior management of the counterparties to these transactions. Also as disclosed in Note 10, during January 2013, the Company purchased its 51% interest in CCBPI from The Coca-Cola Company. The remainder of CCBPI is owned by The Coca Cola Company and the Company has currently outstanding certain call and put options related to CCBPI's equity interests.

The benefits and aggregate compensation paid to executive officers and senior management of the Company were as follows:

	2013	2012	2011
Current employee benefits	Ps. 770	Ps. 635	Ps. 426
Termination benefits	5	13	10
Shared based payments	273	253	331

Table of Contents**Note 15. Balances and Transactions in Foreign Currencies**

Assets, liabilities and transactions denominated in foreign currencies are those realized in a currency different from the functional currency of the Company. As of December 31, 2013, 2012 and 2011, assets, liabilities and transactions denominated in foreign currencies, expressed in Mexican pesos (contractual amounts) are as follows:

Balances	Assets		Liabilities	
	Current	Non-current	Current	Non-current
As of December 31, 2013				
U.S. dollars	3,163	793	5,479	40,852
Euros			36	
As of December 31, 2012				
U.S. dollars	13,379	723	6,304	14,493
Euros			38	

Transactions	Purchases of Interest			Assets	
	Revenue	Raw Materials	Expense	Acquisitions	Other
Year ended December 31, 2013 U.S. dollars	409	13,068	432		731
Year ended December 31, 2012 U.S. dollars	307	10,715	254		870
Year ended December 31, 2011 U.S. dollars	418	8,753	338	226	623

Mexican peso exchange rates in effect at the dates of the consolidated statements of financial position and at the issuance date of the Company's consolidated financial statements were as follows:

	December 31,	December 31,	December 31,	April 11,
	2013	2012	2011	2014
U.S. dollar	13.0765	13.0101	13.9787	XXX

Note 16. Post-Employment and Other Non-current Employee Benefits

The Company has various labor liabilities for employee benefits in connection with pension and retirement plans, seniority premiums and post-employment benefits. Benefits vary depending upon the country where the individual employees are located. Presented below is a discussion of the Company's labor liabilities in Mexico, Brazil and Venezuela, which comprise the substantial majority of those recorded in the consolidated financial statements.

16.1 Assumptions

The Company annually evaluates the reasonableness of the assumptions used in its labor liability for post-employment and other non-current employee benefits computations. Actuarial calculations for pension and retirement plans and seniority premiums, as well as the associated cost for the period, were determined using the following long-term assumptions to non-hyperinflationary most significant countries:

Mexico	2013	2012	2011
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Financial:

Discount rate used to calculate the defined benefit obligation	7.50%	7.10%	7.64%
Salary increase	4.79%	4.79%	4.79%
Future pension increases	3.50%	3.50%	3.50%

Biometric:

Mortality	EMSSA82-89 ⁽¹⁾	EMSSA82-89 ⁽¹⁾	EMSSA82-89 ⁽¹⁾
Disability	IMSS-97 ⁽²⁾	IMSS-97 ⁽²⁾	IMSS-97 ⁽²⁾
Normal retirement age	60 years	60 years	60 years
Rest of employee turnover	BMAR2007 ⁽³⁾	BMAR2007 ⁽³⁾	BMAR2007 ⁽³⁾

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- (1) EMSSA. Mexican Experience of Social Security (for its initials in Spanish)
 (2) IMSS. Mexican Experience of Instituto Mexicano del Seguro Social (for its initials in Spanish)
 (3) BMAR. Actuary experience

Brazil	2013	2012	2011
Financial:			
Discount rate used to calculate the defined benefit obligation	10.70%	9.30%	9.70%
Salary increase	6.80%	5.00%	5.00%
Future pension increases	5.80%	4.00%	4.00%
Biometric:			
Disability	IMSS-97 ⁽¹⁾	IMSS-97 ⁽¹⁾	IMSS-97 ⁽¹⁾
Mortality	UP84 ⁽²⁾	UP84 ⁽²⁾	UP84 ⁽²⁾
Normal retirement age	65 years	65 years	65 years
Rest of employee turnover	Brazil ⁽³⁾	Brazil ⁽³⁾	Brazil ⁽³⁾

- (1) IMSS. Mexican Experience of Instituto Mexicano del Seguro Social (for its initials in Spanish)
 (2) UP84. Unisex mortality table
 (3) Rest of employee turnover based on the experience of the Company's subsidiary in Brazil

Venezuela is a hyper-inflationary economy. The actuarial calculations for post-employment benefit (termination indemnity), as well as the associated cost for the period, were determined using the following long-term which are real assumptions (excluding inflation):

Venezuela	2013	2012
Financial:		
Discount rate used to calculate the defined benefit obligation	1.00%	1.50%
Salary increase	1.50%	1.50%
Biometric:		
Mortality	EMSSA82-89 ⁽¹⁾	EMSSA82-89 ⁽¹⁾
Disability	IMSS-97 ⁽²⁾	IMSS-97 ⁽²⁾
Normal retirement age	65 years	65 years
Rest of employee turnover	BMAR2007 ⁽³⁾	BMAR2007 ⁽³⁾

- (1) EMSSA. Mexican Experience of Social Security (for its initials in Spanish)
 (2) IMSS. Mexican Experience of Instituto Mexicano del Seguro Social (for its initials in Spanish)
 (3) BMAR. Actuary experience

In Mexico the methodology used to determine the discount rate was the Yield or Internal Rate of Return (IRR) which involves a yield curve. In this case, the expected rates of each period were taken from a yield curve of the Mexican Federal Government Treasury Bond (known as CETES in Mexico).

In Brazil the methodology used to determine the discount rate was the Yield or Internal Rate of Return (IRR) which involves a yield curve. In this case, the expected rates of each period were taken from a yield curve of fixed long term

bonds of the Federal Republic of Brazil.

In Venezuela the methodology used to determine the discount rate started with reference to the interest rate bonds of similar denomination issued by the Republic of Venezuela, with subsequent consideration of other economic assumptions appropriate for hyper-inflationary economy. Ultimately, the discount rates disclosed in the table below are calculated in real terms (without inflation).

In Mexico upon retirement, the Company purchases an annuity for senior executives, which will be paid according to the option chosen by the employee.

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Based on these assumptions, the amounts of benefits expected to be paid out in the following years are as follows:

	Pension and Retirement Plans		Seniority Premiums		Post-employment Benefits	
2014	Ps.	254	Ps.	16	Ps.	32
2015		119		14		30
2016		126		15		35
2017		169		16		45
2018		154		17		51
2019 to 2023		1,091		126		445

16.2 Balances of the liabilities for post-employment and other non-current employee benefits

	2013		2012	
Pension and Retirement Plans:				
Vested benefit obligation	Ps.	773	Ps.	800
Non-vested benefit obligation		1,187		849
Accumulated benefit obligation		1,960		1,649
Excess of projected defined benefit obligation over accumulated benefit obligation		706		745
Defined benefit obligation		2,666		2,394
Pension plan funds at fair value		(1,211)		(1,113)
Effect due to asset ceiling		94		105
Net defined benefit liability	Ps.	1,549	Ps.	1,386
Seniority Premiums:				
Vested benefit obligation	Ps.	20	Ps.	13
Non-vested benefit obligation		202		142
Accumulated benefit obligation		222		155
Excess of projected defined benefit obligation over accumulated benefit obligation		131		71
Defined benefit obligation		353		226
Seniority premium plan funds at fair value		(90)		(18)
Net defined benefit liability	Ps.	263	Ps.	208

Post-employment:

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Vested benefit obligation	Ps.	32	Ps.	36
Non-vested benefit obligation		113		79
Accumulated benefit obligation		145		115
Excess of projected defined benefit obligation over accumulated benefit obligation		598		479
Net defined benefit liability	Ps.	743	Ps.	594
Total post-employment and other non-current employee benefits	Ps.	2,555	Ps.	2,188

The net defined benefit liability of the pension and retirement plan includes an asset generated in Brazil (the following information is included in the consolidated information of the tables above), which is as follows:

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	2013	2012
Pension and retirement plans:		
Vested benefit obligation	Ps. 165	Ps. 193
Non-vested benefit obligation	101	73
Accumulated benefit obligation	266	266
Excess of projected defined benefit obligation over accumulated benefit obligation	47	47
Defined benefit obligation	313	313
Pension plan funds at fair value	(498)	(589)
Net defined benefit asset	(185)	(276)
Effect due to asset ceiling	94	105
Net defined benefit asset after asset ceiling	Ps. (91)	Ps. (171)

16.3 Trust assets

Trust assets consist of fixed and variable return financial instruments recorded at market value, which are invested as follows:

Type of instrument	2013	2012
Fixed return:		
Traded securities	20%	10%
Life annuities	5%	4%
Bank instruments	2%	3%
Federal government instruments	48%	60%
Variable return:		
Publicly traded shares	25%	23%
	100%	100%

In Mexico, the regulatory framework for pension plans is established in the Income Tax Law and its Regulations, the Federal Labor Law and the Mexican Social Security Institute Law. None of these laws establish minimum funding levels or a minimum required level of contributions.

In Brazil, the regulatory framework for pension plans is established by the Brazilian Social Security Institute (INSS), which indicates that the contributions must be made by the company and the workers. There are not minimum funding requirements of contributions in Brazil neither contractual nor given.

In Venezuela, the regulatory framework for post-employment benefits is established by the Organic Labor Law for Workers (LOTTT). The organic nature of this law means that its purpose is to defend constitutional rights, and therefore has precedence over other laws.

In Mexico, the Income Tax Law requires that, in the case of private plans, certain notifications must be submitted to the authorities and a certain level of instruments must be invested in the Federal Government, among others.

The Company's various pension plans have a technical committee that is responsible for verifying the correct operation of the plan with regard to the payment of benefits, actuarial valuations of the plan, and the monitoring and supervision of the trust beneficiary. The committee is responsible for determining the investment portfolio and the types of instruments the fund will be invested in. This technical committee is also responsible for reviewing the correct operation of the plan in all of the countries in which the Company has these benefits.

The risks related to the Company's employee benefit plans are primarily attributable to the plan assets. The Company's plan assets are invested in a diversified portfolio, which considers the term of the plan so as to invest in assets whose expected return coincides with the estimated future payments.

Since the Mexican Tax Law limits the plan asset investment to 10% for related parties, this risk is not considered to be significant for purposes of the Company's Mexican subsidiaries.

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In Mexico, the Company's policy is to invest at least 30% of the fund assets in Mexican Federal Government instruments. Guidelines for the target portfolio have been established for the remaining percentage and investment decisions are made to comply with these guidelines insofar as the market conditions and available funds allow.

In Brazil, the investment target is to obtain the consumer price index (inflation), plus six percent. Investment decisions are made to comply with this guideline insofar as the market conditions and available funds allow.

On May 7, 2012, the President of Venezuela amended the Organic Law for Workers (LOTTT), which establishes a minimum level of social welfare benefits to which workers have a right when their labor relationship terminates with or without cause. This benefit is computed based on the last salary received by the worker and retroactive to June 19, 1997 for any employee who joined the Company prior to that date. For employees who joined the Company after June 19, 1997, the benefit is computed based on the date on which the employee joined the Company. An actuarial computation must be performed using the projected unit credit method to determine the amount of the labor obligations that arise. As a result of the initial calculation, there was an amount of Ps. 381 to other expenses caption in the consolidated statement of income reflecting past service costs during the year ended December 31, 2012 (See Note 19).

In Mexico, the amounts and types of securities of the Company in related parties included in plan assets are as follows:

	2013	2012
Mexico		
Portfolio:		
Debt:		
Grupo Televisa, S.A.B. de C.V.	Ps. 3	Ps. 3
Grupo Financiero Banorte, S.A.B. de C.V.		8
Grupo Industrial Bimbo, S.A.B. de C. V.	3	3
Grupo Financiero Banamex, S.A.B. de C.V.	22	21
El Puerto de Liverpool, S.A.B. de C.V.	5	5
Teléfonos de México, S.A. de C.V.	4	
Capital:		
Fomento Económico Mexicano, S.A.B de C.V.	11	1
Coca-Cola FEMSA, S.A.B. de C. V.	19	8
Grupo Televisa, S.A.B. de C.V.	3	10
Grupo Aeroportuario del Sureste, S.A.B. de C.V.	1	8
Alfa, S.A.B. de C.V.	4	5
Grupo Industrial Bimbo, S.A.B. de C.V.	1	

In Brazil, the amounts and types of securities of the Company included in plan assets are as follows:

	2013	2012
Brazil		
Portfolio:		
Debt:		
HSBC - Sociedad de inversión Actuarial INPC (Brazil)	Ps. 383	Ps. 485

Capital:

HSBC - Sociedad de inversión Actuarial INPC (Brazil)	114	104
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During the years ended December 31, 2013 and 2012, the Company did not make significant contributions to the plan assets and does not expect to make material contributions to the plan assets during the following fiscal year.

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Table of Contents**16.4 Amounts recognized in the consolidated income statements and the consolidated statements of comprehensive income**

	Income statement			OCI	
	Current Service Cost	Past Service Cost	Gain or Loss on Settlement	Net Interest of the Net Defined Benefit Liability	Remeasurements of the Net Defined Benefit Liability net of taxes
2013					
Pension and retirement plans	Ps. 139	Ps. 8	Ps. (7)	Ps. 90	Ps. 178
Seniority premiums	28			15	25
Post-employment	48			67	205
Total	Ps. 215	Ps. 8	Ps. (7)	Ps. 172	Ps. 408

	Income statement			OCI	
	Current Service Cost	Past Service Cost	Gain or Loss on Settlement	Net Interest of the Net Defined Benefit Liability	Remeasurements of the Net Defined Benefit Liability net of taxes
2012					
Pension and retirement plans	Ps. 119	Ps.	Ps.	Ps. 71	Ps. 174
Seniority premiums	22			11	18
Post-employment	49	381		63	71
Total	Ps. 190	Ps. 381	Ps.	Ps. 145	Ps. 263

	Income statement			OCI	
	Current Service Cost	Past Service Cost	Gain or Loss on Settlement	Net Interest of the Net Defined Benefit Liability	Remeasurements of the Net Defined Benefit Liability net of taxes
2011					
Pension and retirement plans	Ps. 103	Ps.	Ps.	Ps. 82	Ps. 139
Seniority premiums	15			8	(1)
Total	Ps. 118	Ps.	Ps.	Ps. 90	Ps. 138

For the years ended December 31, 2013, 2012 and 2011, of service cost of Ps. 215, Ps. 190 and Ps. 118 has been included in the consolidated statements of income as cost of goods sold, administration and selling expenses.

Remeasurements of the net defined benefit liability recognized in other comprehensive income are as follows (amounts are net of tax):

	2013	2012	2011
Amount accumulated in other comprehensive income as of the beginning of the periods	Ps. 263	Ps 138	Ps 132
Recognized during the year (obligation liability and plan assets)	180	99	67
Actuarial gains and losses arising from changes in financial assumptions	(19)	48	
Changes in the effect of limiting a net defined benefit asset to the asset ceiling		(9)	(60)
Foreign exchange rate valuation (gain)	(16)	(13)	(1)
Amount accumulated in other comprehensive income as of the end of the period, net of tax	Ps. 408	Ps . 263	Ps . 138

Remeasurements of the net defined benefit liability include the following:

The return on plan assets, excluding amounts included in interest expense.

Actuarial gains and losses arising from changes in demographic assumptions.

Actuarial gains and losses arising from changes in financial assumptions.

Changes in the effect of limiting a net defined benefit asset to the asset ceiling, excluding amounts included in interest expense.

Table of Contents**16.5 Changes in the balance of the defined benefit obligation for post-employment and other non-current employee benefits**

	2013	2012	2011
Pension and Retirement Plans:			
Initial balance	Ps. 2,394	Ps. 2,160	Ps. 1,636
Current service cost	139	119	103
Gain or loss on settlement	(7)		
Interest expense	171	159	139
Actuarial gains or losses	(73)	81	60
Foreign exchange (gain) loss	(55)	(69)	49
Benefits paid	(85)	(87)	(77)
Amendments	8		
Acquisitions	174	31	250
	Ps. 2,666	Ps. 2,394	Ps. 2,160
Seniority Premiums:			
Initial balance	226	167	95
Current service cost	28	22	15
Interest expense	19	11	8
Actuarial gains or losses	7	24	(2)
Benefits paid	(26)	(12)	(11)
Acquisitions	99	14	62
	353	226	167
Post-employment:			
Initial balance	Ps. 594	Ps.	Ps.
Current service cost	48	49	
Interest expense	67	63	
Actuarial gains or losses	237	108	
Foreign exchange gain	(187)	(1)	
Benefits paid	(16)	(6)	
Past service cost		381	
	Ps. 743	Ps. 594	Ps.

16.6 Changes in the balance of trust assets

	2013	2012	2011
Pension and retirement plans:			

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Balance at beginning of year	Ps. 1,113	Ps. 1,068	Ps. 774
Actual return on trust assets	8	100	40
Foreign exchange (gain) loss	(73)	(91)	5
Life annuities	18		32
Benefits paid		(12)	(12)
Amendments	16		
Acquisitions	129	48	229
Balance at end of year	Ps. 1,211	Ps. 1,113	Ps. 1,068

Seniority premiums

Balance at beginning of year	Ps. 18	Ps. 19	Ps.
Actual return on trust assets		(1)	(1)
Acquisitions	72		20
Balance at end of year	Ps. 90	Ps. 18	Ps. 19

As a result of the Company's investments in life annuities plan, management does not expect the Company will need to make material contributions to the trust assets in order to meet its future obligations.

Table of Contents**16.7 Variation in assumptions**

The Company decided that the relevant actuarial assumptions that are subject to sensitivity and valuated through the projected unit credit method, are the discount rate and the salary increase rate. The reasons for choosing these assumptions are as follows:

Discount rate: The rate that determines the value of the obligations over time.

Salary increase rate: The rate that considers the salary increase which implies an increase in the benefit payable. The following table presents the impact in absolute terms of a variation of 0.5% on the net defined benefit liability associated with the Company's defined benefit plans. The sensibility of this 0.5% on the significant actuarial assumptions is based on a projected long-term discount rates to Mexico and a yield curve projections of long-term sovereign bonds:

+0.5%:

	Income Statement			OCI	
	Gain	Loss	Gain	Loss	OCI
	or Net	on the	or Net	on the	of the
	Benefit	Net Defined	Benefit	Net Defined	Benefit
	Liability	Benefit	Liability	Benefit	Liability
	Liability	Liability	Liability	Liability	Liability
Discount rate used to calculate the defined benefit obligation and the net interest on the net defined benefit liability (asset)	Current Service Cost	Past Service Cost	Settlement	Net Defined Benefit Liability	OCI
Pension and retirement plans	Ps. 131	Ps. (8)	Ps. (7)	Ps. 74	Ps. 35
Seniority premiums	27			15	18
Post-employment	44			64	253
Total	Ps. 202	Ps. (8)	Ps. (7)	Ps. 153	Ps. 306

	Remeasurements			Remeasurements	
	Gain or	Net Interest on	Gain or	Net Interest on	of the Net
	Loss on	the Net Defined	Loss on	the Net Defined	of the Net
	Settlement	Benefit Liability	Settlement	Benefit Liability	of the Net
	Benefit Liability	Liability	Benefit Liability	Liability	of the Net
	Liability	Liability	Liability	Liability	of the Net
Expected salary increase	Current Service Cost	Past Service Cost	Gain or Loss on Settlement	Net Interest on the Net Defined Benefit Liability	Remeasurements of the Net Defined Benefit Liability
Pension and retirement plans	Ps. 148	Ps. (8)	Ps. (7)	Ps. 88	Ps. 270
Seniority premiums	30		(1)	16	54
Post-employment	56			76	411
Total	Ps. 234	Ps. (8)	(8)	Ps. 180	Ps. 735

-0.5%:

	Current Service Cost	Past Service Cost	Gain or Loss on Settlement	Net Interest on the Net Defined Benefit Liability	Remeasurements of the Net Defined Benefit Liability
Discount rate used to calculate the defined benefit obligation and the net interest on the net defined benefit liability (asset)	Current Service Cost	Past Service Cost	Gain or Loss on Settlement	Net Interest on the Net Defined Benefit Liability	Remeasurements of the Net Defined Benefit Liability

	Loss on Settlement					Benefit Liability Net of Defined Benefit Liability	
Pension and retirement plans	Ps. 147	Ps. (8)	Ps. (7)	Ps. 85	Ps. 326		
Seniority premiums	30		(1)	14	59		
Post-employment	52			72	382		
Total	Ps. 229	Ps. (8)	Ps. (8)	Ps. 171	Ps. 767		

	Current Service Cost			Past Service Cost		Gain or Loss on Settlement		Net Interest on the Net Defined Benefit Liability		Remeasurements of the Net Defined Benefit Liability	
Expected salary increase											
Pension and retirement plans	Ps. 133			Ps. (9)		Ps. (7)	Ps. 73		Ps. 48		
Seniority premiums	27						14		22		
Post-employment	42						57		231		
Total	Ps. 202			Ps. (9)		Ps. (7)	Ps. 144		Ps. 301		

Table of Contents**16.8 Employee benefits expense**

For the years ended December 31, 2013, 2012 and 2011, employee benefits expenses recognized in the consolidated income statements are as follows:

	2013	2012	2011
Included in cost of goods sold:			
Wages and salaries	Ps. 5,978	Ps. 4,590	Ps. 3,733
Social security costs	837	603	475
Employee profit sharing	399	323	246
Pension and seniority premium costs (Note 16.4)	51	43	35
Share-based payment expense (Note 17.2)	3	7	2
Included in selling and distribution expenses:			
Wages and salaries	12,878	8,417	7,783
Social security costs	2,416	1,210	1,018
Employee profit sharing	1,181	1,015	751
Pension and seniority premium costs (Note 16.4)	56	47	27
Share-based payment expense (Note 17.2)	6	9	4
Included in administrative expenses:			
Wages and salaries	3,939	5,877	5,033
Social security costs	504	462	436
Employee profit sharing	81	76	62
Pension and seniority premium costs (Note 16.4)	60	51	56
Post-employment benefits other (Note 16.4)	48	49	
Share-based payment expense (Note 17.2)	184	165	115
Included in other expenses:			
Post-employment (Note 16)		381	
Total employee benefits expense	Ps. 28,621	Ps. 23,325	Ps. 19,776

Note 17. Bonus Programs**17.1 Quantitative and qualitative objectives**

The bonus program for executives is based on achieving certain goals established annually by management, which include quantitative and qualitative objectives and special projects.

The quantitative objectives represent approximately 50% of the bonus, and are based on the Economic Value Added (EVA) methodology. The objective established for the executives at each entity is based on a combination of the EVA generated per entity and by our Company and the EVA generated by our parent Company (FEMSA). The qualitative objectives and special projects represent the remaining 50% of the annual bonus and are based on the critical success factors established at the beginning of the year for each executive.

The bonus amount is determined based on each eligible participant's level of responsibility and based on the EVA generated by the applicable business unit the employee works for. This formula is established by considering the level of responsibility within the organization, the employee's evaluation and competitive compensation in the market.

The incentive plan target is expressed in months of salary, and the final amount payable is computed based on a percentage of achievement of the goals established every year. The bonuses are recorded as a part of the income statement and are paid in cash the following year. During the years ended December 31, 2013, 2012 and 2011 the bonus expense recorded amounted to Ps. 533, Ps. 375 and Ps. 599, respectively.

17.2 Share-based payment bonus plan

The Company has a stock incentive plan for the benefit of its senior executives. This plan uses as its main evaluation metric the Economic Value Added, or EVA. Under the EVA stock incentive plan, eligible employees are entitled to receive a special annual bonus (fixed amount), to purchase FEMSA and Coca-Cola FEMSA shares or options, based on the executive's responsibility in the organization, their business EVA result achieved, and their individual performance. The acquired shares or options are deposited in a trust, and the executives may access them one year after they are vested at 20% per year. The 50% of Coca-Cola FEMSA's annual executive bonus is

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to be used to purchase FEMSA shares or options and the remaining 50% to purchase Coca-Cola FEMSA shares or options. As of December 31, 2013, 2012 and 2011, no stock options have been granted to employees.

The special bonus is granted to the eligible employee on an annual basis and after withholding applicable taxes. The Company contributes the individual employee's special bonus (after taxes) in cash to the Administrative Trust (which is controlled and consolidated by FEMSA), which then uses the funds to purchase FEMSA and Coca-Cola FEMSA shares (as instructed by the Corporate Practices Committee), which are then allocated to such employee.

Coca-Cola FEMSA accounts for its share-based payment bonus plan as an equity-settled share based payment transaction, since it is its parent company, FEMSA, who ultimately grants and settles with shares these obligations due to executives.

At December 31, 2013, 2012 and 2011, the shares granted under the Company's executive incentive plans are as follows:

Incentive Plan	Number of shares		Vesting period
	FEMSA	KOF	
2006	169,445	497,075	2007-2011
2007	290,880	819,430	2008-2012
2008	1,901,108	1,267,490	2009-2013
2009	1,888,680	1,340,790	2010-2014
2010	1,456,065	1,037,610	2011-2015
2011	968,440	656,400	2012-2016
2012	956,685	741,245	2013-2017
2013	539,020	370,200	2014-2018
Total	8,170,323	6,730,240	

For the years ended December 31, 2013, 2012 and 2011, the total expense recognized for the period arising from share-based payment transactions, using the grant date model, was of Ps. 193, Ps.181 and Ps.122, respectively.

As of December 31, 2013 and 2012, the asset recorded by Coca-Cola FEMSA in its consolidated statements of financial position amounted to Ps. 306 and Ps. 306, respectively, see Note 13.

Table of Contents**Note 18. Bank Loans and Notes Payables**

	At December 31, 2013						Carrying Value	Fair Value at	Carrying Value
(millions of Mexican pesos)	2014	2015	2016	2017	2018	2019 and Thereafter	December 31, 2013	December 31, 2013	December 31, 2012
Short-term debt:									
Fixed rate debt:									
Argentine pesos									
Bank loans	Ps. 495	Ps. 495	Ps. 495	Ps. 495	Ps. 495	Ps. 495	Ps. 495	Ps. 489	Ps. 291
Interest rate	25.4%	25.4%	25.4%	25.4%	25.4%	25.4%	25.4%	25.4%	19.2%
Variable rate debt:									
U.S. dollars									
Bank loans									3,903
Interest rate									0.6%
Total short-term debt	Ps. 495						495	489	4,194
Long-term debt:									
Fixed rate debt:									
Argentine pesos									
Bank loans	259	71	28				358	327	529
Interest rate	21.8%	16.8%	15.3%				20.3%	20.3%	19.9%
Brazilian reais									
Bank loans	8	15	16	16	15	41	111	85	65
Interest rate	4.3%	3.5%	3.5%	3.5%	3.5%	3.1%	3.4%	3.4%	4.5%
Capital leases	238	214	184	157	84	82	959	811	11
Interest rate	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.5%

U.S. dollars										
Senior notes					13,022	21,250	34,272	35,327	6,458	
Interest rate					2.4%	4.4%	3.7%	3.7%	4.6%	
Bank loans		97	26				123	125		
Interest rate		3.8%	3.8%				3.8%	3.8%		
Mexican pesos										
Domestic bonds						9,987	9,987	9,427	2,495	
Interest rate						6.2%	6.2%	6.2%	8.3%	
Total		602	326	228	173	13,121	31,360	45,810	46,102	9,558

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	At December 31, 2013						Carrying Value	Fair Value at
(in millions of Mexican pesos)	2014	2015	2016	2017	2018	2019 and Thereafter	December 31, 2013	December 31, 2013
Total debt:			1,566		4,277		5,843	5,897
			1.1%		0.8%		0.9%	0.9%
Bank loans			2,517				2,517	2,500
			3.9%				3.9%	3.9%
Notes payable	1,368	2,764					4,132	4,205
	4.0%	4.0%					4.0%	4.0%
Accounts payable	180						180	179
	25.7%						25.7%	25.7%
Other liabilities	28						28	28
	9.8%						9.8%	9.8%
Other debt	913	543					1,456	1,451
	5.6%	5.6%					5.6%	5.6%
Total debt	2,489	3,307	4,083		4,277		14,156	14,260
Portion of long term debt	3,091	3,633	4,311	173	17,398	31,360	59,966	60,362
	3,091						3,091	
Total debt	Ps.	Ps. 3,633	Ps. 4,311	Ps. 173	Ps. 17,398	Ps. 31,360	Ps. 56,875	Ps. 60,362

(1) All interest rates shown in this table are weighted average contractual annual rates.

For the years ended December 31, 2013, 2012 and 2011, the interest expense related to the bank loans and notes payable is comprised as follows and included in the consolidated income statement under the interest expense caption:

	2013	2012	2011
Interest on debts and borrowings	Ps. 2,397	Ps. 1,603	Ps. 1,497
Finance charges payable under finance leases	5	21	13
	Ps. 2,402	Ps. 1,624	Ps. 1,510

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Coca-Cola FEMSA has the following bonds: a) registered with the Mexican stock exchange: i) Ps. 2,500 (nominal amount) with a maturity date in 2016 and a variable interest rate, ii) Ps. 2,500 (nominal amount) with a maturity date in 2021 and fixed interest rate of 8.3% and iii) Ps. 7,500 (nominal amount) with a maturity date in 2023 and fixed interest rate of 5.5%; b) registered with the SEC : i) Senior notes of US. \$500 with interest at a fixed rate of 4.6% and maturity date on February 15, 2020, ii) Senior notes of US. \$1,000 with interest at a fixed rate of 2.4% and maturity date on November 26, 2018, iii) Senior notes of US. \$750 with interest at a fixed rate of 3.9% and maturity date on November 26, 2023 and iv) Senior notes of US. \$400 with interest at a fixed rate of 5.3% and maturity date on November 26, 2043 which are guaranteed by its subsidiaries: Propimex, S. de R.L. de C.V., Comercializadora La Pura de Bebidas, S. de R.L. de C.V., Controladora Interamericana de Bebidas, S. de R.L. de C.V., Grupo Embotellador Cimsa, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V., Servicios Integrados Inmuebles del Golfo, S. de R.L. de C.V. and Yoli de Acapulco, S.A. de C.V. (Guarantors). Presented in Note 28 is supplemental subsidiary guarantor consolidating financial information.

During 2013, Coca-Cola FEMSA contracted and prepaid in part the following Bank loans denominated in U.S. million dollars: i) \$500 (nominal amount) with a maturity date in 2016 and variable interest rate and prepaid \$380 (nominal amount) in November 2013, the outstanding amount of this loan is \$120 (nominal amount) and ii) \$1,500 (nominal amount) with a maturity date in 2018 and variable interest rate and prepaid \$1,170 (nominal amount) in November 2013, the outstanding amount of this loan is \$330 (nominal amount). In December 2013, Coca-Cola FEMSA prepaid in full outstanding Bank loans denominated in U.S. million dollars for a total amount of \$600 (nominal amount).

The Company has financing from different financial institutions under agreements that stipulate different restrictions and covenants, which mainly consist of maximum levels of leverage and capitalization as well as minimum consolidated net worth and debt and interest coverage ratios. As of the date of these consolidated financial statements, the Company was in compliance with all restrictions and covenants contained in its financing agreements.

In November, 2013, the Company issued U.S.\$1,000 in aggregate principal amount of 2.375% Senior Notes due 2018, U.S.\$750 in aggregate principal amount of 3.875% Senior Notes due 2023 and U.S.\$400 in aggregate principal amount of 5.250% Senior Notes due 2043, in a SEC registered offering. These notes are guaranteed by the Guarantors Subsidiaries.

Note 19. Other Income and Expenses

	2013	2012	2011
Other income:			
Gain on sale of long-lived assets	Ps. 194	Ps. 293	Ps. 376
Cancellation of contingencies	114	76	72
Other	170	176	237
	Ps. 478	Ps. 545	Ps. 685
Other expenses:			
Provisions for contingencies from past acquisitions	Ps. 201	Ps. 157	Ps. 175
Loss on the retirement of long-lived assets	39	14	625
Loss on sale of long-lived assets	167	194	411

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Other taxes from Colombia		5	180
Severance payments	190	342	236
Donations	103	148	120
Effect of new labor law in Venezuela (LOTTT) (See Note 16)		381	
Other	401	256	313
	Ps. 1,101	Ps. 1,497	Ps. 2,060

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Table of Contents**Note 20. Financial Instruments****Fair Value of Financial Instruments**

The Company uses a three-level fair value hierarchy to prioritize the inputs used to measure the fair value of its financial instruments. The three input levels are described as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The Company measures the fair value of its financial assets and liabilities classified as level 1 and 2, applying the income approach method, which estimates the fair value based on expected cash flows discounted to net present value. The following table summarizes the Company's financial assets and liabilities measured at fair value, as of December 31, 2013 and as of December 31, 2012:

	2013		2012	
	Level 1	Level 2	Level 1	Level 2
Derivative financial instruments (asset)	Ps. 2	Ps. 276	Ps. 200	Ps. 123
Derivative financial instruments (liability)	272	1,153	200	208
Trust assets of labor obligations	1,301		1,131	
Marketable securities			12	

20.1 Total debt

The fair value of bank and syndicated loans is calculated based on the discounted value of contractual cash flows whereby the discount rate is estimated using rates currently offered for debt of similar amounts and maturities, which is considered to be level 2 in the fair value hierarchy. The fair value of the Company's publicly traded debt is based on quoted market prices as of December 31, 2013 and 2012, which is considered to be level 1 in the fair value hierarchy (See Note 18).

20.2 Interest rate swaps

The Company uses interest rate swaps to offset the interest rate risk associated with its borrowings, pursuant to which it pays amounts based on a fixed rate and receives amounts based on a floating rate. These instruments have been designated as cash flow hedges and are recognized in the consolidated statement of financial position at their estimated fair value. The fair value is estimated using market prices that would apply to terminate the contracts at the end of the period. Changes in fair value are recorded in cumulative other comprehensive income until such time as the

hedged amount is recorded in the consolidated income statements.

At December 31, 2013, the Company has the following outstanding interest rate swap agreements:

Maturity Date	Notional Amount	Fair Value (Liability) Dec. 31, 2013
2014	Ps. 575	Ps. (18)
2015	1,963	(122)

At December 31, 2012, the Company has the following outstanding interest rate swap agreements:

Maturity Date	Notional Amount	Fair Value (Liability) Asset Dec 31, 2012
2013	Ps. 1,287	Ps. (8) Ps. 5
2014	575	(33) 2
2015	1,963	(160) 5

The net effect of expired contracts treated as hedges are recognized as interest expense within the consolidated income statements.

Table of Contents**20.3 Forward agreements to purchase foreign currency**

The Company has entered into forward agreements to reduce its exposure to the risk of exchange rate fluctuations between the Mexican peso and other currencies.

These instruments have been designated as cash flow hedges and are recognized in the consolidated statement of financial position at their estimated fair value which is determined based on prevailing market exchange rates to terminate the contracts at the end of the period. Changes in the fair value of these forwards are recorded as part of cumulative other comprehensive income. Net gain/loss on expired contracts is recognized as part of foreign exchange or cost of goods sold, depending on the nature of the hedge in the consolidated income statements.

Net changes in the fair value of forward agreements that do not meet hedging criteria for hedge accounting are recorded in the consolidated income statements under the caption market value gain/(loss) on financial instruments.

At December 31, 2013, the Company had the following outstanding forward agreements to purchase foreign currency:

Maturity Date	Notional Amount	Fair Value Asset Dec. 31, 2013
2014	Ps. 1,518	Ps. 28

At December 31, 2012, the Company had the following outstanding forward agreements to purchase foreign currency:

Maturity Date	Notional Amount	Fair Value Asset Dec. 31, 2012
2013	Ps. 1,118	Ps. 11

20.4 Options to purchase foreign currency

The Company has executed collar strategies to reduce its exposure to the risk of exchange rate fluctuations. A collar is a strategy that limits the exposure to the risk of exchange rate fluctuations in a similar way as a forward agreement.

These instruments have been designated as cash flow hedges and are recognized in the consolidated statement of financial position at their estimated fair value which is determined based on prevailing market exchange rates to terminate the contracts at the end of the period. Changes in the fair value of these options, corresponding to the intrinsic value, are initially recorded as part of cumulative other comprehensive income. Changes in the fair value, corresponding to the extrinsic value, are recorded in the consolidated income statements under the caption market value gain/ (loss) on financial instruments, as part of the consolidated net income. Net gain/(loss) on expired contracts including the net premium paid, is recognized as part of cost of goods sold when the hedged item is recorded in the consolidated income statements.

At December 31, 2013, the Company had no outstanding collars to purchase foreign currency.

At December 31, 2012, the Company had the following outstanding collars to purchase foreign currency (composed of a call and a put option with different strike levels with the same notional amount and maturity):

Maturity Date	Notional Amount	Fair Value Asset Dec. 31, 2012
2013	Ps. 982	Ps. 47

20.5 Cross-currency swaps

The Company has contracted a number of cross-currency swaps to reduce its exposure to risks of exchange rate and interest rate fluctuations associated with its borrowings denominated in U.S. dollars. The estimated fair value is estimated using market prices that would apply to terminate the contracts at the end of the period. The fair value changes related to exchange rate fluctuations of the notional of those cross currency swaps and the accrued interest are recorded in the consolidated income statements. The remaining portion of the fair value changes, when designated as *Cash Flow Hedges*, are recorded in the consolidated balance sheet in cumulative other comprehensive income. If they are designated as *Fair Value Hedges* the changes in this remaining portion are recorded in the income statements as market value (gain) loss on financial instruments.

The Company has certain cross-currency swaps that do not meet the criteria for hedge accounting purposes. Consequently, changes in the

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estimated fair value were recorded in the income statements as market value (gain) loss on financial instruments .

At December 31, 2013, the Company had the following outstanding cross currency swap agreements designated as *Cash Flow Hedges*:

Maturity Date	Notional Amount	Fair Value	
		(Liability)	Asset
2014	Ps. 1,308	Ps.	Ps. 13
2018	18,046	(981)	

At December 31, 2013, the Company had the following outstanding cross currency swap agreements designated as *Fair Value Hedges*:

Maturity Date	Notional Amount	Fair Value	
		Asset	Asset
2014	Ps. 50	Ps.	5
2015	83		11
2018	5,884		156

At December 31, 2013, the Company had the following outstanding cross currency swap agreements that do not meet the criteria for hedge accounting.

Maturity Date	Notional Amount	Fair Value	
		Asset	Asset
2014	Ps. 2,615	Ps.	63

At December 31, 2012, the Company had the following outstanding cross currency swap agreements designated as *Cash Flow Hedges*:

Maturity Date	Notional Amount	Fair Value	
		(Liability)	Asset
2014	Ps. 2,553	Ps. (7)	Ps. 53

20.6 Commodity price contracts

The Company has entered into various commodity price contracts to reduce its exposure to the risk of fluctuation in the costs of certain raw material. The fair value is estimated based on the market valuations to terminate the contracts at the end of the period. These instruments are designated as *Cash Flow Hedges* and the changes in their fair value are recorded as part of cumulative other comprehensive income .

The fair value of expired or sold commodity contracts are recorded in cost of goods sold with the hedged items.

At December 31, 2013, the Company had the following sugar contracts:

Maturity Date	Notional Amount	Fair Value (Liability) Dec 31, 2013	Asset
2014	Ps. 1,183	Ps. (246)	Ps.
2015	730	(48)	
2016	103		2

At December 31, 2013, the Company had the following aluminum contracts:

Maturity Date	Notional Amount	Fair Value (Liability) Dec. 31, 2013
2014	Ps. 205	Ps. (10)

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At December 31, 2012, the Company had the following sugar price contracts:

Maturity Date	Notional Amount	Fair Value (Liability) Dec. 31, 2012
2013	Ps. 1,567	Ps. (151)
2014	856	(34)
2015	213	(10)

At December 31, 2012, the Company had the following aluminum price contracts:

Maturity Date	Notional Amount	Fair Value (Liability) Dec. 31, 2012
2013	Ps. 335	Ps. (5)

20.7 Derivative financial Instruments for CCBPI acquisition:

The Company's call option related to the remaining 49% ownership interest in CCBPI is recorded at fair value in its financial statements using a Level 3 concept. The call option had an estimated fair value of approximately Ps. 859 million at inception of the option, and approximately Ps. 799 million as of December 31, 2013, with the change during that period being recorded through the income statement. Significant observable inputs into that Level 3 estimate include the call option's expected term (7 years at inception), risk free rate as expected return (LIBOR), implied volatility at inception (19.77%) and the underlying enterprise value of the CCBPI. The enterprise value of CCBPI for the purpose of this estimate was based on CCBPI's long-term business plan. The Company acquired its 51% ownership interest in CCBPI in January 2013 and continues to integrate CCBPI into its global operations using the equity method of accounting, and currently believes that the underlying exercise price of the call option is out of the money. The Level 3 fair value of the Company's put option related to its 51% ownership interest approximates zero as its exercise price as defined in the contract adjusts proportionately to the underlying fair value of CCBPI.

20.8 Net effects of expired contracts that met hedging criteria

Impact in Consolidated				
Type of Derivatives	Income Statement	2013	2012	2011
Interest rate swaps	Interest expense	Ps. 105	Ps. 147	Ps. 120
Forward agreements to purchase foreign currency	Foreign exchange	(1,591)		
Option to purchase foreign currency	Cost of goods sold	(9)		
Forward agreements to purchase foreign currency	Cost of goods sold	(22)		
Commodity price contracts	Cost of goods sold	362	(6)	(257)

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Table of Contents**20.9 Net effect of changes in fair value of derivative financial instruments that did not meet the hedging criteria for accounting purposes****Impact in Consolidated**

Type of Derivatives	Income Statement	2013	2012	2011
Forward agreements to purchase foreign currency	Market value gain (loss) on financial instruments	Ps. (20)	Ps. 30	Ps. (6)
Cross-currency swaps	Market value gain (loss) on financial instruments	66		(95)

20.10 Net effect of expired contracts that did not meet the hedging criteria for accounting purposes**Impact in Consolidated**

Type of Derivatives	Income Statement	2013	2012	2011
Options to purchase foreign currency	Cost of goods sold	Ps.	Ps. (1)	Ps.
Cross-currency swaps	Market value gain (loss) on financial instruments		(43)	239

20.11 Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and commodity prices. The Company enters into a variety of derivative financial instruments to manage its exposure to foreign currency risk, interest rates risk and commodity prices risk including:

Forward Agreements to Purchase Foreign Currency in order to reduce its exposure to the risk of exchange rate fluctuations.

Interest Rate Swaps in order to reduce its exposure to the risk of interest rate fluctuations.

Cross-Currency Swaps in order to reduce its exposure to the risk of exchange rate fluctuations.

Commodity price contracts in order to reduce its exposure to the risk of fluctuation in the costs of certain raw materials.

The Company tracks the fair value (mark to market) of its derivative financial instruments and its possible changes using scenario analyses. The following disclosures provide a sensitivity analysis of the market risks, which the Company is exposed to as it relates to foreign exchange rates, interests rates and commodity prices, which it considers in its existing hedging strategy:

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	Change in U.S.\$ Rate	Effect on Equity	Effect on Profit or Loss
Forward Agreements to Purchase USD (BRL/USD)			
2013	(11%)	Ps. (67)	Ps.
2012	(11%)	Ps. (122)	Ps.
	Change in U.S.\$ Rate	Effect on Equity	Effect on Profit or Loss
Forward Agreements to Purchase USD (BRL/USD)			
2013	(13%)	Ps. (86)	Ps.
	Change in U.S.\$ Rate	Effect on Equity	Effect on Profit or Loss
Forward Agreements to Purchase USD (COP/USD)			
2013	(6%)	Ps. (19)	Ps.
	Change in U.S.\$ Rate	Effect on Equity	Effect on Profit or Loss
Options to Purchase Foreign Currency			
2012	(11%)	Ps. (82)	Ps.
	Change in Bps.	Effect on Equity	Effect on Profit or Loss
Interest Rate Swaps			
2013	(50 bps)	Ps. (16)	Ps.
2012	(50 bps)	Ps. (28)	Ps.
	Change in U.S.\$ Rate	Effect on Equity	Effect on Profit or Loss
Cross Currency Swaps (USD into MXN)			
2013	(11%)	Ps.	Ps. (392)
2012	(11%)	Ps.	Ps. (234)
	Change in U.S.\$ Rate	Effect on Equity	Effect on Profit or Loss
Cross Currency Swaps (USD into BRL)			
2013	(13%)	Ps.	Ps. (3,719)
2012		Ps.	Ps.
	Change in	Effect on	Effect on Profit or
Sugar Price Contracts			

	Sugar price	Equity	Loss
2013	(18%)	Ps. (298)	Ps.
2012	(30%)	Ps. (732)	Ps.
	Change in Aluminum price	Effect on Equity	Effect on Profit or Loss
Aluminum Price Contracts			
2013	(19%)	Ps. (36)	Ps.
2012	(20%)	Ps. (66)	Ps.

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Table of Contents***20.12 Interest rate risk***

The Company is exposed to interest rate risk because it and its subsidiaries borrow funds at both fixed and variable interest rates. The risk is managed by the Company by maintaining an appropriate mix between fixed and variable rate borrowings, and by the use of the different derivative financial instruments. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

The following disclosures provide a sensitivity analysis of the interest rate risks, management considered to be reasonably possible at the end of the reporting period, which the Company is exposed to as it relates to its fixed and floating rate borrowings, which considers its existing hedging strategy:

Interest Rate Risk	Change in U.S.\$ Rate	Effect on Profit or Loss
2013	+100 bps	Ps. (239)
2012	+100 bps	Ps. (74)
2011	+100 bps.	Ps. (92)

20.13 Liquidity risk

The Company's principal source of liquidity has generally been cash generated from its operations. A significant majority of the Company's sales are on a short-term credit basis. The Company has traditionally been able to rely on cash generated from operations to fund its capital requirements and its capital expenditures. The Company's working capital benefits from the fact that most of its sales are made on a cash basis, while it generally pays its suppliers on credit. In recent periods, the Company has mainly used cash generated operations to fund acquisitions. The Company has also used a combination of borrowings from Mexican and international banks and issuances in the Mexican and international capital markets to fund acquisitions.

Ultimate responsibility for liquidity risk management rests with the Company's board of directors, which has established an appropriate liquidity risk management framework for the evaluation of the Company's short-, medium- and long-term funding and liquidity requirements. The Company manages liquidity risk by maintaining adequate reserves and credit facilities, by continuously monitoring forecasted and actual cash flows and by maintaining a conservative debt maturity profile.

The Company has access to credit from national and international bank institutions in order to face treasury needs; besides, the Company has the highest rating for Mexican companies (AAA) given by independent rating agencies, allowing the Company to evaluate capital markets in case it needs resources.

As part of the Company's financing policy, management expects to continue financing its liquidity needs with cash from operations. Nonetheless, as a result of regulations in certain countries in which the Company operates, it may not be beneficial or, as in the case of exchange controls in Venezuela, practicable to remit cash generated in local operations to fund cash requirements in other countries. Exchange controls like those in Venezuela may also increase the real price of remitting cash from operations to fund debt requirements in other countries. In the event that cash from operations in these countries is not sufficient to fund future working capital requirements and capital expenditures, management may decide, or be required, to fund cash requirements in these countries through local borrowings rather than remitting funds another country. In addition, the Company's liquidity in Venezuela could be

affected by changes in the rules applicable to exchange rates as well as other regulations, such as exchange controls. In the future management may finance our working capital and capital expenditure needs with short-term or other borrowings.

The Company's management continuously evaluates opportunities to pursue acquisitions or engage in strategic transactions. The Company would expect to finance any significant future transactions with a combination of cash from operations, long-term indebtedness and capital stock.

See Note 18 for a disclosure of the Company's maturity dates associated with its non-current financial liabilities as of December 31, 2013.

The following table reflects all contractually fixed and variable pay-offs for settlement, repayments and interest resulting from recognized financial liabilities. It includes expected gross cash outflows from derivative financial liabilities that are in place as per December 31, 2013.

Such expected net cash outflows are determined based on each particular settlement date of an instrument. The amounts disclosed are undiscounted net cash outflows for the respective upcoming fiscal years, based on the earliest date on which the Company could be required to pay. Cash outflows for financial liabilities (including interest) without fixed amount or timing are based on economic conditions (like interest rates and foreign exchange rates) existing at December 31, 2013.

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(In millions of Ps)	2014	2015	2016	2017	2018	2019 and thereafter
Non-derivative financial liabilities:						
Notes and bonds	Ps. 1,971	Ps. 1,971	Ps. 4,407	Ps. 1,861	Ps. 14,937	Ps. 42,869
Loans from banks	3,800	3,646	1,678	72	4,366	43
Obligations under finance leases	274	240	202	168	89	87
Derivatives financial liabilities	95	26				

The Company generally makes payments associated with its non-current financial liabilities with cash generated from its operations.

20.14 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions is spread amongst approved counterparties.

The Company has a high receivable turnover; hence management believes credit risk is minimal due to the nature of its businesses, which have a large portion of their sales settled in cash.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Company manages the credit risk related to its derivative portfolio by only entering into transactions with reputable and credit-worthy counterparties as well as by maintaining a Credit Support Annex (CSA) that establishes margin requirements. As of December 31, 2013, the Company concluded that the maximum exposure to credit risk related with derivative financial instruments is not significant given the high credit rating of its counterparties.

Note 21. Non-Controlling Interest in Consolidated Subsidiaries

An analysis of Coca-Cola FEMSA's non-controlling interest in its consolidated subsidiaries for the years ended December 31, 2013, 2012 and 2011 is as follows:

	2013	2012	2011
Mexico	Ps. 3,309	Ps. 2,782	Ps. 2,568
Colombia	16	24	21
Brazil	717	373	464
	Ps. 4,042	Ps. 3,179	Ps. 3,053

The changes in the Coca-Cola FEMSA's non-controlling interest were as follows:

	2013	2012	2011
Balance at beginning of the year	Ps. 3,179	Ps. 3,053	Ps. 2,560
Net income of non controlling interest ⁽¹⁾	239	565	551
Exchange differences on translation of foreign operations	212	(307)	
Remeasurements of the net defined employee benefit liability	(7)	6	8
Valuation of the effective portion of derivative financial instruments, net of taxes	(44)	(22)	(30)
Acquisitions effects		(7)	(28)
Increase in shares of non-controlling interest	515		
Dividends paid	(52)	(109)	(8)
Balance at end of the year	Ps. 4,042	Ps. 3,179	Ps. 3,053

- (1) For the years ended at 2013, 2012 and 2011, the Company's net income allocated to non-controlling interest was Ps. 239, Ps. 565, and Ps. 551, respectively.

Table of Contents**Note 22. Equity****22.1 Equity accounts**

As of December 31, 2013, the capital stock of Coca-Cola FEMSA is represented by 2,072,922,229 common shares, with no par value. Fixed capital stock is Ps. 922 (nominal value) and variable capital is unlimited.

The characteristics of the common shares are as follows:

Series A and series D shares are ordinary, have unlimited voting rights, are subject to transfer restrictions, and at all times must represent a minimum of 75% of subscribed capital stock;

Series A shares may only be acquired by Mexican individuals and may not represent less than 51% of the ordinary shares.

Series D shares have no foreign ownership restrictions and may not represent more than 49% of the ordinary shares.

Series L shares have no foreign ownership restrictions and have limited voting rights and other corporate rights. As of December 31, 2013, 2012 and 2011, the number of each share series representing Coca-Cola FEMSA's capital stock is comprised as follows:

	Thousands of Shares		
Series of shares	2013	2012	2011
A	992,078	992,078	992,078
D	583,546	583,546	583,546
L	497,298	454,920	409,830
	2,072,922	2,030,544	1,985,454

The changes in the share are as follows:

	Thousands of Shares		
Series of shares	2013	2012	2011
Initial shares	2,030,544	1,985,454	1,846,530
Shares issuance	42,378	45,090	138,924

Final shares	2,072,922	2,030,544	1,985,454
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The net income of the Company is subject to the legal requirement that 5% thereof be transferred to a legal reserve until such reserve equals 20% of capital stock at nominal value. This reserve may not be distributed to shareholders during the existence of the Company. As of December 31, 2013, 2012 and 2011, this reserve is Ps. 164 for the three years.

Retained earnings and other reserves distributed as dividends, as well as the effects derived from capital reductions, are subject to income tax at the rate in effect at the date of distribution, except for restated shareholder contributions and distributions made from net consolidated taxable income, denominated Cuenta de Utilidad Fiscal Neta (CUFIN).

Dividends paid in excess of CUFIN are subject to income tax at a grossed-up rate based on the current statutory rate. Since 2003, this tax may be credited against the income tax of the year in which the dividends are paid, and in the following two years against the income tax and estimated tax payments. As of December 31, 2013, the Company's balances of CUFIN amounted to Ps. 22,276.

For the years ended December 31, 2013, 2012 and 2011 the dividends declared and paid per share by the Company are as follows:

Series of shares	2013	2012	2011
A	Ps. 2,877	Ps. 2,747	Ps. 2,341
D	1,692	1,617	1,377
L	1,381	1,260	640
	Ps. 5,950 ⁽¹⁾	Ps. 5,624	Ps. 4,358

- ⁽¹⁾ At an ordinary shareholders' meeting of Coca-Cola FEMSA held on March 5, 2013, the shareholders declared a dividend of Ps. 5,950 that was paid in May 2, 2013 and November 5, 2013. Represents a dividend of Ps. 2.90 per each ordinary share.

Table of Contents**22.2 Capital management**

The Company manages its capital to ensure that its subsidiaries will be able to continue as going concerns while maximizing the return to shareholders through the optimization of its debt and equity balance in order to obtain the lowest cost of capital available. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2013 and 2012.

The Company is not subject to any externally imposed capital requirements, other than the legal reserve and debt covenants (see Note 18 and Note 22.1).

The Company's finance committee reviews the capital structure of the Company on a quarterly basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. In conjunction with this objective, the Company seeks to maintain the highest achievable credit rating both nationally and internationally and is currently rated AAA in a national scale and A- in a global scale. To maintain the current ratings, the company has to at least stay at a debt to earnings before interest, taxes, depreciation and amortization (EBITDA) ratio of 2. A sustained increase above this level could result in a one notch downgrade. As a result, prior to entering into new business ventures, acquisitions or divestures, management evaluates the optimal ratio of debt to EBITDA in order to maintain its high credit rating.

Note 23. Earnings per Share

Basic earnings per share amounts are calculated by dividing consolidated net income for the year attributable to controlling interest by the weighted average number of shares outstanding during the period adjusted for the weighted average of own shares purchased in the period.

Basic earnings per share amounts are as follows:

	2013		
	Per Series A Shares	Per Series D Shares	Per Series L Shares
Consolidated net income	Ps. 5,685	Ps. 3,343	Ps. 2,754
Consolidated net income attributable to equity holders of the parent	5,569	3,276	2,698
Weighted average number of shares for basic earnings per share (millions of shares)	992	584	481
	2012		
	Per Series A Shares	Per Series D Shares	Per Series L Shares
Consolidated net income	Ps. 6,842	Ps. 4,025	Ps. 3,031

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Consolidated net income attributable to equity holders of the parent	6,564	3,861	2,908
Weighted average number of shares for basic earnings per share (millions of shares)	992	584	439
	Per Series A Shares	2011 Per Series D Shares	Per Series L Shares
Consolidated net income	Ps. 5,963	Ps. 3,507	Ps. 1,743
Consolidated net income attributable to equity holders of the parent	5,670	3,335	1,657
Weighted average number of shares for basic earnings per share (millions of shares)	992	584	290

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Table of Contents**Note 24. Income Taxes****24.1 Income Tax**

The major components of income tax expense for the years ended December 31, 2013, 2012 and 2011 are:

	2013	2012	2011
Current tax expense:			
Current year	Ps. 5,889	Ps. 5,371	Ps. 5,652
Deferred tax expense:			
Origination and reversal of temporary differences	(4)	606	7
(Benefit) utilization of tax losses recognized	(154)	297	8
Total deferred tax expense	(158)	903	15
Total income tax expense in consolidated net income	Ps. 5,731	Ps. 6,274	Ps. 5,667

2013	Mexico	Foreign	Total
Current tax expense:			
Current year	Ps. 2,949	Ps. 2,940	Ps. 5,889
Deferred tax expense:			
Origination and reversal of temporary differences	(311)	307	(4)
Benefit of tax losses recognized	(24)	(130)	(154)
Total deferred tax expense (benefit)	(335)	177	(158)
Total income tax expense in consolidated net income	Ps. 2,614	Ps. 3,117	Ps. 5,731

2012	Mexico	Foreign	Total
Current tax expense:			
Current year	Ps. 3,030	Ps. 2,341	Ps. 5,371
Deferred tax expense:			
Origination and reversal of temporary differences	(318)	924	606
Utilization of tax losses recognized	214	83	297
Total deferred tax expense (benefit)	(104)	1,007	903
Total income tax expense in consolidated net income	Ps. 2,926	Ps. 3,348	Ps. 6,274

2011	Mexico	Foreign	Total
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Current tax expense:			
Current year	Ps. 2,011	Ps. 3,641	Ps. 5,652
Deferred tax expense:			
Origination and reversal of temporary differences	(132)	139	7
Utilization/(benefit) of tax losses recognized	(32)	40	8
Total deferred tax expense (benefit)	(164)	179	15
Total income tax expense in consolidated net income	Ps. 1,847	Ps. 3,820	Ps. 5,667

Recognized in Consolidated Statement of Other Comprehensive Income (OCI)

Income tax related to items charged or recognized directly in OCI during the year:	2013	2012	2011
Unrealized gain on cash flow hedges	Ps. (147)	Ps. (95)	Ps. (15)
Unrealized gain on available for sale securities	(1)	(2)	3
Remeasurements of the net defined benefit liability	(75)	(62)	3
Total income tax recognized in OCI	Ps. (223)	Ps. (159)	Ps. (9)

Table of Contents**Balance of income tax of Other Comprehensive Income (OCI) as of:**

Income tax related to items charged or recognized directly in OCI as of year end:	2013	2012	2011
Unrealized gain on derivative financial instruments	Ps. (208)	Ps. (67)	Ps. 28
Unrealized gain on available for sale securities		1	2
Comprehensive income to be reclassified to profit or loss in subsequent periods	(208)	(66)	30
Re-measurements of the net defined benefit liability	(196)	(120)	(59)
Balance of income tax in OCI	Ps. (404)	Ps. (186)	(29)

A reconciliation between tax expense and income before income taxes and share of the profit or loss of associates and joint ventures accounted for using the equity method multiplied by the Mexican domestic tax rate for the years ended December 31, 2013, 2012 and 2011 is as follows:

	2013	2012	2011
Mexican statutory income tax rate	30%	30%	30%
Income tax from prior years	(0.96)	(0.75)	0.48
Loss (gain) on monetary position for subsidiaries in hyperinflationary economies	0.68		(0.11)
Annual inflation tax adjustment	0.05	0.24	0.99
Non-deductible expenses	0.77	0.61	0.97
Non-taxable income	(0.19)	(0.24)	(0.46)
Income taxed at a rate other than the Mexican statutory rate	1.85	1.59	2.31
Effect of restatement of tax values	(1.39)	(1.04)	(0.99)
Effect of change in statutory rate	(0.21)	0.14	(0.03)
Effect of changes in Mexican Tax Law	0.48		
Other	2.19	0.67	0.52
	33.27%	31.22%	33.68%

Deferred income tax

An analysis of the temporary differences giving rise to deferred income tax liabilities (assets) is as follows:

Consolidated Statement of Financial Position	Consolidated Statement of Financial Position as of		Consolidated Income Statement		
	2013	2012	2013	2012	2011
Allowance for doubtful accounts	Ps. (127)	Ps. (109)	Ps. (8)	Ps. (14)	Ps. (21)

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Inventories	31	18	22	76	(86)
Prepaid expenses	106	(10)	108	(118)	77
Property, plant and equipment, net	920	821	(537)	(53)	148
Investments in associates companies and joint ventures		(3)	3	7	(3)
Other assets	(160)	(304)	110	584	(116)
Finite useful lived intangible assets	223	112	111	(34)	53
Indefinite useful lived intangible assets	227	61	166	46	39
Post-employment and other non-current employee benefits	(255)	(308)	48	26	(32)
Derivative financial instruments	13	(12)	19	(14)	(5)
Contingencies	(851)	(620)	(109)	91	(8)
Employee profit sharing payable	(164)	(146)	(12)	(9)	(32)
Tax loss carryforwards	(178)	(24)	(154)	297	8
Cumulative other comprehensive income	(404)	(186)			
Other liabilities	180	113	75	18	(7)
Deferred tax expense (income)			Ps. (158)	Ps. 903	Ps. 15
Deferred tax, asset	Ps. (1,326)	Ps. (1,576)			
Deferred tax, liability	887	979			
Deferred income taxes, net	Ps. (439)	Ps. (597)			

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The changes in the balance of the net deferred income tax liability are as follows:

	2013	2012	2011
Balance at beginning of the year	Ps. (597)	Ps. (1,238)	Ps. (1,469)
Deferred tax provision for the year	(121)	876	20
Change in the statutory rate	(37)	27	(5)
Acquisition of subsidiaries, see Note 4	491	(77)	218
Effects in equity:			
Unrealized gain on derivative financial instruments	(147)	(95)	(17)
Unrealized gain on available for sale securities	(1)	(2)	5
Cumulative translation adjustment	(2)	(17)	
Remeasurements of the net defined benefit liability	(75)	(62)	3
Restatement effect of beginning balances associated with foreign exchanges effects	50	(9)	7
Balance at end of the year	Ps. (439)	Ps. (597)	Ps. (1,238)

The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes levied by the same tax authority.

Tax Loss Carryforwards

The subsidiaries in Mexico and Brazil have tax loss carryforwards. The tax losses carryforwards and their years of expiration are as follows:

	Tax Loss Carryforwards
2014	Ps.
2015	
2017	2
2018	1
2020	
2022 and thereafter	108
No expiration (Brazil)	426
	Ps. 537

NOLS in Brazil have no expiration, but their usage is Limited to 30% of Brazilian taxable income in any given year.

The changes in the balance of tax loss carryforwards are as follows:

	2013	2012	2011
Balance at beginning of the year	Ps. 75	Ps. 1,087	Ps. 1,094
Increase	641	852	121
Usage of tax losses	(177)	(1,813)	(154)
Translation effect of beginning balances	(2)	(51)	26
Balance at end of the year	Ps. 537	Ps. 75	Ps. 1,087

There were no withholding taxes associated with the payment of dividends in either 2013, 2012 or 2011 by the Company to its shareholders.

The Company has determined that undistributed profits of its subsidiaries, joint ventures or associates will not be distributed in the foreseeable future. The temporary differences associated with investments in subsidiaries, associates and joint ventures that have not been recognized, aggregate to December 31, 2013: Ps. 8,852, December 31, 2012: Ps. 7,501 and, December 31, 2011: Ps. 6,157.

On January 1, 2013 an amendment to the Mexican income tax law became effective. The most important effects in the Company involve changes in the income tax rate, which shall be of 30% in 2013.

In Colombia, the tax reform (Law 1607) was enacted on December 26, 2012 and took effect during fiscal year 2013. The main changes in this legislation include a reduction in the corporate tax rate from 33% to 25% and the introduction of a new income tax (CREE tax) of 9%

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of taxable income (taxable base) and 8% starting 2016. Tax losses and excess presumptive income, among other items, may not be applied against the CREE tax base. The payable tax for a taxpayer in a given year is the higher of CREE or income tax computed under the Colombian income tax law.

24.2 Other taxes

The operations in Guatemala, Nicaragua, Colombia and Argentina are subject to a minimum tax, which is based primary on a percentage of assets. Any payments are recoverable in future years, under certain conditions.

24.3 Tax Reform

On January 1, 2014, the Mexican Tax Reform was effective. The most important changes are described as follows: New withholding tax of 10 % on dividends and / or earnings generated in 2014 and beyond; New taxes of 1 Mexican peso per liter on the sale of flavored beverages with added sugar; the tax on cash deposits (IDE) and the Business Flat Tax (IETU) are eliminated; the income tax deduction of exempt payroll items for workers is limited to 53%; and the income tax rate remains at 30 % for 2014 and subsequent years. Management is still in the process of evaluating the impact that these tax law changes might have on its business.

Note 25. Other Liabilities, Provisions and Commitments**25.1 Other current financial liabilities**

	2013	2012
Sundry creditors	Ps. 1,439	Ps. 1,071
Derivative financial instruments	304	200
Total	Ps. 1,743	Ps. 1,271

25.2 Provisions and other liabilities

	2013	2012
Provisions	Ps. 4,479	Ps. 2,134
Taxes payable	253	244
Other	802	929
Total	Ps. 5,534	Ps. 3,307

25.3 Other non-current financial liabilities

	2013	2012
Derivative financial instruments	Ps. 1,121	Ps. 208
Security deposits	142	268

Total	Ps. 1,263	Ps. 476
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25.4 Provisions recorded in the consolidated statement of financial position

The Company has various loss contingencies, and has recorded reserves as other liabilities for those legal proceedings for which it believes an unfavorable resolution is probable. The following table presents the nature and amount of the loss contingencies recorded as of December 31, 2013 and 2012:

	2013	2012
Taxes	Ps. 3,147	Ps. 921
Labor	1,021	934
Legal	311	279
Total	Ps. 4,479	Ps. 2,134

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Table of Contents**25.5. Changes in the balance of provisions recorded****25.5.1 Taxes**

	2013	2012	2011
Balance at beginning of the year	Ps. 921	Ps. 925	Ps. 799
Penalties and other charges	1	107	16
New contingencies	217		7
Cancellation and expiration	(5)	(124)	(42)
Contingencies added in business combinations	2,108	117	170
Payments	(31)	(15)	(102)
Restatement of the beginning balance of subsidiaries in hyperinflationary economies	(64)	(89)	77
Balance at end of the year	Ps. 3,147	Ps. 921	Ps. 925

25.5.2 Labor

	2013	2012	2011
Balance at beginning of the year	Ps. 934	Ps. 1,128	Ps. 1,134
Penalties and other charges	139	189	105
New contingencies	187	134	122
Cancellation and expiration	(226)	(359)	(261)
Contingencies added in business combinations	114	15	8
Payments	(69)	(91)	(71)
Restatement of the beginning balance of subsidiaries in hyperinflationary economies	(58)	(82)	91
Balance at end of the year	Ps. 1,021	Ps. 934	Ps. 1,128

A roll forward for legal contingencies is not disclosed because the amounts are not considered to be material.

While provision for all claims has already been made, the actual outcome of the disputes and the timing of the resolution cannot be estimated by the Company at this time.

25.6 Unsettled lawsuits

The Company has entered into several proceedings with its labor unions, tax authorities and other parties that primarily involve Coca-Cola FEMSA and its subsidiaries. These proceedings have resulted in the ordinary course of business and are common to the industry in which the Company operates. Such contingencies were classified by the Company as less than probable, the estimated amount as of December 31, 2013 of these lawsuits is Ps. 15,793, however, the Company believes that the ultimate resolution of such proceedings will not have a material effect on its consolidated financial position or result of operations.

In recent years in its Mexican and Brazilian territories, Coca-Cola FEMSA has been requested to present certain information regarding possible monopolistic practices. These requests are commonly generated in the ordinary course of business in the soft drink industry where this subsidiary operates. The Company does not expect any material liability to arise from these contingencies.

25.7 Collateralize contingencies

As is customary in Brazil, the Company has been required by the tax authorities there to collateralize tax contingencies currently in litigation amounting to Ps. 2,248, Ps. 2,164 and Ps. 2,418 as of December 31, 2013, 2012 and 2011, respectively, by pledging fixed assets and entering into available lines of credit covering the contingencies.

25.8 Commitments

As of December 31, 2013, the Company has contractual commitments for financing leases for machinery and transport equipment and operating leases for the rental of production machinery and equipment, distribution and computer equipment.

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The contractual maturities of the operating leases commitments by currency, expressed in Mexican pesos as of December 31, 2013, are as follows:

	Mexican pesos	U.S. dollars	Other
Not later than 1 year	Ps. 211	Ps. 65	Ps. 76
Later than 1 year and not later than 5 years	801	257	84
Later than 5 years	439	128	6
Total	Ps. 1,451	Ps. 450	Ps. 166

Rental expense charged to consolidated net income was Ps. 949, Ps. 1,019 and Ps. 850 for the years ended December 31, 2013, 2012 and 2011, respectively.

Future minimum lease payments under finance leases with the present value of the net minimum lease payments are as follows:

	2013 Minimum payments	Present value of payments	2012 Minimum payments	Present value of payments
Not later than 1 year	Ps. 278	Ps. 237	Ps. 195	Ps. 189
Later than 1 year and not later than 5 years	775	717	8	7
Later than 5 years	4	5		
Total minimum lease payments	1,057	959	203	196
Less amount representing finance charges	98		7	
Present value of minimum lease payments	Ps. 959		Ps. 196	

The Company has firm commitments for the purchase of property, plant and equipment of Ps. 1,828 as December 31, 2013.

25.9 Restructuring provision

Coca-Cola FEMSA recorded a restructuring provision. This provision relates principally to reorganization in the structure of the Company. The restructuring plan was drawn up and announced to the employees of the Company in 2011 when the provision was recognized in its consolidated financial statements. The restructuring of the Company was completed by 2013.

	2013	2012	2011
Balance at beginning of the year	Ps. 90	Ps. 153	Ps. 230
New	179	191	46

Payments	(234)	(254)	(74)
Cancellation	(35)		(49)
Balance at end of the year	Ps.	Ps. 90	Ps. 153

Note 26. Information by Segment

The Company's Chief Operating Decision Maker (CODM) is the Chief Executive Officer. The Company aggregated operating segments into the following reporting segments for the purposes of its consolidated financial statements: (i) Mexico and Central America division (comprising the following countries: Mexico (including corporate operations), Guatemala, Nicaragua, Costa Rica and Panama) and (ii) the South America division (comprising the following countries: Brazil, Argentina, Colombia and Venezuela). Venezuela operates in an economy with exchange control and hyper-inflation; and as a result, IAS 29, "Financial Reporting in Hyperinflationary Economies" does not allow its aggregation into the South America segment and (iii) the Asian division comprised of the Company's equity method investment in CCBPI (Philippines) which was acquired in January 2013 (see Note 10). The Company is of the view that the quantitative and qualitative aspects of the aggregated operating segments are similar in nature for all periods presented.

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Segment disclosure for the Company's consolidated operations is as follows:

	Mexico and Central America⁽¹⁾	South America⁽²⁾	Venezuela	Consolidated
2013				
Total revenues	Ps. 70,679	Ps. 53,774	Ps. 31,558	Ps. 156,011
Intercompany revenue	3,186			3,186
Gross profit	34,941	22,374	15,620	72,935
Income before income taxes and share of the profit or loss of associates and joint ventures accounted for using the equity method	9,089	4,622	3,513	17,224
Depreciation and amortization ⁽³⁾	3,806	2,285	1,041	7,132
Non cash items other than depreciation and amortization ⁽³⁾	(72)	(133)	217	12
Equity in earnings of associated companies and joint ventures	239	49	1	289
Total assets	121,685	72,451	22,529	216,665
Investments in associate companies and joint ventures	14,251	2,516		16,767
Total liabilities	72,077	19,255	8,180	99,512
Capital expenditures, net ⁽⁴⁾	5,287	4,447	1,969	11,703

	Mexico and Central America⁽¹⁾	South America⁽²⁾	Venezuela	Consolidated
2012				
Total revenues	Ps. 66,141	Ps. 54,821	Ps. 26,777	Ps. 147,739
Intercompany revenue	2,876	4,008		6,884
Gross profit	31,643	23,667	13,320	68,630
Income before income taxes and share of the profit or loss of associates and joint ventures accounted for using the equity method	9,578	7,353	3,061	19,992
Depreciation and amortization ⁽³⁾	3,037	1,906	749	5,692
Non cash items other than depreciation and amortization ⁽³⁾	15	150	110	275
Equity in earnings of associated companies and joint ventures	55	125		180
Total assets	108,768	40,046	17,289	166,103
Investments in associate companies and joint ventures	4,002	1,349	1	5,352
Total liabilities	42,387	13,161	5,727	61,275
Capital expenditures, net ⁽⁴⁾	5,350	3,878	1,031	10,259

	Mexico and Central America⁽¹⁾	South America⁽²⁾	Venezuela	Consolidated
2011				
Total revenues	Ps. 51,662	Ps. 51,451	Ps. 20,111	Ps. 123,224

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Intercompany revenue	2,105	3,920		6,025
Gross profit	24,576	22,205	9,750	56,531
Income before income taxes and share of the profit or loss of associates and joint ventures accounted for using the equity method	7,279	6,912	2,603	16,794
Depreciation and amortization	2,053	1,623	543	4,219
Non-cash items other than depreciation and amortization ⁽³⁾	64	442	106	612
Equity in earnings of associated companies and joint ventures	(15)	101		86
Total assets	86,497	42,550	12,691	141,738
Investments in associate companies and joint ventures	2,217	1,438	1	3,656
Total liabilities	32,123	13,074	3,460	48,657
Capital expenditures, net ⁽⁴⁾	4,120	3,109	633	7,862

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- (1) Central America includes Guatemala, Nicaragua, Costa Rica and Panama. Domestic (Mexico only) revenues were Ps. 62,364, Ps. 57,945 and Ps. 44,560 during the years ended December 31, 2013, 2012 and 2011, respectively. Domestic (Mexico only) total assets were Ps. 114,254, Ps. 101,635 and Ps. 79,283 as of December 31, 2013, 2012 and 2011, respectively. Domestic (Mexico only) total liabilities were Ps. 70,805, Ps. 40,661 and Ps. 30,418 as of December 31, 2013, 2012 and 2011, respectively.
- (2) South America includes Brazil, Argentina, Colombia and Venezuela, although Venezuela is shown separately above. South America revenues include Brazilian revenues of Ps. 30,265, Ps. 30,578 and Ps. 31,131 during the years ended December 31, 2013, 2012 and 2011, respectively. Brazilian total assets were Ps. 53,441, Ps. 21,955 and Ps. 26,060 as of December 31, 2013, 2012 and 2011, respectively. Brazilian total liabilities Ps. 12,484, Ps. 6,544 and Ps. 6,478 as of December 31, 2013, 2012 and 2011, respectively. South America revenues also include Colombian revenues of Ps. 12,780, Ps. 13,973 and Ps. 11,921 during the years ended December 31, 2013, 2012 and 2011, respectively. Colombian total assets were Ps. 15,512, Ps. 14,557 and Ps. 13,166 as of December 31, 2013, 2012 and 2011, respectively. Colombian total liabilities were Ps. 3,974, Ps. 3,885 and Ps. 3,794 as of December 31, 2013, 2012 and 2011, respectively. South America revenues also include Argentine revenues of Ps. 10,729, Ps. 10,270 and Ps. 8,399 during the years ended December 31, 2013, 2012 and 2011, respectively. Argentine total assets were Ps. 3,498, Ps. 3,534 and Ps. 3,324 as of December 31, 2013, 2012 and 2011, respectively. Argentine total liabilities were Ps. 2,797, Ps. 2,732 and Ps. 2,802 as of December 31, 2013, 2012 and 2011, respectively.
- (3) Includes foreign exchange loss, net; gain on monetary position, net; and market value (gain) loss on financial instruments.
- (4) Includes acquisitions and disposals of property, plant and equipment, intangible assets and other long-lived assets.
- (5) The Asian division consists of the 51% equity investment in CCBPI (Philippines) which was acquired in 2013, and is accounted for using the equity method of accounting (see Note 10). The equity in earnings of the Asian division were Ps. 108 in 2013 and are presented as part of the Company's corporate operations in 2013 and thus disclosed net in the table above as part of the equity in earnings of associated companies in the Mexico & Central America division, as is the equity method investment in CCBPI Ps. 9,398. However, the Asian division represents a separate reporting segment under IFRS 8 and is represented by the following investee level amounts, prior to reflection of the Company's 51% equity interest in the accompanying consolidated financial statements: revenues Ps. 13,438, gross profit Ps. 4,285, income before income taxes Ps. 310, depreciation and amortization Ps. 1,229, total assets Ps. 17,232, total liabilities Ps. 4,488, capital expenditures Ps. 1,889.

Note 27. Future Impact of Recently Issued Accounting Standards not yet in Effect:

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective as of December 31, 2013.

IFRS 9, Financial Instruments issued in November 2009 and amended in October 2010, introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. The standard requires all recognized financial assets that are within the scope of IAS 39, Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at FVTPL) attributable to changes in the

credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was recognized in profit or loss.

IFRS 9, *Financial Instruments* issued in November 2013, introduces a new chapter on hedge accounting, putting in place a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. As well, permits an entity to apply only the requirements introduced in IFRS 9 (2010) for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss without applying the other requirements of IFRS 9, meaning the portion of the change in fair value related to changes in the entity's own credit risk can be presented in other comprehensive income rather than within profit or loss.

As IFRS 9 (2013) removes the mandatory effective date of IFRS 9 (2013), IFRS 9 (2010) and IFRS 9 (2009), leaving the effective date open pending the finalization of the impairment and classification and measurement requirements, the Company has decided that the adoption of this standard will take place until IFRS 9 is completed. It is not practicable to provide a reasonable estimate of the effect of IFRS 9 until these phases have been concluded in their final version to be issued.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities, clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realization and settlement". The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014, with retrospective application required. This standard has not been early adopted by the Company. The Company has yet to complete its evaluation, of whether this standard will have a material impact on its consolidated financial statements.

Amendments to IAS 36 Impairment of Assets, reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. The amendments to IAS 36 are effective for annual periods beginning on or after January 1, 2014. This standard has not been early adopted by the Company. The Company has yet to complete its evaluation, of whether this standard will have a material impact on its consolidated financial statements.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement clarify that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty (CCP) must happen as a consequence of laws or regulations or the introduction of laws or regulations. This standard has not been early adopted by the Company. The Company has yet to complete its evaluation, of whether this standard will have a material impact on its consolidated financial statements.

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Annual Improvements 2010-2012 Cycle makes amendments to: IFRS 2 Share-based payment, by amending the definitions of vesting condition and market condition, and adding definitions for performance condition and service condition; IFRS 3 Business combinations, which require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date; IFRS 8 Operating segments, requiring disclosure of the judgments made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly; IFRS 13 Fair value measurement, clarifying that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only); IAS 16 Property, plant and equipment and IAS 38 Intangible assets clarifying that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount; and IAS 24 Related party Disclosures, clarifying how payments to entities providing management services are to be disclosed. These improvements are applicable to annual periods beginning on or after July 1, 2014. This standard has not been early adopted by the Company. The Company has yet to complete its evaluation, of whether this standard will have a material impact on its consolidated financial statements.

Annual Improvements 2011-2013 Cycle makes amendments to the following applicable standards to the Company: IFRS 3 clarifying that the standard excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; IFRS 13, clarifying the scope of the portfolio exception of paragraph 52, which permits an entity to measure the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position for a particular risk exposure or to transfer a net short position for a particular risk exposure in an orderly transaction between market participants at the measurement date under current market conditions. These improvements are applicable to annual periods beginning on or after July 1, 2014. This standard has not been early adopted by the Company. The Company has yet to complete its evaluation, of whether this standard will have a material impact on its consolidated financial statements.

IFRIC 21 Levies, provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides guidance on recognition of a liability to pay levies, where the liability is recognized progressively if the obligating event occurs over a period of time; and if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. This interpretation is effective for accounting periods beginning on or after January 1, 2014, with early adoption permitted. The Company has not early adopted this IFRIC. This standard has not been early adopted by the Company. The Company has yet to complete its evaluation, of whether this standard will have a material impact on its consolidated financial statements.

Note 28. Supplemental Guarantor Information**Consolidating Condensed Financial Information**

The following consolidating information presents consolidating condensed statements of financial position as of December 31, 2013 and 2012 and condensed consolidating statements of income, other comprehensive income and cash flows for each of the three years in the period ended December 31, 2013, 2012 and 2011 of the Company and Propimex, Comercializadora la Pureza de Bebidas, S. de R.L. de C.V., Controladora Interamericana de Bebidas, S. de R.L. de C.V., Grupo Embotellador CIMSA, S. de R.L. de C.V., Refrescos Victoria del Centro, S. de R.L. de C.V.,

Servicios Integrados Inmuebles del Golfo, S. de R.L. de C.V. and Yoli de Acapulco, S.A. de C.V. (the Guarantors).

These statements are prepared in accordance with IFRS, as issued by the IASB, with the exception that the subsidiaries are accounted for as investments under the equity method rather than being consolidated. The guarantees of the Guarantors are full and unconditional.

The Company's consolidating condensed financial information for the (i) Company; (ii) its 100% owned guarantors subsidiaries (on standalone basis), which are wholly and unconditional guarantors under both prior years debt and current year debt referred to as Senior Notes in Note 18; (iii) the combined non-guarantor subsidiaries; iv) eliminations and v) the Company's consolidated financial statements are as follows:

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	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
<i>Consolidated Statement of Financial Position</i>					
<i>As of December 31, 2013</i>					
Assets:					
Current assets:					
Cash and cash equivalents	Ps. 5,485	Ps. 1,220	Ps. 8,601	Ps.	Ps. 15,306
Accounts receivable, net	46,093	16,155	24,552	(76,842)	9,958
Inventories		3,740	5,390		9,130
Recoverable taxes	305	1,142	2,673		4,120
Other current assets and financial assets	47	427	4,243		4,717
Total current assets	51,930	22,684	45,459	(76,842)	43,231
Non-current assets:					
Investments in associates and joint ventures	93,089	57,404	14,032	(147,758)	16,767
Property, plant and equipment, net		17,043	34,742		51,785
Intangible assets, net	29,348	38,020	31,606		98,974
Other non-current assets and financial assets	1,107	6,385	3,619	(5,203)	5,908
Total non-current assets	123,544	118,852	83,999	(152,961)	173,434
Total assets	Ps. 175,474	Ps. 141,536	Ps. 129,458	Ps. (229,803)	Ps. 216,665
Liabilities:					
Current liabilities:					
Short-term bank loans and notes payable and current portion of non-current debt	Ps. 1,679	Ps.	Ps. 2,231	Ps.	Ps. 3,910
Suppliers	16	3,146	13,058		16,220
Other current liabilities and financial liabilities	5,038	75,941	8,131	(76,842)	12,268
Total current liabilities	6,733	79,087	23,420	(76,842)	32,398
Non-current liabilities:					
Bank loans and notes payable	55,384		1,491		56,875
Other non-current liabilities	246	1,137	14,059	(5,203)	10,239
Total non-current liabilities	55,630	1,137	15,550	(5,203)	67,114

Total liabilities	62,363	80,224	38,970	(82,045)	99,512
Equity:					
Equity attributable to equity holders of the Parent	113,111	61,312	86,446	(147,758)	113,111
Non-controlling interest in consolidated subsidiaries			4,042		4,042
Total equity	113,111	61,312	90,488	(147,758)	117,153
Total liabilities and equity	Ps. 175,474	Ps. 141,536	Ps. 129,458	Ps. (229,803)	Ps. 216,665

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	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
<i>Consolidated Statement of Financial Position</i>					
<i>As of December 31, 2012</i>					
Assets:					
Current assets:					
Cash and cash equivalents	Ps. 14,394	Ps. 981	Ps. 7,847	Ps.	Ps. 23,222
Marketable securities			12		12
Accounts receivable, net	17,306	22,335	43,436	(73,748)	9,329
Inventories		3,885	4,218		8,103
Recoverable taxes	1	1,671	1,001		2,673
Other current assets and financial assets	32	236	2,290		2,558
Total current assets	31,733	29,108	58,804	(73,748)	45,897
Non-current assets:					
Investments in associates and joint ventures	105,837	41,152	3,446	(145,083)	5,352
Property, plant and equipment, net		15,239	27,278		42,517
Intangible assets, net	21,712	38,262	7,039		67,013
Other non-current assets and financial assets	880	954	3,490		5,324
Total non-current assets	128,429	95,607	41,253	(145,083)	120,206
Total assets	Ps. 160,162	Ps. 124,715	Ps. 100,057	(218,831)	166,103
Liabilities:					
Current liabilities:					
Short-term bank loans and notes payable and current portion of non-current debt	Ps. 4,548	Ps.	Ps. 785	Ps.	5,333
Suppliers	14	3,060	11,147		14,221
Other current liabilities	30,340	44,728	8,676	(73,748)	9,996
Total current liabilities	34,902	47,788	20,608	(73,748)	29,550
Non-current liabilities:					
Bank loans and notes payable	23,372		1,403		24,775
Other non-current liabilities	239	945	5,766		6,950
Total non-current liabilities	23,611	945	7,169		31,725

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Total liabilities	58,513	48,733	27,777	(73,748)	61,275
Equity:					
Equity attributable to equity holders of the parent	101,649	75,982	69,101	(145,083)	101,649
Non-controlling interest in consolidated subsidiaries			3,179		3,179
Total equity	101,649	75,982	72,280	(145,083)	104,828
Total liabilities and equity	Ps. 160,162	Ps. 124,715	Ps. 100,057	Ps. (218,831)	Ps. 166,103

	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
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Condensed consolidating income statements:

For the year ended December 31, 2013

Total revenues	Ps.	Ps.	62,750	Ps.	109,054	Ps.	(15,793)	Ps.	156,011	
Cost of goods sold			30,398		53,779		(1,101)		83,076	
Gross profit			32,352		55,275		(14,692)		72,935	
Administrative expenses		111	8,459		6,504		(8,587)		6,487	
Selling expenses			16,293		34,640		(6,105)		44,828	
Other (income) expenses, net		(3)	107		519				623	
Interest expense (income), net		353	2,744		(410)				2,687	
Foreign exchange loss, net		(160)	(98)		(481)				(739)	
Other financing revenues (cost), net		82	(26)		(403)				(347)	
Income taxes		75	1,896		3,760				5,731	
Share of the profit of subsidiaries, associates and joint ventures accounted for using the equity method, net of taxes		12,157	5,528		216		(17,612)		289	
Consolidated net income	Ps.	11,543	Ps.	8,257	Ps.	9,594	Ps.	(17,612)	Ps.	11,782
Attributable to:										
Equity holders of the parent	Ps.	11,543	Ps.	8,257	Ps.	9,355	Ps.	(17,612)	Ps.	11,543
Non-controlling interest						239				239
Consolidated net income	Ps.	11,543	Ps.	8,257	Ps.	9,594	Ps.	(17,612)	Ps.	11,782

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	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
<i>Condensed consolidating income statements:</i>					
<i>For the year ended December 31, 2012</i>					
Total revenues	Ps. 14	Ps. 58,087	Ps. 106,885	Ps. (17,247)	Ps. 147,739
Cost of goods sold		29,460	53,125	(3,476)	79,109
Gross profit	14	28,627	53,760	(13,771)	68,630
Administrative expenses	166	7,378	5,875	(7,202)	6,217
Selling expenses		14,001	32,791	(6,569)	40,223
Other expenses, net	46	198	708		952
Interest (income) expense, net	(85)	2,669	(1,053)		1,531
Foreign exchange gain (loss), net	424	(55)	(97)		272
Other financing revenues (cost), net	32	(19)			13
Income taxes	269	1,961	4,044		6,274
Share of the profit of subsidiaries, associates and joint ventures accounted for using the equity method, net of taxes	13,259	7,642	156	(20,877)	180
Consolidated net income	Ps. 13,333	Ps. 9,988	Ps. 11,454	Ps. (20,877)	Ps. 13,898
Attributable to:					
Equity holders of the parent	Ps. 13,333	Ps. 9,988	Ps. 10,889	Ps. (20,877)	Ps. 13,333
Non-controlling interest			565		565
Consolidated net income	Ps. 13,333	Ps. 9,988	Ps. 11,454	Ps. (20,877)	Ps. 13,898
<i>Condensed consolidating income statements:</i>					
<i>For the year ended December 31, 2011</i>					
Total revenues	Ps. 13	Ps. 44,479	Ps. 92,846	Ps. (14,114)	Ps. 123,224
Cost of goods sold		22,798	44,982	(1,087)	66,693
Gross profit	13	21,681	47,864	(13,027)	56,531
Administrative expenses	146	6,263	5,015	(6,284)	5,140
Selling expenses		10,578	28,258	(6,743)	32,093
Other (income) expenses, net	(15)	67	1,323		1,375
Interest (income) expense, net	(242)	2,266	(911)		1,113
Foreign exchange (loss) gain, net	(480)	(49)	590		61

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Other financing (cost) revenues, net	(144)	7	60	(77)
Income taxes	(51)	945	4,773	5,667
Share of the profit of subsidiaries, associates and joint ventures accounted for using the equity method, net of taxes	11,111	6,811	97	(17,933)
Consolidated net income	Ps. 10,662	Ps. 8,331	Ps. 10,153	Ps. (17,933)
Consolidated net income	Ps. 11,213			
Attributable to:				
Equity holders of the parent	Ps. 10,662	Ps. 8,331	Ps. 9,602	Ps. (17,933)
Non-controlling interest			551	551
Consolidated net income	Ps. 10,662	Ps. 8,331	Ps. 10,153	Ps. (17,933)
Consolidated net income	Ps. 11,213			

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	Parent	Wholly-owned guarantors Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated Total
<i>Condensed consolidating statements of comprehensive income</i>					
<i>For the year ended December 31, 2013</i>					
Consolidated net income	Ps. 11,543	Ps. 8,257	Ps. 9,594	Ps. (17,612)	Ps. 11,782
Other comprehensive income:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Unrealized gain on available-for sale securities, net of taxes			(2)		(2)
Valuation of the effective portion of derivative financial instruments, net of taxes	(279)	(220)	(256)	476	(279)
Exchange differences on translation of foreign operations	(1,618)	(1,455)	(110)	1,618	(1,565)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:	(1,897)	(1,675)	(368)	2,094	(1,846)
Items not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of the net defined benefit liability, net of taxes	(145)	(131)	(146)	277	(145)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods:	(145)	(131)	(146)	277	(145)
Total comprehensive (loss) income, net of tax	(2,042)	(1,806)	(514)	2,371	(1,991)
Consolidated comprehensive income for the year, net of tax	Ps. 9,501	Ps. 6,451	Ps. 9,080	Ps. (15,241)	Ps. 9,791
Attributable to:					
Equity holders of the parent	Ps. 9,501	Ps. 6,451	Ps. 8,680	Ps. (15,241)	Ps. 9,391
Non-controlling interest			400		400

Consolidated comprehensive income for
the year, net of tax

Ps. 9,501 Ps. 6,451 Ps. 9,080 Ps. (15,241) Ps. 9,791

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	Parent	Wholly-owned Guarantors Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated Total
<i>Condensed consolidating statements of comprehensive income</i>					
<i>For the year ended December 31, 2012</i>					
Consolidated net income	Ps. 13,333	Ps. 9,988	Ps. 11,454	Ps. (20,877)	Ps. 13,898
Other comprehensive income:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Unrealized gain on available-for sale securities, net of taxes	(2)		(2)	2	(2)
Valuation of the effective portion of derivative financial instruments, net of taxes	(179)	(292)	(166)	436	(201)
Exchange differences on translation of foreign operations	(2,055)	(6,264)	(2,361)	8,319	(2,361)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:	(2,236)	(6,556)	(2,529)	8,757	(2,564)
Items not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of the net defined benefit liability, net of taxes	(131)	(25)	(145)	176	(125)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods:	(131)	(25)	(145)	176	(125)
Total comprehensive (loss) income, net of tax	(2,367)	(6,581)	(2,674)	8,933	(2,689)
Consolidated comprehensive income for the year, net of tax	Ps. 10,966	Ps. 3,407	Ps. 8,780	Ps. (11,944)	Ps. 11,209
Attributable to:					
Equity holders of the parent	Ps. 10,966	Ps. 3,407	Ps. 8,538	Ps. (11,944)	Ps. 10,967
Non-controlling interest			242		242
	Ps. 10,966	Ps. 3,407	Ps. 8,780	Ps. (11,944)	Ps. 11,209

Consolidated comprehensive income
for the year, net of tax

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	Parent	Wholly-owned Guarantors Subsidiaries	Combined Non-guarantor Subsidiaries	Eliminations	Consolidated Total
<i>Condensed consolidating statements of comprehensive income</i>					
<i>For the year ended December 31, 2011</i>					
Consolidated net income	Ps. 10,662	Ps. 8,331	Ps. 10,153	Ps. (17,933)	Ps. 11,213
Other comprehensive income:					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Unrealized gain on available-for sale securities, net of taxes	4		4	(4)	4
Valuation of the effective portion of derivative financial instruments, net of taxes	27	212	(171)	(71)	(3)
Exchange differences on translation of foreign operations	4,073	2,268	1,805	(4,073)	4,073
Net other comprehensive income to be reclassified to profit or loss in subsequent periods:	4,104	2,480	1,638	(4,148)	4,074
Items not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of the net defined benefit liability, net of taxes	(14)	(135)	(9)	152	(6)
Net other comprehensive income not being reclassified to profit or loss in subsequent periods:	(14)	(135)	(9)	152	(6)
Total comprehensive (loss) income, net of tax	4,090	2,345	1,629	(3,996)	4,068
Consolidated comprehensive income for the year, net of tax	Ps. 14,752	Ps. 10,676	Ps. 11,782	Ps. (21,929)	Ps. 15,281
Attributable to:					
Equity holders of the parent	Ps. 14,752	Ps. 10,676	Ps. 11,253	Ps. (21,929)	Ps. 14,752
Non-controlling interest			529		529
	Ps. 14,752	Ps. 10,676	Ps. 11,782	Ps. (21,929)	Ps. 15,281

Consolidated comprehensive income
for the year, net of tax

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	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
<i>Condensed Consolidated Statements of Cash Flows For the year ended December 31, 2013</i>					
Cash flows from operating activities:					
Income before income taxes	Ps. 11,618	Ps. 10,153	Ps. 13,354	Ps. (17,612)	Ps. 17,513
Non-cash items	(13,719)	(1,420)	5,699	20,604	11,164
Changes in working capital	(358)	2,211	(8,433)		(6,580)
Net cash flows from operating activities	(2,459)	10,944	10,620	2,992	22,097
Investing activities:					
Acquisitions	(1,078)	46	(36,621)		(37,653)
Interest received	3,524	1,940	(827)	(3,983)	654
Acquisition of long-lived assets, net		(3,302)	(7,118)		(10,420)
Acquisition of intangible assets and other investing activities	(53,740)	(214)	60,168	(8,205)	(1,991)
Investments in shares	684	(12,581)	11,826		(71)
Dividends received	23,372	1,115		(24,487)	
Net cash flows (used in)/from investing activities	(27,238)	(12,996)	27,428	(36,675)	(49,481)
Financing activities:					
Proceeds from borrowings	61,752		4,996		66,748
Repayment of borrowings	(32,567)		(4,177)		(36,744)
Interest paid	(1,538)	(3,358)	(1,414)	3,982	(2,328)
Dividends paid	(5,950)	(20,986)	(3,553)	24,487	(6,002)
Acquisition of non-controlling interests			515		515
Other financing activities	(268)	26,672	(30,301)	5,214	1,317
Net cash flows from / (used in) financing activities	21,429	2,328	(33,934)	33,683	23,506
Net increase (decrease) in cash and cash equivalents	(8,268)	276	4,114		(3,878)
Initial balance of cash and cash equivalents	14,394	981	7,847		23,222
Effects of exchange rate changes and inflation effects on the balance sheet of cash held in foreign currencies	(641)	(37)	(3,360)		(4,038)
	Ps. 5,485	Ps. 1,220	Ps. 8,601	Ps.	Ps. 15,306

**Ending balance of cash and cash
equivalents**

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	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
<i>Condensed Consolidated Statements of Cash Flows For the year ended December 31, 2012</i>					
Cash flows from operating activities:					
Income before income taxes	Ps. 13,602	Ps. 11,949	Ps. 15,498	Ps. (20,877)	Ps. 20,172
Non-cash items	(13,854)	(2,758)	424	23,640	7,452
Changes in working capital	(32)	(3,083)	(859)		(3,974)
Net cash flows from operating activities	(284)	6,108	15,063	2,763	23,650
Investing activities:					
Acquisitions	(1,221)	87	20		(1,114)
Proceeds from the sale of marketable securities			273		273
Interest received	1,993	517	4,791	(6,877)	424
Acquisition of long-lived assets, net		(3,278)	(6,170)		(9,448)
Acquisition of intangible assets and other investing activities		6,735	(4,353)	(3,037)	(655)
Investments in shares	29	(65)	(433)		(469)
Dividends received	5,085	1,569		(6,654)	
Net cash flows (used in)/from investing activities	5,886	5,565	(5,872)	(16,568)	(10,989)
Financing activities:					
Proceeds from borrowings	11,837		4,592		16,429
Repayment of borrowings	(3,394)	(40)	(5,030)		(8,464)
Interest paid	(1,761)	(3,382)	(3,428)	6,877	(1,694)
Dividends paid	(5,625)	(4,838)	(1,925)	6,654	(5,734)
Acquisition of non-controlling interests			(6)		(6)
Other financing activities	3,623	(3,083)	(1,285)	274	(471)
Net cash flows from / (used in) financing activities	4,680	(11,343)	(7,082)	13,805	60
Net increase in cash and cash equivalents	10,282	330	2,109		12,721
Initial balance of cash and cash equivalents	4,046	676	7,121		11,843
Effects of exchange rate changes and inflation effects on the balance sheet	66	(25)	(1,383)		(1,342)

of cash held in foreign currencies

**Ending balance of cash and cash
equivalents**

Ps. 14,394

Ps.

981

Ps.

7,847

Ps.

Ps. 23,222

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	Parent	Wholly-owned Guarantors Subsidiaries	Combined non-guarantor Subsidiaries	Eliminations	Consolidated Total
<i>Condensed Consolidated Statements of</i>					
<i>Cash Flows For the year ended December 31,</i>					
<i>2011</i>					
Cash flows from operating activities:					
Income before income taxes	Ps. 10,611	Ps. 9,276	Ps. 14,926	Ps. (17,933)	Ps. 16,880
Non-cash items	(10,726)	(3,224)	(650)	20,370	5,770
Changes in working capital	(27)	(2,804)	(5,926)		(8,757)
Net cash flows (used in)/from operating activities	(142)	3,248	8,350	2,437	13,893
Investing activities:					
Acquisitions	(4,326)	(3,478)	3,478		(4,326)
Purchase of marketable securities			(326)		(326)
Interest received	2,195	608	4,902	(7,066)	639
Acquisition of long-lived assets, net		(2,262)	(4,218)		(6,480)
Acquisition of intangible assets and other investing activities	(671)	5,231	(1,453)	(4,191)	(1,084)
Investments in shares	(4,327)	(5,259)	755	8,211	(620)
Dividends received	3,605	926		(4,531)	
Net cash flows (used in)/from investing activities	(3,524)	(4,234)	3,138	(7,577)	(12,197)
Financing activities:					
Proceeds from borrowings	5,000		1,934		6,934
Repayment of borrowings			(2,733)		(2,733)
Interest paid	(939)	(2,955)	(4,752)	7,066	(1,580)
Dividends paid	(4,359)	(3,186)	(1,352)	4,531	(4,366)
Acquisition of non-controlling interests			(115)		(115)
Proceeds from issue of share capital		4,344	3,867	(8,211)	

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Other financing activities	989	2,965	(6,920)	1,754	(1,212)
Net cash flows (used in)/from financing activities	691	1,168	(10,071)	5,140	(3,072)
Net (decrease) increase in cash and cash equivalents	(2,975)	182	1,417		(1,376)
Initial balance of cash and cash equivalents	6,620	396	5,126		12,142
Effects of exchange rate changes and inflation effects on the balance sheet of cash held in foreign currencies	401	98	578		1,077
Ending balance of cash and cash equivalents	Ps. 4,046	Ps. 676	Ps. 7,121	Ps.	Ps. 11,843

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Table of Contents**Note 29. Subsequent Events**

On January 13, 2014 the Company issued a U.S. dollar-denominated 10-year bonds and 30-year bonds that were placed on November 19, 2013 (the Original Senior Notes) in the international capital markets, to increase the total principal amount to U.S.\$2.5 billion (in three tranches), placing an additional US \$150 million for 10-year bonds at a yield of US Treasury +107 basis points, with a coupon of 3.875%; and an additional US\$200 million for 30-year bonds at a yield of US Treasury +122 basis points, with a coupon of 5.250% (the Additional Senior Notes). The Company's 10-year bonds now have an aggregate principal amount of US \$900 million and 30-year bonds now have an aggregate principal amount of US \$600 million. The Additional Senior Notes have the same CUSIP and the same coupon as the respective Original Senior Notes. The Additional Senior Notes have the same CUSIP and the same coupon as the respective Original Senior Notes. These notes are guaranteed by the Guarantors Subsidiaries.

As of the end of January, 2014, the exchange rate of the Argentine peso registered a devaluation of approximately 20% with the U.S. dollar. As a result of this devaluation, the balance sheet of the Company's subsidiary could reflect a reduction in shareholders' equity during 2014. As of December 31, 2013 our foreign direct investment in Argentina, using the exchange rate of ARS 6.38 per U.S. dollar, was Ps. 945 million.

In January 2014, the Venezuelan government announced that certain transactions, such as payment of services and payments related to foreign investments in Venezuela, must be settled at an alternative exchange rate determined by the state-run system known as the *Sistema Complementario de Administración de Divisas*, or SICAD. The SICAD determines this alternative exchange rate based on limited periodic sales of U.S. dollars through auctions. The exchange rate based on the most recent SICAD auction, held on April 4, 2014, and in effect as of April 7, 2014, was 10.00 bolivars to US\$1.00. Imports of the Company's raw materials into Venezuela qualify as transactions that may be settled using the official exchange rate of 6.30 bolivars to US\$1.00, thus, the Company will continue to account for these transactions using such official exchange rate. The Company will recognize in the cumulative translation account in its consolidated financial statements as of March 31, 2014 a reduction in equity as a result of the valuation of its net investment in Venezuela at the SICAD exchange rate (10.70 bolivars to US\$1.00 as of March 31, 2014). As of December 31, 2013, the Company's foreign direct investment in Venezuela was Ps.13,788 million (at the official exchange rate of 6.30 bolivars per US\$1.00). In addition, in March 2014, the Venezuelan government enacted a new law that authorizes an additional method (known as SICAD II) of exchanging Venezuelan bolivars to U.S. dollars at rates other than the current official exchange and the existing SICAD rates, for any transaction other than those described above. As of April 4, 2014, the SICAD II exchange rate was 49.04 bolivars to US\$1.00.

In February 2014, the Company prepaid in full the following Bank loans denominated in pesos: i) Ps. 250 (nominal amount) with a maturity date in 2015, ii) Ps. 1,000 (nominal amount) with a maturity date in 2015, iii) Ps. 375 (nominal amount) with a maturity date in 2015, iv) Ps. 1,100 (nominal amount) with a maturity date in 2014 and v) Ps. 1,450 (nominal amount) with a maturity date in 2015.

On March 6, 2014, the Company's Board of Directors approved the payment of a cash dividend in the amount of Ps. 6,011 or the equivalent of Ps. 2.90 per share, to be paid in two equal installments as of May 2, 2014 and November 5, 2014.